



PAPER AC17/1

AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 9 December 2016 at 9.30am.

PRESENT:

Members

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

Gareth Wilson (Chief Constable).

Present by invitation

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

Apologies

Ian Blofield.

PUBLIC AGENDA

1. DECLARATIONS OF INTERESTS

1.1 No declarations were made.

2. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 SEPTEMBER 2016 AND MATTERS ARISING (Paper AC16/25)

2.1 The minutes of the Audit Committee held on 23 September 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 A member asked whether the disciplinary hearing cited at section 6.5 of the minutes had been held. The Chief Constable said that the hearing had been adjourned but said he would follow up on the outcome and let members know.

Action: Chief Constable to inform Audit Committee members of the hearing outcome.

3. INTERNAL AUDIT PROGRESS REPORT (Paper AC16/26)

- 3.1 The Head of Internal Audit outlined the work undertaken by the internal auditors during the last quarter. A summary of five audits was included in the report, three of which had limited assurance. The Head of Internal Audit said that the internal audits planned for 2016/17 were all scheduled to complete within the year.

Firearms Licensing

- 3.2 The audit of Firearms Licensing had concluded there was substantial assurance. Only one routine recommendation had been made.
- 3.3 A member asked whether the number of firearms registered was comparable to other counties. The PCC said that firearms ownership was relatively high in Suffolk and reflected the rural nature of the county with farming, veterinary and pest control business ownership of guns as well as recreational use. He said he understood that the joint Norfolk and Suffolk Licensing department had a good reputation.
- 3.4 A member asked how many applications were denied and whether the process for rejection was robust. The Chief Constable said that the Home Office process was followed and refusals had to be authorised by the Deputy Chief Constable. Where there was any risk with an application this would also be raised with the DCC. Appeals were heard by a court.

HR recruitment.

- 3.5 The audit had found there was limited assurance and six important recommendations had been made.
- 3.6 The Principal Auditor said that the auditors had been unable to give assurance that recruitment processes were being routinely followed in Norfolk and Suffolk by staff and officers.
- 3.7 The Chair asked whether recommendations 1 (regarding employment checks) and 5 (vetting) had been completed as the implementation date had passed. The Chief Constable said that these had been progressed and resources were being increased. He was content that progress had been made and confirmed that for all audits the Organisational Board received updates and monitored progress.

Action: The Chief Finance Officer said he would update members with progress on the recommendations in the HR recruitment audit.

- 3.8 The Chief Constable said that in relation to recommendation 5 on vetting it was not current practice to inform the applicant of the outcome directly, particularly in regard to the reasons why an applicant may have failed vetting.
- 3.9 The Head of Internal Audit said that they had considered it to be good practice to directly inform an applicant whether they had passed or failed.
- 3.10 The Chief Executive said that the vetting process should continue to inform the person who requested the check rather than the individual being vetting. It was agreed that the recommendation should be reworded.

- 3.11 The Chief Constable said that the Chief Officer team were aware of the issues with re-vetting (recommendation 6) but considered the issue to be low risk in comparison to recruitment vetting.

Duty Management System

- 3.12 The PCC expressed concern that policies had not been harmonised. The Principal Auditor said that the Resource Management Unit (RMU) in Norfolk and Suffolk had different responsibilities with the Suffolk unit having a more decentralised role and more 'self-service' by staff and officers. The Chief Constable said that RMU was being considered by the DCCs for standardisation of service across both Constabularies.
- 3.13 The Chief Constable said that the exceptions generated by the ERP system were concentrated in one department (Custody) and said that more work would be undertaken with managers to ensure that ERP was used to greater effect.
- 3.14 The Chair suggested a report to the Audit Committee on how the different IT systems supported the Constabulary. The Chief Constable agreed this would be useful and agreed to arrange a briefing.

Action: Briefing on Athena and ERP to be provided to Audit Committee members.

- 3.15 There was concern that recommendations in the audit had been allocated to other departments. The Chief Finance Officer said he would check that the Head of Transactional Services had agreed to consider recommendation 5 regarding overtime payments. The Chief Constable said that the Head of Resourcing was accountable for the Resource Management Unit (RMU) and was therefore responsible for the other recommendations.

Action: Chief Finance Officer to provide reassurance that recommendation 5 in the DMS audit was being progressed by Finance.

- 3.16 Members expressed concern at the possibility that staff were paid for overtime not undertaken as the audit referred to possible errors in recording. The Chief Constable said that use of ERP came with a level of responsibility and assurance was provided through monthly reports to managers. The Chief Finance Officer said that there was an issue in using spreadsheets for recording overtime but this was resource related, not a control issue. He said that he was content with the claim information authorised by managers.

Catering

- 3.17 In regard to the key findings the Chief Finance Officer said that he would check that confirmation of appropriate vetting had been received.

Action: Chief Finance Officer to provide reassurance that vetting confirmation had been received.

- 3.18 The Chair asked why the subsidy had been included in the audit as he didn't consider this to be an audit issue. The Principal Auditor said that the subsidy had been included in the scope of the audit in discussion with the CFO and Facilities department.
- 3.19 The PCC said that he had been told that the subsidy had been phased out and said it was not current practice across the public sector to subsidise catering. The Chief Finance Officer confirmed that the subsidy had been phased out. The Estates Programme Board had approved work to the value of £18k to improve catering facilities which is being funded by the contractor.
- 3.20 The Chair suggested that recommendation 3 could be implemented without waiting for the new intranet. The Chief Finance Officer said that he did not consider the issue to

be a high risk but would consider whether a solution could be implemented without waiting for the improved intranet facility.

- 3.21 A member asked whether the catering contractor complied with relevant wage and employment legislation. The Chief Finance Officer confirmed that they did and the Principal Auditor said this had been covered in the audit.

Budgetary Control

- 3.22 The audit reported there was substantial assurance in Budgetary Control. The PCC asked whether funds held by the Constabulary for other partners had been included in the scope of the audit. The Principal Auditor said that the audit had considered the methods of budgetary control and that other audits, for example commissioning, would consider the issue of held funds.
- 3.23 A member expressed concern that the procedures were considered to be out of date or still under review and asked when they would be completed. The Chief Finance Officer said that the Finance Business Plan would include updated procedures.

Action: Chief Finance Officer to provide date for finalisation of budgetary control procedures.

- 3.24 A member said that the findings were pleasing as it implied that the control ethos was embedded.

4. INTERNAL AUDIT FOLLOW UP REVIEW (Paper AC16/27)

- 4.1 The Head of Internal Audit said that the follow up review process confirmed whether recommendations had been implemented and provided a follow up on any changes to the audit position. The report was currently scheduled to be submitted to the Committee every six months but could be produced quarterly. Audit Committee members agreed the report should be submitted twice a year.
- 4.2 The Head of Internal Audit said that whilst the report did not read very positively, many of the recommendations had not yet reached their due date but were included in the report for completeness.
- 4.3 A member said he was concerned that the majority of outstanding actions related to either the HR department or the Enterprise Resource Planning (ERP) system.
- 4.4 The Chief Finance Officer said that ERP, Athena and HR had been identified as areas for further investment. The joint Director of HR was new in post and had completed a review of the department. The department had significant number of responsibilities including the learning and development function. The Chief Finance Officer said that the Medium Term Financial Plan would recognise the need to invest in the HR department particularly to realise the full benefits of ERP and the Organisational Board would continue to monitor the progress against important audit recommendations.
- 4.5 The Chief Finance Officer suggested that the Constabulary should be more realistic in setting timescales for implementing audit recommendations. The Chair suggested that where an implementation date had been missed it would be useful to set a revised timescale in the report.
- 4.6 The Chief Constable said he was content that recommendations had been acted upon and he suggested that there should be better communication between the Organisational Board, which ensured actions were undertaken and the Internal Auditors. It was therefore felt that the report did not reflect the true picture of progress.
- 4.7 The Principal Auditor confirmed that the Commissioning audit was for Norfolk only although the recommendation relating to Athena was in regard to data transfer to

Victim Support as suppliers of the Victim Assessment and Referral Service for both Norfolk and Suffolk Constabularies.

- 4.8 The Chief Executive said the report under consideration suggested that there were five actions under the Proceeds of Crime audit where a management update was awaited. However, in preparing the Annual Governance Statement section on significant governance issues the Chief Executive said that he had confirmed that these actions had been completed.
- 4.9 Furthermore, the Chief Executive said that the findings on the payroll had been in relation to Norfolk not Suffolk. The Principal Auditor agreed but pointed out that the audit had noted that the underlying process issue could potentially affect Suffolk. The Chief Executive suggested that the audit reports should be more explicit where an audit finding related to either Norfolk or Suffolk Constabulary. A member said that recommendations relating only to Suffolk needed to be noted more clearly in the report
- 4.10 The Chief Executive said that he had checked before publishing the Annual Governance statement and said that he had been advised that the issues with both the Proceeds of Crime and Payroll audits had been dealt with. He therefore said that the report appeared to be contradictory.
- 4.11 A member said that whilst the Audit Committee needed to follow up recommendations he felt the report needed to focus on the recommendations that were important but that hadn't been completed and should highlight strategic issues.
- 4.12 The Chair asked members to send him comments on the internal audit reports and suggestions for improvements. It was agreed that the Chair should also attend the CFO and Internal Auditors meeting.

Action: Comments on the internal audit reports to be send to the Chair. Internal Auditors to invite the Chair to the next meeting with the CFO.

- 4.13 The Head of Internal Audit agreed to improve the report to take account of the views expressed by members.

5. THREE YEAR STRATEGIC INTERNAL AUDIT PLAN 2017/18 AND ANNUAL INTERNAL AUDIT PLAN 2017/18 (Paper AC16/28)

- 5.1 The Head of Internal Audit introduced the three year strategic plan which had been produced in draft format for comment. There would be further consultation with the Chief Finance Officers before the plan was finalised.
- 5.2 The PCC asked how the programme of internal audit had been decided. The Head of Internal Audit said that the report had been developed with the Norfolk and Suffolk Chief Finance Officers and with Heads of Service in the Constabularies. The suggested areas for audit were considered and assessed on a risk basis. Previous audit plans were also considered. Financial systems were regularly audited whilst other operational areas were audited on a less frequent basis. The Chief Finance Officer said that a number of joint audits had been agreed with the Norfolk CFO. There were also a set number of days within the contract to plan the work against.
- 5.3 The Chief Constable said that it would be useful for the auditors to consider the HMIC inspection programme in their planning.

Action: The Chief Constable will share the HMIC inspection programme with the Internal Auditors.

- 5.4 A member suggested that it would be useful to know the timing of any previous audit in each area and the assurance level in order to consider frequency of audit.
- 5.5 The following comments were provided on suggested audit areas:

- Governance. It was suggested that an audit in 2017/18 may be premature given potential changes to the PCC's remit.
 - Ethics. It was suggested that assurance could be gained from the Chief Constable in conjunction with the Annual Governance Statement (AGS).
 - Risk. A member asked under which audit risk registers were considered.
 - Health and Safety. A member questioned whether an audit every 3 years, as planned, was frequent enough for this area.
 - HR. It was suggested that the HR absence management and Ill Health audits could be combined.
 - It was suggested that the audit programme should reflect that Body Worn Video was being introduced in stages with the first phase commencing in June 2017.
 - It was suggested that the Lone Working audit should be reconsidered as there had been an audit relatively recently. The auditors were asked to consider whether the 10 days allocated was necessary based on the findings of the previous audit.
- 5.6 A discussion was held on the proposed 'ICT website content' audit. As limited information was contained in the plan it was suggested that compliance with legal and statutory responsibilities were considered.
- 5.7 The Chair suggested that public concern was focused on the timely provision of a service, and not which public sector organisation provided it, for example in relation to mental health support. The Chief Constable said that work had been undertaken to audit safeguarding services across partner organisations and he would consider whether a cross partner audit would be feasible. The Head of Internal Audit said that contractual boundaries made audits across separate organisations difficult.
- 5.8 The Chair asked whether the Private Finance Initiatives (PFI) should be audited. The Chief Finance Officer said that the PFI Board regularly considered performance by the contractor, variations and any issues arising and therefore he did not consider an additional audit necessary.
- 5.9 The Audit Manager confirmed that some the HR audits proposed for 2017/18 had been carried over from 2016/17 as the HR department had been unable to facilitate all the audits within the timeframe. As members raised concerns about whether the department would be able to implement all the current audit recommendations as well as facilitate new audits, the Head of Internal Audit agreed to reconsider the audits planned for HR in 2017/18.
- 5.10 The Head of Internal Audit agreed to consider the priority areas of the Police and Crime Plan, for example procurement, safeguarding and investigations and the history (date and assurance level) of previous audits in refining the plan.
- 5.11 The Chief Finance Officer said that it had been useful to see the draft plan so early and said that a final draft would be discussed at the Audit Committee in March 2017. The Head of Internal Audit reminded the Committee that the plan was flexible and could be adjusted during the year.
6. THE PCC FOR SUFFOLK AND CHIEF CONSTABLE OF SUFFOLK CONSTABULARY ANNUAL AUDIT LETTER 2015-16 (Paper AC16/29)
- 6.1 The External Audit Manager presented the Annual Audit Letter which summarised the key messages from the Annual Audit report presented at the Audit Committee in September 2016. The letter was public facing and should be published on the PCC and Constabulary websites.

- 6.2 The External Audit Manager said that the Audit Committee should consider the issues on pages 21 to 23 which set out items to consider in the future.
- 6.3 The External Auditors had met with the Chief Executive and the CFO regarding the additional fee that the auditors had proposed for the additional work they had undertaken beyond the original scope.
- 6.4 A member asked whether the 'faster close' mentioned in the audit letter was on track to be met. The Chief Finance Officer said that the finance team were well placed to meet the reduced timescales in which to produce the final accounts and were expecting to bring forward the financial close by one month next year. The External Audit Manager said that they were expecting to conduct audit testing earlier to help expedite the process.
- 6.5 The Head of Finance was scheduled to provide a verbal update at the March 2017 Audit Committee.

7. PUBLIC SECTOR AUDIT APPOINTMENTS (Paper AC16/30)

- 7.1 The Chief Finance Officer introduced the report which provided an overview of the changes to arrangements for the audit of local public bodies and details of a proposed procurement approach from Public Sector Audit Appointments Limited (PSAA).
- 7.2 The PCC and Chief Constable had been asked by the PSAA to decide whether they would agree to the principle of appointing external auditors through the PSAA or whether they would organise the process of appointment themselves. The option proposed by the PSAA would be implemented alongside other public sector bodies and with a national procurement process.
- 7.3 The Chief Finance Officer had recommended to the Suffolk PCC and Chief Constable that they should support the principle of joining PSAA for the procurement of audit contracts with effect from 2018/19.
- 7.4 The Norfolk PCC and Chief Constable had agreed to the principle of the PSAA option. Audit Committee members agreed that it would be important for Norfolk and Suffolk Constabularies to have the same External Auditor to ensure efficiencies.
- 7.5 A member said that the value of the resource time and cost of undertaking the appointment should be considered. He also asked for clarity on which organisation would be the contract holder and whether the level of Professional Indemnity insurance would cover Suffolk PCC and Constabulary if multiple organisations shared the same auditor.
- 7.6 The Chief Finance Officer said that, based on the appointment of the internal auditors, where both CFOs, the Procurement Department and the Audit Committee Chairs were involved in the appointment, he would expect the cost of arranging the appointment to be quite high. He suggested a collaborative approach was worth considering, as a joint arrangement would harness economies of scale and positive collective buying power.
- 7.7 The Chair said he was generally in favour of the proposal to use PSAA however he was concerned that this approach could lead to fewer audit firms and a predominance of large firms which could lead to a less competitive market in the future.
- 7.8 The PCC said he would like to ensure that a collective arrangement included sufficient flexibility for future organisational changes.
- 7.9 The Committee agreed to support the principle of using the PSAA for the procurement of audit contracts from 2018/19.

8. PCC CODE OF CORPORATE GOVERNANCE (Paper AC16/31)

- 8.1 The Chief Executive said that the report had been submitted to the Audit Committee in order for them to consider the draft PCC Code of Corporate Governance.
- 8.2 A new Code of Corporate Governance had been drafted in response to new guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) which had 7 rather than 6 principles.
- 8.3 The next Annual Governance Statement, which forms part of the Statement of Accounts, would be based on the revised Code of Corporate Governance.
- 8.4 The PCC said he would formally adopt the Code of Corporate Governance once the Audit Committee had considered the draft. The Constabulary will then produce its Code of Corporate Governance.
- 8.5 A member suggested that a reference to the relevant legislation could be included in section 2.2.2 (principle 2).
- 8.6 It was agreed that a qualification should be added to section 3.1.3 to explain that, in undertaking their responsibilities, the Audit Committee were reliant on the information provided to them and therefore they were unable to give absolute assurance.

9. ANY OTHER BUSINESS

- 9.1 The Ernst and Young Briefing for quarter 3 had been circulated in advance on the meeting. The following updates on the questions posed in the briefing were received.
- 9.2 The Chief Finance Officer said that the Transformation Fund tended not to award to single forces. A number of joint bids had been submitted. The Chief Constable said that the Constabulary had previously been successful in winning innovation bids for example on Automatic Number Plate Recognition (ANPR).
- 9.3 The Constabulary confirmed they were not in receipt of a Barclays Lender Option Borrower Option (LOBO).
- 9.4 Recent inspections by Her Majesty's Inspectorate of Constabulary reported that there had been improvement in how the Constabulary deals with vulnerability which had been of some concern in the previous inspection.
- 9.5 The Chief Constable said that the Director of HR was mapping the gender pay gap in the Constabulary and considering compliance.

The meeting closed at 12.10pm

SUMMARY OF ACTIONS

| Item | Action | Owner |
|------|--------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 2.3 | Chief Constable to inform Audit Committee members of the hearing outcome. | Chief Constable |
| 3.7 | The Chief Finance Officer said he would update members with progress on the recommendations in the HR recruitment audit. | Chris Bland |
| 3.14 | Briefing on Athena and ERP to be provided to Audit Committee members. | Chief Constable |
| 3.15 | Chief Finance Officer to provide reassurance that recommendation 5 in the DMS audit was being progressed by Finance. | Chris Bland |
| 3.17 | Chief Finance Officer to provide reassurance that vetting confirmation had been received. | Chris Bland |
| 3.23 | Chief Finance Officer to provide date for finalisation of budgetary control procedures. | Chris Bland |
| 4.12 | Comments on the internal audit reports to be send to the Chair. | Audit Committee members |
| 4.12 | Internal Auditors to invite the Chair to the next meeting with the CFOs. | Internal Auditors |
| 5.3 | The Chief Constable will share the HMIC inspection programme with the Internal Auditors. | Chief Constable |