

**Minutes of the Joint Audit Committee 10<sup>th</sup> June 2013 held at Surrey Police Headquarters**

**Attendees:**

Paul Rees - Chairman  
Andrew Gascoyne – Member  
Chris Johnson - Member  
Vanya Moyer - Member

Alison Bolton – Chief Executive - Office of the Police and Crime Commissioner  
Sarah Thomas – Minute Taker - Office of the Police and Crime Commissioner

Lynne Owens – Chief Constable – Surrey Police  
Paul Bundy – Head of Finance – Surrey Police  
David Leeney – Superintendent – Surrey Police (Part)

David Taylor – RSM Tenon  
Lorna Raynes – RSM Tenon  
Paul Grady – Grant Thornton  
Iain Murray – Grant Thornton

**PART ONE**  
**IN PUBLIC**

**18/13 APOLOGIES (Item 1)**

Apologies had been received from Committee Member Amanda Mills, Treasurer Ian Perkin and T/ACC Gavin Stephens,

**19/13 DECLARATION OF INTEREST (Item 2)**

No declarations were made.

**20/13 MINUTES OF THE LAST MEETING – 14<sup>TH</sup> MARCH 2013 (Item 3)**

The minutes of the previous meeting were accepted as a true and accurate record.

**21/13 MATTERS ARISING (item 4)**

09/13 – Scheme of Corporate Governance – The Chief Executive reported that the Treasurer was working with Force colleagues to complete the documents. They would then be circulated to members and published on the Police and Crime Commissioner's (PCC) website.

## **EXCLUSION NOTICE**

Under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under paragraph 7 of Part 1 of Schedule 12A of the Act.

### **PART TWO** **IN PRIVATE**

#### **22/13 PROJECT SIREN/NICHE (Item 17)**

The Chairman explained that members of the committee had received a copy of the recent independent audit report commissioned by the Police & Crime Commissioner (PCC) which had been used to inform his decision to terminate the Siren contract. They wanted to have the opportunity to raise some points and said that it would be useful for Grant Thornton be aware of members' comments.

The committee noted that Grant Thornton was now statutorily obliged to carry out a review of the Siren project. It was agreed that any detailed discussion by the committee should await the outcome of this piece of work. The independent review performed by Mazar's for the PCC had been prepared for the specific purpose of providing evidence supporting the PCC's decision to continue or otherwise with Project Siren. It had been deliberately brief and prepared in a short space of time so that the PCC could take a timely decision. The CC further noted that, whilst the Force agreed with the conclusions in the report, auditors had not included some information about the role of the Police Authority in the Siren project. She explained that she would be providing Grant Thornton with her comments in due course.

With regard to proposal to move to the Niche RSM system, members enquired how the Force could be certain that the project would not encounter the same problems as Siren. It was noted that a business case had been prepared and recently agreed by the PCC. Niche was used by Thames Valley, Sussex and Hampshire and it was the preferred option as it had been tested and was working. Additionally, the Force would be making use of the same consultancy team from PA Consulting who had assisted Sussex with their own implementation. It was agreed that members be provided with a copy of the business case and a verbal update on the progress of the project would be given at the next meeting.

Superintendent Leeney stated that he hoped that the system would be implemented by the end of the financial year. He said this was ambitious but this was what the Force was working towards. He was confident on the expenditure set out in the business case which had been approved by the PCC. PA Consulting had been asked to review the adequacy of the internal resources to deliver the project.

Hardware would be recycled from the Siren project where possible and the infrastructure and interface issues would be fully addressed.

Paul Grady (PG) explained that the review of Siren was being carried out under the Code of Audit Practice which would include the opinion of finances and value for money. The review would look at the value for money aspect and whether the PCC's decision to terminate the contract was properly informed. The aim for completion would be September 2013 but if this was extended then the audit conclusion would also be delayed. The report would be shared with the committee and made public. The terms of reference had been agreed by the PCC and were due to also be discussed with the CC next week. PG would circulate a copy of the agreed terms of reference to members.

PG noted that this review was being performed by a team from their business risk services group as they had the necessary skills and knowledge required to look at a project of its size. It was agreed that PG would provide a fee proposal for this work to the PCC and CC.

It was noted Grant Thornton were required in their role as Statutory Auditor to review the Project. It was agreed that any work beyond this requirement should be discussed with the Chairman.

## **PART ONE** **IN PUBLIC**

### **23/13 INTERNAL AUDIT ANNUAL REPORT 2012/13 (Item 5)**

David Taylor (DT) presented RSM Tenon's annual report. He explained that the report did not represent a typical twelve month period due to the changes in governance arrangements with the arrival of the PCC and that some areas needed to be further developed because of these changes. The interim opinion had been presented to Surrey Police Authority in November 2012.

The progress made with previous internal audit recommendations would be kept under review to ensure that recommendations were completed on a timely basis. These needed to be followed up by management. It was also agreed that management are responsible for monitoring the follow up of recommendations. RSM Tenon would then review and test these follow up procedures.

Members complimented the Force and RSM Tenon on 100% completion of management responses and issue of final reports.

### **24/13 INTERNAL AUDIT STRATEGY 2013/14 – 2015/16 (Item 6)**

David Taylor (DT) explained that this report had been considered at the previous meeting. He addressed the issue raised last time regarding the audit of medical examiners. The role of medical examiners was due to undergo some changes and the audit had been postponed to 2014/15 to allow for these changes to take place.

Members raised concerns about the proposed audit of performance management in Appendix D and it was questioned why this item was included in the audit plan. The

CC explained that the Force had met all 2012/13 targets and the PCC was happy that the Force was working towards delivering the People's Priorities. She also informed that Committee that the Force's detection rate had improved. The Chief Executive explained that this item had been included as the audit plan was based on an earlier draft of the PCC's previous risk register, but a lot of progress had been made by the Force in this area. The Chairman stated that any questions in relation to the risk register could be raised in Part Two of the meeting.

Members questioned whether the auditors were satisfied with the time allocated for audit. DT said that it was comparable to previous years and he was comfortable with the time allocation.

Members noted the small sample sizes that had been used when carrying out audits and questioned whether it would be better to use larger sample sizes to provide adequate evidence that processes were working. DT explained that any concerns would depend on the nature of the finding and any control issues would be discussed with management.

Members asked what was covered in the IT systems review. Lorna Raynes (LR) said that she would report back on the detail outside the meeting.

The Chief Executive noted that the PCC was obliged to submit a Stage 2 Transfer scheme to the Home Secretary in September for delivery in April and that the auditors' timescales would need to be cognisant of this. In relation to Staff Market Supplement in Appendix C the audit sponsor should be the Force and not the PCC.

### **25/13 EXTERNAL JOINT AUDIT PLAN (Item 7)**

Paul Grady (PG) explained that the external audit plan was a joint plan for the OPCC and Surrey Police and although it was one document it would differentiate between both organisations. The content had been agreed with the PCC and CC. It set out the overview of key risks and challenges. This was the first time that two sets of accounts had to be produced. The auditors would be looking at annual governance statements, governance structures, plans for Stage 2, collaboration, implementation of the Police and Crime Plan, financial resilience, risk and value for money.

Members suggested it would be useful to have a session to learn more about the accounts and Stage 2. It was agreed that the Treasurer and Head of Finance would facilitate this training.

Members asked who had responsibility for value for money in individual projects. PG explained that this rested with the PCC and CC and it was the auditor's role to assess the arrangements in place. The CC explained that the HMIC (Her Majesty's Inspectorate of Constabulary) carried out a 'Valuing the Police' inspection each year. Plans were in place for each department to report quarterly looking at operational and collaborative impact of value for money. The auditors relied on the HMIC report and the Force response to assess value for money. The Chief Executive explained that the PCC used the HMIC report as one tool to see how efficient the Force was. It was important not to confuse lines of accountability or create duplication of effort.

The Chairman asked whether an audit had been carried out in relation to PAYE. LR reported that no audit of this area had been carried out in the past year but she would check previous years. The Head of Finance reported that there were no significant issues to report in relation to PAYE.

The Committee noted the report.

### **26/13 EXTERNAL AUDIT FEE LETTERS (Item 8)**

Paul Grady (PG) presented the two external audit fee letters for 2013/14 – one for the OPCC and one for Surrey Police. He explained that the scale fee was set by the Audit Commission but could be adjusted if required. He was not proposing to vary the scale fee – the Siren audit would be part of the in year fee and not 2013/14. The Committee noted that the total joint fee was £71, 610.

### **27/13 PROGRESS IN PRODUCING THE ANNUAL GOVERNANCE STATEMENTS AND FINANCIAL ACCOUNTS FOR 2012/13 (Item 9)**

The Head of Finance gave a verbal update. He explained that his team had encountered an unexpected resourcing gap but that they were progressing satisfactorily and the annual governance statement and accounts should be ready within the next week. The OPCC was producing a separate annual governance statement. Discussions were taking place with the auditors on the new format of the accounts. The two sets of accounts would be presented to the PCC/Treasurer and CC/Head of Finance for sign off by the end of June. They would be presented to the audit committee in September.

The Chairman asked whether the audit committee should see the accounts before they were signed off. PG explained that there were two stages for sign off – first the signature for authorising sign off (Treasurer/Head of Finance) and then signature of approval (PCC/CC). A draft set of accounts must go in to the public domain before the audit committee and auditors have seen them – this was a statutory requirement. The Chairman noted that as this was the first year that two sets of accounts are presented it was particularly important that the format should, as far as possible, be agreed with the auditors before the end of June. It was noted that this was a different process to commercial environments.

### **28/13 TREASURY MANAGEMENT GOVERNANCE REPORT 2012/13 (Item 10)**

The Head of Finance gave an update on treasury management performance for the last financial year. He explained that the Force used Surrey County Council's (SCC) treasury management services at a cost of £16,694. No external borrowing occurred during the year. The Force was due to receive all money back that had been invested in Icelandic banks but there was no timescale on this. A benchmarking exercise had concluded that SCC still provided a reasonable treasury management service for Surrey Police.

Members enquired whether the Force received SCC's audit report on treasury management. PG said that the Force did not receive the report as a direct recipient but that Grant Thornton was also the external auditors for the Council.

Members also enquired whether the Force had looked at other treasury management services and whether it was getting the best value from SCC. The Head of Finance explained that the service was provided by SCC on a Service Level Agreement (SLA) with a one year get out clause so the next available date to withdraw from the SLA would be 2015. The Force agreed that it would hold discussions with Sussex about their arrangements to see whether better value could be gained from working jointly with another organisation.

### **29/13 PCC'S EXPENSES (Item 11)**

The Committee was presented with the PCC's expenses for the period of November 2012 – April 2013.

The Committee noted the small discrepancies with home to business mileage in the first month compared to other months and also lack of detail on some of the claims. The Chief Executive agreed that more detail would be provided on future claims.

### **30/13 CHIEF CONSTABLE'S EXPENSES (Item 12)**

The Committee noted that the Chief Constable had made no expenses claims since the previous meeting. It was agreed that a paper would be produced as a formal record even when no claims were made.

### **31/13 WORK PROGRAMME 2013/14 (Item 13)**

The Chief Executive reported that the work programme had been updated following the comments made by members at the previous meeting.

Members asked that an item on the 'effectiveness of the audit committee' be included in the work programme as per the terms of reference. They also enquired whether customer surveys were carried out on internal audits. David Taylor (DT) said that this was not done currently but could form part of the annual review.

Members asked whether it was their role to get updated on individual cases of whistle blowing. The Chief Executive explained that it was the role of the audit committee to look at the whistle blowing policy but it would not be informed of individual cases. It was the responsibility of the CC and her Professional Standards Department to investigate cases. The Chief Executive explained that the annual report would provide feedback in generic terms on trends, so that the Committee could make a judgement on the effectiveness of policies, but would not provide detail of specific cases.

The Chairman asked that a check list be produced to ensure that the Committee was carrying out its functions as set out on the terms of reference. Members noted that the terms of reference did not refer to value for money. The CE explained that this came under the remit of the external auditors and the PCC. PG said that he would welcome

challenges from the committee in relation to value for money but that it was a decision for the committee and management whether this should be included in the terms of reference. It was agreed that this matter would be discussed outside of the meeting – it was important that the committee was clear about their responsibilities and the risk of duplication of work.

David Taylor (DT) informed the Committee that it was worth noting that value for money was also part of the internal audit work.

### **32/13 TERMS OF REFERENCE (Item 14)**

The Committee noted the updated terms of reference following the amendments made at the previous meeting.

### **33/13 EXCLUSION NOTICE (Item 15)**

Under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under paragraph 7 of Part 1 of Schedule 12A of the Act.

## **PART TWO** **IN PRIVATE**

### **34/13 ANY OTHER MATTERS TO BE RAISED BY THE INTERNAL AUDITORS (Item 16)**

The Committee was given the opportunity to ask questions about the finalised audit report on Corporate Governance. The Chief Executive gave an update on the actions that had been listed as outstanding in the report – she reported that they had all been completed since the report had been produced.

Members enquired where RSM Tenon's responsibility ended in respect of the PCC grant funding. David Taylor (DT) explained that they would look at the conditions of the grant and ensure that they had been met. The Chief Executive explained that the PCC had mechanisms in place to ensure that the funding was being spent appropriately but that the internal auditors would be on hand to ensure that the process was working.

### **35/13 WAIVER TO CONTRACT STANDING ORDERS (Item 18)**

The Head of Finance explained that the PCC had agreed to a waiver to contract standing orders in order to allow the Force to urgently address the significant risk to a power supply at Headquarters. Work was due to commence shortly. Members raised concern about a perceived weakness of Contract Standing Orders in relation to contractors. It was agreed that these should be discussed with the Head of Finance and the Treasurer outside of the meeting.

### **36/13 OPCC RISK REGISTER AND ASSURANCE FRAMEWORK (Item 19)**

The Chief Executive presented the OPCC risk register and assurance framework. Members noted that this version of the assurance framework appeared to be missing one section compared to the previous version. This was due to an administration error and would be rectified before the next meeting.

Members discussed the risk around the Siren/Niche project. The Chief Executive agreed that she would make the description of the risk clearer. She would also double check the levels of all risks to ensure they were appropriate.

### **37/13 FORCE HIGH LEVEL AND SHARED RISKS (Item 20)**

The Head of Finance gave an update on the Force's high level and joint risks. He explained that three risks that had been on the previous report had been removed from the updated report and the reason for this was because the risk level had been reduced so they no longer featured as high level risks.

### **38/13 MONITORING OF AUDIT & INSPECTION RECOMMENDATIONS (Item 21)**

The Committee received a report on the progress of implementation of the recommendations identified as medium or high by the internal auditors.

### **39/13 PRIVATE MEETING OF MEMBERS WITH THE AUDITORS (Item 22)**

Members of the Committee met with the auditors in private.

**The meeting ended at 5.30pm**