



Mae'r ddogfen hon ar gael yn Gymraeg yn ogystal â Saesneg.

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**Minutes of the Joint Audit Committee**  
**Tuesday 22<sup>nd</sup> March 2016 @ 10:00 am**  
**Strategic Command Centre, Police Headquarters**

**Present:** Mr Alasdair Kenwright )  
Mr Gawain Evans )  
Mr Malcolm MacDonald ) Members of Joint Audit Committee  
Mrs Ann Williams )

**In attendance:**

Christopher Salmon – Police & Crime Commissioner (PCC)  
Simon Prince - Chief Constable (CC)  
Helen Morgan-Howard – Temporary Chief of Staff, OPCC (CoS)  
Jayne Woods – Chief Finance Officer, OPCC (CFO)  
Edwin Harries – Director of Finance (DoF)  
Adrian Williams – Director of Resources (DoR)  
John Herniman – Engagement Director, WAO (JH)  
Jason Garcia – Audit Manager, WAO (JG)  
Jonathan Maddocks – Client Manager TIAA (JM)  
Sarah Welsby – Force Accountant (Observer)  
Tony Joslin – HMIC (Observer)  
Mark Pickering - Arlingclose  
Anne Williams – Support Officer, OPCC

AMSK opened the meeting.

At the last meeting it was agreed to liaise with Welsh Government for advice on a matter of potential conflict of interest in Gawain Evans remaining as Chair of the Joint Audit Committee (JAC) following his recent promotion to a new role within Welsh Government. The CFO obtained advice from the Director of Governance at the Welsh Government who established that the risk of potential conflict of interest was not sufficient to necessitate Mr Evans to step down as Chair of JAC and that the benefits outweighed the risks. All JAC members had been consulted and all agreed and it was formally recorded that following due advice Mr Gawain Evans be confirmed as Chair of JAC.

**Decision: That Mr Gawain Evans be confirmed as Chair of the Joint Audit Committee.**

**A30 Apologies for absence**

Apologies for absence was received from Vicky Davies Head of Audit TIAA.

**A31 Declarations of interest**

There were no declarations of interest.

**A32 To confirm the minutes of the meeting held on 9<sup>th</sup> December 2015**

The minutes were agreed as an accurate record of the meeting.

### **A33 Matters arising**

It had been agreed that a process whereby a substitute member of JAC be invited to represent the Chair in his absence at meetings of the Corporate Governance Group.

**Action: That a process of representation at Corporate Governance Group meetings be implemented in advance of the next Corporate Governance Group meeting scheduled for 26<sup>th</sup> May 2016.**

### **Matters for decision**

#### **A34 To consider the external auditor's draft Audit Plan for 2016/17, to include the associated audit fees.**

JG referred to the report, most of which was standard information. Under the section on financial statements audit risks, JG referred to how the Police & Crime Commissioner elections in May could impact on the production and audit of key documents during the year. Work by representatives from the four Welsh Police Forces was already in progress to identify jointly controlled operations which required disclosure under the Financial Code of Practice. Early discussions had been held to agree correct accounting entries in the 2015-16 financial statements for the termination of the Ammanford Police Station PFI.

WAO had seen a reduction in their work on performance audit as HMIC had taken over certain elements of responsibility for this area.

JG drew attention to Appendix 2 of the report which set out specific questions required to give an audit opinion on value for money arrangements. An assessment was based on detail collected from the work of Internal Audit and HMIC.

The estimated audit fee for 2016 was comparable to the actual fee charged in the 2015-16 annual Audit letter.

In relation to risk, MM questioned the appropriateness and value to members in seeing the accounting treatment considered in the PFI asset acquisition transaction. JG confirmed that WAO were currently addressing a proposal from the Force on how to accurately account for this transaction with a conclusion expected well in advance of the next meeting of JAC. MM was happy for the data to be shared with Members when available.

**ACTION: that data pertaining to the PFI asset acquisition be circulated to Members when available.**

Whilst appreciating that the audit fee costs had not increased for 2016, the PCC stressed that fees in Wales were higher in comparison to England, and restated the desire to see audit costs being reduced.

WAO noted this request and briefly referred to legislation and requirements in Wales and to WAO's fees structure when outsourcing work to different bodies.

MM referred to last year's difficulties in relation to the production of the accounts and questioned whether any discussion had taken place as a result of those difficulties. MM also questioned whether any preparatory work in terms of changes within the accounts had been undertaken.

JG confirmed that staff from the Force had been in attendance at a recent workshop to discuss lessons learned from last year's audit; resulting in a devised audit deliverables document. Accountants from all Forces had also attended a session around collaboration work and a good position was noted in relation to ongoing work.

In relation to earlier closure of accounts and the earlier completion of a draft statement of accounts, the DoF emphasised that a lot of work had been undertaken within the team to assign individuals with responsibility for each specific area.

The Chair questioned a target date for the signature of accounts. The DoF confirmed the 30<sup>th</sup> June as a date for signing the draft accounts and that the date for the audit had not changed. However, this year would act as a test for early closing and outcomes would be reported back in due course.

JG confirmed the faster closure schedule demanded for Police Forces in Wales with 2015/16 and 2016/17 set for incremental improvements with a full practice run in 2017/18.

In relation to early closure of accounts, JH confirmed arrangements of good practice and WAO's work on an All Wales basis. JH agreed that an incremental approach was the way forward and thus avoiding the potential risks of introducing changes over one year.

**Decision: Members of the Joint Audit Committee agreed the External Auditor's Draft Audit Plan for 2016/17, including the associated audit fees.**

### **A35 To consider the Treasury Management Strategy**

The CFO introduced the report. The Treasury Management Strategy Statement (TMSS) is an annual statement presented before the start of each financial year. The TMSS met the requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice for Treasury Management in Public Services and included the Annual Investment Strategy which was a requirement of the Welsh Government's Investment Guidance.

The CFO informed Members that Arlingclose, Treasury Management Advisors, carried out a review of Dyfed-Powys's position; a draft copy of which was included under Appendix E within the report. A final copy of the review was available, which included one amendment with reference to Welsh Government and appropriate guidance in Wales as a replacement to DCLG. The guidance specifically recommended that Dyfed-Powys apply the capital reserves to reduce the capital financing requirement going forward, which impacts on the minimal revenue provision in the accounts each year.

The CFO welcomed Mr Mark Pickering from Arlingclose to provide a background in terms of the economic environment and the general principles advised to Dyfed-Powys when setting the strategy.

The CFO highlighted specific sections within the report.

In response to a question by MM, Mr Pickering briefed Members on the use of foreign institutions for the deposit of funds.

In relation to the issue of MRP and the use of reserves to reduce the CFR, WAO had no issue with the general principle and it was WAO's intention to respond formally on certain aspects of this.

The PCC questioned Arlingclose as to whether the mechanism on CFR was used by other public bodies in England and Wales. Mark Pickering outlined what CFR entailed.

A discussion ensued regarding the early payment of debts and penalties involved through early payment. The CFO confirmed that a review undertaken a few years previously resulted in an opinion that early payment of debt was not economically viable.

**Members of the Joint Audit Committee noted the Treasury Management Strategy Statement for 2016/17.**

**A36 To consider the Reserves Policy**

The Reserves and Balances Policy had been reviewed and updated. The CFO proposed one change specifically to provide clarity around the ability to apply Capital Reserves against the CFR. The CFO proposed that the Reserves and Balances Policy be reviewed annually and only presented to JAC when changes are advised.

JH made reference to text under Paragraph 9.2 within the report in relation to a District Audit recommendation. Following discussion with the CFO Members agreed to take out the relevant minimum and maximum recommended percentage and questioned the correct percentage rate figure. The CFO together with WAO provided further clarity on the position in Dyfed-Powys in relation to level of earmarked and general reserves.

**Decision: The JAC approved the revised Reserves and Balances Policy for approval and adoption as the Commissioner deemed**

**necessary dependant on the deletion of text within Paragraph 9.2.**

**That the Reserves and Balances Policy only be presented to JAC when changes are proposed. In instances where no changes are proposed, it was agreed that an agenda item to note that the Policy had been reviewed would suffice and that this decision apply to all Policies reviewed annually.**

**A37 To consider the Capital Strategy for 2016/17 to 2019/20**

The Capital Strategy had been reviewed and sets out the principles that underpin the production of the Police and Crime Commissioner's forward capital programme. It sets out key expenditure intended for the forthcoming years. The CFO highlighted a specific estates programme underway with the further digitalisation of policing services and the upgrading of related infrastructure technology.

The CFO referred to Appendix A which lists projects that make up the capital programme over the next four years. Further information on the Estates projects are listed under Appendix B and C. The CFO outlined the specific projects and programmes of work which covered two strands of the estates work over coming years. The provision of a custody facility for Carmarthenshire was under Appendix B. Figures within Appendix C referred to other strands of the estates projects of work which included the refurbishment of estates by County.

The DoF referred to the vehicle replacement programme and the significance of replacing cars at the most economical time in relation to costs and procurement arrangements. The digital policing programme was an ambitious programme building on work accomplished on Mobile Data in the saving of operational Police Officer time. Following this success Mobile Data was being rolled out to PCSOs. A successful trial on Body Worn Video resulted in the procurement of that element. The DoF also referred to the benefits of the Telematics programme and ESMCP to which the Force were looking to implement over coming years.

MM questioned involvement with any other national projects besides airwave. The DoF confirmed no other projects in relation to Capital Expenditure. The DoF referred to ongoing work nationally through the Police ICT company and ongoing collaborative work with Southern and Welsh forces to look at custody and other collaborative ventures.

The CFO provided clarification in response to a question from JH on the risk element where reserves are used to pay off CFR and questioned additional funds available.

**The Joint Audit Committee noted the Capital Strategy 2016/17 - 2019/20.**

**A38 To consider a re-draft of the Corporate Governance Framework**

The Corporate Governance Framework (CGF) is reviewed annually to ensure that the framework is fit for purpose. Due to the commencement of the second term of Police & Crime Commissioner in May and the imminent recruitment of a new Chief Constable, the Corporate Governance Group considered it appropriate to carry out a high level review of the existing framework before the start of 2016/17 and to carry out a more comprehensive review when a new Chief Constable had taken office. This was to allow for the new combination of corporation soles to discuss and reflect in the CGF the governance structures they wish to see in place during their tenures.

The CFO referred to the two proposed amendments to the CGF for 2016/17.

**Decision: The Joint Audit Committee approved the two proposed amendments to the Corporate Governance Framework as laid out in the executive summary.**

**Action: that a comprehensive review of the Framework be undertaken early in the second term of office for a Police & Crime Commissioner and after the appointment of a new Chief Constable.**

## **Matters for scrutiny**

### **A39 To consider the Internal Auditor's Charter**

The Internal Auditor Charter provides a formal document that defines the purpose of internal audit activity, its authority and its responsibility. JM highlighted key aspects within the document.

A typo was noted within the Charter where the organisation was referred to as a 'Trust'.

**Action: That TIAA amend the document to include the appropriate wording.**

**Decision: The Joint Audit Committee considered the Internal Auditors' Charter subject to the referred amendment.**

### **A40 To consider the progress report of the Internal Auditors (SICA)**

Seven audits had been carried out and completed since the previous meeting of JAC.

There had been no changes to the Annual Plan 2015/16 other than slight changes to timings to date. Due to the delayed completion of the Business Continuity Plan management had requested that the review of Business Continuity rescheduled to Quarter 4 be deferred until Quarter 1 2016/17, and the time used for a review of Recruitment and Retention arrangements. Whilst two outstanding reports on the

review of Leases and Recruitment and Retention arrangements were expected. Work had been delivered to plan and undertaken in the required timescales.

JM referred to progress on a Priority 1 recommendation in relation to Business Continuity Planning and a revised completion date of 31<sup>st</sup> March 2016 with the prospect of a slight delay.

In response to a question on the date of the last review of Disaster and Recovery Plan, the DoF referred to an exercise carried out in November 2013 with a plan to test arrangements in place in April/May 2016.

**The Joint Audit Committee noted the progress report of the Internal Auditors.**

**A41 To consider the reports of the Internal Auditors**

**a) Assurance Review of ICT – use of Social Media**

The review considered the arrangements for staff and corporate use of social media. The review awarded reasonable assurance with two Priority 2 recommendations, both accepted by management. An update on the implementation of the recommendation was provided.

**b) Assurance Review of Joint Firearms Unit**

The review considered the arrangements for providing effective governance arrangements in the Joint Firearms Unit. The review awarded reasonable assurance and JM highlighted one Priority 2 recommendation on the budget for the Joint Firearms Unit 2016-17 to be set more accurately in terms of operational cost requirements. JM provided an explanation in relation to accurately determining the budget. The DoF confirmed the Dyfed-Powys budget element and the financial monitoring process for the Joint Firearms Unit.

In response to questions from the PCC, JM stated that the same review had been carried out at all three Forces and briefly explained how the budget had been determined. The DoF provided clarification on the budget underspend figure and agreed funding arrangements.

In discussing the review of assets and ammunition, the PCC questioned the implications of recording the butt numbers rather than recording the serial numbers. JM provided an explanation and maintained that discrepancies caused confusion in the logs as opposed to difficulties and assured Members that nothing was missing in the process.

MM questioned whether any discussions had taken place regarding the lateness in the flow of financial information from the collaborative projects when processing and finalising the accounts. The CFO confirmed that workshops had taken place this year to avoid recurring issues.



### **c) Assurance Review of Risk Management – Embedding**

The review considered arrangements to integrate risk management into business planning and the internal controls assurance framework. The review awarded reasonable assurance with five routine priority 3 recommendations, all of which were accepted by management. There were no areas for concern hence AMSK questioned why the review had only been awarded reasonable assurance in view of only routine recommendations being given.

MM questioned an area of compliance in relation to updated Risk Registers being presented to JAC as developments had taken place since the last presentation. Risk Registers formed part of a standing item on agendas, however it was noted that the last review of the Risk Registers was presented to Committee in September 2015. MM observed it helpful for Risk Registers to be presented at the same time as the Internal Audit programme.

**ACTION: that updated Risk Registers be presented to the next JAC scheduled for 21<sup>st</sup> June 2016.**

### **d) Assurance Review of Budgetary Control**

The review considered the budget preparation process, the monitoring arrangements, and reporting to the board. The review awarded substantial assurance and it was pleasing to note continuity in the finance department as last year's review had also awarded substantial assurance.

### **e) Assurance Review of Utility Payments**

The review considered the arrangements for authorising utility payments and the monitoring of usage. The review awarded reasonable assurance with one Priority 2 recommendation in relation to contracts for utilities being centralised in terms of the national framework in order to ensure force benefits. This recommendation was recognised and the DoR confirmed that the work had been completed and that the Force had centralised the management of utilities. All other Priority 3 recommendations had been accepted and implemented.

### **f) Assurance Review of Use of Procurement Cards**

The aim of the review was to consider the arrangements for issuing procurement cards, approval and authorisation of purchases and the arrangements to prevent unauthorised use. The review awarded reasonable assurance with four priority 2 recommendations and four routine Priority 3 recommendations. A review of the statements and invoices held revealed that cardholders had failed to submit a large number of statements. A sample test also revealed that a large number of statements were lacking cardholder initials and line manager's signatures of approval. All cardholders were reminded that invoices of expenditure over £1,000 must be paid through Accounts Payable, and transactions must be reviewed and

coded in a timely manner to identify any possible fraudulent transactions and to ensure accurate budgetary control. Reference was made to routine recommendations on transactions likely to occur surcharges. Management did not agree with this recommendation and JM provided clarification on the ideology behind the process. All priority 2 recommendations had been implemented.

#### **g) Assurance Review of Debtors**

The review considered the raising of debtor accounts, collection of income, receipting, storage and banking of income received by the organisation. The review awarded reasonable assurance with four priority 2 recommendations and two priority 3 recommendations. Last year's review had been awarded limited assurance therefore it was significant to recognise improvements made under compliance and processes being carried out in a timelier manner. The Debt Recovery and Write Off Procedures had been updated to reflect current arrangements under revised Financial Procedures 3.5 and 3.6. JM provided an explanation on the recommendation where licences relating to telephone masts incorporating an annual Retail Price Index increase should be renewed as soon as possible to prevent further lost revenue to the Force. This was a historical situation with many of the licences having expired and renewed but never signed and returned despite attempts of follow-up. The issue of expired licences was identified as a loophole and Legal Services had advised for these licences to be renewed prior to 1<sup>st</sup> April 2016 to avoid another year of lost revenue. Prior to licences being renewed an equipment audit needs had to be undertaken on each mast. This was a time consuming process and MM queried the end date of 31<sup>st</sup> March 2017 for implementation. The DoR referred to the timing issue involved and the necessity for completion of work by the end of the financial year. This was a progressive piece of work which was likely to take until the financial year end 2017 with reassurance to Members that this work would be progressed at speed.

**Decision: The Joint Audit Committee noted the Internal Audit Reports.**

#### **A42 To consider the Annual Internal Audit Plan for 2016/17**

JM summarised the Annual Plan which sets out planned reviews, planned times and scope for each of the reviews. Under Annex A, JM highlighted a slight change in terms of the Plan approved last year and the introduction of a rationale of the reviews, the agreed dates and the number of allocated days for each review. Appendix B sets out the Rolling Strategic Plan for future years.

AMSK questioned the three days quoted for liaison with WAO and whether three days was sufficient time to cover the necessary engagement.

In relation to a question by MM on key work on systems, JH confirmed International Audit Standards' specification on the reliance work on internal audit.

The CFO referred to the Commissioner's fund which was due for audit and asked whether commissioned services could be looked at as a whole rather than just as a fund. This was agreed.

The PCC referred to ICT Cyber Security and ICT Data Assurance and questioned the merit in assessing them separately as opposed to together. The CFO alluded to them being split as the audit would be too long and difficult for IT workload. The DoF confirmed that two separate assurances were being sought on how data was managed with partners. The CC endorsed similarities and distinct elements and recommended that dates of the reviews be brought closer. JM agreed to liaise with the ICT auditor.

With regard to the review, the PCC observed that emphasis be directed to how the Force safely and effectively share information rather than to how the Force protects its information. JM agreed to build this into the scope.

**DECISION: Members agreed the content and noted the report on the Annual Internal Audit Plan 2016/17.**

**A43 To receive an update on HMIC activity**

The DoR highlighted the report. A Force HMIC Inspection & Review team had been created to deal with all HMIC activity. The team led by Chief Inspector Jon Cummins was in the process of implementing a governance structure around HMIC Inspections.

The DoR alluded to future inspections within the 2016/17 Force Inspection Programme and highlighted major inspections carried out; all in their final report status.

The PEEL inspection on Efficiency reported an overall judgement where improvement was required. All recommendations for improvement had been addressed and completed. It was noted that a Spending Wisely programme would address any future financial challenges.

HMIC's PEEL Leadership inspection assessed leadership across the Force. All points raised within the Leadership Statement had been captured and progressed within an Action Plan owned by the DCC.

The PEEL inspection on Vulnerability reported areas for improvement; again suggestions had been addressed and captured on an Action Plan owned by a Det Supt.

The three areas highlighted for improvement in a report on PEEL Effectiveness were being addressed and progressed through an Action Plan owned by the ACC and progressed by a Chief Supt.

Six areas for improvement were highlighted in the report on PEEL Legitimacy; again being addressed through an Action Plan and owned by the ACC.

In terms of Action Plans, the Chair questioned timescales for the referred Action Plans. The CC clarified that recommendations within Action Plans came with a recommended timescale set by the Force.

In relation to PEEL Legitimacy and areas for improvement, the Chair questioned whether all six recommendations were in relation to the Code of Ethics. The DoR agreed to review the specifics and following examination it was established that three recommendations covered ethics/leadership, one covered use of the National Decision-making Model and two covered the use of stop and search.

**The Committee noted the information on HMIC activity.**

**A44 To receive the Minutes of the Corporate Governance Group meeting 3<sup>rd</sup> March 2016**

The DoF highlighted key areas within the minutes. TIAA provided the Group with an overview of the Board Assurance Framework; a document which brought together risk, assurance and performance in relation to each strategic objective which assisted in good governance. Work was ongoing on the re-draft of Annual Governance Statement following receipt of new draft guidance and matters which may have an impact on corporate governance arrangements were discussed.

In terms of TIAA's presentation on the Board Assurance Framework MM made an observation in relation to a Board to which the DoF provided clarity. MM questioned work being carried out by CIPFA SOLACE on Annual Governance statement and it's pertinence in the financial year. The CFO was of the opinion that it was for 16/17 but agreed to make enquiries and confirm in due course. JH alluded to it being a process rather than an event. The DoF made reference to other useful CIPFA documents.

A minor typo raised in the minutes was noted.

**ACTION: The CFO to make enquiries in relation to guidelines on the Annual Governance Statement and report back findings in due course.**

**DECISION: The Committee noted the minutes of the Corporate Governance Group meeting held on 3<sup>rd</sup> March 2016.**

**A45 Any other business**

In response to a request by the PCC the CC agreed to update the PCC and Members on matters relating to the Chief Officer team.

**The meeting closed at 11.55am  
The next meeting was scheduled for 21<sup>st</sup> June 2016**