



## **AUDIT COMMITTEE**

A meeting of the Audit Committee was held in Strategic Co-ordination Centre 3, Police Headquarters, Martlesham on Friday, 28 March 2014 at 9.30 am.

### **PRESENT:**

#### **Members**

Ian Blofield, Robert Millea, Andrew Peck and David Rowe (Chair).

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

Chris Bland (Police and Crime Commissioner's Chief Finance Officer), Christopher Jackson (Chief Executive), Sarah McNulty (Business Co-ordinator) and Tim Passmore (Police and Crime Commissioner (PCC)).

#### **Suffolk Constabulary**

Phillip Clayton (Chief Constable's Chief Finance Officer), Peter Jasper (Head of Joint Finance) and Douglas Paxton (Chief Constable).

#### **Present by invitation**

Jade Casey (Audit Services, Suffolk County Council), Peter Frost (Interim Head of Audit Services, Suffolk County Council), Linda Goldsmith (Senior Auditor, Audit Services, Suffolk County Council) and Chris Hewitt (Audit Manager, Ernst and Young).

## **PUBLIC AGENDA**

### **1. DECLARATION OF INTERESTS**

1.1 No declarations were made.

### **2. ELECTION OF CHAIR**

2.1 David Rowe was elected as Chair for the ensuing year.

### **3. TERMS OF REFERENCE**

3.1 It was noted that the CIPFA Guidance in relation to Audit Committees had been used as the basis for Terms of Reference for the Interim Audit Committee during 2013. It was suggested that reference to the Committee's role in Treasury Management be included and consideration be given to the Audit Committee providing an Annual Report on its work to the Police and Crime Commissioner to form part of the Annual

Governance Statement. The PCC said that he welcomed advice from Audit Committee members and was keen to explore how they could undertake a more proactive role in considering efficiency and value for money.

- 3.2 It was noted that CIPFA had issued some more recent guidance which should also be taken into consideration.
- 3.3 Members were assured that the Scheme of Governance and Consent acknowledged the fact that the Terms of Reference would continue to be perfected as the Audit Committee role developed. It was also noted that the annual 'Review of the Effectiveness of the System of Internal Audit' included a checklist for the Audit Committee to review its own effectiveness.
- 3.4 **It was agreed that the Chair would meet with the PCC, Chief Executive and two Chief Finance Officers to discuss the Terms of Reference and role of the Committee members to bring proposals back to the next meeting on 27 June 2014.**

4. MINUTES OF THE INTERIM AUDIT COMMITTEE MEETING HELD ON 24 SEPTEMBER 2013 (Paper AC14/1)

- 4.1 The minutes of Interim Audit Committee held on 24 September 2013 were noted and members asked that thanks be recorded for the work of the Interim Committee.
- 4.2 **It was agreed that a 'matters arising' element be added to the minutes item in future. There were a number of items from the previous minutes where updates were requested as detailed below:**

*2.3 – Minutes of 13 June 2013 - Money Laundering Policy*

The PCC's Chief Finance Officer advised that he was progressing the Anti-Corruption and Fraud Policy with the Professional Standards Department. It was agreed that an update be provided at the next meeting.

*4.3 – Internal Audit – Interim Audit Report – 2013/14 - Facilities Contract Management and IT Governance Audits*

The Senior Auditor advised that the audits had both resulted in 'Effective' outcomes and an update on the findings and follow-up work would be reported to the Committee at its next meeting in June.

*4.7 – Declarations of Gifts, Hospitality and Business Interests Audit*

The Senior Auditor confirmed that the Constabulary's follow-up work to address the recommendations of the audit had been completed.

*4.10 – Interpreters and Translation Work*

An assurance was given that the costs had been recovered and the work to address the recommendations had been completed.

*6.2 and 6.3 – Statement of Accounts 2013/14 – PCC Annual Governance Statement*

The Chief Executive advised that the Legal Instrument regarding the "Stage 2" transfer of staff had been submitted to the Home Office. *Following the meeting a*

*letter was received from the Home Secretary confirming approval of the proposals for implementation from 1 April 2014 – a copy was circulated to Audit Committee members for information.*

#### *7.5 – Audit Results Report for the Year Ended 31 March 2013*

The PCC said the he was keen for 'zero based budgeting', the review of ICT systems and the Estates Review to be carried out together as part of a combined project. It was noted that the internal Audit Plan for 2014/15 included a piece of work on ICT Project Expenditure.

#### 5. AUDIT PLAN FOR THE YEAR ENDING 31 MARCH 2014 (Paper AC14/2)

- 5.1 Members were advised that there had been debate nationally about the presentation of accounts, including what should be included in PCC Accounts and Chief Constable Accounts. It was noted that some recent guidance had been issued by CIPFA and Ernst and Young had arranged a Police Reference Group meeting for 29 April, bringing together the ten bodies they audit, to discuss the proposals with a view of agreeing a way forward before 30 June 2014 when the unqualified Statements of Accounts are required to be submitted to the external auditors. It was noted that neither the Chief Constable's Chief Finance Officer nor PCC's Chief Finance Officer could attend the meeting but assurance was given that consideration had been given to the proposals and they would be represented by a member of the Constabulary's finance team at the meeting. The audit fees and timescales were noted. It was acknowledged that the Audit Results report, Letter of Representation and Annual Audit Letter would be brought to the Committee for consideration at its meeting on 23 September 2014.
- 5.2 Members were assured that the external auditors took into consideration the work of Her Majesty's Inspectorate of Constabulary and Audit Commission on Value For Money as well as the work of internal audit and shared plans in order to avoid duplication.
- 5.3 There was discussion about the scope for external auditors disseminating best practice in relation to efficiency and effectiveness. It was noted that an invitation to the Ernst and Young Reference Group would be extended to Audit Committee Chairs and suggested that this might be an appropriate forum to raise such comments.
- 5.4 **The Committee noted the Audit Plan for the year ending 31 March 2014.**

#### 6. POLICE SECTOR BRIEFING (Paper AC14/3)

- 6.1 It was highlighted that detail of the first meeting of the Police Reference Group and details of future meetings were included on page two of the briefing and details of the Police Innovation Fund for 2014/15 were included on page six.
- 6.2 Members were advised that bids for pre-cursor funding had been made in relation to Automatic Number Plate Recognition and Enterprise Resource Planning. Members asked about the capacity to prepare timely bids when funding announcements were made. The Chief Constable gave an assurance that the Strategic Change Team was

continually looking at opportunities to ensure that bids could be submitted swiftly as and when required.

- 6.3 The latest police workforce figures published by the Office for National Statistics were noted. The PCC said that he welcomed the development of police productivity measures.
- 6.4 **The Committee noted the Police Sector Briefing and thanked the Audit Manager, Ernst and Young for the update.**
7. INTERNAL AUDIT PLAN 2014-15 (Paper AC14/4)
- 7.1 Members were advised that the plan had been developed in consultation with the PCC and Chief Constable. The internal auditors had also carried out their own risk assessment and liaised with Norfolk's internal auditors, Price Waterhouse Coopers, to consider collaborated areas of work in developing the Plan. It was acknowledged that in some cases in future the Suffolk County Council auditors would be presenting reports carried out by Price Waterhouse Coopers to the Suffolk Audit Committee, and Price Waterhouse Coopers would be presenting Suffolk County Council reports to the Norfolk Audit Committee.
- 7.2 An assurance was given that the plan allowed for 180 audit days per year which was the same amount as the last two years and had previously been bench-marked against other forces of similar size and budget. It was noted that the current internal audit contract was due to finish in June 2015 and members recognised the fact that the strategic plan was based on the position as known at present, subject to changing audit risks and requirements and appointment of auditors from June 2015.
- 7.3 It was noted that auditing of the Main Financial Systems was carried out on a cyclical basis alongside self-assessment checks, given the previous evidence of consistent and effective controls. It was explained that for 2014/15 all audits would be carried out on a self-assessment basis with a view to carrying out full audits of the systems in 2015/16 following implementation of the Enterprise Resource Management systems. **Members asked for a list of the dates when full audits of the financial systems had last been carried out.**
- 7.4 The plans for the Norfolk and Suffolk auditors to review Governance – Stage 2 Transfer Arrangements, pension administration and Crime and Disorder Reduction Grants individually, given there were different systems in place, but to align the terms of reference and timing to share knowledge and best practice were supported.
- 7.5 The PCC was pleased to note that the plan included reference to his Police and Crime Plan for Suffolk for 2013-17 and assurance was given that it was taken into consideration in planning the detailed terms of reference for each audit.
- 7.6 **The Internal Audit Plan for 2014-15 and draft Strategic Plan for 2015-16 to 2017-18 were considered and approved.**

8. SCHEME OF GOVERNANCE AND CONSENT (Paper AC14/5)

- 8.1 The Chief Executive presented the Scheme of Governance and Consent, adopted by the PCC for Suffolk to apply from 1 April 2014, which set out the key roles of the PCC and Chief Constable and powers of delegation applicable to each of the parties. It was noted that the Scheme had been developed in consultation with the PCCs and Chief Constables for Norfolk and Suffolk as the four police corporations sole. Other key members of staff such as the Head of Finance and Head of Procurement had also been involved in its development. The Norfolk PCC had adopted his own Scheme but, given the level of collaboration between forces, joint Financial Regulations of the PCCs for Norfolk and Suffolk and joint Contract Standing Orders had been adopted.
- 8.2 Members were assured that the PCC, Chief Executive and PCC's Chief Finance Officer were able to make changes to the document as necessary and it would be subject to review on an annual basis.

*Financial Regulations*

- 8.3 Members queried what sort of funds were included in the 'Voluntary Unofficial Funds' category. The Chief Constable's Chief Finance Officer explained that those funds were usually made up of donations made which included certain restrictions, such as how the money was expected to be spent, on a particular event such as the Suffolk Show for example. Assurance was given that those funds were kept separately for specific use and to allow full audit trail of expenditure to be provided.
- 8.4 A question was also raised regarding Financial Planning and Annual Revenue Budget Preparation, given the requirement to identify all proposed individual major revenue projects in excess of the annual value of £20k. The Chief Constable's Chief Finance Officer said that the provision was in place in order to provide openness and transparency.
- 8.5 Members asked what provisions were in place to allow the Chief Constable to continue working operationally at times in which expenditure would exceed the budget allocated. The PCC's Chief Finance Officer advised that there was provision, as set out at paragraph 2.12 of the Financial Regulations, for such circumstances. He advised that he was also working on updating the protocol for dealing with major incidents which would form part of the governance arrangement in due course. It was also noted that costs associated with any individual crime which exceeded 1% of the total budget would also be eligible to receive funding from the Home Office. The Chief Constable explained that he holds an operational contingency revenue budget specifically for the purposes of meeting unexpected demands.

- 8.6 **It was noted that there was reference to anti-corruption and fraud and whistleblowing policies in the document which members wished to review once finalised.**

- 8.7 Members asked if there was a policy in place with regard to the ownership of intellectual property. **It was agreed that clarity on that issue would be provided following the meeting.**

*Contract Standing Orders*

8.8 Members asked if the Chief Executive was sighted on the terms of all contracts. It was noted that he was not but that the Chief Constable's Chief Finance Officer did review the contracts to ensure that they met the requirements agreed, particularly in terms of provisions for termination/exit, non-compliance and remedies. The Head of Procurement also reviewed the terms and conditions and legal advice was sought when necessary, particularly in terms of major projects.

8.9 **The Committee noted the Scheme of Governance and Consent, adopted by the PCC for Suffolk to apply from 1 April 2014.**

9. RISK MANAGEMENT (Paper AC14/6)

9.1 The Chief Executive presented the report which outlined the position on compliance with the PCC's Risk Management Strategy. It was noted that the Internal Auditors had carried out a review of compliance in January 2014 which had resulted in an 'Effective' opinion. The recommendations made by the auditors were noted and it was confirmed that action had been taken where necessary. Members were advised that the requirement for the PCC to sign and date the register had been adopted and the latest version published on the PCC's website had included that detail. The auditors accepted the Chief Executive's decision not to provide PCC staff with additional training in respect of Risk Management given the experience and previous training undertaken by the team.

9.2 The Chief Executive advised that the risks associated with the implementation of Regulation A19 had recently been reviewed and had been noted for further consideration pending progress in terms of Employment Tribunal proceedings.

9.3 **The Committee noted the content of the report.**

10. COMPLIANCE WITH THE SPECIFIED INFORMATION ORDER

10.1 The Chief Executive provided assurance that both the PCC's team and Constabulary had made significant effort to ensure that the data required had been published and was being kept up-to-date.

10.2 Members were advised that the Home Office had reviewed and number of websites prior to Christmas 2013 and found that in some cases the requirements were not being met. The Chief Executive said that he was confident that the information provided by Suffolk met the requirements and he had recently written to the Home Office to confirm that view.

11. REGULATION A19

11.1 The Chief Constable's Chief Finance Officer explained that Regulation A19 of the Police (Pensions) Regulations 1987 had been implemented in Suffolk in 2011 and which had resulted in 33 police officers of police pensionable age (30 years of service +) leaving the force as a means of achieving efficiency savings. He explained that the former Police Authority and Constabulary had sought legal advice and it was a provision that had been utilised by other forces nationally.

- 11.2 Members were advised that a number of officers had successfully applied to the London Central Employment Tribunal on the grounds that the action breached age discrimination legislation. The decision was currently subject of an appeal to the Employment Appeals Tribunal. It was noted that the outcome of those cases would likely impact on other cases that had been brought including cases involving Suffolk officers. The matter was currently with legal advisers for the Chief Constable and PCC and was being kept under review.
- 11.3 In terms of future management of staff numbers, members were assured that the Strategic Change Team were continually monitoring and projecting staff turnover for future planning purposes.

#### PRIVATE AGENDA

[A detailed account of the discussions and decisions on the following item is contained in the Confidential Minutes.]

12. INTERNAL AUDIT SECURITY REVIEW (Paper AC14/7)
- 12.1 Members considered a confidential report and received a presentation setting out the findings of the internal auditors work to review security arrangements across the Suffolk estate during 2013-14 which built upon the work carried out in August 2012. It was noted that further follow-up work had been included in the plan for 2014-15.
- 12.2 **The Committee noted the content of the report and supported the recommendations made by the internal auditors to improve security arrangement across the Suffolk estate. Given follow-up work had been included in the plan for 2014-15 a further update on progress would be reported back to the Audit Committee in due course.**

The meeting closed at 12:25 pm.