

**Minutes of the Joint Audit Committee 20<sup>th</sup> October 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)

Gavin Stephens (CC) – Chief Constable – Surrey Police  
Peter Gillett (PG) – Commercial Finance Director – Surrey & Sussex Police  
John Moyles (JM) – Service Director – Regional & Financial Development – Surrey & Sussex Police (PART)  
Clare Simkin (CS) – ACO for SERIP and Surrey Sussex ERP Programme  
Maureen Cherry (MC) – Building the Future Programme Director – Surrey Police (PART)  
Miranda Kadwell (MK) – Corporate Finance Manager – Surrey & Sussex Police  
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**

**071/2021 WELCOME & APOLOGIES FOR ABSENCE (Item 1)**

Apologies had been received from DCC Nev Kemp, CDIO Anthony Croxford and Head of Corporate Development Sally Wilson.

The Chair welcomed all to the 4<sup>th</sup> and final JAC meeting of 2021 and commented on the good progress the committee had seen in terms of internal and external audit, risk register and risk process although implementation of the latter would now be later than planned. He noted that some matters arising from the previous meeting had not been progressed and suggested a review of progress on actions midway between meetings by himself and SG in future

The committee also wanted to record their support for the CC and PCC in the actions they were taking in Surrey with respect to the lessons from the Sarah Everard murder case and subsequent conviction of former police officer, Wayne Couzens. They thought

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the CC stakeholder bulletin set the correct tone and would be interested to hear more about the plans particularly in the context of vetting procedures.

### **072/2021 URGENT MATTERS (Item 2)**

None.

### **073/2021 DECLARATION OF INTERESTS (Item 3)**

No declarations were made.

### **074/2021 MINUTES OF THE MEETINGS HELD ON 28<sup>th</sup> JULY 2021 AND ACTION TRACKER (Item 4)**

4a - the minutes of the meeting held on 28<sup>th</sup> July 2021 were accepted as a true and accurate record.

4b – Action Tracker:

**Action 25** – PG explained that the DCC was progressing with this action along with Head of Corporate Development, Sally Wilson. A full update would be provided at the next meeting when work had progressed further. The HMICFRS were currently carrying out an inspection of custody and the Force was also preparing for the PEEL inspection.

**Action 28** – MK had provided an update prior to today's meeting. Members said they would provide any feedback to MK once they had had a chance to digest the content of her email.

### **075/2021 JAC TERMS OF REFERENCE AMENDMENT (Item 7)**

The terms of reference had been presented to the Committee at the July 2021 meeting. The purpose of today's update paper was to confirm that the terms of reference had been brought into line with CIPFA guidance in relation to Section 12, Financial Reporting.

All members were content with the terms as set out in the paper.

### **076/2021 INTERNAL AUDIT (Item 5)**

KS presented the progress report. All 2021 reviews were now complete. For Q1 there was one review which was still in draft and for Q2 and Q3 reviews were at varying stages of completion/commencement.

The Chair said that the JAC would look forward to seeing the result of the Q3 audit into the main accounting system and asked if the timing of this audit was soon enough. PG said that it was taking place at a good time as the Force was in budget mode and it was a good window to do it. The team would share the mitigation work that had been done to stabilise the platform.

## **077/2021 ACCOUNTS 2020/21 (Item 6)**

EJ presented the external audit findings report. She apologised for the lateness in the circulation of the paper but explained that this was due to exchanges between herself and management to ensure that the content of the report was accurate.

The executive summary at the start of the report provided detail on the progress and draft outcome of the audit as well as highlighting a number of key areas as follows:

### Materiality

There had been no change in materiality since the draft report had been presented at the July meeting.

### Outstanding Audit work

The audit work in respect of the PCC's and CC's opinions was still ongoing and included:

- Land and building valuation
- IAS 19 assurances
- Fieldwork covering all outstanding testing
- Quality review from Manager and Associate Partner of audit working papers
- Review of final version of accounts and narrative report
- Subsequent events review
- Receipt of signed management representation letter
- Signed AGS, narrative report and financial statements
- Whole of Government Accounts

EY had staff on site and were working closely with Finance staff to get these areas completed

### Audit Differences

A number of potential audit differences had been discussed with the Force and OPCC and EJ was now comfortable that these had been reflected in the financial statements as required. One area of audit focus related to the acquisition of equip intangible assets. An audit adjustment of £958,900, representing 50% impairment of the intangible Equip assets, had been agreed and reflected in the final accounts.

### VFM and Audit Opinion

EJ stated that subject to no further issues arising it was her intention to give an unqualified audit opinion on the Financial statements.

The planned VFM procedures had been completed and there were no matters to report by exception in the auditor's report. In respect of the cessation of the EQUIP programme the EJ stated that in her view the correct process had been followed and the correct

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decision made. The Force also had suitable processes in place going forward and for the decisions being made for the future of the ERP programme. The recommendation by the auditors was that a decision on next steps needed to be made by the end of the financial year otherwise this may impact the VFM opinion for 2021/22.

PG welcomed the work carried out by EY. The CC offered his reassurance that both Surrey and Sussex chief officers were focussed on the issues as described by EJ and were keen to get them resolved especially the issues with the EQUIP assets. Her assessment was a fair reflection of the situation. Some of the value of the assets may not be realised until they are used.

EJ was content with the £958,900 Equip impairment. She said that there had been a lot of challenge and healthy debate with the Force on this area and she was comfortable with where the VFM had landed.

GL expressed surprise at the comments by EJ in her report of deficiencies in the accounts production during the audit and the poor quality of the finance system generally as he did not recall the functionality or operation of the finance system having been previously flagged as a major concern or risk. GL also commented on the large number of journal postings per week shown by the Data Analytics as that could often indicate non-standard transactions.

MK reassured the Committee the majority of the journals were in fact system generated and thus created a high number of lines for example where it referred to collaboration.

In respect of the financial system JM explained that it had been in place for a number of years and that he was content that it delivered what it needed to deliver at this stage although he recognised that it was not ideal.

The Committee were reassured by the deadline given by the Force of the end of March 2022 to decide on the way forward for the ERP programme and hence the EQUIP assets. In addition they felt that the appropriate accounting policies had been followed but that there were a few concerns arising to be brought to the attention of the PCC and CC.

After considering the Audit Results Report from the external auditors, and subject to the satisfactory completion of the remaining audit work, the Committee confirmed that they could find no reason why the PCC and Chief Constable should not sign their respective 2020/21 Statement of Accounts. However, although the cost of EQUIP to Surrey Police was disclosed in the Accounts, the Committee felt that the Notes to the Accounts should have made it much clearer to the reader that the £8.56m of project costs incurred have ultimately delivered very little. The Committee were also concerned that there was minimal substantive evidence to support the decision to capitalise £0.96m of EQUIP costs on the assumption that some of the assets acquired as part of the project termination might be re-used and therefore have future value.

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The Committee supported the external auditor's current intention to issue an unqualified VFM opinion for 2020/21. However, although the auditor included a specific review of the cessation of the Equip project as part of their VFM work, the Committee wanted to repeat its previously expressed view that elements of the project management and governance over the life of the EQUIP project should have been considered as a significant weakness. Furthermore the Committee believed that any commonplace and conventional interpretation of the term 'value for money' would be based on whether the project had delivered a positive outcome, and not just whether such processes existed, especially in the case where significant costs had been incurred resulting in minimal benefits

EJ said that she would reflect on what had been said today. She didn't foresee that the Annual Governance Statement would show any significant weaknesses unless anything significant occurred over the next three months.

Taking in to account the comments from the External Auditor and the Joint Audit Committee the Police and Crime Commissioner and Chief Constable:

1. Approved the draft Letter of Representation for 2020/21 included in the auditor's report.
2. Received the External Auditors Report 2020/21.
3. Approved the Group Audited Financial Statements for 2020/21 (which included the PCC audited financial statements) and the Chief Constable Audited Financial Statements for 2020/21 subject to there being no change in the reported audit opinion and no further material adjustments. If the audit opinion were to change and/or material adjustments to the financial statements be required, then the CC and PCC would consult with the JAC Chair prior to approval of the amended financial statements

### **078/2021 REVIEW OF GIFTS AND HOSPITALITY (Item 8)**

The Committee noted the reports. The Chair questioned whether they should also have sight of the Deputy PCC's submissions. AB explained that this information should be published as per the Specified Information Order and that it would be available on the PCC's website in due course. It would also be presented to the Committee at future meetings.

### **079/2021 EXPENSES (Item 9)**

The Committee noted the reports.

### **080/2021 FORCE PERFORMANCE REPORT (Item 10)**

The Chair commented that the reports were now easier for members to interpret and confirmed that the Committee would still like to receive this report at their meetings just for their information even though they appreciate they are provided for the PCC/CC performance reviews. The CC agreed that it was a good opportunity for the Committee

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to see how the Force was performing and was happy for it to be presented at each meeting.

**PART TWO – IN PRIVATE**

**The meeting ended at 4.20pm**