



PAPER AC13/12

AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Thursday, 13 June 2013 at 9.30 am.

PRESENT:

Members

Sandra Cox, Liz Harlaar, David Rowe and Annie Tyler.

Office of the Police and Crime Commissioner

Chris Bland (PCC Chief Finance Officer), Sarah Carter (Business Co-ordinator) and Christopher Jackson (Chief Executive).

Suffolk Constabulary

Gillian Wreford (Chief Accountant).

Present by invitation

Peter Frost (Interim Head of Audit Services, Suffolk County Council) and Chris Hewitt (Audit Manager, Ernst and Young)

PUBLIC AGENDA

1. DECLARATION OF INTERESTS

1.1 There were no declarations made.

2 MINUTES OF THE MEETING HELD ON 25 MARCH AND MATTERS ARISING **(Paper AC13/6)**

2.1 The minutes of the meeting held on 25 March 2013 were agreed as an accurate record.

2.2 The PCC Chief Finance Officer referred to paragraphs 3.1 and 3.2 and advised that he was working on development of the accounts for the PCC which would be shared with external auditors Ernst and Young for comment on the approach prior to the deadline of 30 June 2013. A separate set of accounts for the Chief Constable had also been prepared.

- 2.3 The PCC Chief Finance Officer also advised that the proposal to allocate 12 days for the sustainability audit, detailed at paragraphs 4.2 and 4.3, had been reviewed with the Constabulary and no other priority areas had been identified. A decision had therefore been made to leave those days as unallocated pending a further Stage review in October in light of other developments such as the need to consider the Stage 2 transfer of staff.
- 2.4 Members asked if the Chief Constable's Code of Corporate Governance, referred to at paragraph's 5.2 and 5.3 could be circulated. **It was agreed to check on the position and update members.**
3. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT – 2012/13 (Paper AC13/7)
- 3.1 The Committee considered a report by the Interim Head of Internal Audit Services, prepared on behalf of the PCC's Chief Finance Officer, on the annual review of the effectiveness of the system of internal audit, as required by the Accounts and Audit (England) Regulations 2011.
- 3.2 Members were pleased to acknowledge that the Internal Audit provisions and controls were compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice and that the self-assessments set out in the report provided an assurance of an effective system of internal audit.
- 3.3 Members queried whether Suffolk's low position with regard to days spent on 'other items' should be of concern. The Interim Head of Internal Audit Services explained that the 'other items' reflected the number of days spent on paperwork, attendance at Audit Committee meetings, managing the contract and liaison with staff, and therefore 13 days was sufficient. He advised that the category of 'other items' was open to interpretation and therefore the comparison might not fully reflect the position elsewhere.
- 3.4 The Committee asked for re-assurance about how the process of internal audit was being managed given the level of collaborative activities with Norfolk. The Interim Head of Internal Audit Services acknowledged that during 2012/13 there had been significant developments in terms of collaboration, particularly in respect of ICT and financial systems and clearly there were audit implications for both forces from that work. An assurance was given that there was a close working relationship with Norfolk's internal auditors and there was an agreement in place to share relevant information and findings.
- 3.5 Appendix A – It was noted that the planned audit on 'Integrity and Scrutiny Checks' had been put on hold given the close link with the work carried out by Her Majesty's Inspectorate of Constabulary (HMIC) on the 'Without Fear or Favour' – Review of Police Integrity Inspection. Members asked why there had been a delay in providing management comments on 'Property Controls' and were advised that the delays coincided with the appointment of a new Joint Head of Finance and a lack of awareness of the deadlines.
- 3.6 Appendix B – Whilst it was acknowledged that the benchmarking data was provided on a goodwill basis and might not be like-for-like, members asked if in future data could be sought from those with similar budgets to enable a more meaningful comparison.
- 3.7 Appendix C - The Interim Head of Internal Audit Services advised that a different checklist would be in place next year following revisions to the Public Sector Internal Audit Standards.

- 3.8 Appendix D – Members asked if the checklist could be tailored to the Audit Committee, removing reference to ‘full council’. The PCC’s Chief Finance Officer advised against changing the checklist as it was issued by CIPFA and any such changes might result in possible misinterpretation.
- 3.9 It was noted that the item on the adoption of the ‘Managing the Risk of Fraud – Actions to Counter Fraud and Corruption’ stated that it was ‘under consideration by the Constabulary’. The PCC’s Chief Finance Officer said that he had reviewed the guidance with the Constabulary’s Chief Finance Officer and they were satisfied that the appropriate controls, policies and procedures were in place. He explained that much of the content was more relevant to local authorities rather than the Police.
- 3.10 It was noted that the Audit Plan for 2014/15 would be considered by the Committee at its next meeting in September.
- 3.11 **The Committee endorsed the following wording included within the Annual Governance Statement for 2012/13:**

"In accordance with Regulation 6 of the Accounts and Audit Regulations 2011, the review of the effectiveness of internal audit has concluded that the opinion in the annual report on internal audit work can be relied upon as a key source of evidence.

The effectiveness of internal audit includes the effectiveness of the Audit Committee (to the extent that its work relates to internal audit), as well as the performance of internal audit."

4. ANNUAL INTERNAL AUDIT REPORT – 2012/13 (Paper AC13/8)
- 4.1 The Interim Head of Internal Audit Services, presented the Annual Internal Audit Report 2012/13 which confirmed the work undertaken and the conclusions reached. He advised that ‘Appendix B’, as referred to in paragraph 1.6, had not produced because the table at paragraph 1.9 had replaced that item.
- 4.2 He reported that the Audit opinion for 2012/13 was that ‘overall, systems of control are acceptable and financial administration systems are generally effective’ which was evidenced by the fact that 9 of the 11 Audit Opinions were graded as ‘Effective’ or ‘High Standard’. The update was welcomed by the Committee.
- 4.3 Members were reminded that a cyclical and self-assessment approach had been adopted for the main financial systems given the history of high standard opinions. An assurance was given that those self-assessments were still subject to review by internal audit. The ‘Ineffective’ outcome for Inventory Management was discussed and members were assured that the new asset management guidance that had been issued would substantially address the recommendations. Specific work had been carried out at the East Area stations given the issues raised regarding inventory management and property controls were identified. The Committee was reminded that the Internal Auditors always did a ‘follow-up’ on those audits which were classed as ‘Ineffective’.
- 4.4 The outcome of the Security Arrangements audit was also discussed and, albeit the findings were confidential, members were assured that a great deal of work had been carried out to address the issues that had been raised.
- 4.5 Members queried whether any progress had been made with regard to developing a Money Laundering Policy as detailed under the Treasury Management audit section. The PCC’s Chief Finance Officer advised that there was no policy in place but he had discussed the need with the Head of the Constabulary’s Professional Standards

Department who was in the process of reviewing a series of policies. He advised that those policies were being reviewed, in line with the Norfolk policies, and the list had been risk assessed in terms of urgency. **It was agreed that further contact would be made to try and ascertain the timescale for completion.**

- 4.6 The Risk Management audit was also discussed and members assured that whilst there were still separate risk registers for Norfolk and Suffolk, the Risk Managers regularly met to ensure consistency of approach. They were also members of the internal Personal Safety Training Working Group, Health and Safety Committee and the Risk Management Working Groups, as well as members of the Association of Local Authority Risk Managers. A training package for managers of risk was also being developed with a view to improving consistency.
- 4.7 **The Committee acknowledged that from the work undertaken it could take assurance in the operation of internal controls and endorsed the inclusion of the following wording within the Annual Governance Statement for 2012/13:**

“Internal Audit provided an independent opinion on the adequacy and effectiveness of the system of financial control, including in particular the key controls operating within and around the core financial systems.”

5. ANNUAL GOVERNANCE STATEMENT – POLICE AND CRIME COMMISSIONER
(Paper AC13/9)

- 5.1 Paper AC13/9 was introduced by the Chief Executive who explained that the Statement was an early draft for comment in readiness for approval in September when it would be signed off with the Statement of Accounts. He advised that a copy had also been shared with the Police and Crime Panel and internal and external auditors prior to the meeting.
- 5.2 It was noted that there had been significant changes over the last year and the report in the main reflected what had been put in place over the last six months. The Police and Crime Commissioner’s Code of Corporate Governance considered at the last meeting and the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) had been key in developing the statement.
- 5.3 The Committee acknowledged that the arrangements for the ‘Stage 2’ transfer of staff, which had to be completed by 1 April 2014, was a significant governance issue and were pleased to note that a joint transition project group with Norfolk had been established.
- 5.4 Members were advised that the Statement would be updated in readiness for the September meeting to reflect any additional significant governance issues.
- 5.5 **The Committee endorsed the draft Annual Governance Statement, noting that it would be reviewed and updated prior to the September meeting.**

6. THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK ANNUAL AUDIT FEE LETTER FOR 2012/13 (Paper AC13/10)

- 6.1 The PCC’s Chief Finance Officer introduced Paper AC13/10 and in particular the letter from Neil Harris, Audit Director for Ernst Young, which confirmed the audit work proposed for the Commissioner and the associated audit fees for work covering 2012/13 and 2013/14.
- 6.2 **The Committee noted the content of the letter.**

7. THE CHIEF CONSTABLE FOR SUFFOLK CONSTABULARY ANNUAL AUDIT FEE LETTER FOR 2012/13 (Paper AC13/11)
- 7.1 The PCC's Chief Finance Officers introduced Paper AC13/11 which attached a letter from Neil Harris, Audit Director for Ernst Young, which confirmed the audit work proposed for the Chief Constable and the associated audit fees for work covering 2012/13 and 2013/14
- 7.2 **The Committee noted the content of the letter.**

The meeting closed at 10.47 am