



PAPER AC17/16

AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 30 June 2017 at 9.30am.

PRESENT:

Members

Ian Blofield, Robert Millea, Andrew Peck and David Rowe.

Office of the Police and Crime Commissioner

Liz Hollingworth (Business Administration and Policy Officer) and Christopher Jackson (Chief Executive).

Chris Bland (Chief Finance Officer for the PCC and Chief Constable).

Suffolk Constabulary

Peter Jasper (Head of Joint Finance) and Steve Jupp (Temporary Deputy Chief Constable).

Present by invitation

Fiona Dodimead (Audit Director, TIAA), Chris Harris (Head of Internal Audit, TIAA), Chris Hewitt (Audit Manager, Ernst and Young).

Apologies

Tim Passmore (PCC) and Gareth Wilson (Chief Constable).

PUBLIC AGENDA

1. ELECTION OF AUDIT COMMITTEE CHAIR

- 1.1 The Chief Executive opened the meeting and asked for nominations for Chair of the Audit Committee.
- 1.2 David Rowe was elected as Chair for the ensuing year.

2. DECLARATIONS OF INTERESTS

- 2.1 No declarations of interest were made.

3. MINUTES OF THE PREVIOUS MEETING (Paper AC17/5)
 - 3.1 Minor amends to wording, which had been notified by a member in advance of the meeting, had been made to the minutes.
 - 3.2 The minutes of the Audit Committee held on 24 March 2017 were agreed as a true record and signed by the Chair.
 - 3.3 The actions from the meeting had been completed. The PCC and Chief Constable had discussed the possibilities for a cross-public sector audit and would consider how they could progress this. Andrew Peck said that, as a lay member of the Suffolk Safeguarding Children Board, he was aware the Board undertook a Section 11 audit of all safeguarding partners annually and this might be something the proposed joint audit could utilise. The Chair said the audit would look at the interaction between organisations and suggested the issue is revisited in the future.

4. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL – 2016/17 (PAPER AC17/6)
 - 4.1 The Chief Finance Officer thanked members for their feedback on the draft report which had been circulated in advance of the meeting. He said that the feedback received did not impact on the recommendations in the report.
 - 4.2 The Chair asked for comments on the self-assessment of good practice (Appendix A). Members felt that they should consider activity relating to points 18-20 of the checklist on “Effectiveness of the Committee”. The CFO said that the Review of Committee Activities (AC17/10) might help members evaluate whether and how it was adding value.
 - 4.3 The CFO said that he had met with the Chair of the Audit Committee and he was content with the contribution made by members. He did not consider there to be any particular areas of weakness in the skills held by members.
 - 4.4 The Chief Executive agreed that the Committee added value and he noted that the member appointments had recently been renewed indicating that the PCC, Chief Constable and their officers were satisfied with the contribution of the members.
 - 4.5 The Head of Internal Audit said that the Committee members read and understood the reports presented to them and challenged effectively.
 - 4.6 Based on the discussion, the Chair suggested that the self-assessment could reflect that the committee members partly met the areas of effectiveness good practice outlined.
 - 4.7 A member asked whether there was any feedback as to how members could be more effective (Appendix B). The CFO said that he had taken the 2016 assessment as a baseline and, as little had changed, the scoring seemed fair. The Chief Executive said that scoring effectiveness was subjective and he felt that a score of 5 would be difficult to achieve.
 - 4.8 A member said that more interaction with senior managers would be useful.
 - 4.9 A member noted that, in terms of specialist knowledge, it was likely the committee was lacking in specialist IT systems and governance knowledge.

5. INTERNAL AUDIT - ANNUAL REPORT 2016/17 (PAPER AC17/7)
 - 5.1 The Head of Internal Audit said that the internal audit programme for 2016/17 had been completed and he thanked the Head of Finance for his assistance in progressing

the audit work. There had been good progress in ensuring that draft reports had been finalised in a timely manner.

- 5.2 The Head of Internal Audit had provided a positive Annual Opinion in the report which reflected that there were only 5 audits assessed as having limited assurance.
- 5.3 The Audit Director said that the number of audits undertaken during the year had increased from 21 to 25. Of the five audits assessed as having limited assurance, one was a Suffolk only audit and one was a Norfolk only audit. The number of recommendations made had increased from 80 in the previous year to 92. This reflected that the areas audited during the year had been higher risk than previously.
- 5.4 The Chair asked whether it was right that the Norfolk and Suffolk PCCs and Constabularies, although separate organisations, were referred to together in the Annual Opinion. The Audit Director said that should the outcome for Norfolk have been different to Suffolk two separate Annual Opinions would have been provided.
- 5.5 A member asked whether the Internal Auditors had any concerns about the reports which had not met the target of finalisation with 10 working days. The Audit Director said this related to one audit and there were no significant issues.
- 5.6 A member noted the statement on the independence and objectivity of Internal Audit. The Audit Director confirmed that no limitations or restrictions which might impair either the independence or objectivity of the service provided were expected during the current year.
- 5.7 The Audit Director confirmed that the Estates – Duty of Care/ Cost Allocation audit had been cancelled due to changes in the department making the audit problematic.
- 5.8 A member asked whether comparisons of audit results between similar organisations were possible. The Audit Director said that overall, Suffolk PCC and Constabulary were similar to other organisations. The Head of Audit said that, whilst they were not planning to undertake a direct benchmarking exercise, TIAA had considered undertaking an anonymous comparison across the seven PCC areas they audited.
- 5.9 The Chair suggested it may be useful for the members to consider problem areas in more detail, for example HR and ICT, in order to add value to the audit process.
- 5.10 The T/DCC said HMIC were also currently auditing the Constabulary and he was keen to ensure that the demands on senior management were managed. He said that either the Chief Constable or the DCC were able to provide the Audit Committee with any assurance they required at the Committee meetings.
- 5.11 The Chair said that he would like to know what the Constabulary plan for overall improvement was, what the areas of concern were and the direction of travel for the organisation.
- 5.12 The Chief Executive said that all HMIC recommendations on 'Areas For Improvement' (AFIs) were recorded on a matrix. The Chief Executive said that the Audit Committee should take assurance that implementation of the HMIC recommendations was monitored through the provision in the Annual Governance Statement and risk register. He suggested that if there were specific issues of concern then the relevant senior manager should be asked to address the Committee.
- 5.13 The T/DCC said that he was responsible for the HR function and chaired the Constabulary performance meeting. A dedicated project manager was allocated to continuous improvement including HMIC recommendations.
- 5.14 The CFO said that the Norfolk Audit Committee held briefing sessions before the committee meeting on specific issues. Members agreed this option might be useful rather than receiving a written report or formal presentation in the meeting itself. The Chair said that members should consider whether they would like to pursue this.

6. INTERNAL AUDIT - FOLLOW UP REVIEW (PAPER AC17/8)

- 6.1 The Audit Director said that although the report was marked as 'draft' it was, in fact, the final report. Follow up work undertaken on priority 1 (urgent) and 2 (important) recommendations was reported on in the review. Follow up work on priority 3 recommendations had been undertaken but not included in the review report.
- 6.2 The Audit Director said there had been an excellent response with 67% of all recommendations implemented. All urgent recommendations had been implemented by the due date. A number of recommendations were outstanding from prior years and these would be followed up.
- 6.3 The Audit Director explained the summary table which included recommendations that had become due recently. The number of recommendations that were not yet due was shown in the final column of the table.
- 6.4 A member asked why the Information Technology Infrastructure Library (ITIL) recommendation had not been progressed. The Audit Director said that senior management had advised they would accept the risk and not progress implementation at the current time.
- 6.5 The Chair asked how recommendations were removed from the list. The Audit Director said that senior officers or the Audit Committee would need to agree with the Internal Auditors.
- 6.6 The Chair asked whether the Pensions Administration recommendation should be removed from the report as no further action was being undertaken. The Head of Finance said that the audit had been discussed at the last committee. He was satisfied with the full reconciliation that was undertaken and did not consider this to be a significant risk. A facility to regularly report on pension contributions was being considered by the ERP Board.
- 6.7 The Chair said that where a risk had been considered and accepted by management, this should be clearly stated in the follow up report.
- 6.8 A member asked how a revised date for implementation of the recommendation was agreed. The Audit Director said that a revised date was only accepted by the Internal Auditors if there was a good cause. Follow up reviews continued on those recommendation dates that had passed.
- 6.9 A member suggested that a comment in the report from the Internal Auditors on the latest response provided from management would be useful.
- 6.10 The Chief Executive said that Norfolk and Suffolk Constabularies now had separate communications departments, although they still collaborated on digital media. The report needed to reflect the current position with officers responsible for the recommendations in both Norfolk and Suffolk. The Audit Director acknowledged that organisations continued to develop and recommendations could quickly become out of date. It was agreed that the review should include whether recommendations were still valid so that the internal auditors could check the delivery of relevant recommendations.
- 6.11 Members asked for the report to be redrafted to remove any recommendations that were no longer relevant. It was agreed that TIAA should have the final view on whether recommendations were no longer relevant. Where there was an ongoing discussion the report should indicate this.
- 6.12 The Chief Executive suggested there should be a meeting with the CFO and the Internal Auditors to consider all outstanding recommendations in the Follow Up Review and remove any recommendations that were no longer relevant.

Action: Internal Auditors to resubmit the Follow Up Review to the Audit Committee in September 2017 following agreement with the Chief Executive and CFO.

7. INTERNAL AUDIT - 2017/18 PROGRESS REPORT (PAPER AC17/9)

- 7.1 The report summarised the internal audits which had been completed since the last Audit Committee. No audits had been graded as Limited Assurance.
- 7.2 The Internal Auditors had met with the Professional Standards Department, Finance and the External Auditors.
- 7.3 A small number of changes to the timescale of audits had been made to accommodate departmental changes in HR and Estates.
- 7.4 A member asked whether the new data protection regulations had been considered in planning the ICT Data Assurance and ICT Governance audits. The Chief Constable's draft Annual Governance Statement did not raise any data protection issues and therefore it was suggested the audits should consider the plans in place or delay the audit to assess that the implementation of the new regulations was satisfactory.
- 7.5 A member said that the recommendation, in the Collaborations audit, to identify non-financial success factors was welcomed and could be useful in considering Value for Money.
- 7.6 A member commented that the value of outstanding debtors in Suffolk (£593k) seemed high in comparison to Norfolk (£170k). The Head of Finance said that the value was at a point in time and re-charging between Norfolk and Suffolk would also need to be taken into account. Debt recovery had slipped during the year but had now been reinstated. He confirmed that the value of debt written on at year end was not significant.
- 7.7 A member asked whether there were any implications for Health and Safety and the potential fire risk from cladding on the estate, following the Grenfell Tower fire in London. The T/DCC said that he was not aware of any cladding on police buildings but it could be the case in shared premises.

Action: T/DCC to provide information on estate fire safety.

- 7.8 A member asked why the overall assurance assessment for the audit on Performance Management was 'Substantial' when two of the key findings, on IT support and crime recording, seemed significant. The Audit Director said that IT support for the performance frameworks was a low priority recommendation. An 'important' recommendation had been made on potential breaches of the National Crime Recording Standards (NCRS) but the risk was already logged on the Constabulary risk register. Therefore, as a known risk that was being addressed, it was felt that an assessment of 'Substantial' could still be given. The T/DCC said that the NCRS changed annually and the Constabulary constantly reviewed their recording process and the resource allocated to ensure compliance.

8. REVIEW OF COMMITTEE ACTIVITIES 2016/17 (PAPER AC17/10)

- 8.1 The report provided the annual review of Committee activities during the 2016/17 financial year. The format followed the Audit Committee Terms of Reference showing activity undertaken against each section.
- 8.2 Members agreed the report was thorough and had no additions or observations to make.

9. POLICE AND CRIME COMMISSIONER'S ANNUAL GOVERNANCE STATEMENT 2017 (PAPER AC17/11)

- 9.1 The Chief Executive presented the second draft of the PCC's Annual Governance Statement (AGS) to the Committee. The report would be modified to take into account the statements from the Internal Auditors included in Paper AC17/7, comments from members and comments from the External Auditors. The final version would be approved by the PCC prior to the Audit Committee meeting in September.
- 9.2 The Chief Executive said that the main change to the AGS was the addition of an action plan in response to new The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. The action plan included how the PCC proposed to respond to Her Majesty's Inspectorate of Constabulary (HMIC) 'Areas for Improvement' and Internal Audits assessed as 'Limited' assurance.
- 9.3 A member suggested that the AGS itself should be referenced on page 15 as one of the sources of information the Audit Committee relied on.
- 9.4 The Chief Executive said he would consider whether to include the relationship between the PCC and Community Safety Partnerships (CSPs) in the section on Partnerships.
- 9.5 A member asked whether the data breach that members had been informed of should be included as a significant governance issue (Section 6 of the AGS). The Chief Executive said that the statement on data security in Section 6 was correct in that there had not been any breaches that were referred to the Information Commissioners' Office (ICO). The T/DCC said the data breach case members had been informed of was not an organisational breach and therefore did not require a referral to the ICO. The Chief Executive said that the data breach by an individual had been dealt with and had been reported in the 2016 AGS.
- 9.6 A member noted that any complaint against the PCC would be referred by the Police and Crime Panel to the Chief Executive and asked whether this would be a conflict of interest. The Chief Executive confirmed that the Police and Crime Panel was the appropriate authority for complaints made against PCCs. The Police and Crime Panel had delegated the initial handling of any complaint against the PCC to the Chief Executive. The Chief Executive said that he dealt only with the initial handling of any complaint. If not disappplied the complaint would be subsequently dealt with and resolved by the Panel. A serious complaint, alleging criminality, would be sent to the Independent Police Complaints Commission (IPCC).
- 9.7 The Chief Executive said he would check the wording on page 17, relating to complaints against police officers, for accuracy.
- 9.8 The Chief Executive said he would amend the report in response to the discussion and comments made by members in advance of the meeting and, following any comments from the External Auditors, would issue the final AGS in September 2017.

10. CHIEF CONSTABLE'S ANNUAL GOVERNANCE STATEMENT 2017 (PAPER AC17/12)

- 10.1 The Chief Finance Officer said that the draft Chief Constable's Annual Governance Statement had been updated in the same way as the PCC's AGS. The report contained a reference to Annex A which would be completed by the end of September.
- 10.2 The Chief Finance Officer said there were no particular issues he wished to raise with the Committee. Some drafting suggestions were passed to the CFO by a member. No other issues were raised by Committee members.

11. THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK ANNUAL AUDIT FEE LETTER FOR 2017/18 (PAPER AC17/13)

THE CHIEF CONSTABLE OF SUFFOLK CONSTABULARY ANNUAL AUDIT FEE LETTER FOR 2017/18 (PAPER AC17/14)

- 11.1 The Audit Manager, Chris Hewitt, said he would cover both the PCC and Chief Constable's fee letters together. The letters provided information on the 2017-18 financial year external audit fees, as set by the Public Sector Audit Appointments Ltd (PSAA).
- 11.2 The audit fee covered work undertaken on the audit of the financial statements, value for money conclusion and whole of Government accounts work for the National Audit Office.
- 11.3 The indicative fees for 2017/18 were £31,733 for the PCC and £15,000 for the Chief Constable and were based on certain assumptions and an assessment of risk, as set out in each letter.
- 11.4 A more detailed plan would be issued by the External Auditors in January 2018 and would include any update on the proposed fees.

12. RISK MANAGEMENT STRATEGY (PAPER AC17/15)

- 12.1 The Chief Executive had provided Risk Management Strategy for consideration by the Committee. The report followed on from the audit on risk presented at the Audit Committee meeting in March 2017.
- 12.2 The Chief Executive said that the PCC's risk register was published on the PCC website. The confidential risk register was not published. Both risk registers had been recently updated and were kept under regular review. The Chief Executive said that he considered risk management to be working satisfactorily.
- 12.3 A member asked when the next risk review would be undertaken. The Chief Executive said that reviews were not diarised. It was, in reality, a continuing process.
- 12.4 A member asked whether the Audit Committee or Chair should consider the PCC and Chief Constable's confidential risk registers. The Chief Executive said that the Audit Committee was free to see the PCC's confidential register if it wished to. The Constabulary risk register was already reviewed by the PCC during the confidential session of the Accountability and Performance Panel.

13. ANY OTHER BUSINESS

- 13.1 There was no other business.

The meeting closed at 10.55am

SUMMARY OF ACTIONS

Item	Action	Owner
6.12	Internal Auditors to resubmit the Follow Up Review to the Audit Committee in September 2017 following agreement with the Chief Executive and CFO.	Fiona Dodimead
7.7	T/DCC to provide information on estate fire safety.	T/DCC