

Minutes of the Joint Cleveland Audit Committee – Open Session

A meeting of the Cleveland Joint Audit Committee was held on Thursday 25 March 2021 virtually on Microsoft Teams.

Present: Mrs Ann O’Hanlon (Chair), Mr Stan Irwin, Ms Gill Rollings and Mr Andrew Prest

Officials: Office of the Police and Crime Commissioner for Cleveland
Mr Michael Porter, Chief Finance Officer and Deputy Chief Executive
Mrs Jayne Harpe, Minute Taker
Miss Annaleis Banks, Apprentice

Cleveland Police
Mrs Helen McMillan, Deputy Chief Constable
Mrs Lisa Orchard, Assistant Chief Constable (part of the meeting)
Mrs Joanne Gleeson, Chief Finance Officer
Miss Gill Currie, HMICFRS Liaison Officer
Mrs Claire Wrightson, Head of Procurement (part of the meeting)
Mrs Liz Byrne, Programme Manager (part of the meeting)

External Audit – Mazars
Mr Campbell Dearden, Manager
Mr Gavin Barker, Engagement Lead

Internal Audit – RSM
Mr Philip Church, Manager
Mr Daniel Harris, Head of Internal Audit

752 **Apologies for Absence**
No apologies were received.

The Agenda was taken in the following order: 3, 4, 5, 6, 7, 11, 8, 9, 10, 11, 12, 13,15, 14, 16, 17, 18, 19 and 20.

753 **Declarations of Interest**
There were no declarations of interest.

754 **Item 3: Open Minutes of the Previous Meeting held on 17 December 2020**
The minutes were held and signed as a true record.

Matters arising from minutes

A question was raised in relation to whether the Local Register and National portal now agreed. It was explained that they didn’t match, and never would as Cleveland Police included more on their spreadsheet than what was included on the portal. A full explanation was provided at the meeting of 17th December 2020 and could be found at point 736.

755

Item 4: Schedule of Work and Meetings – Report of the Police and Crime Commissioner

The Chair raised the timeliness of the plan and whether it would be possible to adhere to the scheduled meeting dates, as these may not coincide with the receipt of documents. There was a degree of uncertainty around June and September. The Chief Finance Officer agreed that quarterly dates would be fixed at this time and if needed, additional dates would be added to make provision for accounts, if needed.

It was agreed that:

- 1. Quarterly meeting dates scheduled**
- 2. Additional dates would be added if required**

756

Item 5: Annual Governance Actions Update – Report of the Police and Crime Commissioner

The Chief Finance Officer presented the report and explained this was an update on progress, but some items would be carried forward into next year. The draft AGS for 2020/21 would be presented to the Audit Committee at its June meeting.

In relation to the overall governance and stewardship, the Chair noted that in addition to an acting Police and Crime Commissioner; the PCC's Chief Executive and Monitoring Officer had not been available for work since October 2020, which was a significant gap in a small team. The Chair asked if this should be referenced as part of an issue going forward until a new PCC was elected and a new Chief Executive established. Business continuity plans were in place and had been used during this time. Once a PCC had been elected, they would be involved in the recruitment of a Chief Executive. The notice period for the current Chief Executive would take their employment to mid-June, so interim plans could be put into place. The Chief Finance Officer explained that this was something which would be reflected as part of the Annual Governance Statement for June.

The Chair referred to the Adverse Value for Money conclusion and suggested it could be reworded.

It was agreed that:

- 1. The report be noted with the amendment to Item 3 regarding rewording**
- 2. Leadership issues would be updated in June 2021**

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Item 6: Strategic Risk Register – Report of the Police and Crime Commissioner

Members of the Committee were updated on the progress of the PCC's risk register, which was managed on the Insight4GRC system and continued to be reviewed in line with the OPCC's own Risk Management Policy and was reviewed and reported on a half yearly rolling basis.

The election of a new PCC in the coming months would lead to an assessment of the overall risks to the OPCC in line with their plans. These would be reflected in the next report to Members in September 2021.

The Chief Finance Officer informed Members that a full review and update of the risk register had been completed. A number of updates were included within the Appendix to provide some commentary. This would not be the usual presentation going forward. There were a couple of items which had been addressed and finished and moved into the control section,

which gave a point of reflection into some areas to confirm whether a target had been met. There was an outstanding risk which had been discussed for a number of months and good progress was being made addressing some of the controls around that.

The Chair referred to Amanda Wilkinson's name within the Appendix and the Chief Finance Officer advised that Amanda was the Strategic Contracts and Governance Manager, who worked directly for him, and had refreshed the risk register. Previously, all actions were addressed to the Chief Finance Officer but after it had been refreshed, the risks were allocated to other individuals and passed to the named person responsible.

It was agreed that:

1. The report be noted

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Item 7: Revised Contract Standing Orders – Report of the Police and Crime Commissioner

The Chief Finance Officer informed Members that this report formed part of the annual refresh of the Corporate Governance Framework. It was explained by the Head of Procurement that the Contract Standing Orders must reflect current practice; and accordingly, all reference to the OJEU had been removed. There were also minor amendments to the contract signature and contract variation/amendment values.

The Head of Procurement informed Members that she had contacted the Heads of Procurement within Northumbria and Durham to understand what their signing levels were. Northumbria had up to £180k but as that was the Official Journal of the European Union (OJEU) threshold, the Head of Procurement considered it better to keep the threshold at a slightly lower level and anything which was part of a more complex procurement would be taken to The Chief Executive or Chief Finance Officer for signature.

The amended Contract Standing Orders were amended at Appendix 1.

It was agreed that:

1. The report be noted

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Item 11: Transforming Public Procurement – Green Paper Summary

The Head of Procurement presented a summary of the Green Paper to Members for information. Upon leaving the European Union on 1st January 2021, the only real change in terms of procurement process was the advertisement of higher tenders. The work had already been conducted around a new advertising portal however proposals were in place by the Government to change procurement regulations quite substantially. The idea was to simplify the number of processes used in relation to higher values, but also link to Government objectives. Some of the key things would be to look at social values and ensure they were incorporated into procurement processes. Work had already begun in advance of the regulations to ensure they were ready to go when changes were implemented. There had been consultation on the green paper, and a decision had been made for the police service to perform a joint consultation. Bluelight Commercial had taken the lead and feedback had been provided to them, along with feedback from other areas of the public sector. A key issue had been raised which related to an extra body to oversee that processes were being adhered to. It was felt that those bodies were already in place and whether

those bodies could be utilised rather than something new be established and a new tier being added. Once procurement processes were finalised, a further paper would be brought to Members. There is no deadline for the white paper, but an estimated time of late 2021/early 2022, is expected.

It was agreed that:

1. The summary be noted

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Item 8: Corporate Governance Framework Update – Report of the Chief Constable

The Chief Finance Officer presented the report the Members to provide an update on amendments made to the Corporate Governance Framework to reflect changes made as part of the annual review. This report coincided with the report presented by the PCC's Chief Finance Officer regarding the Contract Standing Orders, as this was the overarching Corporate Governance Framework and identified all changes required by 1st April. All changes had been completed and a summary was detailed at 3.3 of the report. The Annual Governance Framework would be uploaded to the OPCC's website following this meeting. Members were informed that the Code of Corporate Governance may need to be reviewed in year if the newly elected PCC reviewed the delegations. Any changes would be brought via the Audit Committee as normal. An invitation was extended to the newly elected PCC to attend the Audit Committee meeting in June 2021 as part of an induction process.

It was agreed that:

1. The report and changes be noted

761

Item 9: Annual Governance Statement 2019/20 Update – Report of the Chief Constable

The Chief Finance Officer for the Chief Constable presented the report to Members. There had been three significant governance issues, one non-significant governance issue and four issues of continued focus. Full updates had been provided on each of the particular areas, which detailed all work during the last twelve months. The Chair thanked the Chief Finance Officer for the level of detail which had been provided.

With regard to significant governance issue 1 (In September 2019, HMICFRS graded the Force as inadequate), concern was expressed that there were 228 Associated Performance Indicators (API's) and the organisation was being driven by process rather than results. The Chief Finance Officer was in agreement and stated that the Force was tracking this. The HMICFRS Liaison Officer was focussed on maintaining updates to HMICFRS to ensure they had relevant and appropriate information to enable sign off. The Force was working closely with the HMICFRS Force Liaison Officer to get as many of these signed off as possible over the next six months.

In relation to Issue for continued focus 2 (Everyone Matters), Members asked if the recruitment processes had captured a range of diversity of applicants? DCC McMillan provided an update from the last Everyone Matters Board that recruitment through the uplift had provided a real concentrated opportunity to change the workforce mix. Work had been carried out in relation to recruitment and retention to ensure the workforce, reflect the diverse communities we serve; and this will continue throughout the Force recruitment processes in year, and beyond.

Regarding the Issue for continued focus 4 (Historical Investigations), the extra funding was welcome, and had been provided for Operation Pandect. Whilst the latest HMICFRS Integrated Vulnerability report recognised that very experienced investigators were deployed to Operation Pandect, DCC McMillan informed Members that a plan had been developed with the PCC's Chief Finance Officer that as the investigation reached a conclusion over the next few years, the experienced officers would come back into Force. There was a recognition that the historic investigations did require special skills, and efforts were made to develop other officers to release the pressure on the rest of the Force.

It was agreed that:

- 1. The report be noted.**

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Item 10: Contract Standing Order 10 – Exceptional Situations and Procurement Performance Report – Report of the Chief Constable

The Chief Finance Officer presented the report to Members. The purpose of the report was to advise the Audit Committee on the use of Contract Standing Order 10 during the period September 2020 to January 2021 and the procurement activity and performance during that period.

The Head of Procurement highlighted exceptions to normal requirements, the report contained fourteen exceptions, twelve of which were proprietary products and two emergencies. Some exceptions had been as a result of the COVID-19 pandemic.

One key contract awarded was for water provision. Previously the Force had been restricted to Northumbrian Water as there had not been a choice. The North East Purchasing Organisation (NEPO) had recently tendered for this service and the Force would be moving to a contracted service from 1st April 2021. A discussion ensued around NEPO being able to provide water at a reduced rate. NEPO had looked at all of the public authorities within the North East that had joined together to go out to the market for the provision of water. The Government had deregulated business water a number of years ago, but it had taken a while to produce a tender specification to go out to market.

The Force had also re-procured for a Teeswide ISVA service which would go live from 1st April 2021.

With regards to expenses directly attributed to COVID-19, Government funding had been received to cover that expenditure. At the end of January 2021, the Force was awarded a further COVID surge grant of just under £700k. That funding coupled with the previous grant, had enabled the overspend on pandemic spend to be written off. The Force had recorded everything associated with COVID separately and monthly returns had been made to the Home Office.

A question was asked relating to the £10k limit, and whether that was too low and created extra work. The Head of Procurement advised Members that a £10k was standard across most public sector organisations. The new procurement regulations may look at whether the limit needed to be adjusted.

It was agreed that:

1. The report be noted

763

Item 12: Audit Progress Report – Report of the External Audit

The External Auditor presented the report which highlighted the concluded 2019/20 audit. Members were referred to page 12 of the report which referenced the Redmond review. This identified that the local audit market was fragile and audit fees were at least 25% lower than was required to fulfil current local audit requirements effectively. It was also suggested that the 31st July deadline for audit completion was too challenging. The Government had responded in part to the review and the deadline to publish audited financial statements had been extended from the end of July to the end of September, which would affect 2020/21 and 2021/22. The accounts deadline had been extended from the end of May to the end of July, although officers were keen to produce the accounts to the end of May deadline, if possible.

Members were referred to pages 14 and 15 of the report, which outlined the Audit Quality Inspection in October 2020 by the Financial Reporting Council. The report was challenging for all audit firms, as areas for improvement had been identified for increased audit work, which was one of the reasons that throughout 2020, the pressure was focussed on audit fees. During 2019/20 a number of measures were introduced to address the Financial Reporting Council's findings, and the areas which required more work, for example property, plant and equipment valuations and pension evaluations/liability. This work had incurred additional fees. Recommendations from Regulators are taken seriously as they had a role in driving improvement and External Audit had a role in responding to that. The Chair thanked External Audit for providing links to publications (which were contained within the report)

It was agreed that:

1. The report be noted

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Item 14: Annual Audit Letter – Report of the External Audit

The External Auditor presented the report to Members which summarised the outcome of the 2019/20 audit. External Audit were able to issue an unqualified opinion on financial statements on 8 December 2020 for the Chief Constable and PCC. It was explained that this was late due to issues relating to the pension fund auditor assurance. The External Auditor informed Members that it was worthy of note that only 45% of audits achieved the deadline at the end of November, which was indicative of the issues in the market. Members were also advised of the adverse qualification in the value for money arrangements, which linked to the weaknesses in proper arrangements which arose from the HMICFRS report. External Audit had recently noticed that there had been a follow up in a specific area, and they were continuing to monitor progress against the recommendations made by HMICFRS.

In the interest of transparency, External Audit referred the Audit Committee to page 17 and the fees which were proposed for 2019/20. This was a significant increase and it had been distinguished between what was seen as a recurring increase in the base audit fee arising from regulatory pressures and one-off fee increases on specific issues. The proposed fees were still awaiting approval by Public Sector Audit Appointments Ltd (PSAA).

The Chair asked if there was any indication as to when the PSAA would declare their decision regarding the fees, as this would assist the Chief Officers for budgeting purposes. The External Auditor stated that there had been some queries from the PSAA, but they had not given approval to date. Going forward, the PSAA have consulted on whether to apply a reasonable fee increase across the board to different types of organisations, rather than individual auditors arranging fees with individual organisations.

It was agreed that:

1. The report be noted

765

Item 13: Audit Progress Report – Report of the External Audit

The External Auditor presented the report to Members, who were advised that there had been no change to overall responsibilities, but an opinion was still required on the financial statements of the Chief Constable and PCC. They had to include the appropriateness of going concern and were responsible for reaching a conclusion on arrangements which were in place to secure economy, efficiency and effectiveness, and use of resources which was the value for money conclusion. There had been a change this year in the value for money conclusion through the new NAO Code of Practice, and a key message was that there was no binary conclusion, there wasn't a qualified/unqualified conclusion. This had been replaced by a commentary in the final report, which would identify any significant weaknesses. There had been a large change in improving economy, efficiency and effectiveness, which looked at performance and cost information. Guidance was still being issued by the NAO, so Members would be updated on progress.

It was reported that work was challenging as 2019/20 had overran, and work relating to 2020/21 was therefore delayed. External Audit outlined some staffing issues and confirmed they were currently recruiting.

The External Auditor referenced the key message at Page 15 stating there were no changes to the significant risks from the previous year.

A significant risk continued to be pensions because of the large number, significant variables, assumptions, and estimates. A range of work in that area would be undertaken, including a standard audit programme, reviewing the reasonableness of the actuary's output, looking at the disclosures in the accounts, reviewing the key assumptions, and assurance sought from the auditor of Teesside Pension Fund.

The third significant risk was PPE, there was lots of volatility around land and building valuations with estimations and assumptions within those valuations. External Audit would be looking at methods used by valuers, key assumptions and source data, and substantive testing where appropriate.

In terms of value for money, one significant risk had been raised, which was broadly the same as the previous year in relation to the HMICFRS Inspection. The planned work was focused around looking at what work had been done and the progress made to date on the areas of concern raised following that Inspection.

The Chair made reference to 'Our approach' on page 15 and noted the change "Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so". The External Auditor stated that in a normal year they would expect to pick things up fairly early in the year as they were going through the work. It was thought that by the time they were getting through the value for money work, they would be quite well advanced into the year, but in general, if an issue was identified in that area, officers would be made aware. If it was felt that the issue was significant and warranted raising, it would be taken to the Audit Committee via a progress report or communicated to the Audit Committee between meetings.

An additional fee had not been put aside in relation to the value for money work. External Audit were waiting to see how much work was involved with that. The NAO were currently looking at whether they wanted to have a narrower focus for things such as COVID, and whether they could make that more practical for this year. External Audit were awaiting guidance.

There were no independence issues on the audit for this year.

DCC McMillan referred to value for money, and in relation to API's and HMICFRS, it would be really helpful if the Auditors could liaise with the Force HMICFRS Liaison Officer, as it was anticipated that lots of those API's and causes for concern would be signed off through the year with HMICFRS, and it may be possible to agree a programme to assist the flow of information between the Force and External Audit, to ensure they had up to date information as it happened - External Audit agreed that was a helpful suggestion. Members were informed that External Audit had a direct link with HMICFRS, and they did communicate periodically, so were well sighted on progress.

It was agreed that:

- 1. The memorandum be noted**
- 2. External Audit would liaise with Gill Currie, HMICFRS Liaison Officer to receive up to date information in relation to the Inspection.**

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Item 15: Internal Audit Progress Report – Report of the Internal Audit

The Internal Auditor presented the report to Members. A further four reports had been finalised since the last meeting. Opinions had been issued to the following:

Domestic Abuse Review	No assurance
Automatic Number Plate Recognition (ANPR)	Reasonable Assurance
Key Financial Controls: General Ledger and Budgetary Control	Substantial Assurance
Seized Exhibits	Substantial Assurance

Appendix A provided a status update on five assignments, four of which had fieldwork completed. Three of those reports had been issued in draft with positive opinions and it wasn't expected that those would change. Payroll was still in the quality assurance stage. Fieldwork had been scheduled to take place week commencing 12 April 2021 in relation to ICT: Asset Management.

Appendix B stated that twelve final reports had been issued year to date. A lot of work had been focussed against significant risks, it was an enhanced programme of work and a lot of positive assurances opinions had been seen. The Chair thanked the Internal Auditor for

good progress and the timeliness, and it was noted that although officers had worked remotely during the pandemic, there had been good provision of evidence in a timely manner.

It was agreed that:

1. The report be noted

767

Item 16: Automatic Number Plate Recognition – Report of the Internal Audit

Internal Audit informed the Committee that the use of ANPR is governed by the National ANPR Standards for Policy and Law Enforcement (NASPLE) and that all UK Law Enforcement and Police Forces that are part of National ANPR Services (NAS) must comply with NASPLE.

Internal Audit outlined the key findings at page 3 and focussed on the three medium priority actions and four low priority actions. These were detailed at section 2 of the report.

Members noted Management had accepted all recommendations and intended to implement them all by 31st March 2021.

Conclusion: Reasonable Assurance

It was agreed that:

1. The report be noted

768

Item 17: Key Financial Controls: General Ledger and Budgetary Control – Report of Internal Audit

The Internal Auditor presented the report and Members were advised that no formal recommendations had been raised. As part of the review, software had been used to conduct a questionnaire which was circulated to budget holders to obtain their views on the support received as part of the budget setting and monitoring process. The results were contained within Appendix B.

The Chief Finance Officer for the Chief Constable brought to Members attention that although there was a clear key financial controls audit, in July 2020 there was a full Oracle upgrade which had provided information for this report, and it was satisfying to receive such a good internal audit financial report. This was the first internal audit report on the Oracle system since the upgrade and it was important to see that controls were established and had the robust control which the Force needed.

Conclusion: Substantial Assurance

It was agreed that:

1. The report be noted

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Item 18: Seized Cash Exhibits – Report of the Internal Audit

The purpose of the report was to review the Chief Constable's seized cash handling processes with the intention of ensuring that seized cash was received, handled and managed in a clear and transparent way and accurately recorded on the Niche system.

The Chair stated that although there were still points of inaccuracy on the smaller audits, overall, the Force was making improvement.

The Chief Finance Officer for the Chief Constable informed Members that there had been a lot of work in that area and was pleased to see the detailed results from the audit. Monthly audits were carried out by the cash team and results were copied to the CFO.

Conclusion: Substantial Assurance

It was agreed that:

1. The report be noted

770

Item 19: Draft Internal Audit Strategy 2021/22 – 2023/24 (including the 2021/22 Internal Audit Plan) – Report of the Internal Audit

The Internal Auditor presented the report and Members were informed that there had been good engagement from the Chief Finance Officers for the Chief Constable and Police and Crime Commissioner. Both CFO's had attended meetings and had already discussed ideas which were then discussed with executive teams for further comment and prioritisation. Internal Audit were still mindful of the HMICFRS coverage and reports and reiterated that whilst the plan may be approved today as it was, it did need to be kept under constant review. This would be done with both CFO's throughout the year. Members' attention was drawn to section 2 on pages 6 to 9 of the report and advised that those were the reports for which they were seeking approval and sign off today, five of which were directly driven by risks on the strategic registers, ten of which were headed as core assurance. Reviews such as Collaborations, HMICFRS action tracking were part of the wider agenda the Force was aiming to get on top of, and Internal Audit and the Audit Committee were there as an assurance source. The plan had been drafted prior to the receipt of the latest HMICFRS report and, although there was some follow up coverage in there, there were two negative opinions year to date on the current programme. Further discussions would be held with the two CFO's in relation to the no assurance opinion, and how that would be dealt with in terms of the 2021/22 programme and whether that should be subject to a full re-audit. Members confirmed they would like to see a full audit and both CFO's would discuss with Internal Audit how this might be achieved.

Members posed a question about the Force Control Room review, which was scheduled for December 2021. Reports seemed to indicate that there were still significant issues which had been carried across from Sopra-Steria in relation to the effectiveness and operations within Force Control Room. Members would like the report to reflect the "as is" position rather than a report which looked back. The Project Lead for Service Improvement advised Members that a lot of work had been carried out within Force Control Room on the planning side to understand how to deal with the transformation. As a result, the plan was being signed off that afternoon which included staffing, recruitment, technology exploitation, maximisation of crime management and the return of multi-agency staff back into the Community Support Hub who had dropped out due to COVID-19. The Project Lead agreed that December 2021 would be a good time for an audit as staffing levels would have improved by that point, there would have been an opportunity to test some of the new training mechanisms which were being developed by tutoring. Some technology upgrades would have been completed and a wider IT restructure was ongoing which provided support to the Force Control Room. DCC McMillan agreed that December 2021 would be a good

time for an audit of Force Control Room as a huge amount of change and transition was ongoing.

The Chief Finance Officer for the Police and Crime Commissioner stated that 12 months ago the previous year's plans were reflected upon. There was a much wider scope with significantly more days, and results were being seen in terms of some of the reports. It was highlighted there was a focus on the areas of most concern within the organisation and people needed to be prepared for the fact that greens and ambers were not always going to be achieved, and it was enlightening to have ambers and reds. There were some significant areas on the Internal Audit report which highlighted some of the most significant risk, but it was felt that there was very good scope and provided assurance that the right things were being looked at.

It was agreed that:

- 1. The report be noted with the caveat that the no assurance document be fitted into the forward plan for next year.**

771

Item 20: Emergency Services News Briefing – Report of Internal Audit for noting

It was reported that this was a quarterly update presented to the Audit Committee. A draft analysis of a range of Force and Police and Crime Commissioner Risk Registers across the country would be available during the next month. Anonymised samples of publicly available information and information from client risk registers which was themed into high, medium and low priority risks.

It was agreed that:

- 1. The briefing be noted**

772

Item 21: Exclusion of the Press and Public

It was agreed that:

- 1. Pursuant to the Local Government Act 1972 the press and public be excluded from the meeting under Paragraph 7 of Part 1 of Schedule 12A to the Act**