



PAPER AC16/20

AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 24 June 2016 at 9.30am.

PRESENT:

Members

Robert Millea, Andrew Peck and David Rowe.

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 Steve Jupp (Temporary Deputy Chief Constable).

Present by invitation

Claire Lavery (Senior Audit Manager, TIAA), Chris Harris (Head of Internal Audit, TIAA), Chris Hewitt (External Audit Manager, Ernst and Young).

Apologies

Ian Blofield (Audit Committee member), Fiona Dodiman (TIAA), Tim Passmore (PCC), Gareth Wilson (Chief Constable).

PUBLIC AGENDA

1. ELECTION OF THE AUDIT COMMITTEE CHAIR

- 1.1 The Chief Executive opened the meeting and asked for nominations for Chair of the Audit Committee.
- 1.2 David Rowe was elected as Chair for the ensuing year.

2. DECLARATIONS OF INTERESTS

- 2.1 No declarations were made.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 MARCH 2016 AND MATTERS ARISING (Paper AC16/7)
 - 3.1 The minutes of the open session of the Audit Committee held on 23 March 2016 were agreed as a true record and signed by the Chair.
 - 3.2 It was noted that on page 2 of the minutes the paragraph should read 'The Confidential Reporting and Whistleblowing policy had been published.'
 - 3.3 Updates were provided on the following matter arising:
 - 2.2 The Head of Finance confirmed that the value of the facilities contract would increase to cover the rise in the national minimum wage. The likely increase in the facilities management contract value had been factored in to the Medium Term Financial Plan. The Head of Finance confirmed that there was a standard clause in contracts to ensure contractors complied with legislation which would include the requirement to pay the national minimum wage.
 - 4.17 The Chief Finance Officer (CFO) confirmed that he had discussed the Audit Committee's comments on the Internal Audit Plan for 2016/17 with the Internal Auditors.
 - 6.3 An update on the shared CFO arrangements would be covered under item 17 of the agenda (closed session).
4. THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK ANNUAL AUDIT FEE LETTER FOR 2016/17 (Paper AC16/17) AND THE CHIEF CONSTABLE OF SUFFOLK ANNUAL AUDIT FEE LETTER FOR 2016/17 (Paper AC16/18)
 - 4.1 Agenda items 13 and 14 were considered by the Audit Committee at this point of the meeting.
 - 4.2 The External Audit Manager, Chris Hewitt, said that Annual Audit Fee letters had been issued to the PCC and Chief Constable on 18 April 2016 setting out the work that Ernst and Young, as the External Auditors, would undertake in 2016/17.
 - 4.3 The indicative external audit fees would remain at the same level as in 2015/16 at £31,733 for the PCC and £15,000 for the Chief Constable. The External Audit Manager said that the fees were subject to the assumptions set out in the letter including a sound control environment and the availability of good working papers. Any additional work would be discussed and agreed with the CFO.
 - 4.4 The External Auditors were also preparing for the earlier closure of the accounts.
 - 4.5 A member asked about the possible conflict of interest in staffing raised at the previous Audit Committee. The External Audit Manager said the threat of familiarity had been considered because a former employee of Ernst and Young, who trained with and knew the proposed External Audit Manager, was now employed at Norfolk Constabulary as a Financial Accountant. Chris Hewitt said he had therefore been asked to return as the External Audit Manager for Norfolk and Suffolk Constabularies to negate the perception of a threat of familiarity.
 - 4.6 In response to a question, submitted by Audit Committee member Ian Blofield prior to the meeting, the External Audit Manager said that he did not foresee a change in approach to the level of external audit conducted.

5. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL 2015/16 (Paper AC16/8)

- 5.1 The CFO said that the Accounts and Audit Regulations 2015 (regulation 6) set out the need for a review of the effectiveness of the system of internal control once a year and for the Audit Committee to consider the review findings.
- 5.2 The report covered findings on internal audit and the Audit Committee in order to review the effectiveness of the system of internal control. The CFO said that he considered the transition to a new Internal Auditor to have been successful. Audit Committee membership had been stable and the evaluation in Appendix B was similar to the previous year with no issues of concern arising.
- 5.3 The Committee considered the CIPFA self-assessment checklists (recommendation 3). A member asked how the criteria to work with partner committees (Appendix B) had been met and suggested it may be helpful for the Audit Committee chairs from Norfolk and Suffolk to meet, discuss lessons learnt and share any observations on the internal auditors.
- 5.4 The Chair confirmed that he had not met with the Norfolk Audit Committee Chair although there had been joint work in order to appoint the internal auditors. It was noted that the CFOs and CEOs did meet regularly to ensure there is effective liaison. The Head of Internal Audit said that if issues were raised by one Committee that were contrary to the other he would raise this.
- 5.5 A member asked whether Committee members should have an input into the assessment in Appendix B. The Chief Executive and CFO agreed that it might be useful to undertake the assessment as a joint exercise with Audit Committee members and it was agreed that in future a draft would be circulated for members to discuss.
- 5.6 The Committee acknowledged that Internal Audit was compliant and they could take assurance there was an effective system of Internal Control (recommendation 1).
- 5.7 The Chief Executive confirmed that the Head of Internal Audit's Annual Opinion would be included in the final version of the Annual Governance Statement (recommendation 2).

6. INTERNAL AUDIT FOLLOW UP REVIEW 2016/17 (Paper AC16/9)

- 6.1 The Head of Internal Audit said that a follow up report would be regularly presented to the Audit Committee to assure them that internal audit recommendations had been addressed.
- 6.2 A summary was provided on page 3 of the report showing that, of the priority 1 and 2 recommendations from the 14 audit reviews, 24 recommendations had been implemented, 17 were in the process of being implemented and 2 recommendations were no longer applicable.
- 6.3 The Head of Internal Auditor said that he was satisfied that there were sound reasons why four recommendations had not been implemented.
- 6.4 The report indicated that the priority 1 recommendations on Purchase Cards, Business Continuity, Contract Management and HR Training had either been implemented or were in the process of being implemented. Actions currently being implemented (Contract Management and HR training) will be followed up in future reviews and future audits would look for evidence of compliance.
- 6.5 It was confirmed that audits of Purchase Cards would continue as it was considered an area of risk. A member asked what the timescales were for implementation of the recommendations 20 – 22 relating to purchase card procedures. The Head of Finance

said that specific policies and procedures were being updated over next couple of months.

- 6.6 The Audit Committee considered the report as recommended.
- 6.7 Members raised concerns regarding Accounts Payable recommendation 4, relating to Head of Finance approval for payments over £50k. The recommendation for the Head of Finance to approve in advance of payment had been considered by management but not implemented. The Head of Finance clarified the procedure whereby all purchase orders were subject to an approval hierarchy ensuring that the Head of Finance approved orders over £50k. Orders then had to be receipted before payment. The recommendation related to an additional check prior to payment of an invoice.
- 6.8 The Head of Finance said he approved most payments but that he was also able to check payments retrospectively and would not want an urgent payment to be held up unnecessarily if he was unavailable. The internal auditors said they had felt it necessary to highlight there was still an element of risk if payments were made before the check had taken place.
- 6.9 A member said that delayed implementation and issues with the ERP (t-police) system seemed to be used as a reason why many recommendations had not yet been implemented. He asked why ERP had been so challenging and whether there should be a review. The Chair agreed and suggested there was a need to consider any lessons learnt on implementation and project management.
- 6.10 The Head of Finance said that the high priority issues with ERP had now been resolved. The T/DCC said that Cheshire Constabulary had maximised their use of the system within three years, but having liaised with Cheshire, he was confident maximum efficiency in Suffolk would not take as long. The Constabulary had also re-engaged with Cap Gemini to provide further support to the system.
- 6.11 The T/DCC said that lessons learnt from all major projects were considered and shared by Corporate Development. One such finding was in relation to the difficulties of implementing multiple systems in a short space of time and if this needed to be the case, ensuring there was the required back office support and resilience.
- 6.12 A member requested a timeline for implementation as it was difficult to judge progress on many items in the report. The Head of Internal Audit agreed that dates could be added to the report in future as well as additional commentary on older recommendations that were still relevant.

Action: The Internal Audit Follow Up Review reports to include dates for those recommendations in process of being implemented.

- 6.13 The Chair requested that Internal Audit reports have protective marking. The CFO agreed as, although the majority of audit documents were available to the public, the process of considering whether there was any sensitive material should be undertaken. The Head of Internal Audit said that if a document was considered to be confidential this would be discussed with the CFO.
7. SUFFOLK INTERNAL AUDIT PROGRESS REPORT FOR 2015/16 (Paper AC16/10)
 - 7.1 The Head of Internal Audit said that the report summarised the internal audit activity undertaken in quarter 4 and concluded the reporting for 2015/16.
 - 7.2 Section 3 provided a summary of audits completed in the quarter. The management response to the IT Infrastructure Library gap analysis had now been received and the final report had been issued.
 - 7.3 As mentioned at the previous Audit Committee, four audits had been postponed to 2016/17.

7.4 In relation to Purchase Ordering the CFO confirmed that Contract Standing Orders section 3.9 had been amended to fulfil the recommendation, however this needed to be formally approved before the deadline of 30 September.

7.5 The Audit Committee considered the report as recommended and discussed the following sections of the report.

Absence Management

7.6 The T/DCC confirmed that the sickness percentage was calculated as the proportion of time away sick from contracted hours. He pointed out that officers and staff on long term sick leave would disproportionately affect the figures.

7.7 Members suggested that a comparison of sickness levels to other Constabularies would be useful although a comparison to the public and private sectors would also be informative.

7.8 The Accountability and Performance Panel received regular monitoring information on sickness. The CFO said that HMIC Value for Money profiles provided national and force level sickness and a comparison to Suffolk's 'Most Similar Group' provided an opportunity to benchmark. Long term sickness and Limited Duties (adjusted and recuperative) were under review by the Constabulary.

7.9 The T/DCC said that the sickness target of 3.4% had been achieved in May 2016.

7.10 The Internal Auditor Manager said that action to address the recommendation regarding timely Attendance Support Meetings would be checked and included in the next review report to the Committee.

Payroll

7.11 The Head of Internal Audit said that Payroll had received limited assurance rating, although this was marginal. The compliance risk relating to incorrect payments being made to HMRC applied only to the Norfolk Constabulary payroll however the internal auditors felt it was right to raise this within the Suffolk report as it was a joint audit and it remained unclear why the issue had only affected the Norfolk payroll.

7.12 Members asked for an update on progress against the recommendations and clarity as to whether the HMRC issue was limited to Norfolk or could potentially affect Suffolk. The Head of Internal Audit said that the suppliers, Cap Gemini, had been asked to provide a solution and although this was a priority it was currently unresolved. The Head of Finance said he expected a swift resolution to the issue once Cap Gemini commenced the enhanced support contract on 1 July. He said he would ensure the Committee was updated on progress.

Action: Head of Transactional Services to provide an update on progress against the internal audit Payroll recommendations.

8. ANNUAL ASSURANCE REPORT 2015/16 (Paper AC16/11)

8.1 The report contained The Head of Internal Audit's Annual Opinion. The Head of Internal Audit said the opinion gave a positive conclusion as to the adequacy and effectiveness of risk management, control and governance processes which, given organisational changes and the implementation of ERP and Athena during the year, was a good outcome.

8.2 Annex A provided a summary of all audits conducted against the Internal Audit Plan. Annex B showed that during the year 18 audits resulted in positive outcomes and 3 had limited assurance.

8.3 The Key Performance Indicators set out for the Internal Auditors had been fully achieved.

- 8.4 The Audit Committee considered the report as recommended.
- 8.5 A member asked whether the volume of recommendations made during the year (77) seemed appropriate, given the Internal Auditors experience from other organisations. The Head of Internal Audit suggested it was an appropriate level given the number of audits undertaken and said that the range of assurance given was also realistic.

9. SUFFOLK INTERNAL AUDIT PROGRESS REPORT (Paper AC16/12)

- 9.1 The Head of Internal Audit said that all audits scheduled for Quarter 1 2016/17 were underway and two draft reports had been issued. The turnaround from draft to final reports was expected to be quicker in 2016/17.
- 9.2 The Audit Committee considered the report as recommended and no issues were raised.

10. REVIEW OF COMMITTEE ACTIVITIES 2015/16 (Paper AC16/13)

- 10.1 The report covered the Audit Committee's activities during the year categorised against the Terms of Reference.
- 10.2 The Chief Executive said that the statutory officers were happy that the Committee activity fulfilled the requirements set out in the CIPFA guidance.
- 10.3 It was noted that the PCC had suggested, at the last Audit Committee and in his election manifesto, that there were additional activities the Audit Committee could undertake. The Chief Executive said that he believed an evaluation of the delivery of the Police and Crime Plan was beyond the current remit of the Audit Committee but that he would discuss the views of the Audit Committee with the PCC.
- 10.4 The Chair said that any requests not within the current scope of Audit Committee activity would require a change to the Terms of Reference. Members also discussed: the role of the committee including being apolitical and acting as a critical friend to both the PCC and Chief Constable. The Committee considered their main duty to be considering the internal control environment and understood that holding the Chief Constable to account for delivery of the Police and Crime Plan was the responsibility of the PCC and Accountability and Performance Panel.
- 10.5 The Chair asked the Chief Executive to update the Audit Committee of any potential changes at the next meeting.

Action: The Chief Executive will provide an update of any potential changes to the scope of the Audit Committee activities at the meeting in September 2016.

- 10.6 The Chair asked members whether they were content that, based on the activities set out in the report, they were fulfilling the terms of reference. Having reviewed the activities as recommended, members agreed that they could be satisfied that the Terms of Reference had been met in a robust and proportionate way.

11. POLICE AND CRIME COMMISSIONER'S ANNUAL GOVERNANCE STATEMENT (Paper AC16/14)

- 11.1 The Chief Executive said that the Annual Governance Statement (AGS) had been circulated with highlighted revisions so that members could clearly see the changes to the AGS statement from last year that had been made.
- 11.2 A new Code of Corporate Governance would be drafted later in 2016 to reflect the new CIPFA framework. However the AGS for 2016 would continue to reflect the previous framework. This approach had been agreed with the External Auditor.

- 11.3 The External Auditors would consider and comment on the AGS prior to the final report being presented to the Audit Committee on 23 September.
- 11.4 The Audit Committee considered the report as recommended and suggested a number of minor changes which were accepted.
- 11.5 A member suggested that the section on Inspection (pages 7-8) was helpful but rather brief. He said that the Audit Committee had also taken assurance from other inspections, for example from management and HMIC inspections as well as internal and external audit and this could be reflected. The Chief Executive said he would add a statement into the AGS to confirm that Audit Committee members also drew on assurance from other sources.

Action: The Chief Executive will add a statement into the AGS

12. CHIEF CONSTABLE'S ANNUAL GOVERNANCE STATEMENT (Paper AC16/15)

- 12.1 The CFO said that the Chief Constable's Annual Governance Statement was complimentary to the PCC's AGS. The AGS had been updated and was reflective of the activities of the Constabulary. The CFO said there were no issues he wished to draw to the Committee's attention.
- 12.2 The Audit Committee considered the report as recommended. A member asked whether the significant governance issues from the previous AGS needed to be repeated as they had been addressed. The CFO said that the section included commentary to reflect the action taken.

13. RISK MANAGEMENT (Paper AC16/16)

- 13.1 The Chief Executive said that it was a requirement of risk strategy that a report was submitted to the Audit Committee upon compliance with the PCC's Risk Management Strategy. Internal Audit had previously undertaken a risk management audit which had been appended to the report but the audit had not been considered necessary this year.
- 13.2 The Committee confirmed that they had considered the report as recommended.

14. FRAUD DIGEST – MARCH 2016 (Paper AC16/19)

- 14.1 The Head of Internal Audit said that the report was provided for information.
- 14.2 The Head of Internal Audit and the CFOs had met with the Professional Standards Department. There would be a formal meeting every six months to consider fraud and potential control issues.
- 14.3 In regard to the 10 potential improvements to cyber security it was confirmed there had been an internal audit on cyber security including a review of the systems and controls in place around the '10 steps to Cyber Security'. The audit resulted in a finding of reasonable assurance.

15. ANY OTHER BUSINESS

- 15.1 There was no other business.

PRIVATE AGENDA

16. CHIEF FINANCE OFFICER ARRANGEMENTS

- 16.1 The Chief Executive said that there had been no significant developments in the shared Chief Finance Officer arrangements since the March Committee meeting.
- 16.2 The current arrangements had been set down in the original PCC decision (27-2015) and had been reconsidered by the Audit Committee in March 2016. PCC decision 19-2016 then confirmed that the shared CFO arrangements would continue until further notice. To the best of his knowledge, no changes to the current arrangements had been discussed in any material way by the PCC and Chief Constable. The PCC was focussed on developing the Police and Crime Plan but the CFO arrangements would be discussed in due course.
- 16.3 The External Audit Manager said that the auditors were not planning to challenge the current arrangements.

17. ANY OTHER BUSINESS

- 17.1 There was no other business.

The meeting closed at 11.10am

SUMMARY OF ACTIONS

Item	Action	Owner
6.11	The Internal Audit Follow Up Review reports to include dates for those recommendations in process of being implemented.	Chris Harris
7.11	Head of Transactional Services to provide an update on progress against the internal audit Payroll recommendations.	Trevor Barnes
10.5	The Chief Executive will provide an update of any potential changes to the scope of the Audit Committee activities at the meeting in September 2016.	Chris Jackson