



PAPER AC15/1

AUDIT COMMITTEE

A meeting of the Audit Committee was held in Strategic Co-ordination Centre 2, Police Headquarters, Martlesham on Tuesday 23 September 2014 at 9.00 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), Christopher Jackson (Chief Executive) and Tim Passmore (Police and Crime Commissioner).

Suffolk Constabulary

Peter Jasper (Head of Finance), Douglas Paxton (Chief Constable) and Gillian Wreford (Chief Accountant)

Present by invitation

Linda Goldsmith (Senior Auditor, Audit Services, Suffolk County Council), Neil Harris (Audit Director, Ernst & Young), Chris Hewitt (Audit Manager, Ernst and Young) and Trudy Kestor (Auditor, Suffolk County Council).

Apologies

Phillip Clayton (Assistant Chief Officer, Suffolk Constabulary).

PUBLIC AGENDA

1. DECLARATION OF INTERESTS

1.1 No declarations were made.

2. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 27 JUNE 2014 AND MATTERS ARISING (Paper AC14/17)

2.1 The following changes to the minutes for accuracy were agreed: apologies had been given by the PCC for the meeting; the meeting finished at 11.15am.

2.2 The minutes were agreed as a true record.

2.3 Updates were provided on the following Matters Arising:

2.3 (9.2 & 11) Regulation A19. The Chief Constable reported that proceedings were still stayed and that there were no developments to record.

2.3 (8.7) Intellectual Property The Head of Finance was unsure if the status of Intellectual Property in contracts had been checked by the Assistant Chief Officer (ACO) and said he would find out.

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

4.14 Police Audit Conference. The Senior Auditor reported that Auditors were variously contracted to the PCC or Constabulary or both across different counties and that there was no consistency in approach.

5.3 Security Arrangements. A member asked whether others were content with the minute referencing security arrangements. It was agreed that as the internal audit report, on which the discussion was based, was publically available the minute could stand.

5.5 Fire Safety Audit. The original audit was rated ineffective. PWC had undertaken an audit in Norfolk which was also rated ineffective. A Health and Safety Advisor has been recruited on a temporary basis as a dedicated resource to implement improvements. Training on the joint fire safety policy is being implemented. There has been a noticeable improvement and every action in the audit has either been completed or is in progress. The Senior Auditor said this would be followed through to conclusion.

Action: Senior Auditor to follow implementation of the Fire Safety Audit recommendations through to conclusion.

5.10 IT Governance. The Senior Auditor had requested further evidence of progress on Key Performance Indicators (KPIs). The KPI review was being undertaken and staff were currently being consulted.

5.16 Interpreters. The review was rated effective but there had been delays implementing recommendations because of resource issues. Progress has now been made and there was one outstanding action which the Senior Auditor said would be followed through to conclusion in early 2015. A member asked whether the Constabulary role with interpreters was just operational or whether this continued through to the court system. The Chief Constable said once the interpreter had been booked for a court appearance the responsibility passed to the court.

3. REVIEW OF POLICIES

Confidential Reporting Policy

3.1 The Chief Constable introduced Paper AC14/18 'Confidential Reporting Policy (Breaches of Professional Standards)'. He said the policy title would be amended to include 'whistleblowing', as this is a commonly used and widely understood term.

3.2 The Chief Constable has asked Professional Standards Department to ensure that the relevant legislation is clearly referenced in easily accessible language within the policy, for example at paragraph 3.7. Members suggested Suffolk County Council may be able to provide assistance as their policy was clearly worded.

3.3 It was agreed the wording 'valid' should be deleted from paragraphs 3.9 and 3.10 as where there is a genuinely held belief the person should not be discriminated against.

3.4 It was agreed that last bullet of paragraph 6.2 should read: 'Agree how the individual is to be kept informed'.

- 3.5 The Police and Crime Commissioner said that there was public concern across the UK about police investigating themselves and requested that the Audit Committee are kept abreast of policy developments as the members provide a degree of independence.
- 3.6 Paragraph 4.3 and Section 6 of the policy indicate how reports can be made and received. The Chief Constable confirmed there is no specified individual named in the policy as this could raise issues, for example with periods of leave or absence. The generic options in the policy provide confidential methods which Her Majesty's Inspectorate of Constabulary (HMIC) said were well used. It was suggested the Public Concern at Work website (www.pcaw.org.uk) could be used for ideas on how reports could be made or how to promote the confidential methods of reporting.
- 3.7 Subject to the changes outlined by the Chief Constable the members were content to agree the Confidential Reporting policy.

Anti-Fraud and Corruption Policy

- 3.8 The Chief Finance Officer for the PCC said that the Anti-Fraud and Corruption Policy had been circulated prior to the meeting. The Control Strategy referred to by the Chief Constable at the Audit Committee in June had not been circulated as it is a 'restricted' document.
- 3.9 The Anti-Fraud and Corruption Policy is a joint policy for Norfolk and Suffolk. The policy is currently under development and comments from the Audit Committee were welcomed. Once the Chief Finance Officers are content, the policy will be considered by legal services, followed by wider consultation. The Norfolk and Suffolk PCCs and Chief Constables will have final approval of the policy.
- 3.10 The Chief Constable said that ACO Phillip Clayton needed to be added as a signatory on the document.
- 3.11 It was suggested that the policy coverage should be wider than just financial matters, for example to include contractors or reputational risk.
- 3.12 It was agreed many of the Constabulary policies were related and that policies should be moderated to ensure they complement each other.
- 3.13 Members asked how 'near misses' and fraud that had been prevented could be learnt from. The Chief Constable said that the Deputy Chief Constables for Norfolk and Suffolk convene a 'lessons learnt' meeting which the Professional Standards Department supply information to. It was agreed the CFOs would also need to be part of this and the meeting should be referred to in the policy document.
- 3.14 Members agreed that the Audit Committee may not be best placed to provide advice on amendments to the policy resulting from changes in legislation and best practice, as outlined at paragraph 1.3. It was agreed that the policy should be reviewed periodically as stated.
- 3.15 A member asked how often Internal Audit reviewed financial systems. The Senior Auditor said the policy (paragraph 3.8) outlined current practice and they are content to continue with this as part of the normal course of work.
- 3.16 In relation to Appendix 1, paragraph 2.2 of the policy a member asked whether the Internal Auditors would be immediately notified of a financial loss or irregularity. The PCC CFO confirmed they would for a loss of over £10,000. Members requested that notification for a loss of under £10,000 should be considered for inclusion in the policy.

- 3.17 Some minor typographic amendments were suggested at Para 2.2 and on page 15. The Chief Executive said that paragraph 2.6 should be expanded to explain clearly what the legislation stated there provides for.
- 3.18 The PCC's CFO agreed to take the points the Committee raised and discuss with the policy development group.
Action: PCC's CFO to discuss points raised on the Anti-fraud and corruption policy with the development group and update the Audit Committee.

Major Incidents Protocol

- 3.19 The PCC's CFO explained that the Major Incidents Protocol deals with any commitment to expenditure over and above the budget in response to a major incident. The draft protocol is not finalised but this is not thought to be a significant risk as discussion between the PCC's CFO and the ACO would occur before expenditure was agreed. Further discussion on the protocol is scheduled for 1 October 2014.
Action: PCC's CFO to update the Audit Committee on progress with the Major Incidents Protocol.

4. INTERNAL AUDIT – 2014/15 AUDIT PROGRESS REPORT(Paper AC14/19)

- 4.1 The Senior Auditor asked the Audit Committee to note the activity that had been undertaken and to take assurance from the work.
- 4.2 A member suggested that, having read the summary the 'effective' rating for Contract Management seemed generous. The Senior Auditor responded that from 400 contracts, 10 with a value of over £50,000 had been sampled to look at in detail. The assessment was border-line but a draft policy was in place albeit training had not been implemented. The Senior Auditor accepted the comment and said implementation would be checked.
Action: Senior Auditor to check implementation of the audit recommendations on Contract Management.
- 4.3 Members suggested that a summary of the management comments in response to the audit findings would provide more context to the overall assessment. The Senior Auditor agreed to include a paragraph on the management response to the audit in Audit Progress Reports to give assurance to the Audit Committee members.
Action: Senior Auditor to include management response to the audit in the Audit Progress Report.
- 4.4 The PCC's CFO said that the experience of implementing recommendations by the Constabulary is very positive and there is a process for following recommendations up.
- 4.5 A member asked about the forward plan for Special Constables. The Chief Constable said a number of Special Constables had joined the Constabulary as regular officers over the last 18 months. Turnover of Specials was expected to be lower and the number of training places had been increased. The Special Constable Development Committee ensures that Special Constables can undertake a variety of duties and an extension of the role is being discussed with the PCC.
- 4.6 The PCC commented that Project Management in the Constabulary needed to be improved and there needed to be a cultural change to ensure that projects were delivered on time and lessons learnt. For example delays with large projects can cause public concern. He suggested that internal audit could provide a candid assessment to improve the delivery of future large scale projects. It was agreed that Procurement processes and Property would be added to the Audit Plan for 2015/16.
Action: Procurement processes and Property to be added to the Audit Plan for 2015/16.

5. APPOINTMENT OF INTERNAL AUDITORS

- 5.1 The PCC's CFO gave a verbal update on the timescales for appointing Internal Auditors for 2015/16. The current contract expires on 30 June 2015. The Norfolk and Suffolk PCC and Constabulary CFOs have agreed there are merits to having one Internal Auditor for both Norfolk and Suffolk in terms of operational efficiency and value for money. The PCC and Chief Constable for Suffolk have expressed their support for a joint Norfolk and Suffolk Internal Auditor.
- 5.2 It was agreed the specification needs careful consideration to ensure sufficient flexibility to meet requirements in Suffolk and incorporate a period of handover.

The Internal Auditors from Suffolk County Council were asked to leave the meeting for the remainder of the agenda item.

- 5.3 A member asked about the availability of suitable auditors and it was confirmed that the tender process would be open and competitive.
- 5.4 Audit Committee members offered to help with the specification and asked to be included in the process of selection as well.
Action: Audit Committee to be consulted on the specification for Internal Auditors and selection process.

It was agreed to consider agenda item 7, Audit results for the year ended 31 March 2014 before agenda item 6, Statement of Accounts.

6. AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2014 (Paper AC14/21)

- 6.1 The Audit Director for Ernst and Young (EY), the External Auditors, summarised the headline audit findings for the Police and Crime Commissioner and Chief Constable. Completion would be issued on 25 September 2014 comprising of an unqualified opinion on the two sets of accounts and an unqualified opinion on the value for money conclusion. There were no material issues he wished to draw to the attention of the Audit Committee.
- 6.2 The Audit Director thanked the Officers of the PCC and Chief Constable for their assistance to EY and the Finance Team for their hard work.

Prior period adjustment

- 6.3 The Audit Director outlined the historic position whereby there were inconsistencies between Chief Constable and PCC accounts. The prior period adjustment now recognised the Chief Constable as a principal in order to be consistent with guidance from the Chartered Institute of Public Finance and Accountancy (March 2014) and the Audit Commission (June 2014). Previous years prior period adjustments were not seen as an error as the adjustment is due to evolution in guidance.
- 6.4 The Audit Director confirmed he was satisfied with the prior period adjustments and statements. There were no material misstatements in the PCC, Group or Chief Constable accounts.
- 6.5 The prior period adjustment and guidance had led to significant additional work but the Audit Director confirmed that EY had absorbed the cost and would not be charging an additional amount for the work.

Value for money

- 6.6 Financial resilience is considered to be a risk to the Value for Money conclusion. The External Auditors needed to be satisfied that arrangements are in place to address the £11.4million of savings to be made (to 2017/18) that did not have an identified savings plan. The PCC said EY should discuss the proposed additional fees of £5,292 with the CFOs.
Action: External Auditors to discuss the additional fees with the PCC and Constabulary CFOs.
- 6.7 The Police and Crime Commissioner said that he had taken exception to the HMIC report, 'Policing in Austerity: Meeting the challenge' where it was stated that the PCC's decision relating to a joint Contact and Control Room (CCR) and Shared Services Partnership (SSP) may have had an effect on the ability to meet longer term financial challenges whilst still maintaining service levels. He said that collaboration between Norfolk and Suffolk had progressed and HMIC had provided no evidence to support their statement. The Chief Constable and PCC are considering ways of reducing the funding gap and are developing the long term plan including zero based budgeting.
- 6.8 The Chief Constable said that the Suffolk Constabulary ACO had not been at the joint CFOs meeting prior to the Collaboration Panel where the CCR and SSP had been discussed. The Norfolk PCC's CFO had clarified his position at the recent Norfolk and Suffolk Collaboration Panel.
- 6.9 A member noted there was no reference to the work on financial resilience in the Letter of Representation (Appendices B and C) and asked whether the Officers agreed with the conclusions drawn by the External Auditors. The Audit Director said he did not have ongoing concerns. The PCC CFO said more details were being provided on the savings plan to 2017/18. The External Auditor opinion was based on the PCC and Chief Constable's Chief Finance Officer plans. The CFOs were satisfied plans were in place for financial resilience in the future. Members noted that the last paragraph in the explanatory foreword gave assurance.
- 6.10 The External Auditor said he was satisfied no material incidence of fraud or management override was found. He drew attention to the statements on pages 5 and 6. HSBC had subsequently confirmed the investments and cash equivalents. No issues had been identified with the independence or objectivity of the EY team.
- 6.11 A member asked about the objective to answer 90% of emergency calls within 10 seconds and suggested a publication in Police HQ reception seemed at odds with the key finding on page 10 of the audit report. The Chief Constable explained that '90% in 10 seconds' was the national standard but that the Constabulary also aimed to exceed the three year average baseline (92%), which was referred to in the audit report.
- 6.12 Members agreed the Letters of Representation.
7. STATEMENT OF ACCOUNTS (Paper AC14/20)

Police and Crime Commissioner's Annual Governance Statement

- 7.1 The Chief Executive said that the changes suggested at the last Audit Committee had been incorporated into the PCC Annual Governance Statement (AGS) in addition to the changes from the Internal Auditor.
- 7.2 Significant Governance Issues (Section 6) had been included at the request of the external auditors. This section covers three areas: HMIC Policing in Austerity conclusions; Security Review; and Fire Safety. The PCC, Chief Executive and Chief Finance Officer did not consider these were significant governance issues but had acquiesced to the External Auditor's request.

- 7.3 The Chair also agreed that he did not consider the internal audit findings on security to be a significant governance issue. Other members agreed that the section does not enhance the Annual Governance Statement. Audit Committee members were confident the issues raised by HMIC and the Internal Auditors were being addressed.
- 7.4 A member asked whether the Police and Crime Plan was revised on a set timescale or whether certain factors would trigger a revision (page 6). The Chief Executive said that the current Plan lasted until Spring 2017 and that there were no current plans for a review in Suffolk.
- 7.5 It was suggested the word "suitable" to be included on page 6, Section B so the sentence reads: "The PCC commissions services from any suitable provider who he considers can provide services to contribute to his police and crime objectives". Minor amendments to page 14 and 19 to correct wording was also agreed.
- 7.6 The Chief Executive agreed to make the changes and confirmed the Annual Governance Statement would be signed by 30th September 2014.
Action: Chief Executive to make suggested changes to the Annual Governance Statement.

Chief Constable's Annual Governance Statement

- 7.7 The Constabulary Head of Finance said that an amendment had been made to page 6 of the Annual Governance Statement. The amended page was circulated at the meeting.
- 7.8 A member noted that with regard to the reference to HMIC comments on Page 7 and 9 it would have been helpful to have a management statement on the response to this.
- 7.9 The Chief Constable said that the Constabulary provides a response to HMIC on factual inaccuracies. The Police and Crime Commissioner said, as previously commented, that the HMIC statement is incorrect and not supported by evidence. The Chief Executive referred audit members to the PCC's response to HMIC and which is available via the PCC's website.
- 7.10 It was confirmed that the statement under section 5 of the Chief Constable's AGS (and Section 6 of the PCC's AGS) is a direct quote from the HMIC report and that this section was only added in response to the request from the External Auditors. It was therefore agreed that it was difficult to challenge the HMIC statement of opinion as it had been published. Members agreed with the Officers of the PCC that the three issues were not significant governance issues but agreed to leave the section in the Annual Governance Statements as requested by the External Auditors.
- 7.11 The Audit Committee members agreed to recommend for adoption the Annual Governance Statements of the PCC and Chief Constable.

Group and PCC Statement of Accounts

- 7.12 The Head of Finance thanked EY for their pragmatic approach to adopting the CIPFA guidance. He reported that there was ongoing debate across the 43 police forces in relation to accounting consistency.
- 7.13 A member asked why the police pension scheme was included in the balance sheet. The Head of Finance said current practice was to include pensions, ensuring consistency across the UK.
- 7.14 It was suggested the headings of similar tables (for example on page 11 and page 61) were expanded.
Action: Headings on tables in the Group and PCC Statement of Accounts to be expanded.

7.15 The Chair said that the Temporary Assistant Chief Constable remuneration on page 36 seemed high for a position only appointed in December 2013. The Head of Finance agreed and said he would query this.

Action: Head of Finance to check the remuneration table.

Chief Constable Statement of Accounts

7.16 The Committee endorsed the thanks of the PCC's Chief Finance Officer to the finance department, in producing the accounts.

7.17 The Audit Committee members agreed to recommend for approval the Group and PCC and Chief Constable's Statements of Accounts.

8. IMPLEMENTATION AND EMBEDDING OF THE CODE OF ETHICS (Paper AC14/22)

8.1 The Chief Constable said that the Code of Ethics had been developed by the College of Policing and seeks to enhance professionalism by defining exemplary standards of behaviour. The Office of the PCC had also adopted the Code of Ethics.

8.2 The Joint Integrity Strategy for Norfolk and Suffolk is being implemented by a working group. An action and communications plan has been developed to make sure that employees are aware of the importance of the Code of Ethics. The action plan is being monitored by the Joint Chief Officer Team and the Chief Constable will continue to report back to the PCC and Audit Committee.

8.3 The Chair said that there was a lack of trust and confidence in the police nationally although this is not generally the case in Suffolk. He asked whether the action plan included communication to the public to help increase public confidence in the Constabulary. The Chief Constable said that there had been a national launch of the Code of Ethics and that no local communications were currently planned. The Chief Constable said that, through the day to day interaction between the police and the public in Suffolk, confidence was rising.

9. ANY OTHER BUSINESS

9.1 There was no other business.

The meeting closed at 11.40 am.

SUMMARY OF ACTIONS

Item	Action	Owner
2.3 (8.7)	ACO to check coverage of Intellectual Property in contracts.	PC
2.3 (5.5)	Senior Auditor to follow implementation of the Fire Safety Audit recommendations through to conclusion.	LG
3.18	PCC CFO to discuss points raised on the Anti-fraud and corruption policy with the development group and update the Audit Committee.	CB
3.19	PCC CFO to update Audit Committee on progress with major incidents protocol.	CB
4.2	Senior Auditor to check implementation of the audit recommendations on Contract Management.	LG
4.3	Senior Auditor to include management response to the audit in the Audit Progress Report.	LG
4.6	Procurement processes and Property to be added to the Audit Plan for 2015/16.	LG
5.4	Audit Committee to be consulted on the specification for Internal Auditors and selection process.	CB
6.6	External Auditors to discuss the additional fees with the CFOs.	NH/CH
7.6	Chief Executive to make suggested changes to the Annual Governance Statement.	CJ
7.14	Headings on tables in the Group and PCC Statement of Accounts to be expanded.	PJ/GW
7.15	Head of Finance to check the remuneration table.	PJ