



PAPER AC16/25

AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 23 September 2016 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), 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), Joanna Heal (Financial Accountant) and Gareth Wilson (Chief Constable).

Present by invitation

Fiona Dodimead (Senior Audit Manager, TIAA), Chris Harris (Head of Internal Audit, TIAA), Chris Hewitt (Audit Manager, Ernst and Young) and Kevin Suter (Executive Director, Ernst and Young).

PUBLIC AGENDA

1. DECLARATIONS OF INTERESTS

1.1 No declarations were made.

2. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 24 JUNE 2016 AND MATTERS ARISING (Paper AC16/20)

2.1 The minutes of the Audit Committee held on 24 June 2016 were agreed as a true record and signed by the Chair.

2.2 Updates on the actions arising from the meeting had been circulated in advance.

- 2.3 The Chief Executive said that he would be reviewing the Code of Corporate Governance and Scheme of Governance and Consent later in 2016 and the 2017 Annual Governance Statement would reflect any changes. The Terms of Reference for the Audit Committee were included in the Scheme of Governance and Consent, however it was unlikely these would change to any extent, if at all.
- 2.4 The PCC said that the Policing and Crime Bill currently before parliament outlined the potential for transferring fire and rescue services to the control of Police and Crime Commissioners. Changes, such as this, would have an impact on governance as would more collaboration between police forces and any further public sector integration.

3. INTERNAL AUDIT PROGRESS REPORT (Paper AC16/21)

- 3.1 The Senior Audit Manager outlined the work undertaken by the internal auditors. Five final reports had been issued, 3 reports were in draft and two were still in progress. No urgent recommendations had been made and there were a small number of important (priority 2) recommendations. It was explained that Operational Effectiveness Matters (OEM) were not weaknesses but where system improvements could be made.
- 3.2 A member asked whether the changes in the Annual Plan, outlined on page 3 of the report, had been made in response to good reasons. The Senior Audit Manager said that the changes had been made primarily in response to timings, for example to give new processes time to embed.
- 3.3 The Senior Audit Manager said that liaison with External Audit was ongoing and satisfactory.

Transport Services

- 3.4 The Transport Services audit resulted in 4 important and 2 routine recommendations.
- 3.5 A member asked for assurance that the implementation timetable was on track. The Senior Audit Manager said that follow up work was being undertaken and would be reported on at the December meeting of the Audit Committee.
- 3.6 A member asked whether it was normal practice to make a profit on the sale of Constabulary vehicles. The Head of Financial Accounting and Specialist Functions said that auctions were used and the sale price varied by vehicle type and condition.
- 3.7 The PCC asked for details of the number of vehicles that were jointly owned and those owned by for Norfolk and Suffolk Constabularies separately.

Action: The Senior Audit Manager said she would send the PCC details of vehicle ownership.

- 3.8 The Senior Audit Manager said that there was not a standardised approach to vehicle checks and whilst local procedures seem to work they would be liable to inconsistencies.

Corporate Communications

- 3.9 A member asked whether the approach to social media should be given more consideration. The Chief Constable said that passwords protection policies had been revised so that once an employee leaves the organisation social media accounts would not be accessible by that individual.
- 3.10 The Chair asked whether the audit had covered both the PCCs and Constabularies and for more detail on the scope of the audit.

Action: The Senior Audit Manager said she would confirm the scope of the Corporate Communications audit.

- 3.11 The Chief Executive said that he did not consider a joint corporate communications strategy for Norfolk and Suffolk, as suggested in the first audit recommendation, was appropriate given communications should reflect the Police and Crime Plan for Suffolk, and the separate Police and Crime Plan for Norfolk. The PCC agreed and said that he was yet to be convinced of the effectiveness of a joint Corporate Communications department.
- 3.12 The Chair said he understood that the Strategy would be the department plan of how work would be delivered. The Chief Constable said that the Constabulary operated as an independent police force but with collaborated departments. Suffolk Constabulary had its own vision and mission but the corporate communications department needed to reflect collaboration.
- 3.13 The Chief Executive requested clarity on the presentation of the report in terms of the findings for Corporate Communications. This was in relation to whether any failings in Norfolk reflected on the rating applied to Suffolk because the audit was for a joint department.
- 3.14 The Senior Audit Manager said that the approach now taken by the Internal Auditors was to produce a joint report, except where a finding relevant only to Norfolk or Suffolk had an impact on the audit result, in which case two separate reports would be produced. If an issue was found only in one county the auditors said they would extend the sample and retest in the other county. The summary of future audit reports to the Committee would reflect which organisations each audit applied to.
- 3.15 A member said that the management comment on recommendation three did not address the reliance on key individuals highlighted by the audit. It was noted that confidentiality would also need to be addressed in developing new policies.

Freedom of Information, Data Protection, Document Security

- 3.16 A number of routine/low priority recommendations had meant the audit had been rated as having reasonable assurance.
- 3.17 The Chair asked whether Freedom of Information (FOI) requests were particularly time-consuming. The Chief Constable said that there were safeguards in terms of the time spent dealing with FOI requests but this was balanced with the focus on transparency. An FOI exemption existed where providing the information would exceed the defined number of hours required to respond and where a set number of FOIs were exceeded from one source.
- 3.18 The Head of Finance said that as well as the impact on the dedicated Freedom of Information team FOIs had a resource implication on other departments.
- 3.19 The PCC said that a more proactive approach to communication, for example quarterly updates, might reduce the number of FOIs.
- 3.20 It was noted that the audit report on page 16 was in reference to the ICT File audit, not Corporate Communications. No recommendations had been made.

Disaster Recovery

- 3.21 Four important recommendations had been made within the audit.
- 3.22 A member raised some concerns regarding recommendation 2. He said there was an inherent risk attached to a lack of understanding of how systems work in a disaster and the effects on policing. He did not consider that the management comments satisfactorily addressed the issue. The Chief Constable said that a considerable amount of work on disaster recovery had been undertaken in the Contact and Control Room but would ask the dedicated CCR Superintendent to consider physical testing.

Action: The Chief Constable to consider the audit findings on disaster recovery and whether any further testing could be undertaken.

4. MONITORING IMPLEMENTATION OF THE CODE OF ETHICS (Paper AC16/22)
- 4.1 The Chief Constable said that the report outlined the status of the College of Policing Code of Ethics. The Constabulary was in process of embedding the vision and mission of the organisation and there would be training on this for both staff and officers.
- 4.2 The Chief Constable said that currently public perceptions were analysed for geographic and thematic trends and action taken to address any issues. A cultural audit of staff was also being considered.
- 4.3 The Chief Executive said that the Committee for Standards in Public Life had recommended that PCCs held Chief Constables to account on the Code of Ethics. In Suffolk the PCC had determined that a report on implementation should be presented to the Audit Committee annually.
- 4.4 The Chair asked whether the Code of Ethics should be incorporated into the annual audit plan. The Head of Internal Audit said this could be considered for the next plan.
- 4.5 A member said that the report indicated good progress was being made, which was a credit to the Constabulary, and asked whether an audit of ethics had been considered.
- 4.6 The Head of Internal Audit said that each audit considered ethical issues as an integral part of the audit but did not separately specify findings. He said that this could be considered in the future although if ethics was confirmed as a facet of every audit this might fulfil the need members had outlined.
- 4.7 The PCC said that the main issue for him was maintaining public trust and confidence in policing and he was confident that the proposed changes in the Complaints system would help with trust and confidence.
- 4.8 The members agreed they had noted the work undertaken to implement the Code of Ethic within Suffolk Constabulary. An update report would be received in twelve months.
5. THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK AND THE CHIEF CONSTABLE OF SUFFOLK CONSTABULARY – AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2016 (Paper AC16/23)
- 5.1 The Executive Director from the External Auditors, Ernst and Young (EY) said he was pleased to present the Audit Results report for the year ended 31 March 2016. He said he was anticipating being able to issue an unqualified opinion on the accounts for both the PCC for Suffolk and Chief Constable of Suffolk Constabulary and that proper arrangements to secure value for money were in place.
- 5.2 The significant audit risks set out during the planning phase had previously been reported to the Audit Committee. No evidence had been found during the audit process in relation to the risk of fraud in revenue recognition or the risk of management override.
- 5.3 Following the implementation of ERP the risk that the financial statements may be materially misstated was considered and assurance had been gained, as set out in section 3 of the report. The External Auditors said that there was evidence that operational issues with ERP had been worked through, governance and the transition had been suitably managed and controlled.
- 5.4 A small number of areas were still being tested by EY and further payroll information had been requested. All other areas highlighted as outstanding in the report had been addressed.

- 5.5 The responsibility for value for money was outlined in section 4 of the report. The financial strategy arrangements in place for the medium term had been assessed for suitability, as had information on how the organisation was planning savings and past performance of implementation. Alongside the assessment made by HMIC during the 'PEEL' inspection the auditors said they were happy to conclude that the necessary value for money arrangements were in place and they were expecting to give an unqualified conclusion.
- 5.6 The PCC asked whether EY had an idea of the extent of savings that might be accrued through the Outcome Based Budgeting process. The Executive Director said that the benefits would be specific to each organisation.
- 5.7 The PCC asked for a view on the implications of the referendum decision to leave the EU. The Executive Director said that the PCC and Constabulary should be looking at 'Brexit' particularly in regard to the potential effect on the workforce and changes in legislation.
- 5.8 The Chief Constable said that, on behalf of all the Constabularies, the National Police Chiefs Council were looking at the implications of Brexit and liaising with Whitehall. The CFO confirmed that the PCC Treasurers Society and Constabulary CFOs received advice on national issues regularly including the impact of Brexit. The accounts made reference to the impact of Brexit and the implications would be kept under review.
- 5.9 A member asked whether the External Auditors were satisfied that management were able to explain some but not all of the significant variances arising from the analytical review (page 5). The Executive Director said that with the transition to the ERP system the presentation of accounts was slightly different. Where there was a lack of clarity further tests had been applied to ensure presentation was fair.
- 5.10 A member asked whether data analytics would be used more widely in EY's audits. The Executive Director said that currently the two main areas of payroll and ledger were analysed in totality to assess trends and highlight any anomalies. Whilst this was better than random testing he was unsure as to whether this would be extended further in the future.
- 5.11 A member said that he had some concerns with the wording regarding retirement benefits in the Management Representation Letter (Appendix E) that the PCC and CFO were being asked to sign. He said that as the PCC and CFO were not in a position to have influence on the Local Government Association pensions the statement should instead be phrased as "acceptance" of the actuarial assumptions rather than "...satisfaction that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business."
- 5.12 The Head of Financial Accounting said that the Constabulary found Hymans Robertson, the specialist consultants appointed by the pension scheme, approachable and they had regular engagement with them.
- 5.13 The Executive Director said the statement needed to be signed as part of the audit process. The intention was to focus on the processes the organisation had in place and the statement implied the CFO was content with the specialists who had undertaken the work and the reasonableness of the decisions that had been made. The CFO would also be expected to take into account the actuary's report and views from the Head of Finance and Head of Financial Accounting.
- 5.14 A member asked whether a more direct reference to the specialist advice that had been taken that could be included in the statement. The Chief Executive agreed that some minor changes to the wording could be made to accommodate the suggestions made by Audit Committee members.

- 5.15 It was suggested that EY could reconsider the wording used in this section of the report to reflect the discussion and the Executive Director said he would take the request back to his organisation for consideration in future.
- 5.16 The CFO said that there were no issues of particular concern to him and he was content to sign the statement. He agreed that a review of the wording would be useful and undertook to discuss this with the external auditors.
- 5.17 The PCC asked whether provisions had been made for the outcome of the employment tribunal appeal (Regulation A19 of the Police (Pensions) Regulations 1987). The CFO said it was confirmed this was accounted for in contingent liabilities.
- 5.18 A member said he was pleased to see the assurances given in the report regarding the ERP system.
- 5.19 A member asked whether learning had been undertaken on the procurement and implementation of ERP. The Chief Constable said that project initiation within the Constabulary was currently being assessed. The Head of Finance said that whilst issues had been experienced in some areas during the transition to ERP, the finance ledger had gone smoothly.
- 5.20 The Audit Committee confirmed that they had previously been notified of the potential independence issue, referred to on page 12 of the report, that they had discussed this with the external auditors at the Audit Committee meetings in March and June 2016 and were content with the resolution.
- 5.21 The External Auditors passed on their thanks to the Chief Finance Officer and the Finance team particularly in regard to the additional work undertaken during the audit.

6. STATEMENT OF ACCOUNTS 2015/16 (Paper AC16/24)

- 6.1 The CFO said that cover report set out the reports to be considered under the agenda item and recommended that the Audit Committee consider the PCC's and Chief Constable's Annual Governance Statements (AGS) and respective Statements of Accounts.

The PCC's Annual Governance Statement and the Chief Constable's Annual Governance Statement

- 6.2 The Chief Executive said that the PCC's draft AGS had been presented to the Audit Committee at the meeting in June 2016. The changes suggested at the meeting had been incorporated into the document. The External Auditor's comments had also been incorporated and the Chief Executive said that he understood that the External Auditors were satisfied with the document.
- 6.3 The main areas of change were in Section 5 and 6 of the AGS. A discussion with the External Auditors had concluded that the 'limited' finding on the Purchase Card audit should not be included as it was relevant only to Norfolk. However he felt that it was important that the Audit Committee members understood that this had been discussed and agreed.
- 6.4 A member asked whether the outcome of the first significant governance issue, relating to the 2014/15 internal audit finding on records management, could be given. The Chief Executive said that the outcome had been difficult to summarise succinctly for the report however he would add to the AGS that the matter had been concluded.
- 6.5 In regard to the data breach noted on page 24 of the report a member asked whether the disciplinary hearing had been undertaken. The Chief Constable said that it had been adjourned until October because legal representation had been made. It was agreed that the wording in the AGS should be changed to reflect that the disciplinary

would take place in the future and that the Chief Constable's AGS should also reflect this.

- 6.6 The CFO said that the Chief Constable's Annual Governance Statement had also been considered by the Committee at the June meeting. No new significant governance issues had been identified. The External Auditors had commented on the draft AGS and were satisfied with the changes that had been made.
- 6.7 A member asked whether, on page 7 of the report, the names of the seven forces involved in collaboration could be added.
- 6.8 The PCC noted that the fire station in Clare was also shared.
- 6.9 The changes agreed for the PCC's AGS also applied to the Chief Constable's AGS.

The PCC's Group and PCC Statement of Accounts and the Chief Constable's Statement of Accounts

- 6.10 The Accounts were presented to the Audit Committee by the CFO. Both the PCC's and Chief Constable's accounts now included a significant narrative section which provided a better context in which to consider the accounts.
- 6.11 The CFO said that the highlighted sections in the accounts were the changes that had been made since the draft accounts were presented at the end of June 2016.
- 6.12 A significant piece of work had been undertaken to ensure that the balances on the previous finance system were correctly carried forward to ERP. The External Auditors had indicated that they were content with this piece of work.
- 6.13 The CFO was pleased to report that a draft set of accounts had been produced for the June 2016 deadline. The CFO said that from his perspective the audit has gone well and all challenges had been dealt with satisfactorily. He thanked the Head of Finance and his team for their work. The Head of Finance also noted that the finance team had undergone a significant restructure during the year.
- 6.14 The CFO said that as long as no major issues arose from the External Auditors finalising their work then the accounts would be issued by the end of September 2016.
- 6.15 A member suggested that for readability in future Statements of Accounts, decreases and negative figures could be presented consistently with the use of either parenthesis or a minus sign, for example on page 17, and tables 71 and 74.
- 6.16 A member requested that the report highlighted in future where accounting policies had been amended.
- 6.17 A member asked whether the Accounting Policies in the Chief Constable's accounts were the same as for the PCC as, for example, the policy on Intangible Assets on page 21 referred only to the PCC.
- 6.18 The Head of Financial Accounting said that the group policies were included in both statements for but could be removed from the Chief Constable's statement if they were not applicable. The Head of Finance agreed that as the Chief Constable was a subset of the group the policies applied.
- 6.19 It was agreed to review the wording on page 44 and table on page 45 in the Group and PCC Statement of Accounts to ensure the text and table were accurate and not contradictory.
- 6.20 The CFO asked the members whether they were content of him to authorise any amendments as necessary on or before 30 September and inform the Committee, as set out in section 5.2 of the cover report. The members agreed they were content with this.

- 6.21 The two letters to the External Auditors on 'Understanding how the Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk gains assurance from management' and 'Understanding your management processes and arrangements' had been sent in June 2016 and had been included in the accounts for completeness.
- 6.22 A member noted that the savings set out of page 6 of the letter were slightly different to those included in the External Auditors report. The CFO said he would look at this.
- 6.23 The Audit Committee agreed they were content to recommend for approval the Statement of Accounts and adoption of the Annual Governance Statements.

7. ANY OTHER BUSINESS

- 7.1 The PCC said that the review of the Police Funding Formula had commenced and asked whether members would like to receive a copy of the PCC response. In his opinion the formula needed to better take account of the rural nature of Suffolk and the assets of national importance in the county which affected policing.
- 7.2 The PCC also invited members to attend a session on the new Police and Crime Plan.
- 7.3 A letter to the CFO from Public Sector Audit Appointments had been circulated prior to the meeting. It gave opportunity to comment on the extension of the external audit arrangements for 2017/18, in effect continuing the arrangements currently in place. The CFO and members agreed they were content that the arrangements continue.

The meeting closed at 11.10am

SUMMARY OF ACTIONS

Item	Action	Owner
3.7	The Senior Audit Manager said she would send the PCC details of vehicle ownership.	Fiona Dodimead
3.10	The Senior Audit Manager said she would confirm the scope of the Corporate Communications audit.	Fiona Dodimead
3.22	The Chief Constable to consider the audit findings on disaster recovery and whether any further testing could be undertaken.	Chief Constable