

ORIGINATOR: LIZ HOLLINGWORTH

PAPER NO: AC15/7

SUBMITTED TO: AUDIT COMMITTEE: 26 JUNE 2015

SUBJECT: REVIEW OF COMMITTEE ACTIVITIES 2014/15

SUMMARY:

This report sets out Audit Committee activity in 2014/15 against the following categories in the Terms of Reference: Governance, risk and control; Internal Audit; External Audit; Financial reporting; Accountability arrangements and Wider functions.

RECOMMENDATION:

The Audit Committee is asked to review activities during 2014/15 as set out in this report.

DETAIL OF THE SUBMISSION

1. KEY ISSUES FOR CONSIDERATION

- 1.1. The Suffolk Police and Crime Commissioner and Chief Constable's Audit Committee finalised and agreed its terms of reference at its meeting on 27 June 2014.
- 1.2. The Terms of Reference (Appendix A) state at point 6 says that "The Committee will review its performance against its terms of reference and objectives on an annual basis."
- 1.3. This report provides a summary of activity within the financial year 2014/15 categorised according to the requirements set out in the Terms of Reference.

2. SUMMARY OF ACTIVITY

GOVERNANCE RISK AND CONTROL

- 2.1 Extract from the Terms of Reference:

Governance, risk and control

The Committee will, in relation to the Police and Crime Commissioner and the Chief Constable:

Consider the corporate governance arrangements and review annual governance statements (including in relation to ethical values) of the PCC and Chief Constable.

Consider the effectiveness of the arrangements to secure value for money.

Consider the risk management arrangements of the PCC and Chief Constable.

Consider the effectiveness of the arrangements for countering corruption and fraud.

- 2.2 Committee activity:

In June 2014 the Audit Committee considered the Annual Governance Statement for the Police and Crime Commissioner prepared by the Chief Executive (Paper AC14/12) and the Annual Governance Statement for the Chief Constable prepared by the Head of Finance (Paper AC14/13). The Committee made suggestions on the content which were included in the amended Annual Governance Statements presented at the September meeting of the Committee (as part of the Statement of Accounts).

The three significant governance issues included in the Annual Governance Statement at the request of the external auditors (HMIC Policing in Austerity conclusions, Security Review and Fire Safety) were discussed by the Committee. Members advised they were confident the issues raised by HMIC and the Internal auditors were being addressed. The audit reassessments on Fire Safety and Security were reported to the Audit Committee in March 2015 where the members agreed the reassessment outcomes of 'effective' were satisfactory outcomes and resolved the governance issues.

In September 2014 the Committee considered a paper by the Chief Constable regarding the Implementation and Embedding of the Code of Ethics (Paper AC14/22). It was agreed that the Chief Constable would keep the Audit Committee updated on progress with the Joint Integrity Strategy working group action and communication plan. The next report is due in September 2015.

Additionally, the Committee reviewed policies on Confidential reporting policy (Paper AC14/18), and received updates throughout the year on the Anti-corruption and Fraud policy and the Major Incidents Protocol.

In March 2015 the Chief Executive gave a verbal update to the Committee on the Risk Management Strategy as the underpinning report from the Internal Auditors on PCC

and Constabulary risk management had not yet been completed. Interim findings suggested that PCC risk management would be rated as 'effective' as previously. The Risk Management Strategy will be presented to the Audit Committee in June 2015.

INTERNAL AUDIT

2.3 Extract from the Terms of Reference:

Internal audit

The Committee will:

Review the internal audit plan and propose any revisions to the internal audit plan.

Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.

Consider the internal audit annual report and any appropriate in-year reports.

2.4 Committee activity:

There was no review of the internal audit plan during the year as the plan had been reviewed in March 2014. However, members did request and consider a list of all internal audits undertaken since 2008. The internal audit plan for 2015/16 will be considered at the meeting on June 2015.

Committee members were consulted about the appointment of Internal Auditors (for the period from June 2015 onwards) in September 2014. The Chair of the Committee attended interviews for the shortlisted auditors. A verbal update on the appointment of the internal auditors was given at the meeting of the Committee in March 2015.

A report on the Effectiveness of the system of Internal Audit (Paper AC14/10) was received from the internal auditors in June 2014.

The following in-year reports from the Internal Auditor were received and commented on by the Committee:

- The Annual Internal Audit Report – 2013/14 (Paper AC14/11) was considered in June 2014.
- Internal Audit – 2014/15 Audit Progress Report (Paper AC14/19) was considered in September 2014.
- A report by the Constabulary updating the Audit Committee on the implementation of recommendations arising from the internal audit Security Review (Paper AC15/3) was received in March 2015.

EXTERNAL AUDIT

2.5 Extract from the Terms of Reference:

External audit

The Committee will consider all external auditor reports.

2.6 Committee activity:

During the course of the year, the Committee considered the following reports from the External Auditors:

- The Police and Crime Commissioner for Suffolk Annual Audit Fee Letter for 2014/15 (Paper AC14/14).
- The Chief Constable for Suffolk Constabulary Annual Audit Fee Letter for 2014/15 (Paper AC14/15).
- Audit Results Report for the year ended 31 March 2014 including the Letter of Representation (Paper AC14/21).

- Annual Audit Letter (Paper AP14/87). This was sent to members by email for their consideration prior to the Letter being submitted to the public meeting of the Accountability and Performance Panel meeting on 18 December.
- The Audit Plan for the year ending 31 March 2015 (Paper AC15/2).

FINANCIAL REPORTING

2.7 Extract from the Terms of Reference:

Financial reporting

The Committee will review the annual statement of accounts.

2.8 Committee activity:

The Committee reviewed the Statement of Accounts 2013/14 at their meeting in September 2014 including:

- i. PCC's Annual Governance Statement;
- ii. Chief Constable's Annual Governance Statement;
- iii. PCC's Group Accounts; and
- iv. Chief Constable's Accounts

ACCOUNTABILITY ARRANGEMENTS

2.9 Extract from the Terms of Reference:

Accountability arrangements

The Committee will review its performance against its terms of reference and objectives on an annual basis.

2.10 Committee activity:

The Terms of Reference were agreed by the Committee at their meeting in June 2014 (Paper AC14/9). This report forms the basis on which the performance can be reviewed.

WIDER FUNCTIONS

2.11 Extract from the Terms of Reference:

Wider Functions

Where requested by the Police and Crime Commissioner, Chief Constable or Statutory Officers, the Committee will consider the adequacy of governance, risk management and audit processes in relation to a specific service or policy area."

2.12 Committee activity:

Audit Committee members were asked to consider proposals on Chief Officer Arrangements in March 2015. The proposal was for the Chief Finance Officer function for the PCC and Chief Constable to be carried out by same person on a temporary basis. Members raised potential concerns at the meeting about governance and risk management and the Chief Executive confirmed that the proposal would include comment on conflict of interest and the ability to terminate the arrangements.

Comments on the proposals made in writing by members are appended to the minutes of the meeting on 27 March 2015 and include considerations around conflict of interest, consultation with external and internal auditors, assessment of risk and resilience, the nature of support to deal with any difficulties that arise, monitoring arrangements and agreement that the arrangements should be of a temporary nature. It was agreed that a formal report on the arrangement would be considered by the Audit Committee before the end of the financial year 2015/16.

PCC Decision 27 - 2015 – Chief Finance Officer Arrangements was subsequently published and can be found here (Appendix B is not published): <http://www.suffolk-pcc.gov.uk/decisions>

NOT PROTECTIVELY MARKED

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications.

4. OTHER IMPLICATIONS AND RISKS

4.1 There are no other implications.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
Has legal advice been sought on this submission?	Yes
Has the PCC's Chief Finance Officer been consulted?	Yes
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	Yes
Have human resource implications been considered?	Yes
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Yes
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	Yes
Has communications advice been sought on areas of likely media interest and how they might be managed?	Yes
Have all relevant ethical factors been taken into consideration in developing this submission?	Yes

In relation to the above, please ensure that all relevant issues have been highlighted in the 'other implications and risks' section of the submission.

The Suffolk Police and Crime Commissioner's and Chief Constable's Audit Committee: Terms of Reference

The Audit Committee finalised and agreed its terms of reference at its meeting on 27 June 2014 as follows:

1. Statement of Purpose

- 1.1 The Audit Committee is a key component of the Office of the Police and Crime Commissioner (OPCC) and Suffolk Constabulary's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of the Audit Committee is to provide independent advice and recommendations to the Police and Crime Commissioner (PCC) and the Chief Constable on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the Committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of the Office of the Police and Crime Commissioner and Suffolk Constabulary's governance, risk management and control frameworks, its financial reporting and annual governance processes, and internal audit and external audit.
- 1.3 These terms of reference will summarise the core functions of the Committee in relation to the Office of the Police and Crime Commissioner and to the Constabulary to enable it to operate independently, robustly and effectively.
- 1.4 The Committee will support effective relationships between external audit and internal audit inspection agencies and other relevant bodies and further encourage the active promotion of the value of the audit process.

2. Governance, risk and control

The Committee will, in relation to the Police and Crime Commissioner and the Chief Constable:

- 2.1 Consider the corporate governance arrangements and review annual governance statements (including in relation to ethical values) of the PCC and Chief Constable.
- 2.2 Consider the effectiveness of the arrangements to secure value for money.
- 2.3 Consider the risk management arrangements of the PCC and Chief Constable.
- 2.4 Consider the effectiveness of the arrangements for countering corruption and fraud.

3. Internal audit

The Committee will:

- 3.1 Review the internal audit plan and propose any revisions to the internal audit plan.
- 3.2 Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.
- 3.3 Consider the internal audit annual report and any appropriate in-year reports.

NOT PROTECTIVELY MARKED

4. External audit

4.1 The Committee will consider all external auditor reports.

5. Financial reporting

5.1 The Committee will review the annual statement of accounts.

6. Accountability arrangements

6.1 The Committee will review its performance against its terms of reference and objectives on an annual basis.

7. Wider Functions

7.1 Where requested by the Police and Crime Commissioner, Chief Constable or Statutory Officers, the Committee will consider the adequacy of governance, risk management and audit processes in relation to a specific service or policy area.”