

Minutes of the Joint Audit Committee 28th July 2021 at 2pm held via remote video link

Attendees:

Paul Brown (Chair) – Chair of Meeting

Rachel Evans (RE)

Lorna Harnby (LH)

Graham Lancaster (GL)

Patrick Molineux (PM)

Paul Roberts (PR)

Lisa Townsend (PCC) – Surrey Police and Crime Commissioner

Alison Bolton (AB) – Chief Executive – Office of the Police and Crime Commissioner

Kelvin Menon (KM) – Treasurer – Office of the Police and Crime Commissioner

Sarah Gordon (SG) – Office of the Police and Crime Commissioner (Minute taker)

Nev Kemp (DCC) – Deputy Chief Constable - Surrey Police

Peter Gillett (PG) – Commercial Finance Director – Surrey & Sussex Police

Anthony Croxford (AC) – Chief Digital & Information Officer – Surrey & Sussex Police

Jon Dymond (JD) - Head of Strategic Systems DDAT, Surrey Police (PART)

John Moyles (JM) – Service Director – Regional & Financial Development – Surrey & Sussex Police (PART)

Clare Simkin (CS) – ACO for SERIP and Surrey Sussex ERP Programme (PART)

Maureen Cherry (MC) – Building the Future Programme Director – Surrey Police (PART)

Miranda Kadwell (MK) – Corporate Finance Manager – Surrey & Sussex Police

Sally Wilson (SW) - Head of Corporate Development, Surrey Police (PART)

Helen Bayliss (HB) – Head of Information Management – Surrey Police (PART)

Elizabeth Jackson (EJ) – Associate Partner, External Audit - Ernst and Young

Justine Thorpe (JT) – Ernst and Young

Karen Shaw (KS) – Chief Internal Auditor - Southern Internal Audit Partnership

PART ONE - IN PUBLIC

046/2021 WELCOME & APOLOGIES FOR ABSENCE (Item 1)

Apologies had been received from Gavin Stephens, Chief Constable.

The Chair started the meeting by introducing new attendees, PCC Lisa Townsend, CDIO Anthony Croxford and Sally Wilson, Head of Corporate Development, and reflecting on the first six months of working with the new JAC.

He said that the Committee was impressed by the quality and rigour of the internal audits and the responsiveness of the Police and OPCC to the issues raised. The Committee was also pleased with the proposed scope of the external audit plan, the first from the

new EY partner, and felt the correct areas were being addressed. The Committee also appreciated that internal and external audit worked well together and had an open and transparent relationship with the JAC. This coupled with the evolving new risk management process should provide a good platform for the future.

However in the last quarter there had also been three areas of disappointment. These were the proposal to delay the internal audit opinion, the delay in the Equip lessons learned submission to JAC and the lack of a fraud and corruption paper on the agenda until now. Although all of issues had arisen for good reasons, which the Police had gone out of their way to explain, none of them should have happened.

It is clear that the governance framework for the JAC essentially establishes it as a group of “advisors and critical friends” rather than an internal scrutiny committee to “Hold the Board to account” as would be the case in the Corporate world. However the Committee believe that they would be of more value to the OPCC and the JAC if the Committee could be regarded as the latter and hence all actions were adhered to in the agreed timescale. There was general acceptance of this by attendees.

In respect of the Equip lessons learned the DCC explained that he wanted to ensure that the report was complete and the promise made of a two week completion date at the April JAC was unrealistic. An early draft of the report had some gaps in it and work was ongoing to ensure that the final version was as complete and transparent as it could be. This meant that it was quite a significant piece of work as it would include views from Surrey, Sussex, Thames Valley and Chief Officers and also incorporate recommendations from previous reviews.

047/2021 URGENT MATTERS (Item 2)

None.

048/2021 DECLARATION OF INTERESTS (Item 3)

No declarations were made.

049/2021 MINUTES OF THE MEETINGS HELD ON 28th APRIL 2021 AND ACTION TRACKER (Item 4)

4a - the minutes of the meeting held on 28th April 2021 were accepted as a true and accurate record.

4b – Action Update:

Action 9 and 10 – MK confirmed that these had these were complete.

Action 13 – Power BI session still to be arranged.

ACTION: MK to hold a session for members in early September to go through the Statement of Accounts for 2020/21.

050/2021 INTRODUCTION FROM NEW CDIO ANTHONY CROXFORD (Item 5)

Anthony Croxford (AC) introduced himself as the new Chief Digital Information Officer for Surrey and Sussex Police and gave a brief overview of his previous experience.

The Chair suggested that it would be useful for the Committee for the CDIO to offer his reflections on the IT related audit recommendations and the related risks to the organisations. It was agreed that this would be brought as an agenda item to the October meeting.

It was also agreed that the CDIO would give quarterly updates to the Committee on ICT and related issues.

051/2021 INTERNAL AUDIT (Item 6a and 6b)

Before KS presented her report the Chair said that he felt that the report showed good progress with internal audit and came to a reasonable conclusion with regard to the internal audit opinion.

KS referred to the Chair's earlier point of the suggestion to delay the internal audit opinion. She said that this suggestion had in no way affected her opinion and her independence had not been compromised. The suggestion of a delay had been made for the right reasons but was not required. She went on to thank the OPCC and Force for their work in what had been a turbulent year due to the pandemic. It had been a challenging year for everyone but the proposed audit plan had been delivered and work had taken place virtually. Due to good cooperation from all officers and staff the audit plan had been completed, including the collaborated work with Sussex.

As a result of this KS was able to give her Internal Audit opinion for the year as "Reasonable Assurance". Consideration of IT audits, and the progress made with recommendations, had been a critical judgement for the opinion and KS was looking forward to picking up the remaining work with AC now that he was in post.

The IT area as a whole had improved over the year. The outstanding 2019/20 reviews and all the 2020/21 work had been completed. KS has attended ORB meetings and had regular meetings with IT and both CFOs throughout the year. A lot of work had taken place in the background with significant effort focussed and progress made in IT which enabled an overall reasonable assurance opinion to be given.

The Committee was pleased with the work that had taken place and the good direction of travel. They offered their congratulations to all involved.

The Committee asked KS what she would expect to see by way of reasonable, substantial and limited audit assurance as Surrey was showing about 25% as substantial. KS said that a couple of limited opinions were always expected – if all were rated as substantial then it would suggest that the audits weren't being focussed in the correct areas. She was happy with the current range of outcomes.

The Chair noted that the audit reports didn't cover operational risk. He was aware that other bodies, such as HMICFRS, carried out inspections in this area but felt that the JAC should be assured that operational risk was being covered as well.

PG and the DCC agreed that this was a good point and suggested that this could make a standing agenda item on future JAC agendas.

ACTION: Standing agenda item for future meeting 'Inspection reports and recommendations from outside bodies'.

ACTION: DCC to produce table to show 'who', 'what', 'frequency of inspection' and how risk fitted into each area.

The Committee was also keen to see opinion on cyber security risks to the estate. AC to take forward as an action.

052/2021 EXTERNAL AUDIT PLAN 2020/21 (Item 7)

EJ, the recently appointed EY audit partner, presented the audit plan. She explained that there were ten significant fraud/inherent risks for the 2020/21 accounts and three new risks as follows:

1. Risk of fraud in revenue and expenditure recognition specifically the capitalisation of the Equip assets. A paper was due from management on what was happening with the assets however depending on what this says this may lead to an adjustment in the accounts
2. Cashflow statement preparation
3. Disposals. During the year £17m of fully depreciated Plant, Property and Equipment was written out of the books. Work was being undertaken to ascertain whether any of this related to historic disposals which would mean a presentational adjustment to the accounts.

Overall there had been slower progress with the audit than had been wished for due in part to the finance system being 'clunky' which meant that it was slow to run reports. As a result work was still ongoing although 60/70% of the audit was now complete and additional resources would be brought in to ensure completion of work by the deadline of 30th September.

In respect of "Value for Money" JT explained that EY would be reporting under three criteria: financial sustainability; governance; improving economy, efficiency and effectiveness. The Committee noted that they had expressed some reservations around the VFM opinion last year and they looked forward to seeing what judgement given would be this year and the rationale behind it given the new criteria and the fact that the amount of sunk costs on Equip should now be much better known.

Cash flow preparation was a risk as last year it was technically inconsistent and needed to be reworked before an opinion could be given. This area was being robustly audited to ensure that it had been prepared properly. The Committee were pleased that EY were

taking robust action in relation to this. They had noted the content of the plan and asked for a number of points of clarification and look forward to hearing more as the audit progresses.

053/2021 UPDATE ON THE PREPARATION OF THE ANNUAL GOVERNANCE STATEMENTS 2020-21 (Item 8)

The Chair referred to the section where it stated that the JAC recommend that the PCC and CC approve the Annual Governance Statement. **He said that the JAC was only able to advise rather than recommend and that this should be amended.** They would consider whether appropriate policies had been followed whether there were concerns from the financial statements that need to be brought to the attention of the PCC/CC. They would also be looking for assurance and evidence that the statements comply with the relevant standards.

KM explained that the statements followed the usual format and that the internal audit work was a key part of the work. **MK suggested that when she met with the Members in September to go through the accounts that she would bring along the evidence template so that they could reassure themselves that the background work had been carried out alongside the CIPFA standards.** This was welcomed by the committee.

AB said that publicly accessible live links had been added to the document so that Members could see all supporting documents.

The Committee asked the PCC how she and AB intended to prioritise actions in the Governance plans for her term of office. The PCC said that she was still in the process of working through them but IT/Estates and Risk would feature.

The Chair noted that there was a lot about capacity but not so much about demand in the police statement. The DCC agreed that demand was an inherent weakness for the Force. However he felt there had been significant improvement this year and the Power BI session that members would be having would help explain that.

054/2021 DRAFT ANNUAL GOVERNANCE STATEMENT AND FINANCIAL STATEMENTS 2020/21 (Item 9)

See notes under item 8.

055/2021 PSAA AUDIT TENDER CONSULTATION (Item 10)

Views had been submitted via GL to KM already and the response submitted. Hence there was nothing further to add other to highlight that the real issue was lack of capacity in the external audit market.

056/2021 ANNUAL REVIEW OF JAC TERMS OF REFERENCE (Item 11)

ACTION: AB and LH to discuss outside of meeting and bring up to date as per CIPFA guidance. Changes would be brought back to the JAC when agreed along with Sussex colleagues.

057/2021 OUTTURN TREASURY MANAGEMENT REPORT 2020/21 (Item 12)

KM presented the report. The Chair asked whether the Force check on Surrey County Council as part of their due diligence. KM confirmed that the Force would be a preferential creditor and hence have a call on Council Tax if the county defaulted so the Force had no concerns.

058/2021 FORCE BALANCE SCORECARD (Item 13)

SW presented the scorecard. She said that she would be happy to review the content that was brought to the meetings and bring the information that would be relevant and of interest to the Committee.

ACTION: Chair and SW to speak outside of meeting to ascertain what content the JAC would like to see presented at each JAC meeting in relation to performance.

SW said that the Force was focussing on outcomes. An initiative was being led by the DCC on how the Force could improve in this area. Surrey was not an outlier but there was a need to improve. Significant resources were being focussed in this area for the next 6 months.

As mentioned at previous JAC meetings the Chair felt that it would be beneficial for the Committee to have access to data from other forces as it was difficult to know what good looked like without any sort of comparative data. SW agreed that she would like to ensure that crisper analysis was presented to the Committee. The DCC said that comparisons are made with Sussex and he was also keen to look at measures of performance and understanding what demand looked like. The Force was starting to see improvement from HMICFRS on sharing best practice advice and also from a number of different sources on how the Force could do better.

The PCC advised caution against placing Surrey in a league table which does not include any context. She would not be holding the Force to account on how well it performed against other Forces but rather how it delivered to the public in Surrey. This is also the stance she will be adopting with the Police and Crime Panel.

PART TWO – IN PRIVATE

The meeting ended at 4.35pm