

**ORIGINATOR: BUSINESS
ADMINISTRATION &
POLICY OFFICER**

PAPER NO: AC18/11

SUBMITTED TO: AUDIT COMMITTEE: 25 MAY 2018

SUBJECT: REVIEW OF COMMITTEE ACTIVITIES 2017/18

SUMMARY:

This report documents the Audit Committee activity in 2017/18 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 2017/18 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 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 2017/18 categorised according to the requirements set out in the Terms of Reference. References to published reports are included where appropriate.

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 2017 the Audit Committee considered the draft Annual Governance Statement for the Police and Crime Commissioner prepared by the Chief Executive (Paper AC17/11) and the draft Annual Governance Statement for the Chief Constable prepared by the Chief Finance Officer (Paper AC17/12).

The PCC's Annual Governance Statement had been amended to incorporate an action plan in response to new Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.

The two Annual Governance Statements were then amended to take account of observations made by the Committee and subsequent comments made by the external auditors. The Audit Committee members were presented with the final Annual Governance Statements at their meeting in September 2017 as part of the Statement of Accounts 2016/17. The AGSs provided an update on the two ICT projects (t-police (ERP) and Athena) that had been noted in the 2016 AGS and confirmed that there had been no data security breaches during 2016/17 which had resulted in a referral to the Information Commissioner's Office. Additionally the Significant Governance Issues section of the report outlined the significant increase in demand in a number of key business areas, the 'flat cash' grant settlement and resulting forecast overspend for 2017-18. Measures to reduce the forecast overspend were outlined in the report. No further new or significant governance issues were identified.

The Audit Committee members were informed when the papers for each of the PCC's Accountability and Performance Panels were published throughout the year.

In September 2016 the Committee received a report from the Chief Constable monitoring implementation of the Code of Ethics (AC17/19). The annual report fulfilled

the requirement for the PCC to hold the Chief Constable to account on the Code of Ethics, as recommended by the Committee for Standards in Public Life. The results of the first employee survey were discussed and agreed that the report showed that there had been good progress in embedding the Code of Ethics.

Audit Committee members considered the External Auditors Audit Results Report in September 2017 which included the conclusion on value for money, reflecting the position at the end of March 2017. Findings on one significant risk ' Financial resilience – achievement of savings needed over the medium term' were outlined in the report. The auditors were content that arrangements to secure value for money were in place.

In June 2017 the Chief Executive presented a report on Risk Management to the Committee (AC17/15) setting out his assessment upon compliance with the PCC's Risk Management strategy for the year 2016/17. The report provided an opportunity for the Committee to consider the annual review of risk management in the Office of the OPCC and Suffolk Constabulary. It was confirmed that the PCC risk registers were available for Audit Committee members to view and the Constabulary risk register was reviewed by the PCC during the confidential session of the Accountability and Performance Panel.

The findings of the Risk Management – Mitigating Controls audit will be reported to the Audit Committee in July 2018.

The Internal Auditors reported in their progress reports through the year that there was increased liaison with Risk Management to directly link internal audit with risk management.

Any fraud/irregularities that the Internal Auditors are advised of are reported to the Audit Committee through the Internal Audit Progress report. A potential irregularity was highlighted to members at the December 2017 meeting and the Internal Auditors confirmed at the Committee meeting in March 2018 that they were waiting for the Professional Standards Department to update them on the outcome of the matter.

The Internal Auditors reported in their progress reports through the year that there had been regular meetings with Professional Standards which included discussion of any fraud and potential control issues.

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:

The draft of the Internal Audit Strategic Plan and Annual Plan 2018/19 (AC18/5) was considered at the meeting in March 2018. Suggestions made by members on the draft (AC17/26) in December 2017 had been incorporated into the plan.

The Internal Audit Annual Report 2016/17 (AC17/7) from the Internal Auditors summarised the outcomes of the reviews carried out in the organisation's framework of

governance, risk management and control. The report included the Head of Internal Audit's Annual Opinion in order to assist the PCC and Chief Constable in making their annual governance statement.

The Review of the Effectiveness of the System of Internal Control 2016/17 (Paper AC17/6) was received by the Committee in June 2017. The report, from the Chief Finance Officer, advised the Committee on the annual review of the effectiveness of the system of internal control. The Committee acknowledged that Internal Audit was compliant with the Regulations and Standards and that, through the self-assessments set out in the report they could take assurance that there was an effective system of internal control.

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

June 2017

- Internal Audit Follow up Review (AC17/8) reporting on the management action that had been taken in respect of priority 1 and 2 recommendations arising from internal audit reviews.

Following the discussion at the meeting, the internal auditors met with the Chief Executive and the Chief Finance Officer (July 2017) to discuss outstanding audit recommendations.

- Suffolk Internal Audit Progress Report (AC17/9) reporting progress from 1 April to 26 May 2017.

September 2017

- Suffolk Internal Audit Progress report (AC17/17) reporting on progress to 8 September 2017.
- Internal Audit – Follow up Review (AC17/18)

December 2017

- Internal Audit – Follow up Review (AC17/24)

The Chief Constable and Chief Finance Officer met with the internal auditors to discuss outstanding recommendations and also prepared an update report for the PCC (AP18/7). Progress was reported to the Audit Committee in March 2018.

- Internal Audit Progress report (AC17/25) reporting on progress to 22 November 2017.

March 2018

- Suffolk Internal Audit Follow up Review (AC18/3).
- Suffolk Internal Audit Progress Report (AC18/4) reporting on progress as at 12 March 2018.

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 received and considered the following reports from the External Auditors:

- The Police and Crime Commissioner for Suffolk Annual Audit Fee Letter for 2017/18 (Paper AC17/13).

- The Chief Constable for Suffolk Constabulary Annual Audit Fee Letter for 2017/18 (Paper AC17/14).
- Suffolk Police – Audit Results Report for the Year Ended 31 March 2017 and Letter of Representation. (Paper AC17/20)
- The Police and Crime Commissioner for Suffolk and the Chief Constable of Suffolk Constabulary Annual Audit Letter for the year ended 31 March 2017 (Paper AC17/27).
- The Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk Constabulary Audit Planning Report 2017/18 (Paper AC18/6).
- EY Police Sector Audit Committee Briefings were circulated in September 2017 and March 2018.

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 2016/17 at the meeting in September 2017 covering:

- i. PCC's Annual Governance Statement;
- ii. Chief Constable's Annual Governance Statement;
- iii. PCC's Group and PCC Statement of Accounts;
- iv. Chief Constable's Statement of Accounts;
- v. The PCC for Suffolk and Chief Constable of Suffolk Constabulary - Understanding how the Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk gains assurance from management;
- vi. The PCC for Suffolk and Chief Constable of Suffolk – Understanding your management processes and arrangements.

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 in June 2014 (Paper AC14/9). This report contributes to the basis on which the performance for 2017/18 can be reviewed.

The Review of the Effectiveness of the System of Internal Control 2016/17 was circulated prior to the Audit Committee meeting in June 2017. This report included the CIPFA 'Self-assessment of Good Practice' checklist, evaluation of effectiveness and Knowledge and Skills Framework. Members reviewed their performance using the checklist and the Review of Committee Activities report (AC17/10). The Chief Executive and Chief Finance Officer said there were no particular areas of weakness and they were satisfied with the contribution made by members.

Committee members agreed they would like more interaction with senior managers and subsequently input on ICT and HR was provided to Audit Committee members to provide greater context to audit findings.

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:

PCC Decision 17-2017 provided for the re-appointment of the four members of the Audit Committee for a further two year term from December 2017.

Public Sector Audit Appointments.

Audit Committee members were consulted on the proposed appointment of the External Auditors. The CFO provided a verbal update at the meeting in December on the appointment by Public Sector Audit Appointments (PSAA) Ltd of Ernst & Young to undertake the audit for the PCC and Chief Constable of Suffolk.

Fire Safety

Following the Grenfell Tower tragedy Audit Committee members asked whether reassurance had been sought regarding fire safety on premises owned and used by the PCC and Constabulary. Confirmation that the risk was being monitored through the Estates Programme Board was provided with updates throughout the year.

ICT

Having raised a number of concerns in relation to internal audit findings on ICT, members received an additional report from the Constabulary providing a summary of the challenges faced by ICT and how these were being addressed with the resources available.

HR

Audit Committee members received a presentation in March 2018 from the Director of Joint HR providing an overview of the current workforce profile, recruitment, sickness and workforce strategies. This had been requested in order to provide additional context in which to consider audit findings. The Committee discussed the current challenges, future developments and the improvements that had been made in HR in response to audit findings.

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

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.

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.”