



PAPER AC15/4

AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 27 March 2015 at 9.30am.

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).

Suffolk Constabulary

Peter Jasper (Head of Finance), David Skevington (T/Assistant Chief Constable).

Present by invitation

Chris Hewitt (Audit Manager, Ernst and Young).

Apologies

Peter Frost (Head of Audit Services, Suffolk County Council), Neil Harris (Audit Director, Ernst & Young), Tim Passmore (Police and Crime Commissioner), Gareth Wilson (T/Chief Constable).

PUBLIC AGENDA

1. DECLARATION OF INTERESTS

1.1 No declarations were made.

2. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 SEPTEMBER 2014 AND MATTERS ARISING (Paper AC15/1)

2.1 The minutes of the meeting held on 23 September 2014 were agreed as a true record and signed by the Chair. Paragraph 3.11 (page 3) was amended to read "to include contractors *and* reputational risk".

2.2 Updates were provided on the following Matters Arising:

2.3 (2.3, 8.7) Intellectual Property. The Head of Finance confirmed that there was a standard section on Intellectual Property in contracts. A copy is available if Audit Committee members wished to see this.

2.3 (5.5) Fire Safety Audit. The Internal Auditor had confirmed that the reassessment found that Fire Safety was 'effective'. The Chief Executive reminded Audit Committee members that Fire Safety had been raised by the External Auditors as a significant governance issue for inclusion in the Annual Governance Statement 2014. It was agreed that the audit reassessment was a satisfactory outcome.

2.3 (5.10) IT Governance. No update had been provided on progress with Key Performance Indicators (KPIs). It was agreed an update should be provided at the Audit Committee in June 2015.

Action: Internal Audit to provide update on progress with Key Performance Indicators (KPIs) following the review and consultation with staff.

2.3 (9.2 & 11) Regulation A19. The Chief Executive confirmed that judgement on the Regulation A19 appeal to the Employment Appeals Tribunal had not yet been delivered.

3.18 Anti-fraud and corruption policy. The PCC's Chief Finance Officer (CFO) said that comments from the Audit members had been passed to the policy lead. All the comments had been accommodated and the revised draft policy had been sent out for consultation. A second draft will be recirculated in early April. The Joint Negotiating and Consultative Committee (JNCC) was expected to approve the policy at the end of April 2015.

3.19 Major Incidents Protocol. The PCC's CFO reminded Audit Committee members that the protocol is about financial management during a major incident. The joint protocol will be finalised shortly and incorporated into the financial regulations.

4.2 Contract Management. The Internal Auditor had confirmed that follow up work on Contract Management had been undertaken in January 2015. The testing confirmed that the audit recommendations had been implemented and were being actioned satisfactorily.

4.3 Audit Progress Report. The Internal Auditor had confirmed that the report to the Audit Committee in June 2015 will take into account management responses to audits.

4.6 Internal Audit Plan. It was confirmed that procurement processes and property had been added to the list of potential internal audits for 2015/16.

5.4 Internal Auditors. The PCC's CFO said that the specification and selection process for internal auditors would be considered under agenda item 7 of the meeting.

6.6 External Auditor Fees. The PCC's CFO and the Head of Finance said that they were satisfied with the evidence provided by the External Auditors and confirmed that the fees had been paid.

7.6 Annual Governance Statement. The Chief Executive had amended the Annual Governance Statement (AGS) to reflect the changes suggested at the meeting. The AGS was published on 25 September 2014.

7.14 and 7.15 Statement of Accounts. The headings on pages 61 – 64 of the Group and PCC Statement of Accounts had been amended to identify Group/PCC tables.

The remuneration table on page 36 had also been amended. The Statement of Accounts was published on 25 September 2014.

3. RISK MANAGEMENT STRATEGY

3.1 The Chief Executive said that it was usual to have a report on compliance with risk management strategy at the March meeting of the Audit Committee. However, as the underpinning report from the Internal Auditors on PCC and Constabulary risk management had not yet been completed, the substantive report would now be presented at the Audit Committee in June 2015.

3.2 The Chief Executive reported that the draft internal audit report suggested the PCC risk management would be rated as 'effective' as previously. As the draft report covers both Norfolk and Suffolk Constabularies it was agreed that Suffolk Constabulary would provide an assessment at the June Audit Committee as to how far the auditor's comments and overall opinion applies to Suffolk Constabulary.

Action: Constabulary to provide an assessment of applicability to Suffolk Constabulary of auditor comments on risk management.

3.3 A member pointed out that the definition of the audit opinion 'effective' means that whilst there is a basically sound system of control, there are some weaknesses. He asked whether, if the Auditor's opinion is 'effective' year on year as would appear to be the case for risk management, the identified weaknesses were being addressed. The Chief Executive said that, for the PCC, the action taken in response to the audit recommendations was proportionate. For example, the Audit Services report on risk management in 2014 recommended that the PCC should regularly review, sign and date the risk register to evidence his involvement in the process. This recommendation has been implemented. However the auditor's recommendation regarding the training of all OPCC staff in risk management had been challenged.

3.4 It was noted that the Internal Auditors had carried out a more extensive audit on Constabulary Risk Management in 2014/15 than in the previous year.

4. EXTERNAL AUDIT PLAN (Paper AC15/2)

4.1 The External Audit Manager presented the External Audit Plan for 2014/15 for the PCC and Chief Constable.

4.2 The Financial Statement risks are presented on page five of the plan. The External Audit Manager explained that risk of management override was presented as a significant risk on all audit plans and the response set out in the plan was standard. Other financial statement risks highlighted as areas for review and for the External Auditors to gather evidence on were the implementation of ERP and the capacity of the Constabulary Finance Department.

4.3 The External Audit Manager said that financial resilience remained as a significant risk. He said that the auditors were aware plans that were being developed by the Constabulary and confirmed they would be building on the in depth work that had been undertaken during 2013/14.

4.4 PCC Commissioning has been included as an area for assessment as it was a relatively new area of work with significant sums of money received. The External Auditors will be looking at how expenditure and terms and conditions are monitored.

4.5 Section 5.3 of the report sets out the definitions of materiality used, which for the financial statements for the Group is £3.7m and for the Chief Constable is £3.5m. Overall materiality for the PCC is £1.9m and for the Police Pension Fund is £0.6m.

- 4.6 The External Audit Manager confirmed that the timetable set out on page 13 of the report was as in previous years.
- 4.7 The Audit Commission had granted an extension for Neil Harris (Audit Director) to lead the External Audit team for the PCC and Chief Constable for a further year.
- 4.8 The planned fees for the work were as set out in Appendix A of the report along with the possible reasons for any additional fees that may arise. This would include if additional technical resource was required for the review of the Private Finance Initiative for the Police Investigations Centres.
- 4.9 A member asked about the references to financial resilience and whether there was an agreement with the Chief Executive and CFO on the information the External Auditors expected to have access to. The CFO suggested that the summary provided to Her Majesty's Inspectorate of Constabulary (HMIC) for the Police Effectiveness, Efficiency and Legitimacy (PEEL) Review could be circulated to the Audit Committee members. This, and the Medium Term Financial Plan, which sets out the financial plans to 2019/20, provides a comprehensive evidence base which could be used by the External Auditors. The External Audit Manager confirmed that reliance would be placed on the information provided to HMIC so as not to duplicate effort. The External Auditors will also be using reports to the Programme Management Board and interviewing relevant staff regarding the robustness of the savings plans.
Action: CFO to circulate the summary produced for the HMIC PEEL inspection to members in relation to plans for financial resilience.
- 4.10 A member said he was pleased to see that the presentation of accounts, which had previously been highlighted as a significant risk, was no longer considered to be so.
- 4.11 The External Audit Manager confirmed that there would be continued reliance on the findings of the internal audit. He explained that computer-based analytics were used to indicate areas in General Ledger and Payroll for further investigation and would confirm whether the analytics would identify duplicate payments.
Action: External Audit Manager to confirm whether computer-based analytics are able to identify duplicate payments.
- 4.12 The External Audit Manager said he did not consider that the new Code of Audit practice would introduce any significant changes.

5. ANY OTHER BUSINESS

- 5.1 There was no other business in the public part of the meeting.

PRIVATE AGENDA

6. SUFFOLK COUNTY COUNCIL AUDIT SERVICES REPORT - SECURITY REVIEW (Paper AC15/3)

- 6.1 T/ACC Skevington introduced the confidential report and outlined the actions the Constabulary had taken in response to the recommendations.
- 6.2 The audit reassessment found security was 'effective' and the Committee confirmed they were content that the governance issue raised by the External Auditors had been resolved.

7. APPOINTMENT OF INTERNAL AUDITORS

7.1 The PCC's CFO updated the Audit Committee members on the appointment of new internal auditors to provide services to Norfolk and Suffolk PCCs and Constabularies.

7.2 The PCC's CFO confirmed that he was satisfied with the process undertaken.

8. ANY OTHER BUSINESS

CHIEF FINANCE OFFICER ARRANGEMENTS

8.1 The Chief Executive notified members that a proposal was being considered for the Chief Finance Officer function for PCC and Chief Constable to be carried out by same person on a temporary basis.

8.2 The Chief Executive requested that Audit Committee members consider the proposal and feedback any observations either in writing or through an additional meeting of the Committee scheduled for 29 April 2015.

[Post meeting note: PCC Decision paper 27: Chief Finance Officer Arrangements, which includes the proposal sent to the Audit Committee for comment (Appendix A), and the responses from the members are appended to the open minutes.]

The meeting closed at 10.50 am.

SUMMARY OF ACTIONS

Item	Action	Owner
2.2 , (2.3, 5.10)	IT Governance. No update was provided on progress with Key Performance Indicators (KPIs). It was agreed an update should be provided at the next meeting.	PF
3.2	Constabulary to provide an assessment of applicability to Suffolk Constabulary of auditor comments on risk management.	DS
4.9	CFO to circulate the summary produced for the HMIC PEEL inspection to members in relation to plans for financial resilience.	CB
4.11	External Audit Manager to confirm whether computer-based analytics are able to identify duplicate payments.	Chris Hewitt