



ORIGINATOR: BUSINESS ADMIN OFFICER

PAPER NO: AC22/11

SUBMITTED TO: AUDIT COMMITTEE 24 JUNE 2022

SUBJECT: REVIEW OF COMMITTEE ACTIVITIES 2021/22

SUMMARY:

This report documents the activity of the Audit Committee in 2021/22 against the following categories in the Terms of Reference:

- Governance, Risk and Control;
- Internal Audit;
- External Audit;
- Financial Reporting;
- Treasury Management;
- Accountability Arrangements and Wider Functions.

RECOMMENDATION:

The Audit Committee is asked to review activities during 2021/22 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. They were amended to include Treasury Management in April 2019.
- 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 2021/22 categorised according to the requirements set out in the Terms of Reference. References to published reports are included where appropriate.

2. SUMMARY OF COMMITTEE ACTIVITY

Meetings of the Audit Committee

- 2.1 Meetings in 2021/22 were conducted remotely as follows:

▪ 25 June 2021	via Microsoft Teams
▪ 30 July 2021	via Microsoft Teams
▪ 26 November 2021	via Microsoft Teams
▪ 18 February 2022	via Microsoft Teams

Governance, Risk and Control

- 2.2 *"The Committee will consider the corporate governance arrangements and review annual governance statements (including in relation to ethical values) of the PCC and Chief Constable".*

In June 2021 the Audit Committee considered the draft Annual Governance Statement for the Police and Crime Commissioner prepared by the Chief Executive (Paper AC21/16) and the draft Annual Governance Statement for the Chief Constable prepared by the Assistant Chief Officer (Paper AC21/17).

The two Annual Governance Statements were then amended to take account of observations made by the Committee.

The Audit Committee Members were presented with the final Annual Governance Statements in November 2021 as part of the Statement of Accounts 2020/21 (Paper AC21/26). No significant governance issues were identified.

On data security there were 3 breaches during the 2020/21 financial year which were referred to the Information Commissioners' Office from the Constabulary. One referral remains outstanding. Of the two received back from the Information Commissioners' Office, no formal

action has been taken but the Constabulary has been invited to take appropriate steps to ensure processes are made more robust.

2.3 *"The Committee will consider the effectiveness of the arrangements to secure value for money".*

Audit Committee members considered the External Auditors Audit Results Report in February 2022, 2020/2021 Auditor's Annual Report (AC22/04). The External Auditor issued an unqualified opinion on the accounts at the previous meeting. The External Auditor is required to issue an Auditor's Annual Report summarising key messages and commentary for VFM. Detailed findings were reported through the Audit Results Report, as presented at the previous meeting. There were no other new messages in relation to the audit.

2.4 *"The Committee will consider the risk management arrangements of the PCC and Chief Constable."*

In June 2021 the Chief Executive presented a report on Risk Management to the Committee (Paper AC21/18) setting out his assessment upon compliance with the PCC's Risk Management strategy for the year 2020/21. 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 regularly reviewed by the PCC during the confidential session of the Accountability and Performance Panel.

The Internal Auditor reviewed the Constabulary's risk management arrangements and advised that the Audit Committee could take reasonable assurance that the internal controls tested were suitably designed, consistently applied and effective. Recommendations were made and accepted by the Constabulary to further strengthen its risk management arrangements.

2.5 *"The Committee will consider the effectiveness of the arrangements for countering corruption and fraud."*

Any fraud/irregularities that the Internal Auditors are advised of are reported to the Audit Committee through the Internal Audit Progress report. No frauds were identified during 2020/21.

Internal Audit

2.6 *"The Committee will review the internal audit plan and propose any revisions to the internal audit plan."*

The draft of the Audit Strategy and Annual Internal Audit Plan 2021/22 (AC21/21) was considered at the meeting in July 2021. This was withdrawn and replaced with a previously agreed audit strategy and plan (AC21/03). The Committee was advised that the plan would be reviewed regularly to consider whether proposed areas of audit were still relevant or had increased in priority.

2.7 *"The Committee will consider the internal audit annual report and any appropriate in-year reports."*

The Internal Audit Annual Report 2020/21 (AC21/12) from the Internal Auditors, considered by the Committee in June 2021, 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 statements.

The Review of the Effectiveness of the System of Internal Control 2020/21 (Paper AC21/15) was received by the Committee in June 2021. 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 2021 - Summary Internal Controls Assurance Report (AC21/11)
- November 2021 - Internal Audit Plan (AC21/27)
- Summary Internal Controls Report (AC21/28)
- February 2022 - Summary Internal Controls Assurance Report (AC22/02)
- Internal Audit Strategy and Annual Internal Audit Plan (AC22/03)

It was intended that TIAA would cease being the internal auditors from June 2021. However, to proposed internal audit arrangements from that date with RSM did not proceed, with the result that TIAA then resumed the role of Internal Auditors, until June 2022.

External Audit

2.8 *"The Committee will consider all external auditor reports."*

During the year, the Committee received and considered the following reports from the External Auditors:

- July 2021 - Audit Plan Addendum – Value for Money Risk Assessment (AC21/22)
- November 2021 - Audit Results Report for the Year Ended 31 March 2020 (AC21/26a)
- March 2022 - 2021/2021 Auditor's Annual Report (AC22/04)

Financial Reporting

2.10 *“The Committee will review the annual Statement of Accounts”.*

The Committee reviewed the Statement of Accounts 2020/21 (Paper AC21/26) at the November 2021 meeting covering:

- Ernst & Young LLP Audit Results Report for the Year Ended 31 March 2020
- PCC Letter of Representation
- CC Letter of Representation
- PCC Annual Governance Statement
- CC Annual Governance Statement
- PCC Group and PCC Statement of Accounts
- CC Statement of Accounts

Accountability Arrangements

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

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 2020/21 can be reviewed.

The Review of the Effectiveness of the System of Internal Control 2020/21 (Paper AC21/15) was circulated prior to the Audit Committee meeting in June 2021. The Audit Committee acknowledged that Internal Audit is compliant with the Regulations and Standards, through the self-assessment set out in the report, and they can take assurance that there is an effective system on internal controls.

Treasury Management

2.12 *“The Committee will note the Annual Investment and Treasury Management Strategy Statement and any appropriate related monitoring reports”*

In February 2022 the Committee noted the Mid-Year Treasury Management Report and investment and Treasury Management Strategy Statement 2022/23 (Paper AC22/05).

Wider Functions

2.13 *“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.”*

The Committee also made use of a Private Agenda at the meetings in June 2021, November 2021, and February 2022 to discuss other matters of relevance including:

- June 2021 - Introductory Discussion with new Internal Auditors (verbal)

- November 2021 - Update on Internal Audit Contract (verbal briefing by the ACO)
- February 2022 - Cyber Security (verbal briefing by the Information and Cyber Security Officer)

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

Appendix A

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, amended to include Treasury Management in April 2019 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 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, including completing a self-assessment of good practice.

7 Treasury Management

- 7.1 The Committee will note the Annual Investment and Treasury Management Strategy Statement and any appropriate related monitoring reports.

8 Wider functions

- 8.1 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.