

**MINUTES OF THE ETHICS, TRANSPARENCY AND AUDIT PANEL (ETAP)  
Held on Wednesday 25 JULY 2018**

**Present:**

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

**Also in Attendance:**

Jason Burgess - Ernst & Young (EY) Assistant Manager (JB), Hassan Rohimun - EY Executive Director (HR), Laura Bollen – EY Senior Audit Officer (LB), Daniel Harris - RSM Partner/ Head of Internal Audit (DH).

**1. Declaration of interests, apologies, minutes & actions of the meeting held on the 30 May 2018**

Declarations of Interest - No Declarations of Interest were received.

Apologies were received from ETAP member Sue Finney (SF).

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)

**Minutes of Previous Meeting**

**Agreed** - That the minutes of the meeting held on the 18 July 2018 to be confirmed as accurate and true record.

**Actions**

Updates to actions from previous meetings

- Item 1 Updated Treasury Strategy to Sept meeting
- Item 2 Confirmation sent - completed
- Item 3 Update given during the meeting - completed
- Item 4 Copies sent 30 July 2018 - completed

Item 3 – JK advised item related to the location and the accessibility of the freezers. JK confirmed that that there is limited access only to this area and it is assessed as a low risk.

Q: BS, what are the interim arrangements?

A: JK, the freezers were relocated approximately 12 months ago and will be further reviewed as part of the larger review of the estate.

## **2. Deputy Chair's feedback**

### **i. Chair of the Finance Panel - Alan Edwards**

AE advised that the Finance Panel have reviewed the latest drafts of the annual accounts and annual governance statements. The panel welcomed the addition of reference to the 2018/19 financial sustainability plan in the AGS and the low levels of reserves in the annual accounts.

The primary role of the Finance Panel is to review the monthly financial monitoring reports. The Finance Panel have expressed their extreme concerns of the results in the Qrt.1 2018/19 report. In particular, the panel commented on the size of the project overspend for the year end and the very low level of reserves. This also linked to the high level of borrowings and the size of the planned Capital Programme spend.

The Finance Panel welcomed the review the finance structure including the strength of the financial management processing with the planned increased in the potential number of staff.

### **ii. Deputy Chair, Thematic Reviews - David Davies**

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

DD confirmed the change in the format of reviews. ETAP members have radically changed the original format of reports to a condensed version.

Reviews currently being in progress:-

- Temporary Promotions, report now available in draft format with responses due from the Force tomorrow.
- Out of Court Disposals, data all gathered now and members are in the process of compiling the report.
- Commissioning, draft terms of reference now agreed and a meeting is due with the Commissioning Team.
- Female Genital Mutilation (FGM), a meeting planned for this week and a draft report is due in early August.
- Hotel and Travel Expenses – the report is due in mid- August.

DD confirmed that the now including member's hours now in his report and these are both claimed and unclaimed hours.

BS commented that good progress was being made all round in these reviews and advised that the timetable of thematic reviews will be discussed in further details during ETAP's P&D meeting this afternoon.

### **3. Feedback from Police and Crime Panel (PCP) meetings**

BS introduced this update on behalf of SF who unfortunately could not make this meeting today. BS advised that the PCP are in a similar position to ETAP awaiting further for news of the Fire Governance arrangements come under the Commissioner.

### **4. 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 little movements on the sign off recommendations including row 6, two actions to be Review Board by the Review Board. The other progress is shown in the report.

The Force Management Statement has now been submitted to HMICFRS. ETAP members have now been sent an Executive summary of the 156 pages with appendices that extend to an additional 100 +pages.

GM confirmed that this summary document is currently only for ETAP members and is not for wider publication until national guidance is received.

Q: TW, do you know how much time was taken in the preparation of this document and what value does this bring to the Force?

A: GM, I can let you know the hours this has taken but this is a requirement of the HMICFRS this year. Going forward this will be a far less enormous task as it will simply need updating next year. The initial feedback from our submission is very positive regarding content and format and this is part of the methodology that the HMICFRS will use to deter the threshold for their future inspections so there is a benefit in this document.

#### **2. Internal Audit Report**

DW continued with her report, Item 2, Internal Audit Reports and Recommendations and gave members and update on the progress since the last ETAP meeting.

#### **3. External Audit Reports and Recommendations**

DW confirmed that the 16 actions have been marked for 31 March 2016 as complete with the 1 remaining on track. 4 recommendations have been signed off since the last ETAP meeting for the year ended 31 March 2017 report.

Q: AE, could you give us an item please under item 3.2 External Audit Report. There were 11 recommendations, 6 were prioritised as medium, 5 high. 7 actions have been completed to date with 4 off track (1 medium and 3 high).

A: DW, advised that she would provide a more detailed update at the next meeting

JB added that one area of recommendations on the Value for Money, will be included in the EY Report presented today.

**ACTION:** DW to provide a full update against the External Audit Recommendations at the next ETAP meeting in September

#### **4. ETAP Report and Recommendations**

DW advised that at the moment they are no current recommendations. The Care in Custody Report is awaiting a final sign off.

#### **5. Force Strategy Board – Strategic Risk Issue and Opportunity Management**

DW, advised that the Force Strategy Board have met twice since the last ETAP meeting; there is 1 risk and 2 issues as listed in the report. There are a number of emerging risks and issues, these will be presented at the next ETAP meeting

Q: SW, asked if the layout of this report could be amended to make it easily read and understood by members of the public

A: DW, This is a highlight report but could be amended to make the results more accessible to the public.

**ACTION:** DW, BS & SW to discuss the format and readability of section 5 of this Governance Highlight report

#### **6. Annual Governance Statement Update (AGS)**

DW handed out copies of the Force's AGS; this includes a small number of minor amendments based on comments from EY.

JBL advised that updates had been made around finance sustainability & financial planning bringing this more in line with the AGS from the OPCC.

GM advised that whilst he still needs to see the final version of this statement but is content with the earlier draft versions

BS confirmed that he found this year's this statements much easier to read and thanked everyone involved in their production.

## 5. Final Statutory Accounts 2017/18 CC & Group

JH introduced this items and confirmed:

The challenge this year was to publish the accounts three months earlier than in previous years and she is happy to report that the teams have met this challenge. Both sets of the draft accounts were published on the website before the 31 May deadline together with the draft AGS. Since then the Finance Panel have met and have examined the accounts in great detail at their June & July meetings. Members asked a number of questions about the amounts making up the statements and the process of pulling the accounts together.

The audit team from EY were in for three weeks in June and have given an unqualified opinion on the completion of the accounts and the Value for money statements.

JH confirmed that, following recommendations made by the Finance Panel, on what to say about the future of the Reserves Strategy and forward planning, she has reflected their comments on page 12 of the accounts. In the sector in the whole, there is a perception that nationally Police Chiefs and PCCs are sitting on high levels of reserves. The Staffordshire force's resources sit on the bottom level and as the Home Office could use this this information in their forward planning which could leave the force in a deleterious position on the force's finances. This is recognised as a real risk within the sector and for the force.

JH asked members if they had and further questions or comments on the accounts.

BS enquired if the Home Office may carry out some tapering on Police grant linked to reserves but JB advised that this historical had not been the case.

AE welcomed the revisions, including the helpful table and summary on page 12 of the accounts and thanked JH for these amendments. This summary does illustrate the concerns that the Finance Panel have is this area.

JW advised that she believed that the PCC is intending to write to the Home Office on this matter to make it clear to them the force's position on future funding decisions.

BS thanked JH & JBL and the team for the producing the accounts on time, ahead of the deadlines and noted that a lot of organisations had not achieved this deadline.

**ACTION:** JH to provide an update copy of the Reserves Strategy for the next ETAP meeting in September.

**AGREED:** ETAP members agreed their approval for the sign off of the Group Statement of Accounts and the Chief Constable Statement of Account for the year ending 31 March 2018.

## 6. Annual Governance Statement (AGS).

GD, advised that the ETAP members have already commented on draft versions of the OPCC's AGS. The final version of the AGS included an additional issue, no.5, which related to the financial challenges faced by both OPCC and the force.

Force's AGS comments were made in item 4 (item 6) as above

AGREED: ETAP members agreed their approval for the sign off of the OPCC's Annual Governance Statement and the Force's Annual Governance Statement for the year ending 31 March 2018.

## **7. Internal Auditors - Final Audit Strategy 2018/2021 incorporating 2018/19 Final Internal Audit Plan**

DH reminded that he had previously presented the draft version of the strategy and plan at the ETAP meeting in May.

DH confirmed that following the meeting in May, officers and members were given the opportunity to score the draft plan and rate the proposed audits. Officer's rationale, together with the waitings and timings were included in the revised plan which is presented today. DH confirmed that, following recommendations from officers, the number of audits were reduced from 18 down to 11 for 2017/18.

DH talked through the plan and asked members if they had any comments.

AE welcomed the revised plan and made the suggestion that the Governance Transition Review of Fire arrangements was being undertaken a little early, since the arrangements had only come in effect from 1 August. He also commented that he felt that the Saving Programme Review would benefit from an earlier start.

BS commented that new Governance arrangements for the OPCC and the Force were put in place last year and ask if these could be reviewed.

GD mentioned that details of the review of Governance were included in the AGS for OPCC. GD confirmed that the Governance arrangements were reviewed last year and will be reviewed again this year following the completion of the Fire Governance arrangements.

DD commented that a review of staff morale, which he felt would be included in the audit HR Resources Management Recruitment in 2020/21, may be worth bringing forward. DD also mentioned that a Commission Review in 2020/21 may also be worth bringing forward looking into the Value for Money element.

JK advised that recruitment and retention of staff is not an issue at the moment as there are no particular issues. GM advised it may be helpful to distinguish between officers and staff as retention of officers is well below the national figures.

DH confirmed that this 3 year plan can be revised and items can be brought forward if required.

Q: DD, what happens if responses are not received in line with the Internal Audit Charter covered in Appendix D of the plan.

A: DH, advised that any issues would be dealt with locally in the first instance and if they were not successful they would go directly to the sponsor of the audit. DH added there timeframes would be in place for each audit.

## 8. External Auditors

HR introduced this item this and confirmed that they have given an unqualified opinion on both the annual accounts and Value for Money Statements.

Section 2 of the report, included the significant risks which have previously been highlighted to members under EY's audit plan.

Under this areas of focus HR highlighted:-

Pension Liability Valuation – following discussing the Management team have decided not to adjust the accounts for the estimated the whole fund value of £888k which is the difference between the actuaries and actual finance position.

Valuation of Property Equipment – based upon the completion of the specified audit procedures there are no matters to report

Staff capacity in the Finance Team - overall the accounts were produced on time, however there were a number of errors identified which could have been as a result of earlier closedown and the timing of the audit.

Section 3 of the report highlights the proposed EY audit opinion.

Section 4, covers the summary of unadjusted differences. AE confirmed that the Finance Panel have been through these differences in great deal and did not see any merit in revisiting these areas again today.

Section 5, covered the three key areas; working with key partnerships, proper arrangements to securing value for money and sustainable resource deployment. HR advised that EY proposed an unqualified opinion in these areas. Whilst adequate arrangements were in place, there were a number of issues which resulted in EY being on the cusp of this opinion. They highlighted the specific areas at the meeting.

Q: TW asked if EY if they felt that the organisation required what they needed to do to 'clear the bar' more comfortably next year.

A: HR advised that they has been in discussions with the force to strengthen the arrangements in place for next's year accounts.

JH advised that the Strategic Governance Board will meet tomorrow and the agenda is largely devoted to finances. They will receive the accounts and consider their responses to the management letter and the IS260. The Risk Registers will be updated and the OPCC Register will include the risks of the timing of the Capital Receipts and the need to loosely monitor the low level of reserves.

Q: BS, if the PCC is aware of these issues?

A: JH, advised the PCC chairs the Strategic Governance Board and is aware of these issues.

Section 6, JB talked this section and advised that EY noted that the Bad Debt Policy had been updated by the Finance Team but this has not approved by the Force Executive. EY reviewed the Contract Register held by the Procurement and IT Services and identified that the contract

with Boeing Defence had been omitted. This has been accepted by Management and the register will be amended.

Section 7, JB confirmed that they had found no significant issues as of control. Only one area of note was around the need to improve processes and controls for month-end reporting.

Section 8, covered the data analytics in the audit.

Section 9 confirmed that there had been no changes in EY assessment of their independence since their confirmation of their audit planning reported dated 23 January 2018. EY also confirmed their audit analysis in this section.

Section 10, consisted of the requirement communications between EY and the responsible officers, this correspondence included the Management Response letter which had a list of eight Audit Recommendations.

JH indicated that have accepted all of the 8 recommendation. Items 1, 2, 3 are procedural matters, including one from the previous year. The others are matters for the Finance Team and the Management Team to resolve. These be over seen by the Strategic Governance Team and will be reviewed throughout the 2018/19 year.

BS thanked all those involved in the production of the accounts and the audit by EY and meeting shorter timetable.

JB, HR and LB wanted to record their thanks to JH, JBL, the Finance Team and also GD for his support with the additional information Value for Money for the audit.

JH advised that she has already feedback her high levels of satisfaction with the team and thanks them for the very quick response times.

JH confirmed that the Statutory Accounts and the AGS statements will be published on the OPCC website by the end of the month.

## **9. AOB**

**Date of Next Meeting – 26 September 2018**