

MINUTES OF THE ETHICS, TRANSPARENCY AND AUDIT PANEL (ETAP)
Held on Wednesday 30 May 2018

Present:

ETAP members	Officers
Bob Simpson - (BS)	Glynn Dixon - OPCC Chief Executive (GD)
Adrian Bowen (AB)	Jane Heppel – OPCC Interim Director of Finance (JH)
Sue Westacott (SW)	Jean Cass - OPCC Governance Lead (JC)
Emma Christmas (EC)	Claire Scragg - OPCC Assurance Lead (CS)
Tony Wilmot (TW)	Gareth Morgan - Chief Constable (GM)
Clare Cowley (CC)	Deb Wilne - Force Corporate Gov & Dev Officer (DW)
Sue Finney (SF)	John Bloomer - Force Chief Finance Officer (JBL)
Jane King (JK)	Justine Kenny - Force Director of People & Resources (JK)

Also in Attendance:

Jason Burgess - Ernst & Young (EY) Assistant Manager (JB), Hassan Rohimun – EY Executive Director (HR), David Fletcher – Staffs County Council Audit Manager (DF) and Daniel Harris – RSM Partner/ Head of Internal Audit (DH)

BS welcomed DH to his first meeting of the panel

1. Annual election of Chair and Deputy Chairs

GD introduced the first item which was for ETAP members to elect a Chair and two Deputy Chairs for the coming year.

ETAP Chair, one expression of interest from the existing chair BS

Deputy Chair Finance Panel one expression of interest from the existing Deputy chair AE

Deputy Chair Thematic Reviews one expression of interest from the existing interim Deputy Chair DD

Members agreed the election to these three posts as per their expressions of interest. No ballot was required as only one member per position had expressed an interest.

AGREED: The annual election of ETAP members to the posts of Chair, Deputy Chair Finance Panel and Deputy Chair Thematic Reviews (next election in June 2019)

2. Declaration of interests, apologies, minutes & actions of the meeting held on the 28 March 2018

Declarations of Interest - No Declarations of Interest were received.

Apologies were received from ETAP members David Davies (DD), Jean Steer (JS) Alan Edwards (AE). Apologies were also received from Victoria Farrar OPCC Head of Governance

& Assurance (VF), Angela Ward RSM Senior Manager (AW), David Greensmith FARS Director of Finance, Assets and Resources (DG) and Lisa Andrews Staffs County Council Chief Internal Auditor (LA).

Minutes of Previous Meeting

One correction agreed to page 4, 1st paragraph, line 3, to read level of ill health retirement.

Agreed - That the minutes of the meeting held on the 28 March 2018 to be confirmed as accurate and true record.

Actions

Updates to actions from previous meetings

- Item 1 EY presentation agreed as and when required – take off
- Item 2 To be added to the OPCC website once launched – take off
- Item 3 Completed
- Item 4 Treasury Strategy carried forward to the September meeting
- Item 5 Transformation Programme update reports from June 2018 to be shared at the ETAP Finance Panel meetings

3. Deputy Chair's feedback

BS presented both reports in the absence of both Deputy Chairs, DD and AE

i. Chair of the Finance Panel - Alan Edwards

The main points of the report covered recent items at the Financial Panel meetings, including Monthly Financial Monitoring, Internal Audit, Risk Management, Fire Governance and the new Finance structure.

AB endorsed the main key point of the Finance Panel report which was the change in the outturn in the monthly financial reporting; the timing and potential use of the capital receipts remains critical variables and the importance of these should not be underestimated.

JB advised that consultation on the financial structures started last Monday with the Finance Team

ii. Deputy Chair, Thematic Reviews - David Davies

ETAP members currently have five thematic reviews, four commencing this year and one outstanding from 2017.

Reviews currently being in progress:-

- Temporary Promotions, final draft prepared and hopefully the report will be finalised and published soon.

- Out of Court Disposals, works ongoing and on track to complete by the 30 June.
- Commissioning, draft terms of reference now in hand, but awaiting the finalise of the letting of a major contract by the Commissioning Team
- Female Genital Mutilation (FGM), terms of reference concluded and first initial meeting held with the MASH.
- Hotel and Travel Expenses – meeting set up and work is on going

BS commented that good progress was being made all round in these reviews.

4. Feedback from Police and Crime Panel (PCP) meetings

SF, as ETAP's representative, attended the last Police and Crime Panel meetings on the 23 April 2018.

The agendas was set in two parts; part 1 covered questions to the PCC from the PCP and members of the public, an update on the joint governance of Police and Fire and update on the PCC's Safer Fair United Communities Strategy.

Part 2 was to consider the appointment of the Interim Director of Finance. The PCP had concerns over the frequency of turnover of appointments to this post and the Chair of PCP had written to the PCC outlining the PCP's concerns on the 30 April 2018.

BS, asked GD to provide the panel with a conformation that a response to the letter sent to the PCC.

Q: SW, asked for assurance on how the risks are migrated on the Financial Director (FD) post; a post which also covers the statutory 151 role.

A: GD, the risks are migrated in two ways. Firstly with JH in post; she is able to deliver against the role as she has the right experiences and is able to provide sustainability since she has previously worked for the Force. Secondly, in light of the changes in Fire Governance, the appointment of permanent FD is deferred. This allows time for conversations with the Fire Authority over the future of the FD/151 role. GD advised that he is comfortable that whilst they are delaying the permanent appointment to this post, he is able offer assurances that there is someone in the role that can do the job.

ACTION: To provide ETAP chair with confirmation that OPCC has responded to the Police and Crime Panel chair's letter on the FD position

5. Internal Audit

DF presented six Internal Audit Reports covering the following areas, follow up report is outstanding

i. Outturn Report

DF confirmed that this Outturn Report gave a final update against the 2017/18 Strategic Internal Audit plan and gave an overall opinion for their work in 2017/18. DF confirmed that there is an increase level of assurances given compared to 2016/17 report as shown on page 8

Based upon the Internal Audit Reports undertaken during the year, an **Adequate** assurance opinion has been given; this covers the overall adequacy and effectiveness of the organisations governance, risk and control framework. This opinion, takes into account the positive conclusions of the audits covered. This opinion has been balanced against the cancellation and management acknowledgement of weaknesses around the Budgetary Control processes.

The following tables details the calculation for the 2017.18 overall assessment:-

Audit Category	Opinions Awarded	% Awarded an Opinion of at least "Adequate"	Pass/Fail
Core Financial Systems	Substantial 1 Adequate 2 Limited 1	75%	Fail
Other System Reviews	Substantial 5 Adequate 1 Limited 0	100%	Pass
Counter Fraud & Corruption	Substantial 1 Adequate 0 Limited 0	100%	Pass
Overall Total			2/3 Pass

BS confirmed that this is a positive conclusion with an upgrade compared to previous years.

ii. Financial Ledger, Bank Account and Finance follow up report

DF presented this report which had three sections;

Finance Ledger - DF confirmed that they have carried out a follow up against last year's report on the financial ledger which was a limited assurance report, they have raised 18 recommendations, nine have been implemented and nine remain unresolved.

Accounts Receivable – out of the 12 recommendations, nine have been implemented and three remain unresolved.

Procure to Pay – out of the 12 recommendations, eight have been implemented and four remain unresolved.

Overall opinion in this area is now **Adequate**, raising from a limit assurance in the previous year.

BS reminded members that we are sitting here as an 'Audit Committee' on behalf of the OPCC and Force and there are a lot of recommendations in the report.

DF is confident that progress is being made in a number of areas and confirmed that areas improving and these are not being ignored.

iii. Capital Accounting

DF advised that there is only one recommendation from this report

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	High Priority	Weakness in Budgetary Control Processes were found in the Vehicles and New Station – Lichfield Capital Programme including errors in costing and a lack of routine budget reporting for monitoring purposes.	September 2018

DF confirmed that this report has an **Adequate** opinion - We are able to offer adequate assurance as most of the areas reviewed were found to be controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

JB commented that the one high level recommendation is not a 'quick fix' and therefore will be scoped over the year as it has a training requirement.

JH is comfortable with JB's plans to introduce business partnering as well as improving some of the reporting should see people how are managing these projects in a better position.

Q: TW what was the criteria for choosing these areas, were there any concerns with these areas?

A: DF had discussions with Steve Cutler and we were given 5 areas from which they chose 3 areas to audit. Yes we were directed by Management Team to these areas,

Q: SF raised her concerns that the report has not identified the risk of Capital Receipts not materialising in the report. Why does the report not suggest this risk?

A: DF, confirmed that timing of these receipts were not in their scope.

iv. Property Stores

DF, confirmed that this was a follow up report from the previous past two years where the opinion for both years was a **Limited assurance**; the conclusion of this year's report is an **Adequate** assurance as improvements have been made.

Out of the 10 recommendations last year; 6 have been partially implemented, 2 fully implemented and 2 have not been implemented to date

Of the 2 not implanted, one is the final location of the stores and the other recommendation relates to the access issue where property is stored.

Of the 6 partially implanted, internal audit observed that actions identified as part of the action plan to address these.

JH added that, as discussed at the recent Financial Panel meeting, the property stores have been relocated to Hanley and will be part of the wider review of Estates including the opportunities from the Fire Rescue.

Q: AB are the actions for June on track?

A: JK to provide members with an update

GM confirmed that there have been no operational issues regarding the location of the property stores.

Q: CC, page 7, could you provide an update recommendation 2, the securing of forensic fridges

A: JK to find out and to follow up this request

Q: CC, would the audit cover the retention of samples, who is responsible for this sort of audit?

A: DF advised that there is a process in place to review the records. See page 4, second paragraph.

GM advised that these samples are managed by the Chief Inspector who has the responsibility for Criminal Justice. Items are managed and disposals are made in line with the policy.

ACTION: To advise on the action taken against the Management of Property Store Internal Audit Report – item 3.1.2 unlocked freezers

v. Transformation – Benefits Realisation

DF confirmed that this report had been given a **Substantial** assurance opinion with only one low priority recommendation. This report had a focus on the Resolution Centre.

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Priority	There is a link to a database that does not work and as a result data cannot be extracted.	30 April 2019

BS is quite assuring to have this result as the Transformation is critical to the Force going forward

vi. Follow up report – will be issued when complete

vii. Budgetary Control

DF, advised that they had taken a different format to this audit to what they normally do. In this case they were looking forward at a system not currently in place against the guidance from CIFPA on budgetary control. There is no assurance opinion given just one area of concern is included on item number 20.

GM item 10, pointed out the wording used needs to be clearer on this point. This currently is not a clear representation of the way budgets are managed in the Force.

BS added that in reality, further training on budget management will be given to managers in both the Force and the OPCC.

As this was DFs last visit to ETAP, the follow up report will be sent when complete. DF is happy to answer any queries over the phone and he will not be attending future meetings. BS thanked DF for this service over the past 2 years and for the improvements he had made to the service.

6. Draft Internal Audit Strategy 2018/2021 incorporating 2018/19 Draft Internal Audit Plan

DH, introduced himself from RSM as the incoming internal auditors. DH is a partner within the firm and is the Head of Internal Audit and has worked with other Police Forces and Fire Authorities. Angela Ward, is his Senior Manager, who together with her team of staff, will be delivering their work and she will be attending future ETAP public meetings.

DH presented the Audit Strategy which covers the next three years and the Audit Plan which includes the detail for the work for 2018/19.

DH advised that this strategy and plan are currently in draft, DH advised that he needs to see the Force's Risk Strategy to complete some of the details. DH also confirmed that time is also needed for JH & JB to circulate the plan to the wider side of the business. A revised programme will follow once this work and dialogue is complete and a revised plan will follow to future ETAP meeting suggested for July.

The first four audits are proposed in:-

1. Risk Management.
2. Data Migration/data quality
3. Financial Management
4. First of two follow up reviews.

JH asked ETAP members for approval of the four audits today as listed above with a view to confirm the plan to come back in a few months.

GM, advised that this is the first time he has seen this report in any detail and he advised that he will not have the resources to support 23 audits. GM will be checking the plan to avoid any future duplication with national reviews, giving examples of Bail Restrictions which are under a national review and Firearms/Taser Service Records which are on a national data return. GM is happy to review this and come back to DH in the next month.

AGREED: ETAP members agreed for the audit work, as listed in the four areas listed above, to commence and revisit Internal Audit revised plan for 2018/19

7. Governance Highlight Report

DW presented this highlighted report on behalf of the Chief Constable

This report covered the following areas:-

1. HMICFRS reports and recommendations;

DW advised that there is still have a number reports which are open from 2016, these are:

- Peel Legitimacy, one area remain ongoing relating to vetting,
- Crime Data Integrity one action remain ongoing relating to victims support agency,
- Peel Effectiveness, 3 actions remain open.

The position on the 2017 reports are as follow:

- Unannounced Custody Inspection, 6 actions remain open;
- Police Efficiency , both actions remain on track;
- Police Legitimacy 1 action is complete and 5 remain on track;
- Peel Effectiveness 2017 all 7 actions are currently on track;
- Peel Leadership, the action is part of the continual evolving work through Leadership and Culture work stream.

DW advised that on the 11 May, the HMIC and the HMIP paid the Force a follow up visit to their unannounced visit last year. This visit had a positive outcome, the inspector was impressed with the number of elements that have progressed and have been completed.

Q: TW, for clarification, do you have to get HMICFRS permission to sign down reports

A: DW, We have our own process of reviewing recommendations from the report at the Peel Board meetings. We will share the progress against recommendations with the HMICFRS before these are signed off.

GM added that we do not technically need sign off from the HMICFRS but we do share with them the action against recommendations before these are signed off.

DW advised that the Force Management Statement was in the final editorial stages of completion. This will be submitted to the HMICFRS on the 14 June. The main statement will contain between 120-150 page and it is planned that there will be a shorter exec summary document available at a later date for members of the public.

Members asked if the Force Management Statement was an annual requirement and what the benefits of producing the statement would bring.

DW & GM advised, that this was an annual requirement and this may inform the inspection regime including where inspections may follow.

2. Internal Audit reports and recommendations;

DW advised that there has been progress against the Transport Partnership recommendations and the MASH. The report also includes recommendations from the new audit reports tabled today and progress against these will follow at the next ETAP meeting.

Since the last ETAP meeting, a number of recommendations have been signed off. Expenses and Anti-Fraud. The Finance Ledger & Bank Account and Police Management of Property Stores have both been signed off as they have been superseded by follow up reports in 2017/18.

3. External Audit and recommendations;

Year ended 31 March 2016

DW confirmed that 15 actions have been marked as complete. 2 actions are remaining, these have a high priority and remain on track and are covered within the Capita Evosys work scheduled for completed by the end of March 2018.

Year ended 31 March 2017

DW advised that the out of the 11 recommendations from EY, 3 actions have been completed to date and 8 remain on track

4. ETAP reports and recommendations;

DW advised that there was one report remaining on the action plan. This the review of Care in Custody, which had 10 recommendations; 8 have been completed with 2 remaining on track.

5. Strategic Risk, Issues and Opportunity (RIO) management;

DW confirmed that the monthly Board has met a further two times since the last ETAP meeting. The Force Strategy Risk Register currently has 1 risk and 2 issues as listed below.

- Forensics IT capability (Risk)
- Weaknesses in the arrangement for the planning finances effectively (Issue)
- Data quality issues (Issue)

BS confirmed that EC has now been confirmed as the ETAP's Risk Champion

6. Annual Governance Statement (AGS).

The Force's AGS is on today's agenda for comments and is ready in draft for publication on the Force's website alongside the statutory annual accounts by the 31 May 2018.

8. Annual Report

BS introduced summary his report which covered the activities of the panels over the past 12 months.

BS confirmed that ETAP's spend for 2017/18 was £29,500k, against a budget of £25k and the budget for £ 2018/19 was £37k. For 2018/19, we have introduced a new process to capture the numbers of hours worked, rather than just the number of hours claimed. This will encourage members to capture all of their hours rather than those just claimed.

9. Finance items

- i. Draft Statutory Accounts 2017/18 CC & Group (tabled)

JH handed out to members copies of the draft statutory accounts and also a small overview document which included a summary of the accounts. She offered her apologies for both set of accounts being tabled at this meeting which was due to the challenging timescales and limited resources this year.

JH confirmed the draft accounts would be published as planned on the 31 May, meeting the earlier close down this year, and that the accounts would be ready for the EY audit to start in the middle of June.

JH confirmed that the overall message for the accounts in 2017/18 show that the Chief Constable and the OPCC are dealing with rising demand in Staffordshire and that there was very little slack in the budget now to deal with unexpected challenges in the year.

After drawing out a planned contribution from reserves for the Transformation Programme, the group position ended with an overspend of £2.679m. The balance sheet has been improved after the actuarial pension liability forecast decreasing the pension liability from £2.1bn to £2bn.

JH talked through each section of the accounts and key tables and members were asked if they had any comments or questions relating to them.

Q: SF, what is the attitude to risk in budget monitoring; only a few months ago, the Finance Panel were presented with a virtually balance budget and now we find that the position at the end of the year is a overspend of £ 2.7m. The monitoring that is presented includes an optimistic view that does not necessarily accept the underlining risk including and a '**what if**' approach.

A: JH agreed that improvements can be made on the budget forecasting process

Q: SF could we be kept up to date with this these improvements please?

A: JB agreed as part of the Finance Improvement Plan they do need to flag things earlier in the process.

JH, also commented that in particular they need to recognise with Capital receipts that there is much more needed to do with the 'what if' approach

JB added for context, the overspend of £2.7m represented 1.5% of the net revenue budget and overspend. In the sector we typically say that 2% either side of the budget is within financial health, therefore this is a useful tool.

JB confirmed that the four main pressures to the accounts were, Staff pay including overtime costs, Ill Health retirement costs and the proposed settlement to external contractor.

Members had discussions around the Ill Health retirement process and it was confirmed that GM personally assess all requests on the ground of ill health.

ACTION: To provide comparison figures on a national level against other Police forces of the numbers of staff retiring on the grounds of ill health

A further discussion was also held on the detailed amounts involved with an external contractor.

Q: SF, the Police and Crime Panel (PCP) approve the original budget in March, is the revised budget ever reported to externally?

A: JH, the PCP minute they accept the precept, technically the budget is not approved and there is not a full revision presented, the budget is an internal matter.

GD added that we will take the Medium Term Strategy to the PCP and they will therefore see all of the assumptions made in the calculations.

BS asked that if members had any further questions on the statutory accounts that they are reviewed at the next Finance Panel meeting.

ii. Deferred Pension Benefits funding

JH presented this paper to bring to member's attention a decision that has been taken under delegation. The proposal was to revisit the decision take in April 2017 to pay for the pension repair amount by instead settling the debt to the LGPS for 2018/19 and 2019/20 by 31 May 2018. It was concluded that it was more economical to repay the pension repair as a lump by 31 May 2018 as a discount would be offered. As a repayment of £ 2,040k, this discount could be £102k.

Members noted the paper and were in agreement with the action taken.

iii. Report on Expenses, Gifts and Hospitality - PCC & CC

JH asked if members had any questions on these reports.

Q: SW asked if the rules had been advised to all external contractors on the acceptance of gifts and hospitality – are they appreciative of the restraints in the public sector?

A: JK will remind all contractors of the rules around these hospitality.

10. Annual Governance Statements

i. Force

DW introduced this draft AGS and confirmed that this has now been signed off the Chief and the Executive Team. DW confirmed that this format does look slightly different to last year's template, but continues to follow the CIPFA Good Guidance guidelines.

There are four ongoing issues and actions for 2017/18; one of these is a carried forward from 2016/17. This related to the implementation of the new Force Website.

Q: SW understood the format was being further revised to reflect the format of OPCC statement. SW advised that these changes were agreed with Steve Cutler.

A: DW she would revisit the format but offered her apologies that the changes have not been implemented for this year's statement.

ii. OPCC

GD introduced this statement and advised that we had worked with ETAP members develop this. We have worked with the CIPFA Code of Corporate Governance and ETAP members confirmed that they have seen this statement before and were given every opportunity to review the style and format.

11. AOB

BS raised the format of the accounts and asked if any other OPCC's accounts formats have been considered with a view to making these more user-friendly.

HR confirmed that they have followed the CIPFA guidance when producing the accounts and perhaps was something that could be revisited next year.

Dates of Next Meetings - 25 July 2018, 26 Sept 2018, 28 November 2018