



JOINT AUDIT COMMITTEE

DRAFT MINUTES

Date: 28 April 2023

Time: 13:00 hours

Location: via Teams

Members: Simon Smith Chair
 Ian Pinches
 Andrew Godman
 Lucy Sales
 Sophie Cook

In Attendance:

Nick Dean	Chief Constable
Darryl Preston	Police and Crime Commissioner
James Haylett (JH)	Chief Executive for the OPCC
Jon Lee	Director of Finance & Resources for the Constabulary
Steve Bladen	BDO
Daniel Harris	RSM
Jo Conlon	Head of Finance for the Constabulary
Ian Lombardo	Chief Inspector Organisational Improvement, Constabulary
Jack Hudson (JHu)	Director of Governance & Compliance for the OPCC
Les McCracken	Force Risk & Change Controller, Organisational Improvement, Constabulary
Nancy Leversha	Finance & Audit Manager for the OPCC

1.	Welcome and Apologies
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	Apologies were received from Jane Gyford Deputy Chief Constable and Matthew Warren CFO for the OPCC, Superintendent Rob Hall Organisational Improvement Centre for the Constabulary. SS welcomed everybody to the meeting.
2.	Declarations of Interest
	No new declarations.
3.	Agreement of the minutes from the last meeting held on 26 January 2023
	The minutes were agreed as correct. Action to invite Jackie Golby Strategic Director of Estates closed. Discussions outside of the meeting concluded this was not the right time for Jackie to attend, but attendance at a suitable meeting in the future would be scheduled.
	Resolved (i) The minutes were agreed as correct.
4.	Internal Audit Progress Report and IA Plan 23/24
	<p><u>Progress Report</u></p> <p>DH stated when the report was finalised only one Cambs only report had been finalised. However, the Payments & Creditors has now also been finalised with a positive assurance. The Victims Code of Practice draft report has been issued and also has a positive assurance. The Cambs only reports are complete, and all reports issued. BCH 50% have been delivered and of the remaining four are in progress and all have positive assurance.</p> <p>DH stated he is expecting the Annual Report and opinion for 22/23 to be positive unless any of the remaining BCH reports uncover anything of significance. Appendix B shows the Follow Up report as good progress, page 10 shows the table of actions, of the 11 actions, nine are fully implemented and the remaining two are superseded.</p> <p>SS thanked DH for his report and reflected that the Cambs only reports are the most positive reports that the committee has seen which reflects well on the organisations.</p> <p>LS asked how advisory reports feed into the overall opinion as they do not have assurance levels? DH answered that the advisory reports are taken into consideration for the final opinion but in isolation they would not lead to his opinion being qualified unless there was something significant such as fraud identified.</p>

IP asked at what stage do the committee find out which audits are advisory? DH stated that is shown in the Plan under 'audit approach'. Sometimes it isn't until the scope is agreed that it is decided that an advisory may be best.

SS stated when a report is advisory, it gives a bit of latitude to look forward and in his experience, this has worked well for transformation projects. DH agreed that advisory audits work well in newly collaborated areas.

AG agreed that advisory audits work well in the right situation. He requested that the committee get early notification when audits are agreed to be advisory as currently they report is received but the committee are not always advised of when the decision is made.

JH stated the PCC holds the Chief Constable to account and we use multiple assurance such as HMICFRS and look at our most similar family group for benchmarking. Where does the Internal Audit benchmark put us? DH stated he would provide a benchmarking report in about six months' time which will show comparison on assurance levels, numbers of high/medium actions. The report comes with the caveat that not all risk areas are the same, but it does provide a form of benchmarking.

JL stated he could work with RSM outside of the meeting to look at initial scope for the Cambs audits and an update can come to the next meeting.

LS asked as the advisory reports do not have scoring is there some sort of scale that can be used? How do the committee know which audits they should be paying more attention to? DH stated he would take the feedback onboard. He added there had been two advisory reports 22/23, Fraud report revealed no concerns but the committee should continue to seek assurance, GDPR report had 11 medium and high actions so there is work to be completed to mitigate risk in that area.

Plan for 23/24

DH stated that the long list had come to the January meeting, although the timing meant the list was not far off the final plan. The fuller Plan is presented today. The areas are driven by risk and areas where there hasn't been a recent review. The BCH areas have been agreed, the 7Force Procurement requires discussions with other forces and PCCs for final agreement. The plan is flexible on timings and coverage. For example, the vetting had been scheduled for Q1, however, there is a lot of ongoing work in the department so this will be delayed to later in the year which is consistent with similar work in other forces.

Appendix B provides a backward look plus suggested 24/25 assurance reviews.

Appendix C is the Internal Audit Charter which is a requirement of IA Standards

	<p>to include.</p> <p>LS stated Appendix B shows three reds in a row for procurement and asked whether the committee was comfortable that we do not have anything scheduled?</p> <p>IP added that GDPR also has nothing on the Plan, or will this be picked up in the Follow Up, and is this sufficient? DH replied that it could be picked up in the Follow Up or that is a good example where there may be flex in year. DH has conversations with JL and JH as the year progresses and he and JL will discuss how best assurance can be obtained. LM advised there is a GDPR internal audit underway in Herts and this is a collaborated area so this audit may provide some reassurance.</p> <p>JL stated that LS is right to flag the reds for Procurement, however, he disagreed with the way it was reported as it was a BCH report where Cambs had made more progress than Beds & Herts. He asked if this line could be separated out for clarity? DH agreed that he would look at how to split to show Beds, Cambs & Herts progress.</p> <p>SS agreed that JL had made this point previously. He added that the committee finds the monthly reports really helpful and asked that they continue.</p>
	<p>Resolved</p> <ul style="list-style-type: none"> (i) The Committee noted the report. (ii) JL and RSM to review initial scopes for Cambs only audits and update at July meeting. (iii) RSM to split the Procurement in Appendix B into three lines, one for Beds, Cambs & Herts to show differing progress.
5.	External Audit Update
	<p>SS welcomed SB to the meeting. He stated that the committee were very concerned over the timescales that had been presented and that this is not consistent with what had been previously promised. At the November 2022 meeting BDO had said the committee would have a plan in April 2023. There had also been discussions around efficiencies to pick up time and running processes together and asked SB to consider what is possible.</p> <p>SB introduced himself as a Director in BDO working in the Public Sector Assurance Team for three years and has a number of local government clients.</p> <p>He added that the progress report that had been circulated was a follow up to the letter issued earlier in the year that stated BDO would review how they would catch up and also in response to the Department for Levelling Up, Housing &</p>

	<p>Communities (DLUHC) that stated that external audit companies needed to communicate with committees. The report provides background and the national position as of December 2022.</p> <p>The progress and recovery plans are BDOs time scales to get outstanding audits from 21/22 completed by April 2024 with final sign off in August 2024 for 22/23 accounts. BDO have not yet looked at running audits concurrently as the auditing standards require them to risk assess and they cannot do this until the prior year audits are complete. Another issue is that resourcing is a sector wide issue and BDO wish to be equitable across their clients.</p> <p>SS stated this feels very much as the 'goalposts have shifted', in November 2022 the committee were told they would have a detailed audit plan in April 2023, and we haven't got that. What has delayed this?</p> <p>SB answered it is a range of factors. Audit takes a lot of people and the numbers have been ever changing. We have been recruiting and our people numbers have increased and that was our best intention in November. We have also been delayed by infrastructure assets in local government where a proposed solution didn't help to get this area of work fully signed off. Although the infrastructure assets is not relevant to policing.</p> <p>SC stated she appreciates what SB has told us about the national picture and that it isn't just Cambs and that she appreciates there are challenges but none of those are as a result of Cambs. The Committee's responsibility is to Cambs and we need assurance that there is a plan that will not shift, we currently have no confidence of no further slippage and the knock on effect on the incoming auditor.</p> <p>SB stated BDO cannot guarantee the dates won't change but the report is their best estimate currently. Extensive planning for those dates will continue and BDO will stay in touch with JL and the committee.</p> <p>SC asked in the risk assessment, is there any scope in 21/22 planning and the interim to be amalgamated? SB answered they will as much as they can, it was separated on the plan for clarity. We won't do interim 22/23 while 21/22 audit is ongoing.</p> <p>SC stated the 22/23 schedule shows July 2024 planning & interim stages whilst 21/22 shows a different schedule, can this be condensed in the same way? SB answered the 21/22 schedule is based on less people being available. 22/23 more people will be available, based on staff modelling.</p> <p>SC asked when testing for controls why couldn't they be amalgamated across the two years? SB stated they could, but they don't know what controls they want to test yet, but if they can they will. SC added it will help JL and his team if that can happen. SB agreed to look at this.</p>
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<p>IP stated he is struggling to get assurance over capacity and asked do you have staff capacity now or are you planning further recruitment?</p> <p>SB answered that resources is based on current staff and they have just completed a round of recruitment and are expecting more people to join over the summer. He added the recruitment is still open and they will increase staff numbers as much as they can. They also have the ability to use staff from other areas of BDO. He added that work may be brought forward if staff join sooner than expected. IP thanked SB for his openness.</p> <p>JL asked why do we need an interim for 21/22, our accounts are closed and drafted, so why not straight to full audit? He stated he was frustrated and has concerns over the 22/23 audit being scheduled at the same time as KPMG coming in and budget prep in a challenging financial climate and Jo and her team having to service all of this through no fault of ours. There are reputational implications for the Chief Constable and PCC.</p> <p>JH added that the grants we bid for ask for audited accounts as a requirement. Can we have a letter from BDO that we can attach to our bids to show that our accounts remain unaudited through no fault of ours, we don't want others to think that our financial management is at fault. If we lose out on a £0.5m bid that is disastrous for us as one of the lowest funded forces and we lose out on additionality.</p> <p>SB stated there wasn't a letter that BDO could provide, it is a national issue which DLUHC are overseeing, and they are working with other departments. Also there have been Public Account Committee hearings over external audit. JH answered the bids are usually time constrained and we could lose out from not having the correct box ticked and do not understand why you cannot provide a letter.</p> <p>SB answered there was a letter in January and this progress report can be used. He added that he would look into whether BDO could provide anything further outside of the meeting.</p> <p>SS stated that would be incredibly helpful that SB take our request away.</p> <p>LS stated it is good to minute these discussions and the committee are to hold discussions offline around other solutions. From an assurance perspective is it worth looking at what is audited and whether internal audit can assist where there are any gaps?</p> <p>IP added this should be scheduled quickly as there will be a widening assurance gap. SS agreed.</p> <p>ND agreed there is a reputational risk and resourcing issues for JL's team. He supports written explanations specific to Cambs and that delays to August 2024</p>

	<p>are unacceptable.</p> <p>SS stated all committee members support this approach.</p> <p>DP added that this also impacts on one of his statutory responsibilities and the risk of not being able to draw down funds will be a conversation outside of this meeting.</p>
	<p>Resolved:</p> <ul style="list-style-type: none"> (i) The group noted the reports. (ii) SB to look into BDO providing the OPCC with a letter to go alongside bids for funding where the latest set of audited accounts are a requirement. (iii) To review and identify gaps in assurance and how they might be mitigated.
6.	Draft Annual Governance Statements
	<p>JH stated these are the draft AGS one for OPCC and one for Constabulary.</p> <p>IP stated that following discussions, under audit delays might we need to add 'unable to meet statutory obligation'. JH stated this can be considered to reflect the conversations and assurance gap.</p> <p>IP queried whether legal advice as a collective may be worthwhile considering? JH stated he would speak to MW and find out the views from the Police Treasurers association.</p> <p>LS asked whether collaboration governance arrangements were clear enough? JL stated this was a fair point and will amend the constabulary draft to expand to refer to Cat Hemmings work. He added that the AGS now includes reference to the culture statement, VFM and sustainability but is happy to take feedback on the AGS.</p> <p>Having regard to the external audit delay, SS queried when the AGS could be finalised and published and whether an explanatory note should be attached. JL agreed and stated we can publish the final draft AGS with the draft accounts. We have the statutory period when the accounts are open for inspection to the public and we will need to comment on why they are not audited accounts. SS agreed that it is important that we say something. JH added that we can publish through BCB which will also provide a full explanation in plain English in the minutes. This extract can be used to publish with the accounts.</p> <p>SS stated this is important for reputational management. AG added that we need an explanation that because the accounts are not audited, it is not the whole</p>

	pathway that is broken, it is broken at a specific point.
	<p>Resolved:</p> <ul style="list-style-type: none"> (i) The group noted the update. (ii) Draft AGS to be amended with suggestions. (iii) JH to speak with MW about considering collective legal advice over external audit delays. (iv) Draft AGS to go through BCB for public transparency with a full explanation of why our accounts have not been audited.
7.	Risk Management and Strategic Risk Register
	<p>JHu presented the six-monthly update of the strategic risk register. He stated the primary governance for oversight is the BCB and risks were last reviewed in February and are scheduled to go to the May BCB. JHu stated that risk is a whole team approach to identify issues. This iteration has built on the JAC member's feedback.</p> <p>There have been three changes to the strategic risk register since it was last presented to JAC. Annex 1 provides a detailed update of the changes to the OPCC approach to risk management and assurance mechanisms.</p> <p>The OPCC has introduced an events & conditions register where any member of the OPCC can add any events or conditions identified from meetings that they attend in a PESTLE format. At the extended management team meetings these events and conditions are reviewed for impact on the strategic risk register and whether any changes are required. Any changes are presented through to BCB.</p> <p>SS stated a lot of work had been undertaken and noted that the strategic risk register was easier to read, he asked if people are finding it easier to use? JHu answered yes, staff have taken onboard updating the team using the PESTLE framework and can see the practicalities of this approach.</p> <p>IP added it is very easy to read, he asked whether if SRR 4.1 relating to good governance will be considered as an event following today's meeting. JHu answered yes.</p> <p>IP also stated that he assumes that the risk which is currently green will move to the right to become amber. JHu answered this will be assessed with the next iteration going to BCB in May.</p> <p>LS thanked JHu and stated it is good to recognise surfacing risk, but she was not understanding the 'so what'. How are risks considered at an aggregate level and</p>

	<p>are there trends, how are the mitigations moving risk?</p> <p>JHu thanked LS for her feedback and stated it is something further to be considered going forward.</p> <p>JH added aggregate risk and trend is a good question and something that he and JHu will discuss along with the DCC who leads on risk for the constabulary.</p>
	<p>Resolved:</p> <p>(i) The group noted the updates.</p>
8.	Treasury Management Strategy Statement 2023/24
	<p>JL stated the strategy has been through BCB as part of the MTFs and has been approved by the PCC.</p> <p>It is broadly the same as the previous year but with 2-3 additions. Treasury sits behind all the capital plans so we can fund projects.</p> <p>Appendix 5.9 is new and sets out key considerations, one of which is a liability benchmark which is referenced at paragraph 2.3. This provides a comparison of existing debts vs capital financing requirement and shows whether there is headroom for borrowing or if the organisation is overborrowed. We are not in that position and are well within the limits, this will increase but there is no investment outside of operational requirements.</p> <p>There is a requirement to now report quarterly in June and December, JL will include this detail in the monthly monitoring report so it will become normal reporting.</p> <p>The committee members received a treasury briefing which spoke about the environmental, social and governance requirement. Our strategy has not been specific so we do not hamper ourselves, but conversations occur as investments renew.</p> <p>Key metrics are shown on page 28 we are currently at 0.84% but this will increase in 26/27 to 4.11% as we borrow to fund our capital programme. To benchmark ourselves we are currently at the lower end but will move towards the middle of the pack.</p> <p>IP stated this was a good comprehensive paper and asked JL to check that we are not inadvertently breaking any covenants in terms of audited accounts. JL stated we borrow from PWLB and Link Asset Services are our independent advisors, and any significant borrowing is discussed with them.</p> <p>SS stated the committee had received and noted the report.</p>

	<p>Resolved:</p> <p>(i) The committee noted the updates.</p>
9.	<p>Compliance with CIPFA Financial Management Code</p> <p>JL stated this is a joint report based on the constabulary and OPCC annual self-assessment against CIPFA 17 standards. Most of the standards are predominantly green with four ambers, which are the same as last year however, work has taken place.</p> <p>Financial resilience is coming more to the fore and links to ongoing concern considerations. JL would like us to be in a more formal position. We have the reserves policy and are not using for revenue budget currently which is a positive. CIPFA are due to release their Financial Resilience Index soon which will enable us to benchmark against peers, so JL hopes this will move to green this year.</p> <p>The challenges in BCH financial planning continue as multi-year budgets have not yet been implemented but are work in progress. The BCH DMO and her team are undertaking reviews across BCH looking at demand, service levels and an element of cost apportionment so this action is ongoing, but we are reliant on others for this action to move on.</p> <p>The constabulary is moving to a business case approach to include VfM arrangements and progress has been made on a template. It follows the Treasury Green Book approach but is a lighter version, this action should move to green by the next report.</p> <p>SS stated there is a lot of work ongoing and the planned VfM internal audit will be helpful.</p> <p>IP noted that the standard P paragraph about CFO statutory responsibilities needs to be amended following the external audit plan.</p>
	<p>Resolved:</p> <p>(i) The committee noted the update.</p> <p>(ii) JL to amend Standard P following external audit plan.</p>
10.	<p>Summary of meeting and review of actions</p> <p>SS stated the meeting had content rich contributions and hoped the meeting had added value. He noted that there would be conversations outside of the meeting between the PCC, Chief Constable and officers to progress external audit.</p> <p>Actions are all to be retained except 2023-003 where Jackie Golby will join the committee at another mutually convenient time.</p>

	LM apologised for not circulating updates to his actions prior to the meeting. SS asked that he follow up by email outside of the meeting.
11.	AOB
	There was no other business.
	Date of Next Meeting
	The next meeting will be held on Thursday 27 July 2023 10.30am
	<p>Scheduled Meeting Dates</p> <p>Out and About Day Thursday 1 June 2023</p> <p>Tuesday 31 October 2023 10.30am</p> <p>Friday 26 January 2024 10.30am</p> <p>Tuesday 23 April 2024 at 10.30am</p> <p>Tuesday 30 July 2024 at 10.30am</p> <p>Tuesday 5 November 2024 at 10.30am</p> <p>Tuesday 4 February 2025 at 10.30am</p>

Simon Smith