



**PAPER AC18/8**

## **AUDIT COMMITTEE**

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 23 March 2018 at 9.00am.

PRESENT:

### **Members**

Ian Blofield, Robert Millea (for items 1 – 5), Andrew Peck and David Rowe.

### **Office of the Police and Crime Commissioner**

Liz Hollingworth (Business Administration and Policy Officer), Christopher Jackson (Chief Executive) and Tim Passmore (PCC).

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

### **Suffolk Constabulary**

Lindsey Shankland (Director of Joint Human Resources for items 1 - 5) and Gareth Wilson (Chief Constable).

### **Present by invitation**

Fiona Dodimead (Audit Director, TIAA), Chris Harris (Head of Internal Audit, TIAA) and Mark Hodgson (Associate Partner, Government & Public Sector, Ernst and Young).

### **Apologies**

Peter Jasper (Joint Head of Finance, Suffolk Constabulary) and Chris Hewitt (Audit Manager, Ernst and Young).

## **PUBLIC AGENDA**

### **1. DECLARATIONS OF INTERESTS**

1.1 No declarations of interest were made.

### **2. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 8 DECEMBER 2017 AND MATTERS ARISING (Paper AC18/1)**

2.1 The minutes of the Audit Committee held on 8 December 2018 were agreed as a true record and signed by the Chair.

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- 2.2 The Internal Auditors confirmed that they had included the points raised in discussion in the updated Audit Plan.
- 2.3 A report providing an overview of ICT (AC18/2) had been provided in response to paragraph 3.15 of the minutes.
- 2.4 The Chief Constable and Chief Finance Officer confirmed that they had met with the Internal Auditors to discuss outstanding audit recommendations. The Internal Auditors said that Constabulary staff were being more responsive to requests from the auditors.
- 2.5 It was confirmed that the Constabulary intranet had been launched and was in use.
- 2.6 The Internal Auditors confirmed that they were waiting for the Professional Standards Department to update on the outcome of the matter noted at paragraph 4.2 of the minutes.
- 2.7 The Chief Finance Officer confirmed that the facility to pay online for firearms licensing was now available.
- 2.8 A member asked whether the implementation of the General Data Protection Regulation (GDPR) had been progressed. The Chief Executive said that arrangements for GDPR were being made in the OPCC and a policy was currently being drafted. The Chief Constable said that the Constabulary had put in place a strategic oversight board to monitor implementation. The Audit Director said that the GDPR audit was scheduled to start in April 2018.

### 3. SUFFOLK CONSTABULARY WORKFORCE STRATEGY

- 3.1 The Director of Joint HR provided an overview of the current workforce profile, recruitment, sickness and workforce strategies in order to provide some context for the Audit Committee.
- 3.2 Suffolk Constabulary's gender pay gap, taken as a snapshot on 31 March 2017, had been officially reported as required by the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017. The average gender pay gap as a mean average was 14.7% and was comparable to other forces.
- 3.3 The analysis had shown that on average the pay points for police officers were at a higher rate than police staff and as there were more police officers than police staff in the workforce this contributed to the gender pay gap. There were also more male police officers than female police officers and more female police staff in administrative level roles, which had exacerbated the pay gap. A key priority was to attract more females to join as police officers and improve career pathways for female officers and staff.
- 3.4 The recruitment programme for student officers had attracted a wide range of applicants with varied backgrounds.
- 3.5 The College of Policing national programme of Workforce Reform was discussed. The Chief Constable outlined the proposed changes which could have a significant financial impact. The changes could also affect the workforce through increased abstraction from duties and a lead to a potential reduction in student officer applications if they were required to contribute financially to their training.
- 3.6 The Director of Joint HR said that 4.6% of contracted hours were lost to sickness. This equates to 8 days lost per person per annum, which is comparable to the public sector average. The increase in reported mental health issues in the workforce was likely to be linked to increased awareness and the availability of support services.
- 3.7 The Chief Constable expressed his thanks to the Director of Joint HR, who was shortly leaving the organisation, for her work.

- 3.8 The Chair said that the overview had provided reassurance that the HR department had addressed the pertinent issues. The Audit Director confirmed that significant changes had been implemented and the resulting improvements were now apparent.

*The Chair proposed to consider item 4 on the agenda (Joint ICT Update) after the Internal Audit Follow Up Review and Progress report so the Director of HR could be present.*

4. INTERNAL AUDIT FOLLOW UP REVIEW (Paper AC18/3)

- 4.1 The Audit Director said informed responses were now being received from management in relation to outstanding audit recommendations.
- 4.2 The report summary indicated that 16 recommendations were currently outstanding. Further progress was expected shortly where recommendations were linked to ERP improvements, the new intranet and where policies had been agreed but the policy process was yet to conclude.
- 4.3 A member asked whether the recommendation in the Transport Services audit (NSC1703) regarding weekly vehicle check monitoring would be completed, as the management response had not specifically addressed this point. The Chief Finance Officer confirmed that all three Transport Services recommendations would be completed by the first week in April. The Audit Director said that the latest management response confirmed that equipment was now in place in Norfolk and Suffolk to enable standardised monitoring.
- 4.4 The PCC expressed concern with the delay in implementation of Corporate Communications audit recommendations (NSC1704). The Audit Director confirmed that there had been a delay due to a change in personnel however the new deadlines had been set and they expected to see progress shortly.
- 4.5 The Chief Finance Officer confirmed that the required policies (for example Social Media) had been agreed and were progressing through the consultation process. He was confident the extended deadline would be met. The Chief Constable said that the report indicated good progress had been made.
- 4.6 The Audit Director said that the process for policy development and approval was lengthy. A process had been trialled by HR where a more succinct policy would be developed with supporting guidance. The Audit Director said a policy audit was underway.
- 4.7 The Chair said that it seemed the policy process itself was delaying implementation and requested more detail for the next Audit Committee meeting.

***Action: Internal Audit to provide update on policy audit at the Audit Committee meeting in May 2018.***

- 4.8 A member said that legal or contractual risks to the organisation could arise if policies were not in place. The Chief Constable confirmed that policy development was prioritised according to the level of risk.
- 4.9 The Chief Finance Officer said the outstanding recommendations on the Duty Management System (DMS) audit (NSC1707) were the responsibility of the ERP/Shared Services Board. The Chair asked whether having a Board was the most effective way of delivering on the recommendations, rather than have a responsible individual, as was the case with most other recommendations. The Director of HR said the project board included an ERP expert and each action arising did have an individual assigned to it.

- 4.10 The PCC reiterated his concern with the original implementation of ERP. The Chief Finance Officer said that ERP had been a significant project which had achieved significant savings and delivered the required functionality in order to pay staff and suppliers. It was recognised that the full functionality of the system was not yet being used with other processes still in place.
- 4.11 The Audit Director said whilst the intranet was now in place, the option to request catering through the intranet had not been considered a priority (Estates Management and Facilities (Catering), NSC1710). An update on implementation would be received shortly.
- 4.12 The Director of Joint HR said that the policies that required updating in relation to overtime, expenses and additional payments (NSC1714) had been identified by Finance and HR and would be circulated for consultation in April 2018.
- 4.13 A member asked why there was no comment from the Internal auditors on NSC1802 (ICT mobile device management). The Audit Director said that no further update had been received and the completion date of 30 March 2018 was still in place.
- 4.14 The Chief Finance Officer confirmed that the recommendation on page 17 (Transport services – Use of Vehicles, NSC1806) had been completed.

## 5. INTERNAL AUDIT PROGRESS REPORT (Paper AC18/4)

- 5.1 The Head of Audit said that the remaining audits for 2017-18 were being finalised and would be reported to the Audit Committee at the next meeting. The final reports for 2017-18 would be issued in draft format by 31 March 2018.
- 5.2 The Audit Director said that audit report on Key Financials, highlighted in red on page 5 of the report, had not been finalised however there were no issues with the audit she wished to raise.
- 5.3 The Audit Director provided an update on the changes that had been made to the plan. Four audits had been postponed until 2018/19. The GDPR audit would commence in April 2018. It was confirmed that the changes had not been made in response to any pressure from the OPCC or Constabulary but were due to unsuitable timing.
- 5.4 The Audit Director confirmed that the PCC Commissioned Grants audit had only been undertaken in Suffolk and the increase in scope had been requested by the OPCC to cover the service provided by Victim Support. The Norfolk PCC Commissioned Grants audit would be undertaken in the first quarter of 2018-19.

### ILL HEALTH RETIREMENT

- 5.5 The Chair asked how the budget for ill health retirements was set. The Chief Finance Officer said that the estimate in the Medium Term Financial Plan used historical information. A provision for five ill health retirements per annum was currently included.
- 5.6 The Director of HR said that the high number of ill health retirement applications noted in the key findings of the audit were a result of the changes in how ill health was managed following the Winsor review of police remuneration and conditions. Suffolk Constabulary had implemented a robust approach to the assessment of eligible cases.

### TEMPORARY RECRUITMENT

- 5.7 The PCC said he was concerned to see that procurement arrangements had not always been followed. The Audit Director said that in the cases highlighted during the audit, single tender actions had been completed retrospectively. The Chief Constable said that he would provide the PCC with further detail on these cases.

***Action: The Chief Constable to provide PCC with information on the specific procurement issues highlighted within the Temporary Recruitment audit.***

- 5.8 The PCC said that he had raised the use of temporary and agency staff with the Chief Constable at the Accountability and Performance Panel as he was concerned that it was not good value for money. The Chief Finance Officer said that agency staff were used appropriately where the Constabulary was managing vacancies and overtime costs. Each vacancy was scrutinised to ensure it was business critical. The Director of HR agreed that the use of agency staff was closely managed.

**ABSENCE MANAGEMENT**

- 5.9 The audit had rated absence management as 'limited assurance'.
- 5.10 It had been recommended that, due to inconsistencies in recording sickness data, there was a need to reconcile data between ERP, the Duty Management System and Enact. However, the auditors understood there were processes in place to compensate for this.
- 5.11 The Director of HR confirmed that return to work interviews were always undertaken and Attendance Support Meetings were a separate formal mechanism used when a pattern of sickness had been identified.

**PURCHASE CARDS**

- 5.12 The audit had found that good controls were in place for Purchase Cards and the auditors had not recommended another audit in Suffolk during 2018-19.
- 5.13 It was confirmed that the recommendation to remind cardholders of the guidelines for purchasing had been completed.
- 5.14 The Chief Finance Officer said the Constabulary was considering reducing the number of purchase cards available and this would reduce the instances of misuse.

**ACCOUNTS PAYABLE**

- 5.15 The Audit Director clarified that the creditor spend for Norfolk was £55m.
- 5.16 A member asked whether the implementation timetable for the sundry supplier controls related to the proposed tool or the solution. The Chief Finance Officer confirmed that the reporting tool was in place. The Audit Director said that the timescale allowed for the process to be implemented by 30 June 2018 by which time the reports on sundry suppliers should have been produced regularly.
- 5.17 A member asked whether the auditors were content that the new reporting functionality to identify changes to bank details would reduce the risk of fraudulent activity. The Audit Director said that the new reporting tool was being implemented. The auditors were satisfied the new process would contribute to managing the risk.

**6. JOINT ICT UPDATE (Paper AC18/2)**

- 6.1 The Chief Constable presented the report which provided a summary of the challenges facing the Constabulary and how these were being addressed with the resources available.
- 6.2 Recruitment and retention of skilled ICT staff was challenging in a highly competitive job market. A market supplement, reviewed annually, was available where recruitment was particularly difficult.
- 6.3 A member asked whether ICT supplier contracts included penalties for failures to deliver. The Chief Constable said that he understood punitive measures could not have been included in the contract in question. The Chief Finance Officer agreed that the procurement advice had been that penalties could not be included.

6.4 The PCC said that he had concerns about the Constabulary procurement process. The Chief Constable said that the IP telephony project had been delayed as user acceptance testing had uncovered some issues and the Constabulary had to ensure there was no risk to emergency call taking.

***Action: The Chief Constable undertook to reconfirm the advice provided by procurement in relation to the IP telephony.***

6.5 The Chair suggested that the weighting allocated during the procurement process should focus on quality as well as price. The Chief Finance Officer said that each procurement exercise considered the weighting to be applied to price and quality.

6.6 As had been discussed during the HR presentation, the possibility of retaining staff in the organisation, in order to recoup a significant training investment, was highlighted as a potential solution to the ICT resourcing issues outlined in the report.

6.7 The PCC asked whether the ANPR cameras noted in paragraph 2.1.5 included Norfolk as well as Suffolk sites. The Chief Constable said that a list of all the current sites had been sent to the PCC.

6.8 A member asked whether the ICT prioritisation process considered risk or the resource available for delivery. The Chief Constable said he was happy with the current process of prioritisation which considered various factors. For example, there were a number of products and solutions where the Constabulary had no choice but to implement them, for example migration to Windows 10. Body Worn Video had become a higher priority because of the emphasis placed on it by Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS).

6.9 A member asked how the Constabulary workforce had received the 'channel shift' to greater self-help, referenced at paragraph 1.8 of the report, bearing in mind the increased workload for officers and staff. The Chief Constable said that no adverse feedback had been received.

6.10 Members concluded the report had provided a thorough context of ICT within the organisation.

## 7. INTERNAL AUDIT STRATEGIC PLAN AND ANNUAL PLAN 2018/19 (Paper AC18/5)

7.1 The Head of Internal Audit presented the plan which, as the second version, had incorporated the comments made at the last Audit Committee meeting. The final plan will be presented to the Audit Committee in May 2018.

7.2 A member questioned whether the 'Audit Committee Responsibility' set out on page 5 of the report accurately reflected the role of the Committee members. The Head of Internal Audit said that he accepted the comment and, although they did consider the Audit Committee had a role, the wording would be amended.

7.3 A member said he was pleased to see the increased emphasis on HR and ICT audits as had been requested.

7.4 A member asked whether different risk ratings for HR, resulting from the internal and 'GUARD' risk assessments, would affect the approach taken to the audits. The Audit Director said that HR would be considered in comprehensive way.

7.5 It was noted that the lead officer for the GDPR audit was the Head of ICT. The Chief Constable said that the Deputy Chief Constable had oversight of GDPR implementation and was also the Senior Information Risk Owner (SIRO). The Head of Information Management would also take a lead in the audit.

7.6 The Chief Executive noted that 18 days had been allocated to audit Norfolk and Suffolk PCCs' Commissioning. The Audit Director said that no audit had been

undertaken of Norfolk PCC commissioning in 2017/18 and Suffolk OPCC had increased the number of days allocated from 9 to 13. The Suffolk PCC Commissioning audit was currently being concluded and the outcomes of this audit would be used when considering the scope, and number of days required, for the 2018/19 audit.

- 7.7 A member asked whether PCC grant recipients were obliged to provide access to financial and other pertinent information that would assist the audit. The PCC confirmed that this was the case and that previous audits had shown that the PCC grant process was robust.
- 7.8 The PCC asked whether audits of joint areas were planned to ensure value for money was being obtained. The Audit Director said that specific concerns could be considered and addressed within the relevant audit, e.g. Estates Strategy. The Head of Audit said that with a formal partnership, the responsibility was the lead organisation to include this in their audit process. The PCC said that he had no immediate concerns. The Audit Director said that an audit on Collaboration was included in the plan however the scope had not yet been finalised. The PCC suggested that the partnership with the Fire and Rescue Service could be considered.
- 7.9 Annex D provided a summary of previous audits that had been undertaken and their ratings, alongside the schedule for future audits. The audits highlighted in yellow were yet to be concluded.
- 7.10 The Audit Committee confirmed they were content with the plan subject to the changes discussed.

8. POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE FOR SUFFOLK POLICE AUDIT PLANNING REPORT 2017/18 (Paper AC18/6)

- 8.1 The Chair introduced Mark Hodgson, the Associate Partner, Government & Public Sector, for Ernst and Young, the External Auditors. Mark Hodgson provided an overview of his experience and said that he was currently providing external audit services to other police forces in the South and East of England.
- 8.2 The External Auditor presented the Audit Plan to the Committee. There was no change in risk or focus from the previous year, which should be reassuring for the Committee. The Audit Risks were set out in section 2 of the report and Value for Money in Section 3.
- 8.3 The level of materiality had changed and was outlined in Section 4 of the report. The changes had been driven by stakeholder and auditor expectations. Additionally the 2016/17 audit had highlighted issues which had meant that the level of materiality had changed. It was likely that more testing would be undertaken during the audit to gain the assurance required for the audit opinion. This additional work would consequently increase the audit fee.
- 8.4 A member asked whether the audit difference threshold of £187k reflected an individual item or was an aggregate. The External Auditor said that this was a standard 'De Minimis' level and the auditors would bring to the attention any individual item of misstatement greater than the threshold. However he said that if the Audit Committee had concerns, the External Auditors could report at a different level of materiality. The Chief Finance Officer said he had no reason to challenge the level of materiality recommended by the auditors.
- 8.5 The Audit fees, set by Public Sector Audit Appointments Ltd (PSAA), were set out in Appendix A of the report. The total planned fee for 2017/18 was £46,733.

- 8.6 A member asked whether the likely increase in the fee due to the additional work expected would be similar to the previous year, i.e. £3,408 for the PCC and £1,546 for the Chief Constable. The External Auditor confirmed this was likely.
- 8.7 The requirement to complete the accounts by 31 March and audit process by 30 July would put additional pressure on the Finance department and the External Auditors.
- 8.8 It was confirmed that Chris Hewitt would remain as the Audit Manager and there were no other changes to the External Audit team.

9. POLICE SECTOR AUDIT COMMITTEE BRIEFING QUARTER 4 (Paper AC18/7)

- 9.1 The External Auditor presented the Ernst and Young briefing report to the Committee and asked if there were any questions.
- 9.2 A member asked whether there were any comments from the Constabulary or OPCC on the question areas highlighted in the report.
- 9.3 The Chief Finance Officer said that there were no areas he wished to bring to the attention of the Audit Committee members. He confirmed that the new revenue standard 'IFRS 15' would have minimal impact on the Constabulary as it related to revenue from contracts with customers.
- 9.4 The PCC said that he was disappointed that the Home Office had not reviewed the Police funding formula. He also said that the Force Management Statements had been imposed and would add additional workload, particularly in the first year of production. The Chief Constable added that both PCCs and Chief Constables had raised their concerns on Force Management Statements but HMICFRS were not likely to change their position.

10. ANY OTHER BUSINESS

- 10.1 There was no other business.

The meeting closed at 11.35am

**SUMMARY OF ACTIONS**

Item	Action	Owner
4.7	Internal Audit to provide update on policy audit at the Audit Committee meeting in May 2018.	Fiona Dodimead
5.7	The Chief Constable to provide PCC with information on the specific procurement issues highlighted within the Temporary Recruitment audit.	Chief Constable
6.4	The Chief Constable undertook to reconfirm the advice provided by procurement in relation to the IP telephony.	Chief Constable