

**ORIGINATOR: BUSINESS  
ADMINISTRATION &  
POLICY OFFICER**

**PAPER NO: AC17/10**

**SUBMITTED TO: AUDIT COMMITTEE: 30 JUNE 2017**

**SUBJECT: REVIEW OF COMMITTEE ACTIVITIES 2016/17**

**SUMMARY:**

This report documents the Audit Committee activity in 2016/17 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 2016/17 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 2016/17 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 2016 the Audit Committee considered the draft Annual Governance Statement for the Police and Crime Commissioner prepared by the Chief Executive (Paper AC16/14) and the draft Annual Governance Statement for the Chief Constable prepared by the Chief Finance Officer (Paper AC16/15).

The significant governance issues identified in the 2015 AGS (records management, Crime Data Integrity and Police Integrity) had been resolved.

The two Annual Governance Statements were then amended to take account of observations made by the committee and subsequent comments made by the external auditors. No further or new significant governance issues were identified in the final AGS however Audit Committee members were notified through the report that a number of major projects continued including two ICT projects (t-police (ERP) and Athena). Additionally, a referral to the Information Commissioners' Office had been made by the Information Management Department concerning a data breach which resulted in the conviction of a Police Officer. Committee members were kept informed of the subsequent disciplinary proceedings. Finally, the AGS reported that the PCC would be considering a report from the Chief Constable at the October 2016 Accountability and Performance Panel upon progress with the HMIC Assessment of Effectiveness, Efficiency and Legitimacy and would focus on the area highlighted as requiring improvement, namely keeping vulnerable people safe.

The Audit Committee members were informed when the papers for each of the PCC's Accountability and Performance Panels were published throughout the year.

In September 2016 the Committee received a report from the Chief Constable outlining the progress made with implementing the Code of Ethics (AC16/22). The annual

report to the Audit Committee was also the process by which the PCC fulfilled his duty to hold the Chief Constable to account on the Code of Ethics, as recommended by the Committee for Standards in Public Life. Members discussed the role of internal audit in monitoring ethical standards. The Internal Auditors confirmed that ethics were considered in every audit.

The Chief Executive requested that the Committee Members consider a draft of the new PCC Code of Corporate Governance in December 2016 (AC16/31). The new Code had been drafted in response to revised guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and would inform production of the 2017 Annual Governance Statement.

Audit Committee members considered the External Auditors Audit Results Report in September 2016 which included the assessment of whether proper arrangements to secure value for money were in place. The External Auditors concluded that the necessary value for money arrangements were in place and they were expecting to give an unqualified conclusion.

In June 2016 the Chief Executive presented a report on Risk Management to the Committee (AC16/16) setting out his assessment upon compliance with the PCC's Risk Management strategy for the year 2015/16. The report provided an opportunity for the Committee to consider the annual review of risk management in the Office of the OPCC and Suffolk Constabulary.

The Internal Auditors Risk Management (Suffolk PCC) was completed in quarter 4 and summarised for the Audit Committee at their meeting in March 2017.

The Internal Auditors provided Committee members with a copy of the TIAA annual Fraud Digest (March 2016) in June 2016. The Head of Internal Audit informed the Committee that the Internal Auditors met with the Constabulary CFO and the Head of Professional Standards every six months to consider fraud and potential control issues.

## **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:**

The final draft of the Audit Strategic Plan and Annual Plan 2017/18 (AC17/3) was considered at the meeting in March 2017. Suggestions made by members on the draft (AC16/28) in December 2016 had been incorporated into the plan.

Annual Assurance Report 2015/16 (AC16/11) from the Internal Auditors summarised the outcomes of the reviews carried out in the organisation's framework of governance, risk management and control. The report included the Head of Internal Audit's Annual Opinion in order to assist the PCC and Chief Constable in making their annual statement on internal controls assurance.

The Review of the Effectiveness of the System of Internal Control 2015/16 (Paper AC16/9) was received by the Committee in June 2016. The report advised the Committee on the annual review of the effectiveness of the system of internal control. The Committee acknowledged that Internal Audit was compliant with the Regulations

and Standards and that, through the self-assessments set out in the report they could take assurance that there was an effective system of internal control.

Members provided feedback on the style and presentation of the internal audit reports to the Auditors during the year. The Audit Committee chair met with the internal auditors and CFO in April 2017 to consider progress and performance.

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

June 2016

- Internal Audit Follow up Review 2016/17 (AC16/9) reporting on the management action that had been taken in respect of priority 1 and 2 recommendations arising from 14 internal audit reviews undertaken in 2014/15 and 2015/16.
- Suffolk Internal Audit Progress Report for 2015/16 (AC16/10) finalising the reporting against the annual plan for 2015/16.
- Suffolk Internal Audit Progress Report (AC16/12) reporting progress during quarter 1 of the financial year 2016/17.

September 2016

- Suffolk Internal Audit Progress report (AC16/21) reporting on progress during quarter 2 of the financial year 2016/17.

December 2016

- Suffolk Internal Audit Progress report (AC16/26) reporting on progress during quarter 3 of the financial year 2016/17.
- Internal Audit Follow up Review 2016/17 (AC16/27) reporting on the management action that had been taken in respect of priority 1 and 2 recommendations arising from 20 internal audit reviews undertaken.

March 2017

- Suffolk Internal Audit Progress report (AC17/2) reporting on progress during quarter 4 of the financial year 2016/17.

## **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 received and considered the following reports from the External Auditors:

- The Police and Crime Commissioner for Suffolk Annual Audit Fee Letter for 2016/17 (Paper AC16/17).
- The Chief Constable for Suffolk Constabulary Annual Audit Fee Letter for 2016/17 (Paper AC16/18).
- The Police and Crime Commissioner for Suffolk and the Chief Constable of Suffolk Constabulary - Audit Results Report for the year ended 31 March 2016 (including the Letter of Representation) (Paper AC16/23).
- The Police and Crime Commissioner for Suffolk and the Chief Constable of Suffolk Constabulary Annual Audit Letter 2015/16 (Paper AC16/29).
- The Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk Constabulary - Audit Plan for the year ending 31 March 2017 (Paper AC17/4).

- EY Police Sector Audit Committee Briefings were circulated in July and November 2016 and February 2017 in advance of the Audit Committee meetings. Members requested that the CFO provide comments at the Committee meetings on whether the issues raised in the EY briefings have been considered or acted upon.

## **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 reviewed the Statement of Accounts 2015/16 at the meeting in September 2016 covering:

- 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. The PCC for Suffolk and Chief Constable of Suffolk - Understanding how the Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk gain assurance from management;
- vi. The PCC for Suffolk and Chief Constable of Suffolk – Understanding your management processes and arrangements.

## **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 2016/17 can be reviewed.

The CIPFA 'Self-assessment of Good Practice' checklist for Audit committees was completed by the PCC Chief Executive and CFO in June 2016. 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 and no issues of concern had been raised. Audit Committee members said they would like to consider the evaluation of effectiveness in advance and it was agreed to incorporate their input into the process for 2017.

## **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:

Chief Finance Officer Arrangements

In June 2016, the Chief Executive provided a verbal update to the Committee on the status of the Chief Finance Officer arrangements. There had been no significant developments and the current arrangements whereby the PCC and Chief Constable shared the same CFO would continue.

#### Accelerating financial close arrangements

A verbal update from the Head of Finance was received in March 2017 regarding the arrangements that had been made to ensure a smooth transition to an earlier close for the financial accounts in 2017/18.

#### Public Sector Audit Appointments.

The CFO provided an overview of the changes to arrangement for the audit of local public bodies and details of a proposed procurement approach from Public Sector Audit Appointments Limited (PSAA) in December 2016 (AC16/30). Having discussed the proposed options, members agreed to support the principle of using the PSAA for the procurement of audit contracts from 2018/19.

#### IT Infrastructure and Core Systems

The significant governance section in the Annual Governance statement referenced the major IT projects ERP and Athena and members also noted that there were various internal audits recommendations concerning ERP and Athena. Audit Committee members received a presentation in March 2017 on the Constabulary IT Infrastructure and Core Systems, including ERP and Athena, and were given assurance that lessons had been learnt in regard to system implementation.

### **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.

#### **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.”