
JOINT AUDIT COMMITTEE (JAC)

**Minutes from public
meeting held on
28 June 2019**



**JOINT AUDIT COMMITTEE
PUBLIC MINUTES**

Notes of the meeting held on Friday, 28th June 2019
Meeting Room LH G2
Lloyd House, Colmore Circus, B4 6NQ

Present:

Sue Davis	- Chair
Christine Barve	- Vice Chair
Mark Kenyon	- Chief Finance Officer - PCC
Lynn Joyce	- Head of Internal Audit - PCC
Gurinder Singh Josan	- Strategic Policing and Crime Board (SPCB) Member
Ernie Hendricks	- Strategic Policing and Crime Board (SPCB) Member
Neil Chamberlain	- Director of Commercial Services - WMP
Davinder Jagpal	- AD Finance – WMP
Abi Preston	- Senior Accountant – WMP
Kath Holder	- Organisational Learning and Risk Manager – WMP
Janey Barrett	- Insurance and Risk Manager - WMP
Emily Mayne	- Engagement Manager, Grant Thornton

Plus note taker, webcaster & an observer

378	<p>Item 1 - Apologies Apologies were received from Jonathan Jardine, OPCC Chief Executive, DCC Louisa Rolfe, Dr Cath Hannon, SPCB Board Member and Paul Grady, Grant Thornton.</p> <p>The Chair advised that Waheed Saleem has recently been appointed as Assistant Police and Crime Commissioner and is no longer a JAC board member. It is not the Commissioner's intention to replace him. The Chair confirmed that she is satisfied with the proposal, but it did mean the Committee is more dependent on members attending.</p>
379	<p>Item 2 - Declarations of Interest There were no declared interests.</p>
380	<p>Item 3 – Minutes of the last meeting Public and private minutes were agreed as accurate records of proceedings.</p>
381	<p>Item 4 - Matters Arising There were no matters arising.</p>
382	<p>Item 5 – HMICFRS Update (includes HMICFRS Integrated PEEL Assessment) <i>Presented by Kath Holder</i> The report was circulated in advance of the meeting and therefore only highlights were outlined:</p> <ul style="list-style-type: none"> • The Integrated PEEL Assessment (IPA) round 1 is now concluding and HMICFRS are going to take some time to reflect with a view to carrying out some review work. • It is not expected that another inspection will take place until early 2020, although the Force may still be subject to some thematic inspections.

- Since the update was written, notification has been received that a Counter Terrorism (CT) inspection will commence on 18 November 2019.
- An IPA report has been received since the last JAC meeting. The findings were very positive overall with grades either being maintained or improved upon.

- Ernie Hendricks queried why there was no narrative around 'Meeting current demand and using resources' which was shown in the table.

Kath Holder confirmed this was because there was no inspection of that area this year. Following consultation with the Force, the decision was taken to 'roll-over' the grade from the previous inspection. HMICFRS acknowledged that the Force have plans in place to address some issues which had been highlighted, and felt it was worth allowing more time to embed those plans and give them chance to take effect.

The Chair commented that the judgement last time was not that we were not using the resources to the best of our ability, but that resources were insufficient to meet demand.

- Ernie Hendricks asked whether there was any learning by the Force from the PEEL spotlight report, "System Under Pressure", which came out in May.

Kath Holder confirmed that the PEEL spotlight report gives an overview of trends as they see them. We have taken the report and pulled out items where we might want to do some improvement work outside of formal recommendations. The Spotlight report was used to produce a self-assessment template which factors in governance scores.

- Ernie Hendricks asked if JAC could look at some of the findings around that.

Kath Holder confirmed that once the self-assessment was available it would be possible to share with JAC.

- Gurinder Singh Josan felt it would be good to have a rolling review and be able to assess where the Force was at any given time.

The Chair stated that in other sectors the notion of an annual inspection would feel onerous and possibly even counter-productive and so the breathing space allowed by HMICFRS is helpful.

- Ernie Hendricks was surprised to find that HMICFRS would carry out audits if requested and asked if anyone had experience of that.

The Chair advised that the Information Commissioner's Office offer a similar service, providing quality and improvement advice, rather than carrying out an inspection.

Kath Holder confirmed that the Force has previously used the service, asking for advice around their approach to various work streams including serious organised crime work.

- Ernie Hendricks felt it may be a useful tool to employ in the future and asked if someone would do some exploration about how this might be achieved.

The Chair commented that perhaps a conversation could be had off-line as to whether this would be an initiative for JAC or the OPCC / Chief Constable.

Item 6 – Risk Management Update (includes Force and OPCC Risk Registers)

Presented by Kath Holder and Mark Kenyon

Mark Kenyon summarised the PCC's risk register:

- Reviewed by senior managers earlier this month.
 - Structure and content around rankings of risk has not changed much since March. Does include some minor text around responsibilities in the office.
 - 12 identified risks are based on the Police and Crime Plan and priorities developed since the plan was written. The highest risk continues to be the road network.
 - The table shows the unmitigated scores and the present scores across those risks.
 - The document sets out key controls of activity being undertaken to mitigate risks.
- Gurinder Singh Josan stated that the top 2 risks have consistently been at the top for some time and asked if the level of assessment was correct.

Mark Kenyon advised that a scoring system is used although there may be some subjectivity. He offered to look at this again before the next meeting.

- The Vice Chair asked a 2-part question:
- i) Is a refresh required around improvement in the scoring? Is the score such because 'it is the nature of the beast' or is it due to lack of resources?
 - ii) On the road network risk specifically, is it the highest risk because there is nothing that can be done or because it is inevitable that there are going to be road accidents? Is a realistic view being applied?

Mark Kenyon commented that road networks involved a number of aspects including resilience, the economic impact within the West Midlands (e.g. HS2) and partnerships.

The Vice Chair responded that perhaps the focus should then be on what we have more control over. If the reality is that this is inevitably high, then this should be reflected in the paper.

- Ernie Hendricks gave an example of a risk where he felt the score didn't correctly reflect the current position, number 11 'standing up for young people'. He felt that a lot of work had been done in this area, quoting the YEI project.
- The Chair also had an example where she was unclear about what the score was based on; that was the Criminal Justice System. She asked what the actual risks were that resulted in a score of 16.

Mark Kenyon commented that the youth risk is a big area and while there is a lot of work going on, it remains a massive challenge.

- The Chair asked members if it would be beneficial, as part of addressing development needs, for them to spend some time considering the whole system around risk. The committee agreed. The decision was taken to aim for September. Lynn Joyce to liaise with Mark Kenyon and Kath Holder to arrange.

Kath Holder spoke about the Force Risk register which had been reviewed earlier this month. She highlighted:

- There will be a new risk for the next JAC around the increasing volume of serious crime including knife and gun crime involving under 25s, and the key risks around community safety and the Force's ability to respond.
 - Some additional funding has been provided but it is time limited.
- Ernie Hendricks raised 2 questions:
- i) The airwaves replacement changed from amber to green. Why was that?
 - ii) Records Management has not changed yet. Why is it RAG-rated as it is?

	<p>Kath Holder responded:</p> <ul style="list-style-type: none"> i) The decision has been taken to delay airwaves replacement until after the Commonwealth Games. It was discussed at the last JAC meeting which is why there is not a large narrative about it in this paper. ii) Scale is the issue. Records management is a huge challenge and looking through all digital and physical records across the estate is taking longer than anticipated. <ul style="list-style-type: none"> - The Vice-Chair felt it would be useful to have an indication of planned targets. - Gurinder Singh Josan commented that serious violence has been increasing for a while and to add a new risk around this seems a reactive thing to do. How much of the risk management process is used as a more proactive management tool? <p>Kath Holder responded saying that the Deputy Chief Constable felt she wanted this to be visible with additional scrutiny through the whole Force Executive Team and being on the Corporate Risk Register allows for this. There is a review taking place within Strategy and Direction in Intelligence and one of the themes is looking at risk processes and how this can be made more pro-active and forward thinking.</p>
384	<p>Item 7 – Internal Audit Update <i>Presented by Lynn Joyce</i> Lynn Joyce highlighted key points from this report.</p> <ul style="list-style-type: none"> • 5 audits completed to final. 4 audits in draft, 3 of which have now been finalised • 14 follow ups completed showing an 88% implementation rate. • Table 4 highlights the most significant recommendations categorised as high or medium. 72% have been implemented with 24 recommendations on-going. • The National Fraud Initiative (NFI) investigations completed had not highlighted any creditor overpayments at the time of reporting. However, in the last week 2 duplicate invoices were identified (total of £3.5k). These are now in recovery. • Audit are working through NFI pensions matches. Death certificates are being requested to confirm the death before proceeding with recovery • All performance indicators for 2018/19 were achieved. • Creditors' Audit assurance level has gone from minimal to reasonable in 12 months and Shared Services deserve credit for this. • Fleet Telematics received limited opinion. LJ provided an update on progress provided by the Fleet Manager who could not attend. <p>Neil Chamberlain added further context. Fleet Telematics were fitted as part of 2020 programme, predominantly aimed at driver behaviour, trying to encourage drivers to take responsibility. Huge benefits have been seen around reduction of fuel usage, repairs and maintenance, tyres and brakes – all through making drivers aware of how they are driving. A date for the Drivers' Standards Board to meet would be identified together with the membership of that board and its terms of reference. The Force was working well with the supplier and he is confident they were moving in the right direction.</p> <ul style="list-style-type: none"> - The Vice Chair asked if there was a wider issue about whether there is enough proactive thinking about how much information new systems can provide and whether we are using it or whether we're thinking about the wider management information needed as a baseline. <p>Lynn Joyce responded that Internal Audit has offered to attend project managers' team meetings to share some of the experiences resulting from audits, so that the learning could feature at the start of the project, getting people to think about the outputs.</p> <ul style="list-style-type: none"> - Ernie Hendricks raised 4 questions:

- i) Other areas of activity seem to appear in the report and then drop off, e.g. Community Safety Partnerships (CSPs) was on last month's report but now it's not there. How has that work stream progressed?
- ii) NFI – Some policing bodies have been asked to provide some information on payroll. Have you provided credit and payroll data?
- iii) Information Sharing Agreements – 3 months was allowed last time and there was an ISA spreadsheet in place. What happened to that?
- iv) Detained property. This has been around since September 2016 but there has been no movement. Why is that?

Lynn Joyce responded:

- i) Advice was fed back to Policy Team regarding CSPs. There are lots of ad-hoc questions received and answered that are not included in this report because they are not significant enough. It is a matter of what level of detail the Committee want.
- ii) The information provided for NFI was about pensions, payroll and creditor data.
- iii) This ISA recommendation is due to be followed up at the end of June. There have been staff movements in that team so progress has been slower than anticipated.
- iv) An update on detained property has been requested but not received. However, there has been a lot of movement in detained property as the Force moves to central property stores. The recommendation may have been addressed as part of that evolution of property stores, but management need to confirm this.

The Chair felt that it was necessary to moderate the level and frequency of information requested. She added that when she became Chair, there were recommendations from 6-7 years previously that were not being actively followed. The position is now that there is nothing from before 2016/17.

- The Vice Chair asked if a new dimension to audit should be considered, i.e. is enough being done to aid sustainability, reduce carbon footprint and possibly look at the environmental policy?

Lynn Joyce said that this was certainly something which could be considered for next year's audit plan or for revisions in this.

The Chair commented that she might raise this when she attends SPCB in July as something the Committee feel should be given higher priority.

- Ernie Hendricks said that notwithstanding the comments made, he raised the points because there was no information which led him to believe that audits were going to be followed up. He was still concerned that there should be updates on progress.

Lynn Joyce confirmed that she would take this on board and perhaps include a line which provides a brief summary.

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Item 8 – Annual Governance Statements

Presented by Mark Kenyon and Neil Chamberlain

Mark Kenyon provided a precis of the report:

- Includes 2 annual governance statements (PCC and WMP) with an analysis in the appendix.
- Produced individually as separate corporations sole
- Considered by Joint Governance Board where senior people from the Force and the OPCC ensure that they reflect the position at 31 March 2019 and going forward into new financial year.
- CIPFA's guidance is comprehensive and is based on 7 principles of good governance. The structure of the annual governance statements makes reference to those and how the requirements are met.

	<ul style="list-style-type: none"> • The statements talk about governance framework and what assurances there are and about future developments and what might impact on governance in the future. • Both documents are subject to external audit and may be amended depending on findings and management's responses. <p>Neil Chamberlain added that from the Force side, he commissioned a piece of work that looked across other organisations to get a view of what good Annual Governance Statements look like. He has tried to freshen the report and present information in a slightly different way. The scale of change experienced by the Force, and continuing, is reflected in the document with assurances of continuous monitoring and reporting.</p>
386	<p>Item 9 – Statement of Accounts 2018/19 <i>Presented by Mark Kenyon and Abi Preston</i> Abi Preston presented the highlights.</p> <ul style="list-style-type: none"> • The report was published in draft on 24 May 2019. It contains an outline of outturn and had been taken to SPCB. • Expenditure and reserves were spent as forecast. Money within earmarked budget reserves brought down to £5m which will be used to prop up 2019/20 spend. • One issue to note in Section 3.8 - the report was produced based on pension figures at the time. Since then, all audit firms nationally have questioned a discrimination ruling that went out. The Government have made an appeal against the ruling but this may not be granted. The Force has asked Actuaries to re-run the actuarial report. The past service costs will be about £337m associated to this discrimination case for WMP. Although the Force will not have to pay this directly, it is a liability to WMP. This money will have to be found by the Government and it is likely that contributions will go up. <p>Davinder Jagpal commented that there is no impact for WMP but there will be a change to the numbers in the accounts which will be agreed with Grant Thornton.</p> <p>Emily Mayne updated members advising that, as at yesterday, the Government has had their right to appeal refused.</p> <p>Neil Chamberlain reassured the meeting that the Force has acted promptly, commissioning work, and so we can make the necessary changes quickly.</p> <ul style="list-style-type: none"> - Ernie Hendricks raised 3 questions and an observation: <ol style="list-style-type: none"> i) Why is there an overspend every year for supplies and services? £1.7m last year increasing to £2.8m this year. Is the budget being set realistically? ii) On capital financing, £1.9m was moved to support CONNECT and Data Insight; in the past WMP projects have been provided for out of revenue, so why has this move been made? iii) Why is income going down? <p>Responses to those questions were provided:</p> <ol style="list-style-type: none"> i) 'Supplies and services' was discussed in the Outturn report in June SPCB. The budget is set after looking at a variety of factors but there are some unanticipated issues, e.g. extra demand on the police service, extra recruitment, extra spend on uniform. Ernie Hendricks commented that £2.8m is a massive jump. Davinder Jagpal said that they will do a bottom up exercise next year to look at these specific areas and make sure the budget is as accurate as possible for 2020/21. ii) Abi Preston advised that spend on major projects is split between Capital and Revenue costs. The new systems are assets and will last a long time. Development costs of assets need to be captured on the balance sheets. There was not enough capital available to fund this year. Borrowing is a possibility but

	<p>not appropriate for short term. Mark Kenyon added that in respect of capital financing, the budget reflects the cost of borrowing and income for the future.</p> <p>iii) Income is made up of a number of areas (e.g. Fees & Charges and grants). Fees & Charges are fairly static, but grants are smaller. Probably spent less in those areas resulting in no real impact.</p> <ul style="list-style-type: none"> - Ernie Hendricks said that income is £3.6m down. Given the Force is pro-actively generating income, it should be going up not down. <p>Mark Kenyon confirmed that someone has been appointed to look at how income can be generated externally.</p> <p>Abi Preston pointed out that the explanation of the main reason for the decrease can be found in point 8.</p> <ul style="list-style-type: none"> - The Chair stated that historically the Force had substantial reserves, but these are no more. The Chair raised 2 questions: <ul style="list-style-type: none"> i) Is the budget strategy moving forward to replenish that level? ii) What is an appropriate level for a Force the size of WMP? <p>Neil Chamberlain said that the reduction of reserves referred to is reduction in unearmarked reserves. The plan for 2018/19 was to use substantial reserves and 2019/20 also factors in use of around £5m of reserves. Going forward, 2020/21 looks at being in balance. The Force still has reserves in place, including the general reserve and some earmarked reserves for specific purposes.</p> <ul style="list-style-type: none"> - Gurinder Singh Josan asked about the underspend in the OPCC for Commissioning Services: <ul style="list-style-type: none"> i) What assurances were there that the money would be spent in 2019/20? ii) What would happen in a year's time when a new Commissioner might have different priorities? <p>Mark Kenyon commented that the budget line for Commissioning Services is for a lot of different projects. There is a structure in place to ensure that money is spent this year. Some of those projects are complicated and straddle different financial years but the mechanism is in place. There will be ongoing budget for this area but how it is spent will depend on the new PCC's priorities.</p>
387	<p>Item 10 – Insurance Update <i>Presented by Janey Barrett</i></p> <p>This report had already been circulated and was therefore taken as read.</p> <p>Janey Barrett said that the Insurance Programme was made up of 3 separate elements:</p> <ul style="list-style-type: none"> • <u>The Casualty programme</u>: Covers ordinary liability insurances including public liability and 3rd party. November sees the end of a 5yr arrangement and so work is on-going with Procurement to tender for new cover. Policy excess at the moment is £300k, looking to increase that to £500k. Looking for quotes for £75m cover – better to be over covered in case of disaster. • <u>The Property and Asset portfolio</u>: Tokyo Marine last time fronted by RNP Insurance Broker. Since the report was written, Tokyo Marine have advised they are withdrawing from the market. New insurer required by 1 November. • <u>Claims Handling and Claims Management</u>: Continuing to maintain a robust stance in defending claims. The defence liability rate was 51% in 2014 and is now at 87%. Figures looking positive. <p>Neil Chamberlain commented that Janey Barrett is an unsung hero, who does some really good work which people do not hear about.</p>

<p>388</p>	<p>Item 11 – Internal Audit Quality Assurance and Improvement programme <i>Presented by Lynn Joyce</i></p> <ul style="list-style-type: none"> • This report is a requirement of the Public Sector Internal Audit Standards (PSIAS). • The report includes a self-assessment against PSIAS, which is 92% compliant. • A summary of the progress against the 2018/19 quality assurance improvement programme is also provided. • Both assessments show one area not achieved and that was due to an oversight which should be addressed next month. <ul style="list-style-type: none"> - Ernie Hendricks raised 3 points directly with Lynn Joyce: <ul style="list-style-type: none"> i) At a recent local audit quality forum, it was mentioned that other HIAs are benchmarking across the sector. Would you consider this? ii) The Audit Committee hold away days with Internal Audit where they discuss quality assurance and improvement to build on this together. iii) Are other members of the internal audit team as invested in the quality assurance work as you are? <p>Lynn Joyce responded:</p> <ul style="list-style-type: none"> i) Benchmarking has not been done for a couple of years, but it is something that could be looked at again if necessary. ii) There is a National Police Audit Group due to meet in September. They hold away days for Auditors and sometimes separate sessions are held with Audit Committee Members on the same day and both groups come together during the day. We do attend these sessions. iii) A structured approach is taken by the team. I take the lead, but it is ingrained in all of the work and the team are fully on board. <ul style="list-style-type: none"> - Ernie Hendricks asked if internal audit had confidence in Galileo and whether it should be upgraded. <p>Lynn Joyce explained an older version of Galileo is used and newer versions are now available. A decision is to be made whether to upgrade. Options are being explored.</p>
<p>389</p>	<p>Item 12 – Internal Audit Annual Report 2018/19 <i>Presented by Lynn Joyce</i></p> <p>Lynn Joyce highlighted some key issues -</p> <ul style="list-style-type: none"> • Work completed in 2018/19 includes 28 assurance activities and 43 follow-up reviews. Only 1 minimal assurance opinion was issued. • Recommendations followed up resulted in a 73% implementation rate and 15% partly implemented. • Feedback from post audit questionnaire was positive with 99% of questions being scored good or very good. • Response rate from the Senior Management survey was very low and ways to increase responses are being considered. • Overall, adequate opinion can be given that the organisation’s controls and risk management and governance approaches are robust. <ul style="list-style-type: none"> - Ernie Hendricks asked 2 questions: <ul style="list-style-type: none"> i) 8 from 49 manager responses is not great. How was the survey undertaken and which techniques were used to encourage them to respond? ii) Audit is focused on risk management, is enough time given to sustainability and resilience given the organisation has less money that it used to? <p>Lynn Joyce responded:</p>

	<p>i) Survey Monkey was used. Unfortunately, it clashed with a Force-wide survey which may have impacted the results.</p> <p>ii) Standards dictate that the internal audit opinion has to focus on 3 specific strands – risk management, governance and internal control. Sustainability is not specifically included but that is not to say it is not considered in individual audits.</p>
390	<p>Item 13 – External Audit – Progress Report and Sector Update <i>Presented by Emily Mayne, Grant Thornton</i> Emily Mayne presented the highlights of the report:</p> <ul style="list-style-type: none"> • The Audit Progress Report is the first to be presented, summarising work to date. It is the time of greatest external audit activity as an audit is currently being undertaken and there is a Grant Thornton team on site. Several risk areas of the accounts have been progressed. Page 4 sums up progress made to date: <ul style="list-style-type: none"> - <u>Financial statements</u>: Good progress made and built on work at interim audit. Meetings have been held with the whole of the finance team. - <u>Value for Money</u>: 3 risk areas were identified in an initial assessment: <ul style="list-style-type: none"> ➢ ‘Devolution’, which has disappeared now. ➢ Financial strategy and long-term sustainability ➢ Risk management The second and third risks are being brought to a close. - <u>Other areas</u>: <ul style="list-style-type: none"> ➢ Grant Thornton meet regularly with the Force and the OPCC. They are productive and informative. ➢ A useful event was held following last JAC. The board are also invited to other events. • On Audit Deliverables: Page 5 shows 2 areas completed. A chunk of that can suddenly happen in the next month. Grant Thornton then deliver the audit financial report and the auditors’ report. The annual audit letter is agreed in the autumn. <p>There were no questions.</p>
391	<p>Item 14 – External Audit – 2019/20 Fee Letter (A – OPCC) (B – Chief Constable) <i>Presented by Emily Mayne, Grant Thornton</i> Emily Mayne advised that this is a standard document. Grant Thornton have a duty to report back to JAC on the fees set. These 2 letters show the fees for 2019/20.</p> <p>Davinder Jagpal thanked Emily Mayne and her team for their on-going work and for raising issues as they come up.</p> <ul style="list-style-type: none"> - Ernie Hendricks said that he understood that the new code of audit practice for 2020 might mean an increase in fees. <p>Emily Mayne stated that she had no influence over the fees which are set by PSAA.</p>
392	<p>Item 15 – Joint Audit Committee Annual Report 2018/19 <i>Presented by Sue Davis</i> The Chair asked if everyone was happy with the annual report or if anything had been left out.</p> <ul style="list-style-type: none"> - Ernie Hendricks asked if something could be said about the impact JAC had on assisting both organisations and their intended outcomes. <p>The Chair felt it might be an interesting question to pose to the Commissioner and the Chief Constable when presenting them with this report.</p>

393	<p>Item 16 – Joint Audit Committee Work Plan 2019/20 The JAC all agreed they were satisfied with this report.</p> <p>The Chair subsequently closed the meeting by thanking everyone for their input. [1125 hrs.]</p>
	<p>Item 17 – Annual Private Meeting with Auditors – Grant Thornton</p> <p>This meeting was not minuted.</p>