



AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 26 June 2015 at 9.30am.

PRESENT:

Members

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

Office of the Police and Crime Commissioner

Liz Hollingworth (Business Administration and Policy Officer) and Christopher Jackson (Chief Executive).

Chris Bland (Chief Finance Officer for the PCC and Chief Constable).

Suffolk Constabulary

Peter Jasper (Head of Finance) and Gareth Wilson (Temporary Chief Constable).

Present by invitation

Fiona Dodimead (Audit Director, TIAA), Peter Frost (Head of Audit Services, Suffolk County Council), Chris Harris (Audit Director, TIAA) and Chris Hewitt (Audit Manager, Ernst and Young).

Apologies

Neil Harris (Audit Director, Ernst & Young), Tim Passmore (Police and Crime Commissioner).

PUBLIC AGENDA

1. ELECTION OF CHAIR

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

2. DECLARATION OF INTERESTS

2.1 No declarations were made.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 27 MARCH 2015 AND MATTERS ARISING

3.1 The minutes of the meeting held on 27 March 2015 were agreed as a true record and signed by the Chair.

3.2 The Chief Finance Officer, Chris Bland, said that on page 4 the reference to the programme management Board should read Suffolk Change Programme Board

3.3 Updates were provided on the following Matters Arising:

2.2 (2.3) IT Governance. The internal auditor had provided an overview of the Police ICT Company. An update on the availability of Key Performance Indicators had not been provided. Liz Hollingworth said she had emailed the joint Director of ICT requesting a response and would circulate this to members once it was received.

Action: Response on IT Governance Key Performance Indicators (KPIs) to be sent to Audit Committee members.

2.2 (2.3) Regulation A19. The Temporary Chief Constable, Gareth Wilson confirmed that a judgement on the Regulation A19 appeal to the Employment Appeals Tribunal had not yet been delivered.

2.2 (3.18) Anti-fraud and corruption policy. Chris Bland said that approval of the policy by the Joint Negotiating and Consultative Committee had been delayed until 10 July and said he would notify the Audit members when it had been approved.

Action: Audit members to be notified when the Anti-fraud and corruption policy has been approved.

2.2 (3.19) Major Incidents Protocol. Chris Bland said that some revisions were required to the protocol and that he was overseeing this work.

4.9 Financial Resilience. There had been significant progress with the financial position since Her Majesty's Inspectorate of Constabulary (HMIC) had undertaken the Police Effectiveness, Efficiency and Legitimacy (PEEL) review. Chris Bland circulated a summary of the assumptions used in the Medium Term Financial Plan (MTFP). The current position showed a saving of £5.5million to be made by 2020, in addition to those set out in the MTFP. The PEEL inspection will report in September 2015 on the robustness of the Constabulary plans. Chris Bland suggested that Audit Committee members may want to consider the National Audit Office report on financial sustainability of police forces in England and Wales. There is likely to be significant scrutiny from HMIC and the external auditors in reaching their Value for Money conclusion.

Action: Link to the National Audit Office report on financial sustainability of police forces in England and Wales to be circulated.

8.2 Chief Finance Officer Arrangements. The Chair noted that Chris Bland had been appointed as the Chief Finance Officer for the Constabulary. The Chief Executive, Chris Jackson, said that Audit Committee member comments had been collated and published with the Decision paper. As requested by the Audit Committee, the arrangement would be reviewed before the end of the 2015/16 financial year.

4. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL – 2014/15

4.1 The Head of Internal Audit (Suffolk County Council), Peter Frost, presented the report which provided a review of the effectiveness of the internal audit function and of the Audit Committee.

- 4.2 It was noted that a low percentage of reports had been dispatched before the 10 day contractual deadline. Peter Frost said that once auditee and management comments were received they were sent on to the CFO or Chief Executive for a response. It was suggested that 10 days may not be adequate for responses to be provided before the final report was issued.
- 4.3 The Audit Director for the new internal auditor (TIAA), Chris Harris, said that for future audits an exit meeting, to include the CFOs from Norfolk and Suffolk, would be arranged to gather responses on the draft audit report. It was expected that this would reduce the delay in issuing a final report.
- 4.4 A member asked why the two recommendations, noted at section 1.11 of the report, had not been accepted and whether this was considered to be an issue. Peter Frost said these two recommendations had been discussed at CFO level and were not considered to be of concern.
- 4.5 Peter Frost said that he had liaised with the Chief Executive to complete the self-assessment of Good Practice and check list on the effectiveness of the Audit Committee. They had concluded that the Audit Committee is compliant. The Audit Committee agreed to a review of effectiveness on an annual basis.
- 4.6 Appendix D of the report provided a knowledge and skills framework for members. A member questioned whether he had the knowledge of whistleblowing arrangements as set out in the table. Chris Jackson said the Constabulary policy would be circulated to members.
Action: Constabulary Whistleblowing policy to be circulated to the Audit Committee.
- 4.7 Chris Jackson was asked whether, having completed the evaluation, he thought there were any areas that required attention by the Committee members. He said that the scoring demonstrated the committee was effective and operating to a satisfactory standard.
- 4.8 It was confirmed that the recommended wording from the Internal Auditor would be included in the Annual Governance Statements for 2015.

5. ANNUAL INTERNAL AUDIT REPORT – 2014/15

- 5.1 Peter Frost presented the final internal audit report. He said that 2014/15 had been a positive year for the PCC and Constabulary as the audit recommendations had, on the whole, been understood and implemented.
- 5.2 The main financial systems had been self-assessed due to the introduction of ERP. The auditors had checked and tested the assessments and had found all to be of a high standard. Members said there were reassured by the high standard found within the financial audits.
- 5.3 The Risk Management audit had found slight inconsistencies in the publication of risk registers. A member asked whether the Audit Committee should see the risk register on a regular basis, as was the case in Norfolk (where the PCC and Constabulary shared a strategic risk register). His view what that sight of the strategic risk register may help members assess the internal audit plan and prioritise audits. The new Internal Auditors confirmed that they would consider the risk registers and could indicate the interaction between the registers and the audit plan (where risks are auditable).

- 5.4 Chris Jackson said that the PCC risk register was updated quarterly and available on the PCC website. The Constabulary strategic risk register was presented to the PCC's Accountability and Performance Panel quarterly. It was agreed that the risk registers should be appended to Audit Committee papers where relevant.
- 5.5 It was suggested that the new Internal Auditors should monitor records management as the audit opinion had found that records management was currently 'ineffective', although it was recognised that improvement plans were in place. Gareth Wilson said that the actions recommended would be completed by October 2015.
- 5.6 It was noted that the Chief Inspector (Community Safety) was addressing the issues regarding invoice checks for translation services.
- 5.7 Members asked the new Internal Auditors how they would follow up on the recommendations made during audits undertaken in 2014/15. Chris Harris said that the recommendations made by Suffolk County Council would be carried forward and tracked through the TIAA online portal.
- 5.8 Gareth Wilson confirmed that Area Commanders were addressing the issue of confidential waste.
- 5.9 The Chair said he was concerned that the audit on security had been initially classified as confidential and therefore the audit findings had not been published in the public domain but, following the re-audit and 'effective' assessment, the audit summary was now publicly available. The Chair said that there should have been consistency in whether the audit result was in the public domain or not.
- 5.10 Chris Bland said that there had been careful consideration of whether the original audit was classified as 'restricted', as the default position of the PCC and Chief Constable was to be open and transparent. Gareth Wilson said that each audit should be considered on a case by case basis in relation to the risk presented.
- 5.11 The Chair thanked the Head of Internal Audit for the services provided by the Suffolk County Council Internal Audit team to the PCC and Constabulary.

6. REVIEW OF COMMITTEE ACTIVITIES 2014/15

- 6.1 The Chair said the report was good practice and documented Audit Committee activities during the year. Members agreed the report reflected their activities and should be published on the PCC website. It was agreed the report would be produced annually.

Action: The Annual Report of Committee Activities to be published on the PCC's website.

7. ANNUAL GOVERNANCE STATEMENT – POLICE AND CRIME COMMISSIONER

- 7.1 Chris Jackson said that the PCC and Chief Constable were required to produce Annual Governance Statements (AGS) annually. The PCC's AGS was similar to previous years. The significant governance issues raised in previous years had been resolved and there are no new significant governance issues to include in the AGS. The external auditors will be able to comment on the draft.
- 7.2 The report will remain as a draft until it is finalised in September 2015 to accompany the Statement of Accounts.

8. ANNUAL GOVERNANCE STATEMENT – CHIEF CONSTABLE

- 8.1 Chris Bland said that the Chief Constable's Annual Governance Statement had been developed using the same process as the PCC.
- 8.2 A discussion was had regarding the inclusion of the quote from HMIC included in both the PCC's and Chief Constable's AGS. Chris Jackson said that the paragraph had been included in 2014 at the request of the External Auditors. The three governance issues raised in 2014 were considered to have been addressed and the current AGS includes the reference and explained how the issues had been resolved.
- 8.3 The Chair asked whether there was reference in the AGS to the changes within the Chief Officer team and whether there were any governance issues regarding acting or temporary positions. Gareth Wilson said that all changes had been made in line with regulations. Each Chief Officer currently in a temporary role holds a substantive rank. The PCC currently holds responsibility over the T/Chief Constable. The Temporary Deputy Chief Constable, Steve Jupp, has significant experience and a new Assistant Chief Constable (ACC) joins the Constabulary in September. Gareth Wilson said he was satisfied the Chief Officer team was effective and provided the resilience required for an efficient and effective police service.
- 8.4 Chris Jackson added that a potential governance issue would only arise if a Chief Officer role was vacant and that this was not the case as all ranks were covered, albeit some were on a temporary basis.
- 8.5 A member asked whether the reference to the PCC on page 2 (section 4, paragraph 4) should instead reference the Chief Constable. It was agreed this would be changed to read 'the PCC and Chief Constable have had to be satisfied...'.
Action: The Chief Constable's Annual Governance Statement (section 4 paragraph 4) to be amended.

9. INTERNAL AUDIT ARRANGEMENTS 2015/16

- 9.1 The Internal Auditors gave a brief overview of their organisation, TIAA, who will be providing the internal audit for the Norfolk and Suffolk PCCs and Constabularies. The company undertakes internal audit services for public sector organisations including six PCCs and Chief Constables.
- 9.2 A member said the Committee was interested in seeing the management response in the audit reports. Chris Harris said the TIAA reports provided the findings of the audit, recommendations and management responses. The full audit reports would be available on the portal.
- 9.3 The Chair asked about the TIAA portal and whether a demonstration could be provided at the next meeting. Chris Harris said that the purpose of the portal was to provide access to key documentation and provide an overview of agreed actions following the audit and tracked implementation.
- 9.4 Chris Jackson said that members were currently provided with summaries of audit findings and actions to be assured the recommendations were being implemented. Members agreed that it was not their responsibility to consider an audit in detail (the audits being for action by management) but to consider the summary information brought to them at the Audit Committee meetings.
- 9.5 Members agreed they would like to see a demonstration of the portal but it was likely that they would not use or access the database.

Action: TIAA to provide a demonstration of the portal at the Audit Committee meeting in September.

- 9.6 The Internal Audit Charter (Appendix B) defined the internal audit purpose, authority and responsibility as agreed with the CFOs. Chris Jackson noted that the document used the reference 'Norfolk and Suffolk Police' which was a misleading description as a casual observer may conclude from the phrase that Norfolk and Suffolk Constabularies were amalgamated, which was not the case. The correct terminology would be 'Constabulary' for both Norfolk and Suffolk Constabularies. Gareth Wilson added that the Constabularies operated separately as two different organisations with two different Chief Constables and said that, for examples risk appetite may be different. Chris Harris said they would reconsider terminology.
- 9.7 The Contract Compliance manual was presented (Appendix C) and it was confirmed that the Internal and External Auditor working protocol would be presented at the next meeting of the Audit Committee.
Action: Internal and External Auditor working protocol to be presented at the next meeting of the Audit Committee.
- 9.8 Appendix D outlined the 3 year strategic internal audit plan and annual internal audit plan. It was confirmed that Suffolk County Council and PWC (the internal auditor for Norfolk) had completed the internal audit hand over and would remain available should questions arise. Chris Bland said Suffolk County Council work had been incorporated in the plan which also included input from the Norfolk and Suffolk CFOs.
- 9.9 It was explained that the plan would be flexible and reviewed during the year to include consideration of risks as they arose.
- 9.10 The Chair noted that where an internal audit was planned only for one Constabulary, for example the HR recruitment audit was scheduled only for Norfolk, it would be useful for the other Constabulary to see the outcomes of the audit. Gareth Wilson agreed to discuss this with the Norfolk Chief Constable.
Action: T/Chief Constable to discuss sharing single Constabulary audit outcomes with the Chief Constable for Norfolk.
- 9.11 A member noted that the Internal Audit Charter made reference to assurance from third parties (1.12) but said that this was not included in the internal audit plan. Chris Harris said they would be working with HMIC and the External Auditors to ensure work was not duplicated and to ensure audit was not undertaken in isolation.
- 9.12 The Chair asked whether records management was included in the plan. Chris Harris said this would be included in the follow up work scheduled for quarter 2. Chris Bland said that 8 days had been allocated for 'follow up' work on previous audits which would be used to check that recommendations had been implemented. If the internal auditors were not satisfied the area could be audited again.
- 9.13 Chris Jackson noted that the plan included an item on PCC Commissioning. He said that Suffolk PCC commissioning had been audited in 2014 and governance arrangements had been found to be effective. He said that as PCC commissioning was also part of the external auditor plans in 2015/16, an additional internal audit seemed disproportionate. It was also suggested that the 18 days of resource allocated for the audit seemed excessive.
- 9.14 Chris Bland said that the PCC Commissioning audit was scheduled for quarter 4 and said that if that was not appropriate the plan could change to reflect this.
- 9.15 The Chair suggested that the scope of the audits should be set as early as possible. Chris Bland agreed and said that, whilst each audit would be considered at the time to

finalise the scope, there would not be wholesale change from the plan. Chris Harris said that changes to each audit would be noted so the audit trail showed any changes and explanations.

- 9.16 A member asked whether the two audits on ICT network security and Mobile devices could be combined if there were areas of overlap.

Action: Internal Auditors to consider whether the ICT network security and Mobile device audits could be combined.

- 9.17 A member suggested that 12 days allocated to ethical standards seemed excessive for the scope of the audit. Chris Harris said the audit would look at compliance in standards in public life. Chris Jackson said that as the audit covered the PCC as well as the Chief Constable, the lead officer for the PCC would be the Chief Executive.

Action: Internal Auditors to consider resource allocated to ethical standards audit and note the Chief Executive as the lead officer for the PCC.

- 9.18 Chris Bland said members were being asked to support the plan, bearing in mind the flexibility discussed. The Audit Committee members agreed to give their support to the plan.

10. THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK ANNUAL AUDIT FEE LETTER FOR 2015/16

11. THE CHIEF CONSTABLE FOR SUFFOLK CONSTABULARY ANNUAL AUDIT FEE LETTER FOR 2015/16

- 11.1 Agenda items 10 and 11 were considered together.

- 11.2 The External Audit Manager, Chris Hewitt, said that Annual Audit Fee letters had been issued to the PCC and Chief Constable on 30 April 2015 setting out the external auditors work for 2015/16.

- 11.3 As the Audit Commission had closed on 31 March 2015, the contract would be overseen by Public Sector Audit Appointments Ltd (PSAA).

- 11.4 The letters set out that the indicative external audit fee for the PCC was £31,733 and £15,000 for the Chief Constable. This represented a reduction of 25% on previous years due to changes brought in by the Audit Commission.

- 11.5 The fees are subject to the assumptions set out in the letter and any additional work would be discussed and agreed with the CFO.

- 11.6 Members said they were happy to see the reduction in fees but questioned whether there would be a corresponding reduction in the service delivered. It was confirmed that the external auditors would be undertaking the same amount of work as in previous years and there would be no reduction in quality.

12. ACCELERATING FINANCIAL CLOSE ARRANGEMENTS

- 12.1 Chris Hewitt said that the Ernst and Young briefing 'Accelerating your financial close arrangements' set out the issues that should be considered in preparation for the changes to financial close arrangements that come into effect from 2017/18.

- 12.2 The deadline for the preparation of draft financial statements will move from 30 June to 31 May (a reduction of 30 days) and the approval and the publication of financial statements will be required by 30 September (a reduction of 62 days).

- 12.3 As most audit work was currently undertaken during July, August and September the reduction in time is likely to have a significant impact on finance and audit teams. The finance department was working with the auditors to plan how the financial close would be brought forwards.
- 12.4 Chris Bland said that, as the Constabulary was also dependent on information from other organisations (for example on pensions), there would need to be discussions with these partners in advance of the changes.
- 12.5 The Chair asked what the purpose behind the changes was and whether the proposals meant the same amount of work was condensed into a shorter amount of time or whether the work load was also reduced. The Head of Finance, Peter Jasper, said that the changes had been introduced to ensure that preparation for financial close became part of business as usual and consequently release the pressure on resources. The changes aimed to accelerate the close and use resources more efficiently.
- 12.6 Peter Jasper said that the finance department, which would be restructured during 2015/16, was planning for the changes and this would include preparing for a pilot in 2016/17. He said that the Metropolitan Police had trialled an 'early close' and the experience of this would be shared with Suffolk Constabulary. Members agreed their interest was particularly in regard to the level of potential risk the arrangements held.
- 12.7 Peter Jasper said that he would report back to the Audit Committee during 2016/17 on progress towards accelerating financial close arrangements.
Action: A report on progress achieved towards accelerating Financial Close arrangements would be presented to the Audit Committee in 2016/17.

13. ANY OTHER BUSINESS

- 13.1 Chris Hewitt circulated the Ernst and Young Police Sector Audit Committee Briefing for information.

PRIVATE AGENDA

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

14. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 27 MARCH 2015

- 14.1 The private minutes of the meeting held on 27 March 2015 were agreed as a true record and signed by the Chair.

15. RISK MANAGEMENT

- 15.1 Chris Jackson said there was a requirement to report on risk management annually. The Internal Auditors report on risk management had concluded that risk management arrangements were 'effective'.

16. ANY OTHER BUSINESS

- 16.1 A brief discussion was held on the impending judgement on the Regulation A19 appeal to the Employment Appeals Tribunal. Chris Jackson said he would circulate the judgement when it was released.

Action: Regulation A19 judgement to be circulated once released.

16.2 In response to a question from an Audit Committee member, Chris Jackson said that the Chief Constable, Douglas Paxton remained on sick leave and it was not known how long this would continue for. As had been outlined in agenda item 8 of the meeting, the Deputy Chief Constable Gareth Wilson had been made Temporary Chief Constable and a temporary Deputy Chief Constable had been secured to cover the substantive post providing the resilience required to for an efficient and effective police service.

The meeting closed at 11.45 am.

SUMMARY OF ACTIONS

Item	Action	Owner
3.3 (2.2 (2.3))	Response on IT Governance Key Performance Indicators (KPIs) to be sent to Audit Committee members.	LH
3.3 (2.2 (3.18))	Audit members to be notified when the Anti-fraud and corruption policy has been approved.	CB
3.3 (4.9)	Link to the National Audit Office report on financial sustainability of police forces in England and Wales to be circulated.	CB
4.6	Constabulary Whistleblowing policy to be circulated to the Audit Committee.	CJ
6.1	The Annual Report of Committee Activities to be published on the PCC's website.	LH
8.5	The Chief Constable's Annual Governance Statement (section 4 paragraph 4) to be amended.	CB
9.5	TIAA to provide a demonstration of the portal at the Audit Committee meeting in September.	Chris Harris
9.7	The Internal and External Auditor working protocol to be presented at the next meeting of the Audit Committee.	Chris Harris
9.10	T/Chief Constable to discuss sharing single Constabulary audit outcomes with the Chief Constable for Norfolk.	GW
9.16	Internal Auditors to consider whether the ICT network security and Mobile device audits could be combined.	Chris Harris
9.17	Internal Auditors to consider resource allocated to ethical standards audit and note the Chief Executive as the lead officer for the PCC.	Chris Harris
12.7	A report on progress achieved towards accelerating Financial Close arrangements would be presented to the Audit Committee in 2016/17.	PJ
16.1	Regulation A19 judgement to be circulated once released.	CJ