

OFFICE OF THE POLICE AND CRIME COMMISSIONER
OFFICE OF THE CHIEF CONSTABLE

JOINT AUDIT COMMITTEE

28th July 2022

Present: Mrs D Turner (Chair)
Mr J Sheppard, Mr A Blackmore and Dr J Wademan

Together with: Mr J Cuthbert – Police and Crime Commissioner (PCC)
Mr D Garwood-Pask – Chief Finance Officer (CFO)
Mrs S Curley – Chief Executive (CEX)
Mrs J Regan – Head of Assurance and Compliance (HoAC)
Mr N Stephens – Assistant Chief Officer, Resources (ACOR)
Mr N McLain – Head of Continuous Improvement (HoCI)
Ms H Williams – Audit Wales (HAWW)
Ms C James – Audit Wales (CJAW)
Mr M Collier – (TIAA)
Ms K Davies – Audit Wales
Mrs N Warren – Governance Officer (GO)

The meeting was held in the Yew Room 1 and on Teams and commenced at 10:00am.

1. <u>APOLOGIES</u>	Action
Apologies for absence were received from Ms P Kelly, Chief Constable, Mrs A Blakeman, Deputy Chief Constable, Mr R Leadbeter, Joint Audit Committee Member, Mrs H Cargill, TIAA and Mr M Corcoran, TCBC Audit.	
2. <u>DECLARATIONS OF INTEREST</u>	
There were no advance declarations made in relation to the business to be transacted.	
3. <u>MINUTES</u>	
The minutes of the meeting held on 9 th June 2022 were received and confirmed. We noted that some minor amendments had been received from Joint Audit Committee members prior to the meeting. We also noted the following amendments: Page 5, Internal Audit TIAA, it was suggested the word ‘continuum’ was not an appropriate word to use within the sentence ‘JAC noted the number of	

<p>audit days had reduced from 150 to 135 and asked if this was the continuum or if there was scope for flexibility. The GO agreed to change it.</p> <p>Page 14, the Chair advised us that the minutes should be amended to reflect she would have amended the JAC Annual Report, should time have allowed within the timeframe. The GO agreed to amend accordingly and forward to the Chair for review.</p>	<p>Action GO</p> <p>GO</p>
<p>4. <u>APPROVAL OF JOINT AUDIT COMMITTEE ANNUAL REPORT</u></p>	
<p>We received the Joint Audit Committee Annual Report.</p> <p>The Chair advised us that she had planned to review the JAC Annual Report to reflect on the areas identified during the JAC Training Day by the Influential Audit Committee, in their report in order to assess the effectiveness of the JAC including:</p> <ul style="list-style-type: none"> • Good governance and decision making; • Effective risk management; • Improving value for money; • Achievements with goals; • Improving public reporting and communication; • Embedding ethical values and countering fraud; • Effective audit and assurance; and • Effective internal controls <p>Having reviewed the report against the above areas, it was evident that it was not feasible to amend the report to reflect the work under the specified categories given the timeframe.</p> <p>However, the following amendments were agreed:</p> <ul style="list-style-type: none"> • The penultimate paragraph in the Chair’s foreword should follow the 5th paragraph • The first sentence of the 7th paragraph should be amended from ‘The continuing financial pressures’ to ‘However, there are continuing financial pressures on policing budgets.’ A new sentence relating to the Finance Department should start from that point. • We noted page 6 and 10 referred to 3 outstanding. audits. However, the 3 audits had subsequently been completed. The HoAC agreed to update the report accordingly. • There was little reference to embedding ethical values and countering fraud. Given that the JAC had undertaken work in relation to countering fraud, it was suggested that narrative be added to the report to reflect that. 	<p>HoAC</p> <p>HoAC</p> <p>HoAC</p> <p>HoAC</p>

<ul style="list-style-type: none"> We noted the following amendment on page 8, 2nd paragraph, 'Although the JAC are more satisfied with the approach of the SRS and have seen an improvement of its audit management though' should read 'Although the JAC are more satisfied with the approach of the SRS and have seen an improvement of its audit management through' <p>It was also suggested that embedding ethical values and countering fraud should be added to the JAC Self Assessment Action Plan.</p>	<p>Action</p> <p>HoAC</p> <p>HoAC</p>
<p>5. <u>ANNUAL AUDIT OF FINANCIAL STATEMENTS – ISA260</u></p>	
<p>We received and noted the Annual Audit of Financial Statements ISA 260 from Audit Wales (AW).</p> <p>The CFO advised us that although the ISA260 was presented later than usual, Gwent were the only Force in Wales to present their accounts by the statutory deadline.</p> <p>Although the JAC members had received a draft version of the accounts at the previous meeting for scrutiny, some of the JAC members had not had the usual amount of time to fully review the final Statement of the Accounts, due to the papers being received later than expected. However, the JAC Accounts Lead was able to give an update, given his involvement in the scrutiny of the accounts.</p> <p>The JAC Accounts Lead informed us that he had spoken to the HoF and CFO to discuss suggested amendments to the Draft Statement of Accounts and the Draft Annual Governance Statement (AGS) after the previous meeting. There were a few minor amendments and one or two more substantial amendments suggested in relation to the draft accounts.</p> <p>Having subsequently reviewed the AGS, it was confirmed that there were no amendments outstanding and all amendments in relation to the accounts had been actioned as appropriate.</p> <p>JAC acknowledged the stepped change in the quality of the working papers and congratulated all involved for their hard work to meet the deadline.</p> <p>We were advised there were some areas of work still outstanding at the time the ISA260 report was drafted, relating to errors identified during AW's initial sample of debtor transactions. However, supporting information had subsequently been received and there were no adjustments or verbal amendments to be made to the report. The required information regarding the IT control environment had also been received from the IT department.</p> <p>AW had also been awaiting information from the Force Finance Team regarding the valuation of and the accounting treatment for donated Personal Protective Equipment (PPE) that was received by Gwent.</p>	

However, having reviewed the balances in other similar Forces, AW had taken the view that although ordinarily this donation would have been recognised within the accounts, in terms of the value of amount received and expenditure, the level received had not reached the level of materiality and was borderline trivial/non-trivial.

Action

As there were delays up until the 27th July due to the aforementioned issues, JAC asked if these issues were relating to AW or tardiness within Gwent's Finance Department. AW advised us that there were no particular issues with either party. AW had not been in a position to do as much audit work as they would normally have done in the interim period, which meant there was more to do at the Final Accounts stage. There were also re-valuation issues to review as well as various other issues at a late stage, that had to be worked through with the Finance Team.

Covid-19 has had a continuing impact on how the audit has been conducted, which meant that the majority of the work had been undertaken online. AW thanked the Finance Team for their efficiency when sharing information.

AW intended to issue an unqualified audit opinion for both the Police and Crime Commissioner's (PCC) and the Chief Constable's (CC) Statement of Accounts.

There were two remaining uncorrected misstatements identified in the Statements of Accounts as indicated within the ISA 260 report.

There had been an overstatement of income, included within debtors and the Police Fund within the PCC's financial statements relating to three manual accruals; the estimate for the Police Uplift Programme (PUP) Grant was found to have been overstated by £357,000, the Women's Pathfinder partnership accrual was found to be overstated by £42,000 and the Women's Pathfinder Scheme accrual funding from Welsh Government (WG) was overstated by £221,000.

There had also been an understatement of donated income and donated stock relating to the receipt of donated PPE for the CC's officers and staff during the pandemic, which had not been accounted for within the CC's financial statements and the PCC's Group Accounts.

The JAC Accounts Lead suggested that it would have been beneficial to have corrected the misstatements within the accounts, as opposed to them having to be raised within the ISA 260. It was noted that the misstatements amounted to approximately £600,000 and as they were duplicated, it was suggested that this would result in less of a surplus than indicated within the accounts. The JAC Accounts Lead asked if there were systemic issues that caused the issues.

The CFO informed us that although he would have asked for the uncorrected misstatements to have been corrected within the accounts, the volume of misstatements that had been corrected within the Accounts this year was

significantly less than in previous years. There was a clear rationale for why the remaining misstatements had not been corrected; Management had to decide if there was time and the capacity to make the corrections at a late stage of the process and to change things that were over trivial but less than material. The totality of the misstatements was less than the materiality threshold of £2.3m at approximately 25%, two of the adjustment amounts related to the Pathfinder Scheme totalling £263,000 which would not impact on the financial statements this year through the Comprehensive Income and Expenditure Statement (CIES), as the funding had been accrued within the reserves. Therefore, it was only the PUP accrual that would affect the CIES this financial year. The CFO advised us income accruals was going to be an area of focus for the Finance Team during their post project learning, to ensure the issues would not reoccur in the following year.

Action

We were advised that the issue in relation to the PUP had occurred as the Team had claimed £600,000 from the Home Office (HO) without realising they had already reached the claim threshold. The CFO explained that there tended to be more reliance on estimates given the tight accounts closure timelines. The Force had mistakenly overclaimed from the HO for the PUP in their eagerness to ensure there was sufficient funding available for the arrival of the new officers.

The HoF confirmed it was not systemic as the issue appeared to be related to specific individual items and his Team would be focussing on the estimates (the accruals) and the outturn of the estimates, to ensure the estimation process could be improved.

The JAC ICT Lead suggested the reason for non-correction of the misstatements by management should be specified within the paper for transparency. The CFO reiterated the reasons why the misstatements had not been corrected and we were advised the minutes of the meeting were published for transparency. AW also confirmed the information provided within the ISA 260 was sufficient for their requirements. The CFO informed us that in future years he would draft the rationale for any decisions made at the ISA 260 wash up meeting, which would provide further transparency on any misstatements.

CFO

There were no significant issues arising from the audit this year.

There had been significant improvement in the quality of the Accounts since the previous year. Working papers were also of a good standard and were received from the Finance Department in a timely manner.

There were no recommendations arising from the financial audit. However, the usual post project learning session would take place in order to improve the accounts process further.

JAC referred to page 4 of the ISA 260 report and noted the lower materiality level of £10,000 in relation to related party transactions and asked if the amount related to per transaction or if it was an aggregate amount. JAC also

<p>sought assurance that sufficient internal controls were in place in areas such as procurement to ensure the security of the organisation. CJAW informed us that the level of materiality was lower, given the sensitivity and the importance of the issue. AW expected disclosures of related parties to be materially correct to/within £10,000 so transactions over that amount would be reviewed whether individual or cumulative. A review of Annual Declarations of Interest and disclosures also formed part of the AW work to ensure the values disclosed were correct.</p> <p>The CFO informed us that although the Force could mandate the completion of related party transaction disclosures for year end, they could choose not to disclose. However, we were assured the Procurement Team have a robust system in place to ensure the relevant checks and balances are conducted for new payees and vendors. There was also regular weeding of supplier accounts, duplicate payment checks, completion of national fraud initiative returns and the cyclical internal audit of procurement and payroll departments.</p>	Action
<p>Our attention was drawn to page 15, the Letter of Representation – CC, 1st paragraph of page 15 which stated there was one uncorrected misstatement and in the heading for the 3rd paragraph stated there were no misstatements. CJAW agreed to amend the heading accordingly.</p> <p>The JAC Accounts Lead referred to the Auditor’s responsibilities on page 19 and noted there was reference made to identifying potential for fraud in revenue recognition, posting of unusual journals and bias when calculating accounting estimates. The Accounts Lead asked if there were any internal controls that could be implemented to prevent posting of unusual journals or any other lessons that could be learnt, in order to ensure this narrative was not required within the following ISA 260. CJAW assured us these issues were standard key areas that AW reviewed that sat in all audit plans every year, as it was an inherent risk in all organisations.</p>	CJAW
<p>The CFO assured us the appropriate internal controls such as checks and balances were in place to ensure there were no unusual journals posted.</p> <p>We referred to page 27 and noted that mobile phones that were designated for disposal had been passed to the company performing this function, but the company had not yet disposed of them by the 31st March 2022. JAC asked if the process of disposing mobile phones or other assets could be looked at earlier in the year, to ensure it was not an issue at year end. The HoF confirmed that there had been a timing issue. The fixed asset module was updated throughout the year and disposal dates were being reviewed, however this particular disposal took place in March and was expected to be completed in time for the accounts closure, but this was not the case on this occasion. The CFO advised us that timeliness of disposal of assets would form part of the post project learning.</p>	

<p>We thanked all involved for the significant improvement in the quality of the accounts, the good working papers and for not receiving any recommendations from the financial audit.</p>	<p>Action</p>
<p><u>6. STATEMENT OF ACCOUNTS 2021/22 INCLUDING JOINT ANNUAL GOVERNANCE STATEMENT</u></p>	
<p>We received and noted the Statement of Accounts, including the Annual Governance Statement.</p> <p>The HoF presented the changes between the draft and final Statement of Accounts for 2021/22.</p> <p>We were advised that the accounts preparation process had gone very well and the HoF offered his thanks to the AW team for working collaboratively with the Finance Department. The Statement of Accounts were awaiting final sign off by the 31st July 2022 statutory deadline.</p> <p>All of the deadlines for the preparation of the accounts had been met. The draft accounts were published on the 28th May 2022, which was earlier than the planned date and the final wash up meeting with AW took place earlier than expected, as the vast majority of the audit work had been completed by the Finance Department and the AW Team.</p> <p>All of the Statutory deadlines have also been met.</p> <p>The HoF outlined two major events during the year:</p> <ul style="list-style-type: none"> • All Land and Buildings assets had been revalued by a RICS qualified external valuer at 31st March 2022 and the accounts fully reflected the valuation. The revaluation of the Headquarters formed part of the review as it was now an asset in use, as opposed to an asset under construction. • McCloud/Sergeant pension Issue - the Pension remedy legislation had been released by the HO and work had commenced with the pension administrators at XPS. Further information was expected from the HO shortly. A designated resource has been allocated within the Force in order to manage any actions that were brought about by the changes. <p>The Outturn for the year had recorded a break even position against a revenue budget requirement of £147.555m, after transfers to usable reserves. Usable reserves had decreased by £8.5m to £33.7m, which was due to funding the comprehensive Capital Programme, primarily the new Headquarters build. Liabilities had increased to £10.8m due to movements on pension liabilities.</p> <p>In terms of the final balance sheet position, the level of usable reserves had reduced to £33.7m compared to £42.2m in 2020/21 and the decrease was</p>	

<p>set to continue throughout the Medium Term Financial Plan due to funding long term asset plans.</p> <p>Apart from reclassifications and disclosure enhancements, there were no movements on the Balance Sheet from the unaudited to audited accounts.</p> <p>Following the meeting, the Chief Constable and Police and Crime Commissioner (PCC) would sign off the Statement of Accounts and the Letters of Representation, to enable the final sign off by the Auditor General on the morning of the 29th July 2021, for publication on the afternoon of the 29th July 2022.</p> <p>An internal feedback session on the year-end management accounts close down had taken place and a further session on the financial accounts and audit was to be arranged to ascertain what processes could be improved the following year, including the income accrual review. As in previous years, a further session with AW would take place with other Forces during the year.</p>	<p>Action</p>
<p>The Chair advised us that one of the aspects discussed at the JAC Training Day related to JAC seeking assurance on the process for correct accounting for collaboration projects throughout the year and the year-end. The Chair suggested that it formed part of the Lessons Learned Action Plan for the December meeting.</p> <p>The JAC Accounts Lead referred to his suggested amendments/comments in relation to the accounts and asked if the accounts had been amended where necessary. The HoF advised us that the majority of comments received referred to formatting errors. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Big Red Button software, used to transfer accounting information from Force software into the Statement of Accounts format had been decommissioned. However, as the Finance Team were involved in its development, they were able to use their knowledge to develop an Excel Spreadsheet template to map the required accounts data into the CIPFA Code accordingly and the formatting errors had been rectified.</p>	<p>HoF</p>
<p>It was acknowledged by JAC that it was a stressful time for members of staff when trying to meet the tight accounts closure deadlines. JAC asked if the wellbeing of the staff had been affected due to the tight deadlines. The HoF confirmed a member of the Finance Department had gone on long-term sickness leave, although it was not stress related. The team had worked hard to meet the deadline and early preparation of the accounts had lessened the pressure at the later stages of the accounts closure. The ACOR confirmed that overtime was allocated and shared across the team when required, but it was minimal.</p> <p>The JAC Accounts Lead suggested that the format of the AGS be reviewed to ensure the headings were in alignment prior to publication.</p> <p>CFO thanked JAC members for their constructive comments in relation to the draft AGS and their scrutiny of the accounts.</p>	<p>CFO</p>

Following a review the JAC members recommended approval of the AGS and the Statement of Accounts.	Action
<p>7. The information contained in the report(s) below has been subjected to the requirements of the Freedom of Information Act 2000, Data Protection Act 2018 and the Office of the Police and Crime Commissioner for Gwent's public interest test and was deemed to be exempt from publication under section 7.</p>	
<p>8. <u>FORCE MANAGEMENT STATEMENT REPORT</u></p>	
<p>We received and noted the Force Management Statement.</p> <p>The HoCI advised us that the relevant amendments had subsequently been made to the Force Management Statement (FMS), prior to submission to Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).</p> <p>The HoCI informed us that the FMS was a relatively new tool that was used by Forces as an annual self-assessment tool. This was the 4th FMS to have been submitted to the HMICFRS, the most recent being in May 2022. Much of the data within the report was produced in the months of October/November and collated over a 6 month period.</p> <p>The FMS contained 14 chapters set by the HMICFRS. The report author, Chief Inspector of Governance and Assurance, worked with the Strategic Leads for each of the specified areas to ascertain if there were any gaps or any future challenges for the Force. In the final stages, a risk assessment was conducted in relation to each of the areas, including capacity, demand, capability, performance, challenges for the Force and the wellbeing of staff. This helps to inform business planning and the Finance Team of departmental budgeting for the following 12 months.</p> <p>A departmental delivery plan was developed for each of the 14 areas within the FMS setting out how each area would deliver against the CC's Force Delivery Plan. Each of the areas are assessed and their key performance indicators monitored. The delivery plans are scrutinised through the relevant Governance Boards and the Finance Team works with each department to ensure there are sufficient budgets in place for the work, or to determine if further funding is required due to a business change.</p> <p>The HMICFRS also expect the Force to provide details on how the Force will react to FMS outcomes, in order to best inform business change. For example, should there be policy changes; new working practices introduced; are the Force assets being used efficiently to meet demand; are the plans future proof; and is the budget sufficient to meet the changes.</p> <p>The HMICFRS use the FMS as an introduction as part of the Police Effectiveness, Efficiency and Legitimacy (PEEL) Inspection and it also assists them to determine which Forces should be inspected in specific</p>	

areas and helps them to monitor general Force performance against national priorities.

Action

JAC asked if all Forces used the same measures and if it could be used to measure Gwent against its comparators. The HoCI confirmed the FMS was a standard format used by all Forces, as were the measures. The data could be accessed through the HMICFRS portal to enable Forces to conduct performance and measure comparisons against other Forces.

The JAC Risk Lead asked if the document was available to the public. The HoCI advised that there was no content in the report that would not be disclosed to members of the public, provided the CC was happy for it to be published.

The JAC Risk Lead pointed out that the report needed to be quality assured prior to its publication. Overall, it was acknowledged that it was a very detailed positive report and could be a valuable tool for the Force if utilised as planned. However, it was suggested that the executive summary be reviewed as it did not contain the key points within the report. There are financial pressures, changes in demand; and challenges in terms of recruiting, training and retaining staff and the challenge on leadership to manage the pressures.

The JAC Risk Lead also suggested the risks that were assessed within the report appeared to be current issues as opposed to risks.

Although it was deemed to be a beneficial document by JAC in terms of business planning, it was suggested that updating the document every year may be excessive, given the time taken to update it. It was also suggested that there was scope to lobby the HMICFRS to link it to the Police and Crime Plan (PCP), as this would be beneficial to conduct an assessment when the new plan is issued; during the interim period to reflect on progress; and then at end of the plan.

Although there was an element of duplication, the PCC advised us that it was a requirement of the HMICFRS to provide the document annually. However, the PCP was the legal strategic document for policing in Gwent, which the CC's Force Delivery Plan was measured against.

JAC referred to the UK Government's short-term funding programmes and suggested this was a short-term solution in addressing policing issues.

JAC asked how successful the Force were in terms of winning funding through for short-term initiatives in comparison to other Forces. The PCC advised us that although it would be more beneficial if the funding was allocated directly to Forces to determine its best use locally, Gwent had been very successful at securing funding and had won three bids to fund the Safer Streets initiative.

<p>JAC asked if this sort of bid funding meant that the Force looked at these types of programmes from a short-term perspective, as they were not able to plan in the long term. The CFO informed us that Gwent received 1% of the national policing budget and the Force target was to obtain 1% of any short-term funding available. For example, there was £50m of Safer Streets funding available and therefore Gwent were aiming to achieve £500,000. The Force have been able to achieve towards £3m of additional funding through a successful bidding process. However, officers and staff had to be diverted from their usual operational duties in order to collate the bid for submission and there was also an issue of legacy funding, as there was an expectation from the public to maintain the initiatives. Therefore, the bid funding was usually viewed from a short-term point of view.</p> <p>The CEx informed us that the deployment of operational officers to work on the HO Funding submissions was also being considered by the Ethics Committee in terms of if it was morally the correct thing to do and if so, why had the Force not funded the initiatives themselves, prior to being able to bid for the funding.</p> <p>The ACOR advised us that FMSs help to inform decision making in terms of business planning and this had been reflected in the expansion of the Business Planning Team. The FMS also helps to identify risk, service pressures, assists with the budget setting process for the future year and supports the Force when planning for new initiatives in April and May, as it helps to re-prioritise focus.</p> <p>The Chair referred to the increase in the cost of living, the increase in inflation to 9%, given the 5% increase in pay for nurses and police officers and asked what impact this would have in terms of the precept. The ACOR was asked to provide a response in the following JAC meeting in the relevant report.</p> <p>The Chair referred to the level of borrowing within the MTFP and asked what the Force would need to cut from its business plan, having considered risk, should borrowing not be sustainable. The ACOR was asked to provide an update in the initial budget briefing at the following JAC meeting.</p>	<p>Action</p> <p>CFO/ ACOR</p> <p>CFO /ACOR</p>
<p>9. The information contained in the report(s) below has been subjected to the requirements of the Freedom of Information Act 2000, Data Protection Act 2018 and the Office of the Police and Crime Commissioner for Gwent’s public interest test and was deemed not to be exempt from publication under section 7.</p>	
<p>10. <u>ANY OTHER BUSINESS</u></p>	
<p>We discussed JAC members only meetings and it was agreed that it would take place on Teams and the OPCC would facilitate this in September.</p>	<p>GO</p>
<p>We noted the Vice Chair would be chairing the September JAC meeting as the JAC Chair would be attending online from another event.</p>	

11. <u>TO IDENTIFY ANY RISKS ARISING FROM THIS MEETING</u>	
There were no new risks identified.	
The meeting concluded at 12:00pm	