



AUDIT COMMITTEE

A meeting of the Audit Committee was held in Strategic Co-ordination Centre 3, Police Headquarters, Martlesham on Friday, 27 June 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 (Chief Finance Officer), Liz Hollingworth (Business Administration and Policy Officer) and Christopher Jackson (Chief Executive).

Suffolk Constabulary

Phillip Clayton (Assistant Chief Officer) and Douglas Paxton (Chief Constable).

Present by invitation

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. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 28 MARCH 2014 AND MATTERS ARISING (Paper AC14/8)

2.1 The minutes were agreed as a true record.

2.2 It was confirmed that Matters Arising would be added to future agendas. Members agreed that meeting minutes should highlight actions. A summary of updates against actions will be sent to members with meeting papers to minimise time spent on Matters Arising.

Action: LH to include summary of actions in minutes, monitor progress and update Audit Committee members.

2.3 Updates were provided on the following Matters Arising:

3 Terms of Reference. Audit Committee Terms of Reference had been drafted and distributed to members and would be discussed under agenda item 3.

4.2 Anti-corruption and Fraud Policy. The Police and Crime Commissioner's Chief Finance Officer (CFO), Chris Bland, reported a meeting had been held with the Professional Standards Department. He is reviewing the draft Anti-Corruption and Fraud Policy which will be presented at the meeting of the Audit Committee on 23 September. The Chief Constable confirmed that there is a national anti-corruption strategy and that the Control Strategy and Strategic Assessment can be circulated to members. He confirmed that fraud needed to be covered at Suffolk level.

Action: PCC's CFO to circulate Anti-corruption Control Strategy and Strategic Assessment to members. Anti-Corruption and Fraud policy to be presented to Audit Committee on 23 September 2014.

5.1 Presentation of accounts. Members asked about national consistency in the presentation of Police and Crime Commissioner and Chief Constable accounts. The PCC's CFO said there had been no real change to date and the presentation of accounts in a consistent format remained challenging, mainly due to the different approaches by the audit firms involved. The PCC's office and Constabulary were working with Ernst and Young, on a joint approach. The accounts would be signed on 30 June 2014 but it was thought likely that there would be revisions over the coming quarter to reflect the national position. It was felt that the Ernst and Young were being pragmatic and supportive.

The Ernst and Young Audit Manager, Chris Hewitt, reported that the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance had been issued in March 2014 and was being considered by the Audit Commissioner. The Chief Constable's Assistant Chief Officer (ACO), Phillip Clayton, said he hoped a definitive guide would be issued soon to aid consistent presentation of accounts.

7.3 Audit Plan. A list of audits that had been undertaken since 2008 was sent to members on 15 May 2014. Concern was raised that some audits, particularly those with reputational risk, had been completed some time ago. The Senior Auditor, Linda Goldsmith, outlined the process for developing the annual audit plan. This rates potential audit areas according to risk, Constabulary manager views and feasibility within the allocated resources (180 audit days per annum). Those audits that had not been undertaken recently were considered low risk. The plan does not duplicate areas covered by Her Majesty's Inspectorate of Constabulary (HMIC). The audit plan is reviewed by the Audit Committee each year so priority areas can be discussed for inclusion.

8.5 Major Incidents Protocol. The PCC's CFO reported that the protocol for policing major incidents would be presented to the Audit Committee in September 2014. The impact on the Constabulary of updating the Police Authority Protocol and the implications for resourcing is currently being considered.

Action: Major Incidents Protocol to be circulated to members and discussed at the Audit Committee on 23 September 2014.

8.6 Confidential Reporting/ Whistleblowing Policy. The joint Norfolk/Suffolk Confidential Reporting/ Whistleblowing Policy is currently being consulted on. The

Chief Executive reported that he had responded to the consultation and that, in his opinion, the Public Interest Disclosure Act needed to be more thoroughly referenced in the policy. He has asked that the Constabulary to present the policy to the Audit Committee.

Action: Constabulary to circulate Confidential Reporting/Whistleblowing Policy to members in advance of next Audit Committee meeting.

8.7 Ownership of Intellectual Property (IP). The Chief Executive confirmed he had updated Audit Committee members following discussions with Human Resources. A joint Norfolk/Suffolk policy will ensure the policy is consistent across officers and staff. As yet there is no date for the publication of this policy. The Chief Constable and the ACO reported they were content with the holding position and that there had been no issues with IP ownership to date. An area of potential concern is ICT development work but it was agreed having a policy in place would clarify the position. Members suggested that the policy needed to include sub-contractors as well as employees. The ACO said he would check that contractor contracts cover IP.

Action: ACO to check coverage of Intellectual Property in contracts.

9.2 and 11 Regulation A19. The Police and Crime Commissioner's Senior Management Team had decided that Regulation A19 did not need to be added to the Risk Register. The Chief Executive updated members that the current proceedings involving Suffolk in the Employment Tribunal had been stayed, pending the outcome of the appeal to the Employment Appeals Tribunal relating to claims elsewhere in the country. In response to a question from members, the PCC's CFO confirmed that a contingent liability had been made should the case proceed.

12.2 Internal Security Review. The internal security review would be covered under agenda item 4.

3. TERMS OF REFERENCE (Paper AC14/9)

- 3.1 The Chair introduced the draft Terms of Reference and said the objective for this agenda item was to discuss and agree the Terms of Reference. The Terms of Reference had been developed using CIPFA guidance. Overall members agreed to keep the Terms of Reference concise.
- 3.2 A concern was raised about the lack of reference in the Terms of Reference to Treasury Management, particularly because the PCCs Medium Term Financial Plan (Appendix H, paragraph 5.2) refers to delegated responsibility to the Audit Committee for ensuring effective scrutiny of Treasury Management Strategy and policies. It was agreed there should be consistency between the two documents.
- 3.3 The PCC's CFO said he has responsibility for the Treasury Management undertaken by the Constabulary. The Police and Crime Commissioner is required to approve Treasury Management strategy on an annual basis.
- 3.4 The Interim Head of Audit Services, Peter Frost, confirmed that Treasury Management is always included in the annual audit plan and to date the results have always been 'Effective'. The Audit Committee would therefore see the audit and consider any issues or risks as a matter of course.
- 3.5 Following discussion, the Audit Committee members agreed that they were not responsible for Treasury Management and that the reference in the Medium Term Financial Plan would be removed in the next iteration of the document.

Action: PCC's CFO to ensure reference to Audit Committee in Section 5.2 of the Medium Term Financial Plan is removed.

- 3.6 In response to a suggestion from members to include more detail on risk management and monitoring progress in the Terms of Reference, the Chief Executive said that the Risk Management Strategy, which is submitted annually to the Audit Committee, explains responsibilities and he suggested this was sufficient.
- 3.7 The Chief Executive suggested to members that the Terms of Reference could be reviewed annually along with the annual review of the Scheme of Governance and Consent.
- 3.8 The Audit Committee agreed that they would produce an annual summary of activity. The first report would be issued in June 2015 and will be in a concise format, similar to that produced by the County Council. Interim Head of Audit Services agreed to investigate the approach taken by other Audit Committees, through the Police Audit Conference.
Actions: Annual summary letter to be considered by the Audit Committee on 26 June 2015. Interim Head of Audit Services to update members on the approach taken by other Audit Committees in producing an annual report.
- 3.9 The Audit Committee agreed that a statement on the role of the Audit Committee in supporting effective audit relationships as set out in CIPFA guidance should be included in the Terms of Reference.
Action: The Chief Executive will amend the Terms of Reference Statement of Purpose to include reference to effective audit relationships.
- 3.10 The Interim Head of Audit Services asked whether the Suffolk and Norfolk Audit Committee Terms of reference might be contradictory. The Chief Executive said that this is not currently an issue but may need to be considered in the future.

4. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT (Paper AC14/10)

- 4.1 The Senior Auditor presented the report and recommendations. The Senior Auditor and the Chair had met to complete the self-assessment (Appendix B). They felt that Appendix C 'Evaluating the Effectiveness of the Audit Committee' could not be completed yet. It was agreed the Chair will monitor progress against Appendix C and Appendix D 'Knowledge and Skills Framework'.
- 4.2 The Chief Constable asked if recommendation 2 should cover both the PCC and Office of the Chief Constable. The Senior Auditor agreed and suggested that by removing the reference to the PCC the recommendation would apply to both the PCC and Chief Constable's system of financial control.
- 4.3 The Interim Head of Audit Services confirmed, in response to a question from the Chief Executive, that the wording in the recommendation had changed slightly to acknowledge the 'Ineffective' ratings of certain audits. However plans have been implemented to address the concerns and therefore the auditors were content.
- 4.4 The Chief Executive asked whether the statement in the Police and Crime Commissioner's Annual Governance Statement (AGS) as circulated to members was satisfactory or whether the wording in recommendation 2 should be used. The Interim Head of Audit Services recommended that the wording in the PCC's and Chief Constable's Annual Governance Statements should be consistent and that the wording in the recommendation should be used. The Audit Manager confirmed he would expect to see the independent auditor opinion in the Annual Governance Statement.

Action: The Chief Executive and Head of Finance to amend the Annual Governance Statements to reflect the wording in recommendation 2 of the report (removing the reference to the PCC).

- 4.5 Members expressed concern with the wording in paragraph 1.7. The Interim Head of Audit Services said the statement confirms the external audit does not fulfil the requirements of the regulations as it only reviews elements of the internal audit.
- 4.6 Members asked if they should be concerned that three of the 106 recommendations had not been accepted. The Senior Auditor confirmed the recommendations were low risk and that the auditors were content with the situation.
- 4.7 The Audit Manager was asked if he agreed with the last sentence in paragraph 1.18 regarding continued assurance over the internal audit arrangements. The Audit Manager said this should be rephrased to reflect that the quote was from the letter of representation. He confirmed the External Auditors have not given continued assurance over the internal audit arrangements.
- 4.8 In response to a question from members, the Senior Auditor said that the last quality assurance assessment in July 2013 had been undertaken by SGS.
- 4.9 Members raised concerns about the delays in management responses which meant only 25% of audit reports were dispatched within 10 days of completion. The ACO reported that delays were mainly due to the time taken to consider issues. Recent personnel changes/resourcing issues were likely to have had an impact as well. The Senior Auditor agreed that responses to audits involving collaborative work with Norfolk were also more time consuming. The ACO and Internal Auditors agreed to work together to increase the speed of responses.
- 4.10 Members suggested the customer satisfaction response rate of 58% was low. The Senior Auditor outlined the process whereby a satisfaction survey is issued with the final audit report and followed up once. It was acknowledged that often one Constabulary manager would send one response but cover more than one audit. The Chair agreed a higher response rate would be desirable to highlight any issues and in particular because customer satisfaction is a performance indicator. The ACO agreed to encourage staff to complete the satisfaction forms.
- Action: Internal Auditors to send PCC's CFO the survey responses.**
- 4.11 The Chief Constable asked about the impact of an adverse audit on the corporation sole. In regard for the need for two Annual Governance Statements the Chief Constable stated that, as a legal entity, the Office of the Chief Constable has separate responsibilities, for example as an employer.
- 4.12 The Chief Executive stated that whilst the Annual Governance Statements were generally similar, as corporation soles, the PCC and Chief Constable were separate entities and therefore the Statements could be different.
- 4.13 The Chief Constable suggested that the appropriateness of one internal audit contract may need to be considered in future. Currently the audit process does not report separately on findings for the PCC or Chief Constable. The Audit Committee needs to be cognisant that they are evaluating two separate legal entities.
- 4.14 The ACO confirmed that all contracts are current in the PCC name. The Interim Head of Audit Services confirmed the internal audit contract is with the PCC but that the Office of the Chief Constable is very much involved. He suggested he could explore how audit contracts are dealt with elsewhere at the Police Audit Conference.

- 4.15 The Chair noted that the process of tendering for the internal audit would be starting imminently as the current contract expires on 30 June 2015. He had asked the officers of the PCC and Chief Constable to keep members informed of progress. The PCC's CFO and the ACO would be meeting to decide on the approach to be taken. Issues to be considered include the merits of a joint Norfolk/Suffolk contract or potential to tender with other Constabularies to gain economies of scale.
- 4.16 The Audit Committee agreed to accept the recommendations of the report.
5. ANNUAL INTERNAL AUDIT REPORT 2013/14 (Paper AC14/11)
- 5.1 The report summarises the work and audits undertaken by Internal Audit in 2013/14 and the conclusions reached.
- 5.2 Self-Assessments. Members asked what the level of assurance was on self-assessments and were informed that there was a high level of assurance in the auditor's opinion.
- 5.3 Security Arrangements. The Chair asked why the report did not specify a rating for Security Arrangements, but was marked 'Confidential'. The Senior Auditor said that because the Security Arrangements Audit was confidential the rating had been suppressed, as had occurred in previous years. The Chair said that reputational damage was not a sufficient reason to suppress the rating, and the fact that Security Arrangements were rated 'Ineffective' should be noted in the Annual Internal Audit Report.
- 5.4 Fire Safety. Members asked for an update on Fire Safety and assurance there was a plan to improve from the 'Ineffective' rating.
- 5.5 The Senior Auditor reported that Fire Safety had not been included in the original Audit Plan for 2013/14. However concerns had been raised and therefore the audit was conducted. PWC had also undertaken a Fire Safety Audit for Norfolk Constabulary. Both audits had similar outcomes and recommendations. A joint action plan had been developed to address the audit findings and the Constabularies are considering appointing a joint Fire Officer responsible for risk assessment and reviews. The Senior Auditor confirmed that actions were due to be implemented by the end of August 2014 and that a follow up to the audit is planned for September 2014.
- 5.6 The Senior Auditor confirmed to members that the review in September would look at whether PCC and Chief Constable liabilities were adequately covered in the joint Health and Safety policy.
- 5.7 In response to a question from the Chair the Chief Constable confirmed that staff were fully involved in the development of Health and Safety policy.
- 5.8 Risk Management. The Chief Executive confirmed that the PCC risk register had been thoroughly reviewed in February 2014. He said that risk is reviewed on an ongoing basis by the PCC as part of the course of normal business.
- 5.9 The Chief Constable confirmed that the Constabulary are operating with new risk management procedures which will be subject to a full review of effectiveness in October/November 2014. The Chief Constable reports on the status of the risk register at the PCC's Accountability and Performance Panel.
- 5.10 IT Governance. The Senior Auditor said she would follow up on the Key Performance Indicator (KPI) statistics which should be available through the intranet.
Action: The Senior Auditor to follow up on availability of IT Governance Service Level Agreement KPIs.

- 5.11 HR – Settlement Agreements and Redundancy Payments. The Senior Auditor reported that work is underway to harmonise the Norfolk and Suffolk policies. She will ensure key contacts and decision makers for Settlement Agreements are included in the new policy.
- 5.12 The Chief Executive said he would expect any Settlement Agreement to be authorised at the appropriate level in accordance with Financial Regulations. The Chief Constable said that the Accountability and Performance Panel is regularly given information on A19 and other cases including details of financial settlement and if the settlement was agreed on counsel's advice. The Senior Auditor will resend the internal audit report to the Chief Executive.
Action: The Senior Auditor to send HR audit report to Chief Executive.
- 5.13 Facilities Contract Management. Members asked for more detail on the Facilities Contract Management audit. In relation to section 1.67 of the report the Senior Auditor confirmed that the audit findings and lessons learnt had been fed back to Procurement Department and would also be fed in to the joint Norfolk/Suffolk Procurement Audit. The Internal Auditors expect the department to follow up and disseminate the lessons learnt further.
- 5.14 The PCC's CFO asked how the audit could be rated 'Effective' if concerns had been raised. The Senior Auditor confirmed that contracts were being managed well and that issues had arisen in the course of the contract that had not been foreseen at the outset. Therefore, because the issues were being managed well, they were content to give an effective rating.
- 5.15 Bury St Edmunds Station. Weaknesses in control were identified during the audit, the circumstances of which were related to a discrepancy between recorded and receipted money. This was due to human error and the issue was rectified.
- 5.16 Interpreters and Translation. A member enquired when the recommendations from the audit would be implemented. The Senior Auditor confirmed that due to changes in staff and restructuring implementation had been delayed but that an update of progress was expected by the end of July 2014.
Action: The Senior Auditor to cover progress with recommendations from the Interpreters and Translation Audit in Matters Arising at the September meeting.
- 5.17 The Chair noted that more detail on the issues identified in the Annual Internal Audit Report would have been useful. Members also felt it would be useful to have a response from the PCC's office and the Chief Constable's office on how recommendations identified in audit reports have been implemented, as well as an update from the Internal Auditors.
- 5.18 The Audit Committee agreed to accept the recommendations of the report.
6. ANNUAL GOVERNANCE STATEMENT – POLICE AND CRIME COMMISSIONER
(Paper AC14/12)
- 6.1 The Chief Executive said that consultation on the Annual Governance Statement (AGS) had been undertaken with the Internal Auditors but not the External Auditors.
- 6.2 The Chief Executive said that Section 5 'Review of Effectiveness' would be amended to include the Internal Auditors statement, as discussed under agenda item 4.
- 6.3 Following a comment about page 11 and staff conduct the Chief Executive said he would review the wording to ensure it fully reflected the situation consequent on the introduction of the Code of Ethics.

- 6.4 The Chief Constable explained to members that the Code of Ethics is not enforceable within the Constabulary but the Code of Conduct is. Members discussed the implications of this and the Chief Executive agreed to review the relevant paragraph in the AGS.
- 6.5 It was suggested Section G 'Audit Committee' should refer to the new 2013 Chartered Institute for Public Finance and Accountancy (CIPFA) Guidance.
- 6.6 The PCC's CFO explained to members that technical support services of a financial and legal nature had been provided by Somerset County over a number of years to reduce duplication. The Suffolk PCC office pays a contribution and the arrangement is perceived to work well.
- 6.7 As noted under agenda item 2 the Whistleblowing policy is being consulted upon.
- 6.8 Reference to police staff at the top of page 16 will be amended to read 'staff employed by the PCC'.
- 6.9 The Chief Executive informed members that the Norfolk and Suffolk PCCs had agreed to reduce the number of Norfolk and Suffolk Collaboration meetings to four per year. The Chief Executive said he did not foresee any adverse governance impact of the Norfolk PCC's decision to step aside during the recently announced IPCC investigation.
- 6.10 The Chief Constable informed members that the Norfolk Deputy PCC had confirmed that PCC powers had been delegated, except for the power to appoint/dismiss the Chief Constable, issuing the Police and Crime Plan and setting the precept.
- 6.11 Members asked the Auditors whether they were content with the references to them and their work in the AGS. The Interim Head of Audit Services said he was content subject to the changes being made in Section 5 as discussed. The Audit Manager agreed he was content at the present time but would give a considered opinion in due course.
- 6.12 Members agreed they had considered the report as recommended. The Chief Executive will redraft the Annual Governance Statement in light of the discussion and issue the revised version.
Action: The Chief Executive to amend the PCC's Annual Governance Statement in readiness for approval by the PCC during September 2014.
7. ANNUAL GOVERNANCE STATEMENT – CHIEF CONSTABLE (Paper AC14/13)
- 7.1 The ACO introduced the report saying that the Chief Constable's Annual Governance Statement is similar, but includes less detail to the Police and Crime Commissioner's AGS.
- 7.2 Members said that the discussion under agenda item 6 on the PCC's AGS also applied to the Chief Constable's AGS.
- 7.3 The Chair asked about Professional Standards and how complaints against police officers were monitored. The Chief Constable said that a Complaints and Professional Standards report was regularly submitted to the PCC's Accountability and Performance Panel.
- 7.4 The Chief Constable said that the PCC had a legal responsibility in this area and that the PCC directs the Chief Constable if required. The Chief Executive confirmed that the PCC keeps himself informed on complaints and professional standards and said

that a member of the PCC's office also inspects a sample of complaints periodically to ensure the correct process had been followed.

- 7.5 The Committee agreed they had considered the report as recommended.
Action: The ACO to amend the Chief Constable's Annual Governance Statement in readiness for approval by the Chief Constable.
8. THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK ANNUAL AUDIT FEE LETTER FOR 2014/15 (Paper AC14/14)
9. THE CHIEF CONSTABLE FOR SUFFOLK CONSTABULARY ANNUAL AUDIT FEE LETTER FOR 2014/15 (Paper AC14/15)
- 9.1 Members agreed to consider items 8 and 9 on the agenda together.
- 9.2 The Audit Manager said the Annual Audit Fee letters for the PCC and the Chief Constable summarised the work to be undertaken and set out the fees. The external audit fees are in accordance with the scale provided by the Audit Commission and are comparable to other auditors. Fees can be varied with approval. A detailed plan will be presented to the Audit Committee in March 2015.
- 9.3 The Audit Manager reported that the programme for the year was on course. The accounts were due to be signed on Monday 30 June. Ernst and Young would be considering the accounts in the near future and the financial statement audit would be undertaken in August.
- 9.4 Value for Money work will start in July 2014 and will utilize the internal audit work undertaken for the Stage 2 Transfer and HMIC reports in coming to a conclusion.
- 9.5 The Medium Term Financial Plan and assumptions will also be looked at by Ernst and Young.
10. ANY OTHER BUSINESS
- 10.1 Members discussed the need for a Deputy Chair and agreed that if the Chair were unavailable, another member would deputise for that meeting.
- 10.2 Ian Blofield reported that he had recently attended the Constabulary BikeSafe Training. He asked the Chief Constable to pass on his thanks to PC Kevin Stark and his team who had delivered an excellent training day and were very professional.

PRIVATE AGENDA

11. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 28 MARCH 2014 AND MATTERS ARISING (Paper AC14/16)
- 11.1 The confidential minutes were agreed as a true record and signed by the Chair.
- 11.2 There were no Matters Arising.

The meeting closed at 11.15 pm.

SUMMARY OF ACTIONS

Item	Action	Owner
2.2	Include summary of actions in minutes, monitor progress and update Audit Committee members.	LH
2.3 (4.2)	PCC's CFO to circulate Anti-corruption Control Strategy and Strategic Assessment to members. Anti-Corruption and Fraud policy to be discussed at Audit Committee meeting on 23 September 2014.	CB
2.3 (8.5)	Major Incidents Protocol to be circulated to members and discussed at the Audit Committee on 23 September 2014.	CB
2.3 (8.6)	Constabulary (Neil Lockett) to circulate Confidential Reporting/Whistleblowing Policy to members in advance of Audit Committee meeting on 23 September 2014.	NL
2.3 (8.7)	ACO to check coverage of Intellectual Property in contracts.	PC
3.5	PCC's CFO to ensure reference to Audit Committee in Section 5.2 of the Medium Term Financial Plan is removed.	CB
3.8	Annual summary letter to be considered by the Audit Committee on 26 June 2015. Interim Head of Audit Services to update members on the approach taken by other Audit Committees in producing an annual report.	LH PF
3.9	The Chief Executive will amend the Terms of Reference Statement of Purpose to include reference to effective audit relationships.	CJ
4.4	The Chief Executive and Head of Finance to amend the PCC and Chief Constable's Annual Governance Statements to reflect the wording in recommendation 2 of the report (removing the reference to the PCC).	CJ PC/PJ
4.10	Internal Auditors to send PCC's CFO the survey responses.	PF
5.10	The Senior Auditor to follow up on availability of IT Governance Service Level Agreement KPIs.	LG
5.12	The Senior Auditor to send HR audit report to Chief Executive.	LG
5.16	The Senior Auditor to cover progress with Interpreters and Translators in Matters Arising at the September meeting.	LG
6	The Chief Executive to amend the PCC's Annual Governance Statement in readiness for approval by the PCC during September 2014.	CJ
7	The ACO to amend the Chief Constable's Annual Governance Statement in readiness for approval by the Chief Constable.	PC/PJ