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**PAPER NO: AC16/13**

**SUBMITTED TO: AUDIT COMMITTEE: 24 JUNE 2016**

**SUBJECT: REVIEW OF COMMITTEE ACTIVITIES 2015/16**

**SUMMARY:**

This report sets out Audit Committee activity in 2015/16 against the following categories in the Terms of Reference: Governance, risk and control; Internal Audit; External Audit; Financial reporting; Accountability arrangements and Wider functions.

**RECOMMENDATION:**

The Audit Committee is asked to review activities during 2015/16 as set out in this report.

## DETAIL OF THE SUBMISSION

### 1. KEY ISSUES FOR CONSIDERATION

- 1.1. The Suffolk Police and Crime Commissioner and Chief Constable's Audit Committee finalised and agreed its terms of reference at its meeting on 27 June 2014.
- 1.2. The Terms of Reference (Appendix A) state at point 6 says that "The Committee will review its performance against its terms of reference and objectives on an annual basis."
- 1.3. This report provides a summary of activity within the financial year 2015/16 categorised according to the requirements set out in the Terms of Reference. References to published reports are included where appropriate.

### 2. SUMMARY OF ACTIVITY

#### GOVERNANCE, RISK AND CONTROL

##### 2.1 Extract from the Terms of Reference:

##### ***Governance, risk and control***

*The Committee will, in relation to the Police and Crime Commissioner and the Chief Constable:*

*Consider the corporate governance arrangements and review annual governance statements (including in relation to ethical values) of the PCC and Chief Constable.*

*Consider the effectiveness of the arrangements to secure value for money.*

*Consider the risk management arrangements of the PCC and Chief Constable.*

*Consider the effectiveness of the arrangements for countering corruption and fraud.*

##### 2.2 Committee activity:

In June 2015 the Audit Committee considered the draft Annual Governance Statement for the Police and Crime Commissioner prepared by the Chief Executive (Paper AC15/8) and the draft Annual Governance Statement for the Chief Constable prepared by the Chief Finance Officer (Paper AC15/9). It was confirmed that the significant governance issues included in the 2014/15 AGS (HMIC Policing in Austerity conclusions, Security Review and Fire Safety) had been resolved.

Following this, three new significant governance issues affecting the Constabulary (records management, Crime Data Integrity and Police Integrity) were identified and were presented in the final Annual Governance Statement. The report was discussed by Audit Committee members in September 2015.

In September 2015 the Committee received a report from the Chief Constable updating them on the work undertaken to implement and embed the nationally developed Code of Ethics into Suffolk Constabulary (AC15/20). The Committee requested that the internal auditors present their findings on ethical standards and this was subsequently completed as part of the internal audit progress report (AC16/2) in March 2016.

A committee member asked whether there was a value for money policy at the meeting in September 2015. Following the meeting the CFO circulated the Joint Value for Money Statement. The relevant policies and procedures for securing value for money were discussed again in March 2016.

In June 2015 the Chief Executive presented a report on Risk Management to the Committee (AC15/15), providing an opportunity to consider the annual review of risk management in the Office of the OPCC and Suffolk Constabulary.

Following the review of the anti-corruption and fraud policy in 2014/15 the Committee were notified at the meeting in March 2016 that the final approved policy would be published in April 2016.

## **INTERNAL AUDIT**

### 2.3 Extract from the Terms of Reference:

#### ***Internal audit***

*The Committee will:*

*Review the internal audit plan and propose any revisions to the internal audit plan.*

*Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.*

*Consider the internal audit annual report and any appropriate in-year reports.*

### 2.4 Committee activity:

Internal audit arrangements for 2015/16 were considered at the meeting in June 2015 (AC15/10) and included: the Internal Audit Charter (defining the internal audit purpose, authority and responsibility); the Internal Audit Work Programme; the 3 Year Strategic Internal Audit Plan 2015/16 to 2017/18 and Annual Internal Audit Plan 2015/16.

The committee also considered the External and Internal Audit Protocol (Paper AC15/19) setting out the commitment of the internal and external auditors to work together effectively and arrangements to achieve this.

The 3 Year Strategic Internal Audit Plan 2016/17 to 2018/19 and Annual Internal Audit Plan 2016/17 were considered at the meeting in March 2016 (AC16/3).

Following a competitive tender process early in 2015, TIAA Ltd was awarded a contract for the provision of Internal Audit Services for Norfolk and Suffolk PCCs and Constabularies for an initial period of three years. With effect from 1 April 2015 TIAA Ltd was responsible for the provision of internal audit services.

A report on the Effectiveness of the System of Internal Audit (Paper AC15/6) was received from the outgoing internal auditors (SCC Audit Services) in June 2015. Appendix A of the report provided evidence of performance of the 2014/15 Internal Audit Plan against a number of performance indicators.

The following in-year reports from the Internal Auditor were received and commented on by the Committee:

- The Annual Internal Audit Report – 2014/15 (Paper AC15/5) was considered in June 2015 (the final report from Suffolk County Council Audit Services).
- The Internal Audit Progress Report (Paper AC15/18) was considered in September 2015.
- The Internal Audit Progress Report (Paper AC16/2) was considered in March 2016.

## **EXTERNAL AUDIT**

### 2.5 Extract from the Terms of Reference:

#### ***External audit***

*The Committee will consider all external auditor reports.*

### 2.6 Committee activity:

During the course of the year, the Committee considered the following reports from the External Auditors:

- The Police and Crime Commissioner for Suffolk Annual Audit Fee Letter for 2015/16 (Paper AC15/11).
- The Chief Constable for Suffolk Constabulary Annual Audit Fee Letter for 2014/15 (Paper AC15/12).
- The Police and Crime Commissioner for Suffolk and the Chief Constable of Suffolk - Audit Results Report for the year ended 31 March 2015 (including the Letter of Representation) (Paper AC15/22).
- The Police and Crime Commissioner for Suffolk and the Chief Constable of Suffolk Annual Audit Letter for the year ended 31 March 2015 (Paper AP15/83). The letter was sent to members for their consideration prior to being submitted to the public meeting of the Accountability and Performance Panel on 15 December 2015.
- The Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk - Audit Plan for the year ending 31 March 2016 (Paper AC16/4).
- EY Think Piece 'Accelerating your financial close arrangements' (AC15/13).
- EY Police Sector Audit Committee Briefings were received in September 2015 (AC15/21) and March 2016 (AC16/6).

## **FINANCIAL REPORTING**

2.7 Extract from the Terms of Reference:

### ***Financial reporting***

*The Committee will review the annual statement of accounts.*

2.8 Committee activity:

The Committee considered the Statement of Accounts 2014/15 at their meeting in September 2015 including:

- i. PCC's Annual Governance Statement;
- ii. Chief Constable's Annual Governance Statement;
- iii. PCC's Group and PCC Statement of Accounts;
- iv. Chief Constable's Statement of Accounts;
- v. Understanding how the Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk gain assurance from management - letter from the PCC and Chief Constable;
- vi. Understanding how the Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk gain assurance from management - letter from the PCC and Chief Constable's Chief Finance Officer.

## **ACCOUNTABILITY ARRANGEMENTS**

2.9 Extract from the Terms of Reference:

### ***Accountability arrangements***

*The Committee will review its performance against its terms of reference and objectives on an annual basis.*

2.10 Committee activity:

The Terms of Reference were agreed by the Committee in June 2014 (Paper AC14/9). This report contributes to the basis on which the performance for 2015/16 can be reviewed.

The CIPFA 'Self-assessment of Good Practice' checklist for Audit committees was completed by the internal auditors and the PCC Chief Executive in June 2015. A second checklist 'Evaluating the Effectiveness of the Audit Committee' was also completed. The exercise indicated that the Audit Committee was effective and operating to a satisfactory standard.

## WIDER FUNCTIONS

2.11 Extract from the Terms of Reference:

### **Wider Functions**

*Where requested by the Police and Crime Commissioner, Chief Constable or Statutory Officers, the Committee will consider the adequacy of governance, risk management and audit processes in relation to a specific service or policy area."*

2.12 Committee activity:

Following input from the Audit Committee in 2014/15 on arrangements for a shared Chief Finance Officer, members were formally informed of the appointment for the period 1 May 2015 to 31 March 2016. As requested by members the arrangements for a shared CFO were reviewed at the meeting in March 2016 (AC16/5) and the Audit Committee indicated they were content for the arrangement to continue. Decision 19-2016 was published on 23 March 2016 agreeing the recommendation for the PCC and Chief Constable to continue sharing a Chief Finance Officer until further notice.

## 3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications.

## 4. OTHER IMPLICATIONS AND RISKS

4.1 There are no other implications.

<b>ORIGINATOR CHECKLIST (MUST BE COMPLETED)</b>	<b>PLEASE STATE 'YES' OR 'NO'</b>
Has legal advice been sought on this submission?	Yes
Has the PCC's Chief Finance Officer been consulted?	Yes
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	Yes
Have human resource implications been considered?	Yes
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Yes
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	Yes
Has communications advice been sought on areas of likely media interest and how they might be managed?	Yes
Have all relevant ethical factors been taken into consideration in developing this submission?	Yes

## **The Suffolk Police and Crime Commissioner's and Chief Constable's Audit Committee: Terms of Reference**

The Audit Committee finalised and agreed its terms of reference at its meeting on 27 June 2014 as follows:

### **1. Statement of Purpose**

- 1.1 The Audit Committee is a key component of the Office of the Police and Crime Commissioner (OPCC) and Suffolk Constabulary's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of the Audit Committee is to provide independent advice and recommendations to the Police and Crime Commissioner (PCC) and the Chief Constable on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the Committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of the Office of the Police and Crime Commissioner and Suffolk Constabulary's governance, risk management and control frameworks, its financial reporting and annual governance processes, and internal audit and external audit.
- 1.3 These terms of reference will summarise the core functions of the Committee in relation to the Office of the Police and Crime Commissioner and to the Constabulary to enable it to operate independently, robustly and effectively.
- 1.4 The Committee will support effective relationships between external audit and internal audit inspection agencies and other relevant bodies and further encourage the active promotion of the value of the audit process.

### **2. Governance, risk and control**

The Committee will, in relation to the Police and Crime Commissioner and the Chief Constable:

- 2.1 Consider the corporate governance arrangements and review annual governance statements (including in relation to ethical values) of the PCC and Chief Constable.
- 2.2 Consider the effectiveness of the arrangements to secure value for money.
- 2.3 Consider the risk management arrangements of the PCC and Chief Constable.
- 2.4 Consider the effectiveness of the arrangements for countering corruption and fraud.

### **3. Internal audit**

The Committee will:

- 3.1 Review the internal audit plan and propose any revisions to the internal audit plan.
- 3.2 Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.
- 3.3 Consider the internal audit annual report and any appropriate in-year reports.

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#### **4. External audit**

4.1 The Committee will consider all external auditor reports.

#### **5. Financial reporting**

5.1 The Committee will review the annual statement of accounts.

#### **6. Accountability arrangements**

6.1 The Committee will review its performance against its terms of reference and objectives on an annual basis.

#### **7. Wider Functions**

7.1 Where requested by the Police and Crime Commissioner, Chief Constable or Statutory Officers, the Committee will consider the adequacy of governance, risk management and audit processes in relation to a specific service or policy area.”