

ITEM 4

JOINT AUDIT PANEL

Date: 18th June 2019

Time: 10:45 – 12:30

Venue: Room F12, Friends' Meeting House, Mount Street, M2 5NS

Attendees

Peter Morris (Chair)
Foluke Fajumi (Panel)
Ian Cayton (Panel)
John Starkey (Panel)

ACO Lynne Potts (GMP)
Janet Moores (GMP – Head of Finance)
Julia Chilton (GMP - Strategic Financial Advisor)
Clare Cowap (GMP – Governance Officer)
Candice Simms (GMP – Minutes)

Cath Folan (GMCA - Audit Manager (Police and Crime))
Sarah Horseman (GMCA – Head of Audit and Assurance)
Tom Powell (GMCA – Head of Audit and Risk Management)

Chris Whittingham (Mazars – Senior Manager)
Mark Kirkham (Mazars - Partner (Public Services))

Apologies

Richard Paver (GMCA – Treasurer)
Cath Millington (Panel)

M022/JAP Welcome & Apologies for Absence

Apologies were noted from the treasurer Richard Paver and panel member Cath Millington.

M023/JAP Urgent Business (if any) at the discretion of the Chair

None raised.

M024/JAP Declarations of Interest

None raised.

M025/JAP Approval of previous minutes and actions

The Panel sought an update on the action assigned to Mazars (external Auditors) under minute M020/JAP. Mazars advised they are aware of the close overlapping relationship between GMCA and GMP in relation to

financial sustainability. Mazars will reflect upon this in their External Audit Findings Report, which will be published in the papers for the July Joint Audit Panel.

The Terms of Reference for the Joint Audit Panel state that the Panel will be properly accountable to the Chief Constables' Executive and GMCA Audit Committee (in relation to the Police Fund).

The Chair noted the working relationship between GMP and GMCA is unique as brought about by legislation. He advised that Richard Paver, GMCA Treasurer, will be bringing the GMCA side of the Police Fund accounts to the July Joint Audit Panel.

The Panel concluded that understanding the elements of the Police Fund which are in the GMCA accounts and scrutinising the Chief Constable's Statement of Accounts will allow them to fulfill their role.

GMP confirmed the refreshed Strategic Risk Register will be included in the papers of the July Joint Audit Panel.

M026/JAP Terms of Reference

The Chair commented on the enthusiasm and progress made by members of the Panel since it was formed, and the benefits from the training sessions. He was confident that the Panel would continue to develop over the next 12 months.

M027/JAP Chief Constable's Draft Statement of Accounts 2018/19

GMP provided a summary of the Annual Governance Statement, which is tailored to the organisation and contained within the Chief Constable's Statement of Accounts.

The Chair queried if the Annual Governance Statement is used by auditors to flag and monitor improvement. Mazars noted the Annual Governance Statement needs to be pitched at a corporate level to give the readers of the accounts a depiction of the risks and activities of the Force, and also how the Force is meeting those challenges. Mazars added that they do not compare and contrast Annual Governance Statements between forces, they are deemed as unique to each individual force. GMP said that they would welcome advice from Mazars as to how the Annual Governance Statement could be further improved.

GMP provided an overview of the Narrative Report within the Chief Constable's Draft Statement of Accounts, which contains a forward-look into some of the challenges the Force is addressing. It was noted that the document was a draft and changes will be made where more clarity is required or errors need correcting.

GMP advised that on the first year of the elected Mayor's establishment (2016/17), accounts were done on a 13 month basis. In 2017/18 the accounts were done on a 10 month and three weeks basis; therefore, there is not a like for like comparison between the financial years and this explains some variances between years. GMP also flagged the actuarial valuation at the end of the 2018/19 financial year that was more favourable than expected.

The Chair queried what determines how capital expenditure is financed. GMP advised that the funding of the capital programme was undertaken by GMCA.

The Chair queried the net budget difference compared to the actual. GMP advised that at the end of the 2018/19 financial year there was a net overspend of £0.8m. This was after accounting for the actuarial valuation and the creation of a number of earmarked reserves.

The Panel questioned if fewer officers leaving the Force in 2018/19 would affect the delivery of the precept commitment. GMP confirmed that this commitment would still be met. The Panel queried if GMP expect

natural wastage to continue to increase or decrease in the forthcoming year. GMP advised that officer turnover has continued to slow down and that this might be indicative of the fact that the Force is now running promotion processes across all ranks every year. The rate at which turnover is also slowing down itself.

The Chair queried if there are different types of overtime, and if there is any overtime that is not funded externally. GMP advised overtime is monitored and coded very carefully. GMP noted that overtime arises for a number of reasons and not all of it is funded externally. For example where there are vacancies within the Force, overtime will be incurred to backfill the vacancies. Members were advised that some local sporting events can be planned into the budget, however, due to the unpredictability of cup runs etc not all fixtures can be predicted.

The Chair queried how GMP control overtime where there are a number of unfortunate events happening in a short space of time around Greater Manchester. GMP advised all overtime has to go through an internal line of approval. GMP noted that the Internal auditors have recently completed their review of the use of overtime in two of the Force's Branches.

GMP provided an overview of the Capital Expenditure. The largest underspends, Information Services Transformation Programme and Target Operating Model, will be carried forward into the forecasted capital programme for 2019/20.

The Panel queried the definition of a neighbourhood policing officer. GMP advised neighbourhood policing officers are police officers and not police community support officers (PCSOs). GMP noted that delivery of the 2019/20 budget will see a reduction in the number of police community support officers and an increase in the number of police officers.

GMP provided an overview of the Comprehensive Income and Expenditure Statement. GMP advised that depreciation is calculated by GMCA at the end of the financial year, and then charged through to the Chief Constable's accounts as part of the cost of policing services.

Members were advised the comprehensive income and expenditure statement include the implications of IAS 19 pension contribution and FRS 17 retirement contributions. The Panel queried why there is such a large difference between the 'remeasurement of pension assets / liabilities' from 2017/18 to 2018/19. GMP informed members that advice will be sought on this query. The Chair queried how much time external audit spend looking into pension figures. Mazars advised pension liabilities are identified as a risk within the Audit Strategy Memorandum, and extensive work is done in this area.

GMP provided an overview of the Movement in Reserves Statement, 2017/18 Comparative Movement in Reserves Statement, Balance Sheet and Cash Flow Statement. GMP advised the Cash Flow Statement will always total £0, as the Force does not hold any cash.

GMP provided an overview of the Accounting Policies, noting that there have been no major changes in the last 12 months.

GMP advised a number of Accounting Standards have changed; however, the changes have not affected the Chief Constable's Statement of Accounts. The Panel queried if external audit provided guidance on any changes to accounting standards. Mazars confirmed that they do.

The Chair queried the Expenditure and Funding Analysis with regards to the Force holding a general fund. GMP advised this fund is held in GMCAs accounts, therefore, certain figures within the Expenditure and Funding Analysis will continue to remain at £0.

The Chair noted how difficult the accounts can be to understand, whereby a simplified version of the accounts would be easier to comprehend. Members were advised that an internal reconciliation document could be produced for management purposes that reconciles the management accounts into the final accounts, incorporating areas of GMCA accounts.

ACTION – GMP to provide context behind the ‘remeasurement of pension assets / liabilities’ figures from 2017/18 to 2018/19, in the comprehensive income and expenditure statement.

ACTION – GMP to provide context behind the ‘intercompany adjustments’ figures from 2017/18 to 2018/19, in the expenditure and income analysed by nature section of the accounts.

M028/JAP Progress against the Internal Audit Plan 2018/20

New reporting format

An introduction was given from the new Head of Audit and Assurance at GMCA. Internal Audit advised members of the proposition going forward, noting that the progress report in its new format will come to every Joint Audit Panel. Internal Audit noted that at the end of the year this report will illustrate to members how the audit opinion has been reached with regards to governance, risk management and internal control.

Internal Audit provided an overview of the Progress against the Internal Audit Plan 2018/20.

Internal Audit sought approval for the audit plan to be changed with regards to a further health and safety audit. GMP advised the findings in the previous health and safety audit have now been rectified and the Force is now reporting in accordance with Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). It was noted that incidents have been uploaded onto the health and safety executive portal. The Panel queried the timing of another health and safety audit, as the last report was issued only several months ago. Internal Audit advised the additional audit will be considering the implementation of Reporting of Injuries, Diseases and Dangerous Occurrences Regulations; seeking assurance that changes have been made since the last audit. Members were advised this audit has been requested by GMP.

Internal Audit provided an overview of the key performance indicators (KPIs), noting that they have been slightly amended. The amendments ensure that the plan is progressing and includes responsibility for management engagement. Internal Audit noted the report contains the utilisation rate of the team and an action implementation rate.

The Panel queried how key performance indicators are set. Internal Audit advised key performance indicators are set at industry standard but are open to suggestions for improvement.

Internal Audit provided a summary of the recommendations within the report.

The Chair questioned how much external audit relied on internal audit reports. Mazars advise no direct reliance is formally placed on internal audit reports. Mazars noted it would be beneficial to liaise with internal audit to see what areas they are working on within GMP. The Chair queried if external audit could influence what work is undertaken by the internal auditors. Mazars advised any risks to the Force are flagged to GMP, which can then be undertaken by internal audit.

Internal Audit advised a key aim is to produce assurance mapping framework across the lines of defence, which will identify where assurance originates across all of the key risks.

The Panel suggested the Internal Audit Plan 2018/20 be revised to address how the additional 55 audit days stated on page 88 affects the audit plan.

GMP queried how reports are produced, specifically who is stated as the report holder when bringing reports to the Joint Audit Panel. GMP noted that majority of the work is on the Force's account; however, it cannot be a joint report from the Head of Audit and Assurance and the Treasurer as the audit opinion belongs to the Head of Audit and Assurance. Internal Audit advised the Head of Audit and Assurance is to report in their own name in accordance with the charter.

ACTION – Head of Audit and Assurance to clarify which entities are stated on the reports brought to the Joint Audit Panel.

M029/JAP Internal Audit Charter Refresh 2019/20

Internal Audit provided an overview of the Internal Audit Charter Refresh 2019/20, noting that the charter has been refreshed by means of standardisation to allow for consistency across GMCA and Transport for Greater Manchester (TfGM).

Internal Audit summarised the changes that have been made to the Internal Audit Charter, noting there are no significant changes.

The Panel queried if contracts with third parties address an agreement for Internal Audit to access all records. Internal Audit advised this is looked into prior to auditing.

The Panel queried the resourcing section; specifically how Internal Audit ensures there is no conflict during the procurement process. Internal Audit advised that the use of framework already in place avoids conflict. Internal Auditors noted there are checks to see if there are other parties working in different areas of the organisation that could present a conflict. Members were advised conflict of interest is very much dependant on the contract type.

ACTION – Head of Audit and Assurance to update the access and authority section to incorporate the Mayor and the PCC.

M030/JAP Internal Audit Annual Report 2018/19

Internal Audit provided a summary of the Internal Audit Annual Report 2018/19, noting that there is a positive opinion overall.

Internal Audit advised there has been positive client satisfaction based on questionnaire feedback. The Panel queried the figures related to the questionnaires, and if more information could be provided with regards to the response rate. The Panel suggested benchmarking is put in place to compare with other Forces.

GMP queried how internal audit record when agreed actions have been amended prior to a report being finalised. Internal Audit advised they have moved away from making recommendations to producing agreed actions, which allows for discussions to take place around the risks and how the Force can address the issues. It was noted that this process enables the Force to take ownership of the agreed actions, therefore, the percentage of agreed actions within the report should always be 100 percent.

Internal Audit provided a summary of improvements to be addressed in the current financial year. It was noted that one of the key aims of Internal Audit is to ensure there is a positive working relationship with GMP. Internal Audit advised a key aim is to look at internal audit methodology, ensuring consistency across portfolios. It was concluded that Internal Audit hope to be focused on strategic risks, and observe strategic meetings to ensure the audit plan is assessing the strategic risks.

The Panel queried the 25 days allocated in the 2018/19 Audit Plan to Police and Crime (GMCA). Internal Audit advised the time had been allocated to assess the Police and Crime functions that sit with GMCA. The Internal Audit Team are in the process of undertaking an Audit Needs Assessment process to define the scope of the audits to be carried out over the Mayoral PCC functions. This will be incorporated into the 2019/20 plan and reported to the Joint Audit Panel in the same way the Force internal audits are reported, and will contribute to the Head of Audit and Assurance Annual Opinion.