



PAPER AC16/1

AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 25 September 2015 at 10.30am.

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), Christopher Jackson (Chief Executive) and Tim Passmore (Police and Crime Commissioner).

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

Suffolk Constabulary

Ivan Fearn (Head of Financial Accounting and Specialist Functions), Peter Jasper (Head of Finance) and Rachel Kearton (Assistant Chief Constable).

Present by invitation

Fiona Dodimead (Senior Manager, TIAA), Chris Harris (Audit Director, TIAA) Neil Harris (Audit Director, Ernst and Young) and Chris Hewitt (Audit Manager, Ernst and Young).

Apologies

Gareth Wilson (Temporary Chief Constable).

PUBLIC AGENDA

1. DECLARATION OF INTERESTS

1.1 No declarations were made.

PRIVATE AGENDA

2. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 JUNE 2015

- 2.1 The minutes of the closed session of the Audit Committee held on 26 June 2015 were agreed as a true record and signed by the Chair.

PUBLIC AGENDA

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 JUNE 2015 AND MATTERS ARISING

- 3.1 The minutes of the open session of the Audit Committee held on 26 June 2015 were agreed as a true record and signed by the Chair.
- 3.2 As a point of accuracy the Head of Finance said that the date for publishing financial statements would move to 31 July, not 30 September as noted in the minutes (section 12.2) under the new financial close arrangements.
- 3.3 Updates were provided on the following Matters Arising:
- 4.3 The Head of Finance asked whether the internal audit exit meetings included the Chief Finance Officers. Chris Harris said that the CFOs were invited to attend every audit exit meeting.
- 3.3 (4.9) A member asked whether Her Majesty's Inspectorate of Constabulary (HMIC) had published the latest Police Effectiveness, Efficiency and Legitimacy (PEEL) review. The Chief Executive said the report was due to be published shortly. A draft had been received but was being checked for accuracy before publication.
- 9.10 ACC Kearton said that sharing single Constabulary audit outcomes between Norfolk and Suffolk was being discussed by the Joint Chief Officer Team.

4. INTERNAL AUDIT PROGRESS REPORT

- 4.1 The Director of Internal Audit (TIAA) presented the report which provided an overview of progress. No audits had been completed during the quarter. A summary of all audits planned for the year was shown in Appendix.
- 4.2 The Senior Manager said that since the report had been submitted, four draft reports had been produced and exit meeting dates had been agreed. Three to four audits were still to be scheduled.
- 4.3 A member asked whether all the scheduled audits would be completed as the timetable showed that a number had been deferred to quarter 4. The Senior Manager said that some audits had been delayed due to difficulty scheduling them in the summer and, for others the timing was not appropriate. The governance audit had moved to quarter 4 and risk management had been brought forwards.
- 4.4 The PCC asked how the internal auditors planned to assess value for money (VFM) to help ensure the Constabulary was as effective and efficient as possible. The Senior Manager said that each audit included an assessment of value for money including a comparison to other Constabularies and organisations as appropriate.
- 4.5 A member asked whether the Constabulary had a VFM policy. The CFO confirmed that procedures were in place requiring VFM to be considered. The Joint Value for Money Statement was produced in 2014 and could be circulated.

Action: The CFO to circulate the Joint Value for Money Statement to members.

- 4.6 The Chief Executive said the report indicated that the internal audit on PCC commissioning was still scheduled for 18 days resource across Norfolk and Suffolk. He pointed out that at the last Audit Committee members had felt this was excessive

and potentially a duplication of work since an internal audit had been undertaken in 2014. Furthermore the external auditors had included a review of PCC commissioning arrangements with positive results. The Chief Executive said he would send the Internal Auditors the confirmation from the Ministry of Justice that additional audit arrangements were not required.

Action: The Chief Executive to send the Ministry of Justice grant audit requirements to the Internal Auditors.

- 4.7 The Director of Internal Audit said the comments on the commissioning audit scheduled for quarter four would be taken on board. It was likely that the audit scope would be different for Norfolk and Suffolk. It was agreed that if it was thought the audit would not add value in Suffolk it could be changed or removed from the plan. It was agreed the next update report from the Internal Auditors should reflect this.
- 4.8 The Director of Internal Audit said the title page of reports would be amended to 'Norfolk and Suffolk Constabularies'.
- 4.9 The Director of Internal Audit demonstrated the TIAA webportal which gave access to: information regarding the progress of internal audits; final audit reports; a recommendation tracker and technical briefings. Access to the site could be provided to members on request.
- 4.10 A member asked from which date the recommendations were tracked. The Director of Internal Audit said the date from the final report was used although extensions to recommendation deadlines could be agreed between the Internal Auditors and the relevant department. An exception report on whether deadlines had been missed would be submitted to the Audit Committee annually.
- 4.11 The Committee discussed whether reports marked 'restricted' should be published on the portal and agreed this should be discussed by the Internal Auditors and CFOs on a case by case basis.
- 4.12 Similarly there were concerns about publishing Suffolk only audits on the portal. The CFO said there were regular meetings between the CFOs and the Internal Auditors who could discuss potential solutions to this, including the option of a separate portal.

5. EXTERNAL AND INTERNAL AUDIT PROTOCOL

- 5.1 The Director of Internal Audit presented the External and Internal Protocol which set out how the Internal and External Auditors worked to ensure there were no gaps or duplication.
- 5.2 The Chief Executive requested further context for the information presented on sample sizes. The Director of Internal Audit said that testing depended on the nature of the audit, so for example an audit on creditors or payroll would be a of large population and therefore the sample would reflect that. A member said that the common sampling approach between internal and external audit was commendable.
- 5.3 It was agreed that paragraph 23 should be amended to reflect the fact that Her Majesty's Inspectorate of Constabulary (HMIC) do not inspect the PCC. It was noted that the general purpose of the statement was to convey that the Internal and External Auditors had due regard to external inspections.
- 5.4 The Director of Internal Audit said that all internal audit reports were made available to the External Auditors who could re-audit if significant concerns arose.
- 5.5 It was confirmed that meetings between the Internal and External Auditors were held every quarter.
- 5.6 Members agreed the document was useful and gave reassurance on how internal and external audit worked together.

6. UPDATE ON EMBEDDING THE CODE OF ETHICS

- 6.1 ACC Rachel Kearton introduced the paper which provided Audit Committee members with an update following the introduction of the Code of Ethics in 2014. The Code had been developed by the College of Policing and had been implemented across the country.
- 6.2 The report also provided an update on the findings of the Committee for Standards in Public Life. A member asked whether there were recommendations or implications for Audit Committees. The Chief Executive said that the report, 'Tone from the Top', set out 20 recommendations, although not all required responses from the Chief Constable and/or the PCC. The PCC had provided comments on each recommendation and had taken action as appropriate. The response had been agreed with the Temporary Deputy Chief Constable.
- 6.3 In relation to Audit Committees, the report had suggested an annual report should be published. It was confirmed that the Review of Committee Activities (AC15/7) had been published on the PCC website in July, satisfying the recommendation. The Chief Executive said that the requirement for the PCC to hold the Chief Constable to account on the Code of Ethics had been satisfied in his view through the reports on ethics to the Audit Committee. He said that if there were further developments from the Committee for Standards in Public Life he would notify Audit Committee members.
- 6.4 ACC Kearton reported that the joint Integrity Working Group recommended the formation of an Ethics Committee providing an opportunity for staff to raise issues. The Committee had met three times to date.
- 6.5 ACC Kearton said that ethics were also embedded in learning and development programmes, for example delivery of ATHENA training provided opportunities to discuss ethical behaviour practices.
- 6.6 The last HMIC PEEL inspection reported that Suffolk Constabulary had an ethical culture and that the Code of Ethics was understood by staff. There was evidence of extensive use of the National Decision Making Model.
- 6.7 A member asked whether the planned internal audit on ethical standards would consider the online training noted in section 5.2 of the report and whether the Code of Ethics was fully embedded. The Director of Internal Audit confirmed the audit in quarter 4 would incorporate these.
- 6.8 Members requested an update at the meeting of the Committee in March 2016 on progress with the Code of Ethics and related matters.

Action: Progress with the internal audit on ethical standards to be reported on at the Audit Committee in March 2016.

- 6.9 The Chair noted the Anti-fraud and Corruption and Confidential Reporting and Whistleblowing policies were 'interim' policies and asked for an update on when these would be finalised.

Action: Confirmation of when the policies will be finalised to be provided to members.

- 6.10 In relation to Confidential Reporting and Whistleblowing and the protection of children, Andrew Peck, (who declared an interest as a member of the Suffolk Safeguarding Children Board) asked whether any learning had been embedded from the recent experience of London Metropolitan Police regarding enquiries into alleged offences by VIPs. ACC Kearton said she would respond to this.

Action: ACC Kearton to respond on learning within the Constabulary on the protection of children.

7. POLICE SECTOR AUDIT COMMITTEE BRIEFING

- 7.1 The Director of External Audit (EY) said the report was for information for Audit Committee members.
- 7.2 Members said they found the report useful but suggested a date of publication on the briefings would be helpful.
- 7.3 The Chief Executive said that planning for PCC elections had started and was based on experience derived from previous pre-election planning. Production of information for prospective candidates and work on suitable timetables for business was progressing.
- 7.4 The Chair asked whether any Constabulary employees were affected by the proposed changes to the national living wage. The Head of Finance said he would check this. Any issues arising would be incorporated into the Medium Term Financial Plan.

Action: Head of Finance to provide information on any potential impact of the national living wage.

8. THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK AND THE CHIEF CONSTABLE OF SUFFOLK CONSTABULARY – AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2015 INCLUDING THE LETTER OF REPRESENTATION

- 8.1 The Director of External Audit summarised the finding of the External Audit Results report for the year ended 31 March 2015. The responsibility of the auditors was to provide an opinion on the financial statements of the PCC and Chief Constable and on Value for Money.
- 8.2 He reported that all outstanding items had been concluded and following signature of the documents he expected to be able to issue an unqualified opinion. The Director of External Audit thanked the PCC and Constabulary for their assistance during the process and said the accounts had been produced to a good standard.
- 8.3 The Director of External Audit said there were four key points the Audit Committee should be aware of:
- i. Material amendments had been made regarding Property Plan and equipment. A full review had been undertaken and the amendments did not have any bearing on the final audit result.
 - ii. The auditors confirmed that police and fire sectors were affected by the final determination by the Pensions Ombudsman in Milne v Government Actuaries Department (GAD), however the Home Office had confirmed the sum would be fully reimbursed. The PCC and Chief Constable will recognise the cost in the 2015-16 financial statements and had disclosed a material non-adjusting event after the reporting period in the 2014-15 financial statements.
 - iii. The Value for Money conclusion took into account audit work on PCC Commissioning and the dual role of the CFO, both of which reported a satisfactory conclusion. A financial resilience assessment had also been undertaken and the External Auditors said that they were satisfied appropriate arrangements were being put in place by the PCC and Chief Constable. The Director of External Audit was said he was pleased to report an unqualified Value for Money opinion.

- iv. The Auditors had made a judgement to review the Private Finance Initiative (PFI) model to ensure that accounting was in line with the model. They reported no material concerns and would not be seeking any additional fees for the work undertaken.
- 8.4 Audit Committee members were made aware that the National Audit Office was consulting on Value for Money work. The External Auditors said they were concerned that the scope was being extended with potential issues for duplication with internal audit and HMIC.
- 8.5 It was confirmed that there were no independence issues to draw to the attention of the Audit Committee.
- 8.6 The Director of External Audit confirmed that he and the External Audit Manager would not be continuing in their roles in 2015/16, having completed 7 years in Suffolk. The EY Auditors for 2015/16 would be Kevin Souter and Darren Cook. The External Auditors extended their thanks to the CFO.
- 8.7 The PCC said that he was continuing to address the financial challenge including through the current reviews of Corporate Communications, Zero Based Budgeting, Estates and Public Access. The PCC said he was keen for ERP to be independently reviewed.
- 8.8 The Senior Financial Accountant asked for clarity on the (non)adjusting event that had been discussed by the External Auditors with the Finance Department. The Director of External Audit confirmed it was a 'non-adjusting post balance sheet event'.
- 8.9 The Chief Executive said that the section in the Audit report regarding resilience was helpful and noted it provided the most up to date position in contrast to the forthcoming HMIC report which provided the position at the end of April 2015.
- 8.10 A member said that he would have expected more commentary on financial resilience, for example in the Letter of Representation so the Audit Committee members could be content with the position. The Director of External Audit said that the view of wider financial resilience was taken over three to five years. The explanatory foreword in the accounts included commentary on future financial resilience.
- 8.11 A member asked to what extent further budget reductions were likely as a result of the Comprehensive Spending Review. The PCC said that nothing definitive had been communicated and it was unlikely this would be known before December 2015. However he said that the police funding formula was being reviewed and he was cautiously optimistic that more consideration was being given to the impact on rural counties. The CFO said that concerns had been raised about the consultation process as there were few examples of what potential changes would mean for organisations. The timescale for publication of the police funding formula was not known.
- 8.12 A member noted the auditors comment on underspend on the capital budget of £1.8million which seemed a large degree of slippage. He asked whether the issues, aside from the national projects beyond the PCC's and Chief Constable's control, had been addressed. The CFO said that the PCC's Accountability and Performance Panel had received a report on the financial outturn for 2014/15 (AP15/30) and the explanation in the report covered the reasons why underspend on specific grants had been carried forward to the 2015/16 financial year. He said that departments had been made aware they would be challenged on the requirement for capital and reminded of the requirement to spend the capital within the financial year.
- 8.13 Members agreed they were satisfied with the letters of representation presented at Appendix B and Appendix C of the report.

9. STATEMENT OF ACCOUNTS 2014/15

- 9.1 The CFO said that report AC15/23 comprised of: the PCC's Annual Governance Statement; the Chief Constable's Annual Governance Statement; the Group and PCC Statement of Accounts; the Chief Constable's Statement of Accounts; and the letters from the PCC and T/Chief Constable and CFO on Understanding how Suffolk gains assurance from management.
- 9.2 The CFO clarified that Audit Committee members were being asked to consider and recommend approval of the Annual Governance Statement (AGS) and Statement of Accounts (SOA). The External Auditor agreed the Audit Committee role was not to approve the AGS or SOA, only to recommend approval to the PCC and Chief Constable.
- 9.3 The CFO said that the Chartered Institute for Public Finance and Accountancy (CIPFA) were undertaking work to make accounting more understandable to the general public. The production of accounts had been particularly challenging because of the introduction of ERP and restructuring of the Finance Department but the accounts had been produced with timeliness and to a good standard.
- 9.4 The Head of Finance added that the introduction of ERP had reduced the size of the department by about a third but delivered a truly joint function and enabled a 'self-service' model.
- 9.5 Members said that the accounts were of a good quality. Two small points were made about presentation, firstly that the presentation of negatives should be consistent and secondly on alignment of columns.
- 9.6 The CFO confirmed the contractual dispute referred to on page 62 of the Group and PCC Accounts was the same as that noted in section 6 of the letter from the PCC and T/Chief Constable to the External Auditor.
- 9.7 The Chair asked whether the judgement by the Employment Appeal Tribunal on the extent to which overtime pay should be included in the calculation of holiday pay (page 61) affected police officers and therefore what the liability would be. The Head of Finance said it did affect officers and the liability would depend on the resolution of the case and any appeal. He confirmed that no claims had been made to date in Suffolk. The situation was being monitored and the Constabulary was liaising with others nationally.
- 9.8 The changes to the PCC's Annual Governance Statement (AGS) were noted. Since the draft AGS had been considered by the Committee in June, three significant governance issues had been included. A member asked whether the Audit Committee had been made aware of the issues and whether there was a timetable resolution. The Chief Executive said that the External Auditors had requested the AGS incorporate the issues which had been raised in public meeting papers. Records Management had been covered by the internal audit report (AC15/5). The Internal Auditors confirmed that the review of records management had been completed and was awaiting authorisation. Crime Data Integrity (AP15/10 and AP15/33) and Police Integrity (AP15/24) had been considered by the Accountability and Performance Panel. Members requested sight of Accountability and Performance Panel documentation when they are published.

Action: The website link to the Accountability and Performance Panel papers should be sent to members when published.

- 9.9 The Chief Executive said that the AGS had also been amended at the request of the External Auditors to include reference to the HMIC inspection. This change was also reflected in the Chief Constable's AGS.
- 9.10 There were no additional comments on the Chief Constable's Statement of Accounts.
- 9.11 There were no additional comments on the letters from the PCC and T/Chief Constable and CFO.
- 9.12 Members agreed to recommend the Statement of Accounts for approval.
- 9.13 The Director of External Audit said he had concluded the audit but required the signed documentation including the Statement of Accounts from the PCC and T/Chief Constable before he delivered his opinion and authorised publication of the accounts on the PCC and Constabulary websites. The External Auditors confirmed they were content for ACC Kearton to sign the Letter of Representation.
- 9.14 Audit Committee members thanked the External Auditors Neil Harris and Chris Hewitt for their work for the PCC, Suffolk Constabulary and previously the Police Authority.

10. ANY OTHER BUSINESS

- 10.1 There was no other business.

The meeting closed at 12.55pm

SUMMARY OF ACTIONS

Item	Action	Owner
4.5	The CFO to circulate the Joint Value for Money Statement to members.	CB
4.6	The Chief Executive to send the Ministry of Justice grant audit requirements to the Internal Auditors.	CJ
6.8	Progress with the internal audit on ethical standards to be reported on at the Audit Committee in March 2016.	Chris Harris
6.9	Confirmation of when the policies will be finalised to be provided to members.	LH
6.10	ACC Kearton to respond on learning within the Constabulary on the protection of children.	RK
7.4	Head of Finance to provide information on any potential impact of the national living wage.	PJ
9.8	The website link to the Accountability and Performance Panel papers should be sent to members when published.	LH