

Audit Committee Meeting – Part A

Friday 6th March 2015

**09:00am, Conference Room, PCC Office, 3 Hoffmanns Way, Chelmsford,
Essex CM1 1GU**

PRESENT:-

Members: Chair: Jonathan Swan (JS); Julie Parker (JP); Simon Faraway (SF)

Office of the Police and Crime Commissioner (OPCC): Police and Crime Commissioner Nick Alston (NA); OPCC Chief Executive Susannah Hancock (SH); OPCC Treasurer Charles Garbett (CG); OPCC Financial Scrutiny Officer Abbey Gough (AG (minute taker)).

Essex Police Force: Deputy Chief Constable Derek Benson (DCC); Will Kennedy (WK); Ian Drysdale Director of HR (ID); Chief Finance Officer Essex Police Debbie Martin (DM)

Baker Tilly Business Services Ltd: Dan Harris (DH); Anna O’Keefe (AO)

Ernst & Young: Martina Lee (ML); Debbie Hanson (DHanson)

1. APOLOGIES FOR ABSENCE

Chief Constable Stephen Kavanagh (SK); Joint Head of Support Services Mark Gilmartin (MG); Carly Fry AD for Performance and Scrutiny (CF) Alan Hubbard, Independent Member (AH)

2. DECLARATION OF INTEREST

None

3. MINUTES OF THE MEETING HELD ON 19 DECEMBER 2014

These were accepted and approved as a true record.

4. RISK REGISTER

a. OPCC & EP RISK REGISTER OVERVIEW REPORT

Part B Agenda Item

b. EP RISK REGISTER

Part B Agenda Item

c. OPCC RISK REGISTER

Part B Agenda Item

5. EXTERNAL AUDIT PLAN & FEES 2015/16

DHanson noted that the fee letters were issued last year and that the fee for 2014/15 was the same as 2013/14. 2015/16 fee letters will be issued on 23rd March 2015. DHanson said that the PCC holds the group accounts and therefore the costs had increased whilst the costs to the force have decreased. CG asked whether the transfer of staff on 1st April would affect the distribution of fees.

JP asked what could be done to reduce the audit fees. DHanson said that there had been a 25% reduction in fees in 2015/16; DHanson said that it is possible to ask to for a scale fee reduction if the audit did not take as much time to complete.

6. EXTERNAL AUDIT PROGRESS REPORT

ML summarised the planned works for 2014/15 which included giving an opinion on the 2014/15 financial statements which would cover both the OPCC and the Chief Constable accounts in the summer.

ACTION: Draft 2014/15 accounts to be taken to the June 2015 JAC meeting (DM)

ACTION: 2013/14 final accounts to be circulated (DM)

7. INTERNAL AUDIT

a. INDIVIDUAL AUDIT REPORTS

i. General Ledger

AO reported that an amber/green opinion was given with two medium recommendations and one low recommendation which were based on the design of control work and backing documents. AO noted that there has been an issue with users SAP access and some individuals having super user access when this is not required.

DM stated that this action has come up in a number of audits and it stems from the implementation of SAP; DM said that there one action that the user access of individuals will be reviewed.

JP asked why EP was not performing better when compared to other forces who were receiving more green audit opinion than EP. DH said that was against 2013/14 internal audits and for 2014/15 some other organisation were receiving an increasing number of red and amber reports. DM said that the implementation of SAP was a cause for the opinions

SF queried the £14million held in suspense; DM was able to confirm that this has been removed.

ii. Payroll

AO reported that an amber/green opinion was given with two medium and eight low recommendations. AO said that there had been some inconsistency with the payroll checklist and that some older forms were being used. AO said that HR process in Kent and Essex was different. ID confirmed that the idea was to align Kent and Essex payroll processes. NA said that there would be less risk if the process for Kent and Essex were aligned.

JS highlighted that some savings were not being achieved as two audit reports were being completed where one could be if the service was aligned. ID explained that a terms and conditions review was currently underway and Kent and Essex have different conditions; however JS asked why this could not be dealt with by the same system.

ACTION: Differences between Essex and Kent payroll (SH/ID)

iii. Cash, Banking & Treasury Management

AO confirmed that an amber green opinion was given with three medium recommendations one of these related to the Treasury Management spread sheets

AO confirmed that an amber green opinion was given with three medium recommendations one of these related to the approval of Treasury deals. JP asked for clarification that the OPCC was the owner of the treasury funds. CG

confirmed this, as the force is unable to borrow funds; CG said that the new Treasury Management Strategy would be shared with the OPCC however there was no scrutiny board. The new Treasury Management Strategy would take effect from the 1st April 2015.

ACTION: Draft Treasury Management Strategy to be shared with the committee and the final version to be taken to the June JAC (CG)

iv. Debt Collection & Recovery

AO confirmed that an amber green opinion was given with two medium recommendations. AO said that in the case of outstanding debtors it was found that in nine out of ten cases the account had not been chased although half of these related to salary overpayments whereby the decision had been taken to write off the amounts.

AO noted that in only four cases was there an instalment plan in place and that these repayments had stopped in two cases and had not been flagged or raised.

DM said that these overpayments often occurred due to a mid-month pay date and individuals left employment at the end of the calendar month after they had been paid.

b. PROGRESS REPORT

i. Essex Police Internal Audit Tracker

DM noted that some of the outstanding items were duplicates as they had come up in multiple audits i.e. SAP user access; AO said that there was a follow up audit currently underway.

AO noted that the Firearms audit report was still a draft and that a follow up meeting was due to be held to discuss the recommendations; WK noted that HMIC are due to come into force to complete a similar review and wonders whether there will be duplication.

JP asked how HMIC recommendations are tracked; WK said that recommendations are placed on the system and tracked. There are pre-meets held with HMIC and chief officers will follow up recommendations.

ii. Baker Tilly Internal Audit Progress Report

DH said that Baker Tilly were on target to complete the 2014/15 audit with only one report expected to run into April 2015, however all reports would be presented at the June JAC meeting. DH said that to date all opinions had been positive and there was nothing which would affect the overall audit opinion. DH noted that in other organisations the members receive the audit reports outside of the quarterly meeting; JS said that he would like to continue to receive the report in the meeting at present however asked that DH create a mock report which would just provide an executive summary of the audit report.

ACTION: Create and present a mock internal audit report which would include executive summary and headlines from the main report (DH)

8. INTERNAL AUDIT PLAN 2015/16

DH presented the 2015/16 internal audit plan to the JAC; DH noted that it had been agreed to continue to audit finance systems.

JP asked about demand management in 2016/17 and whether this would just cover shift patterns or would the audit be broader. DCC said that any report which could provide value to Essex Police would be welcome, however he expressed a desire

that Essex Police could review the terms of reference before any planned review took place.

NA noted that that a link should be made between contact and demand management. SH said that this should link with public engagement and how we contact the general public.

ACTION: SH to liaise with Claire Heath regarding internal audit on public engagement (SH)

JP asked about the level of assurance on the investment programme. CG said that the OPCC had a governance structure and there were a number of boards such as the Strategic Capital Board and the Transformation Board through which IT and Estates are reporting.

ACTION: CG to discuss with Baker Tilly whether the funding of the above is included within the Internal Audit plan (CG)

JS asked about the Essex Police and OPCC strategy and whether there was an overriding strategy which linked to the risk register.

NA said that the Police and Crime Panel appreciated the Police and Crime Plan, NA said that over the coming year the MTFs will include a firm focus on strategy and include details on the Estates, IT and other investment plans. DH said that in other forces where specific targets were set they have since been removed.

SH said that the Transformation Board would an oversight on the strategic change of the Evolve programme, IT, Estates and the MTFs to bring together the change portfolio.

9. SINGLE TENDER ACTION

JS asked whether the STAs should be taken to the Finance Committee rather than the JAC. CG said that previously the STAs were on the JAC Terms of Reference, the papers provided were for information purposes only. CG informed the meeting that STAs were contracts entered into without being subject to competition.

DH noted that from an audit perspective it is a good way to spot weaknesses in the system, often when a large number of STAs appear. It was agreed that the STAs would remain on the JAC agenda for the foreseeable future, with the view to review at a later date.

CG noted that item 10 was not approved as the STA had come into the office after the work had been completed and was therefore an unauthorised contract. CG said that this sent a message that the retrospective STAs would not be signed and agreed; however it was noted that in this case the contract will be honoured.

10. DATE OF NEXT MEETING

The next JAC will be 19th June 2015.

11. ANY OTHER BUSINESS

Thanks to Debbie Hanson and Dan Harris for the induction training held on 2nd March

It was agreed that the agenda would include a standing item for Internal Audit to meet with the Audit Committee members.