



PAPER AC17/23

AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 22 September 2017 at 9.30am.

PRESENT:

Members

Ian Blofield, Robert Millea and David Rowe.

Office of the Police and Crime Commissioner

Liz Hollingworth (Business Administration and Policy Officer), Christopher Jackson (Chief Executive) and Tim Passmore (PCC).

Chris Bland (Chief Finance Officer for the PCC and Chief Constable).

Suffolk Constabulary

Peter Jasper (Joint Head of Finance), Ivan Fearn (Head of Financial Accounting & Specialist Functions) and Gareth Wilson (Chief Constable).

Present by invitation

Claire Lavery (Senior Audit Manager, TIAA), Chris Harris (Head of Internal Audit, TIAA), Chris Hewitt (Manager, Assurance Services Government and Public Sector, Ernst and Young), Kevin Suter (Associate Partner, Assurance - Government & Public Sector, Ernst and Young).

Apologies

Fiona Dodimead (Audit Director, TIAA) and Andrew Peck (Audit Committee member).

PUBLIC AGENDA

1. DECLARATIONS OF INTERESTS

1.1 No declarations of interest were made.

2. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 30 JUNE 2017 AND MATTERS ARISING (Paper AC17/16)

- 2.1 The minutes of the Audit Committee held on 24 March 2017 were agreed as a true record, with an amendment to section 7.6 to read 'the value of debt written off', and signed by the Chair.
- 2.2 The Chief Finance Officer, confirmed that he and the Head of Finance had written some debt off at the end of the year having considered the outstanding debts.
- 2.3 The Chief Constable said that a meeting between Suffolk County Council and Suffolk Fire and Rescue Service had been held in regard to fire safety at Landmark House, a Suffolk County Council property also used by Suffolk Constabulary. The Chief Executive said he had received verbal confirmation that the cladding at Landmark House was not the same type as was in place at Grenfell Tower. He was awaiting written confirmation of this. It was confirmed that the risk had been added to the PCC and Constabulary Risk Registers and the situation was being kept under review by the Estates Programme Board.

3. INTERNAL AUDIT - 2017/18 PROGRESS REPORT (Paper AC17/17)

- 3.1 The Head of Internal Audit said that internal audit was ahead of the planned programme.
- 3.2 A member questioned the schedule as it seemed there would be quite a number of audits that would need to be considered at the next Audit Committee. The Head of Internal Audit said that it was usual for a higher number of reports to be finalised for the December and March committee meetings.
- 3.3 The Senior Audit Manager said that some reports had been delayed to ensure that all the relevant people had been given an opportunity to consider the findings, thereby increased the likelihood the recommendations would be implemented.
- 3.4 The Internal Auditors confirmed that there was regular liaison with the Chief Finance Officer, Professional Standards Department, Risk Management and the External Auditors. This helped direct internal audit resources in the most efficient manner.
- 3.5 Appendix B included a summary of work undertaken in the period and summarised the key findings.

Transport – Use of Vehicles

- 3.6 The audit had made 4 'important' and 5 'routine' recommendations.
- 3.7 A member asked how serious the key finding on segregation of duties was. The Senior Audit Manager said that it had been noted as a key finding because staff working in finance had the ability to book hire cars and process payment, however this was not a significant concern. The Head of Finance said that the risk was minimal as although staff processing payments were able to book a hire car this was not frequently done.
- 3.8 A member asked about whether endorsements to driving licences were noted. The Senior Audit Manager said that the first recommendation in the audit had raised eligibility to drive and the lack of follow up checks as an issue. The Chief Constable said that individuals were required, as part of their contract of employment, to declare endorsements and fixed penalties to the Professional Standards Department.
- 3.9 The PCC asked why there was not a single car booking system for both Constabularies. The Senior Audit Manager said that the intention was to have one booking system for both Norfolk and Suffolk and a joint policy to accompany this.

- 3.10 The PCC asked whether it was possible to value the impact of any changes, for example on car hire. The Head of Finance said that the transport budget was being reviewed as part of Outcome Based Budgeting (OBB).
- 3.11 The Chair said that the audit had showed that procedures had slipped and implementing the recommendations would rectify the situation.

Purchase Ordering

- 3.12 A member asked for an indication of the scale of concern in relation to the retrospective placing of purchase orders. The Senior Audit Manager said that they had found 40 cases where the Accounts Payable Transactional team had raised a requisition rather than redirecting this to the relevant department.
- 3.13 The Head of Finance said that the recommendation had been implemented with some exceptions, for example the Accounts Payable team would still raise a requisition for orders with multiple cost centres or corporate orders (e.g. National Police Air Service).

Procurement

- 3.14 The PCC asked how audits were undertaken in more complex scenarios, such as where there was a joint procurement approach. The Head of Internal Audit said that it was usual for the lead constabulary to commission the audit and make the findings available to the other partners. This had been the case with the Athena audit.

4. INTERNAL AUDIT - 2017/18 FOLLOW UP REVIEW (Paper AC17/18)

- 4.1 The Head of Internal Audit presented the report which had been revised following discussion with the Chief Executive and Chief Finance Officer.
- 4.2 Members discussed Section 12 of the report which identified where recommendations were past the original implementation deadline, with no extension of time. The Chair said that, where due dates had been missed, there should be at least an indication of when the recommendations would be implemented. The Head of Internal Audit said that original dates should be met and they would not reset the date just because the action had not been completed. The Chief Finance Officer said that he considered deadlines that had been missed with the Internal Auditors and took remedial action.
- 4.3 The Chief Finance Officer said that the Constabulary was dependent on a third party supplier for those actions relating to the Duty Management System (DMS) (Audit NSP1707). The Chair said that some action should be possible under the terms of the contract. The Chief Finance Officer agreed and said that he would consider the recommendations and work towards a resolution.
- 4.4 The Head of Finance said that the Enterprise Resource Planning (ERP) working group was considering a number of issues in relation to ERP and DMS. A summary of the proposed actions, timeline and project plan had been produced. Some audit recommendations were dependent on these actions being implemented.
- 4.5 The PCC said that the report showed a lack of justification from departments on why implementation of audit recommendations had slipped past the agreed deadlines. He was concerned that estate recommendations (Audit NSP1605) had not been implemented because of annual leave in the department.
- 4.6 A member asked whether the due date to implement the four remaining Service Desk Best Practices would be met.

Action: The Chief Finance Officer will check whether the ITIL Service Desk recommendation (Audit NSP1626) had been implemented.

- 4.7 A member asked whether the Constabulary recruitment framework was part of an overall workforce strategy. Members said they would be interested in hearing more about the workforce strategy and expected this would address some of the concerns they had. The Chief Constable said that the Director of HR had implemented and staffed the model and could present at the next Audit Committee.

Action: Director of HR to be invited to give an overview of the workforce strategy to the Audit Committee.

- 4.8 The Chair asked why the recommendation to develop a standard protocol for changing door codes was overdue by a year. The Chief Finance Officer said that enhanced use of the SALTO system was being considered and a resolution was more complicated than suggested in the report, with implications for budgets and the estate across Norfolk and Suffolk.

- 4.9 The Chief Executive said that those responsible for implementing recommendations needed to deliver or explain to the Audit Committee why it was not possible. The Chief Constable agreed to look into why an interim process had not been implemented whilst the longer term issues with SALTO were resolved.

Action: Chief Constable to follow up on implementation of the recommendation in Audit NSP1603 requiring a standard protocol for changing door codes.

- 4.10 In response to Audit Committee members concern, the Chief Constable said that the Constabulary should report more thoroughly on all the recommendations that had not been implemented within the agreed timescale.

Action: Constabulary to provide an appropriate level of detail on audit recommendations that had not been implemented by the due date for inclusion in the follow up review.

- 4.11 A member asked about progress with the concept of a cross public sector wide audit, although there were reservations about how this might work in practice. The PCC said that it was likely there would be more multi-agency working in Suffolk that might require cross organisational audits, for example on measures to address gang violence and the implementation of Civil Parking Enforcement. The Chief Constable said that this was a complex area where agreed governance mechanisms were key to ensure there was value for money and clear accountability. The Chair said that a long term commitment would be needed for a public sector audit to work but if all partners agreed that there was a real need then it was likely that action would follow.

5. UPDATE ON EMBEDDING THE CODE OF ETHICS (Paper AC17/19)

- 5.1 The Chief Executive said that an update had been requested following the Committee on Standards in Public Life publication which said that PCCs should ensure the Code of Ethics was embedded.

- 5.2 A member said that he thought the report indicated that there had been good progress in embedding the Code of Ethics.

- 5.3 The PCC said that the proposed shift in culture to support and if necessary challenge the ethical conduct of leaders could be challenging to implement. The Chief Constable said that a number of formal and informal opportunities were in place for staff to communicate with their managers as well as senior officers.

- 5.4 A member said it was good to see that the employee survey had found that individuals felt they were able to voice concerns. The Chief Constable said he was committed to continuing the employee survey as an improvement tool.

- 5.5 A member asked how Suffolk fared against 30 other police forces who had undertaken the same employee survey. The Chief Constable said that the academic study had not produced league tables or official comparisons but he had been assured that the Suffolk results were not out of kilter.
6. SUFFOLK POLICE – AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2017 AND LETTER OF REPRESENTATION (Paper AC17/20)
- 6.1 Kevin Suter (Associate Partner, Assurance - Government & Public Sector, Ernst and Young) presented the Audit Results report for the year ended 31 March 2017. He said he was able to issue an unqualified opinion on the accounts for both the PCC for Suffolk and Chief Constable of Suffolk Constabulary. All areas of the audit had been concluded and would be completed today.
- 6.2 Section 2 of the report set out the risks in terms of the financial statements. No evidence of fraud in revenue recognition had been found. There was no evidence of management override and no inappropriate bias.
- 6.3 The changes in presentation of the financial statements meant there had been some loss of comparability with the 2015/16 financial statements. The Auditors were satisfied with the explanation provided on why the restated gross expenditure and gross income differed from the 2015/16 financial statements. It was likely that costs would be incurred for this additional work.
- 6.4 The conclusion on Value for Money was set out in Section 5 of the report and reflected the position to the end of March 2017. Findings on one significant risk 'Financial resilience – achievement of savings needed over the medium term' were outlined. The auditors were content that the challenges had been identified and arrangements to secure value for money were in place. Recent announcements had not been taken into account in the conclusion.
- 6.5 The PCC said he was pleased to hear the audit outcome and recognised the challenges that had been raised. He asked the External Auditors for their opinion on the level of reserves as he was mindful that the Constabulary needed to find additional money to fund the recently announced pay award.
- 6.6 The External Auditors said that the policy for reserves was the responsibility of the CFO but the auditors could confirm that the policy had been set robustly. The Value for Money statement in the report confirmed that arrangements were in place for the audit period ending 31 March 2017.
- 6.7 The Chief Constable said that the Home Office had asserted generally that police forces had 'substantial reserves', which was not the case in Suffolk.
- 6.8 The Head of Finance said that the most similar forces to Suffolk were in a similar position where reserves were being reduced and even halved over the period of the Medium Term Financial Plan (MTFP). The Head of Financial Accounting & Specialist Functions added that reserves were not fully supported by cash balances and borrowing to meet revenue requirements was not an option. A member noted that this point was also made in the narrative of the financial statements.
- 6.9 The Head of Finance said that the announcement of a 1% pay increase for police officers was an ongoing payment however there was also a non-consolidated award of 1%. The Chair said it was understood that the recently announced pay award for police officers could be an additional cost pressure in future years.
- 6.10 The Chief Finance Officer said that CIPFA set out that there should be local determination of the level of reserves. As CFO he provided a statement on the adequacy of reserves each year as part of the MTFP. He agreed with colleagues that

the Home Office and Treasury view on the level of reserves did not provide an accurate picture in Suffolk as by 2021 the level of reserves was forecast to be £7m. Nationally, police reserves were £2.6bn at the start of austerity but following significant reductions were now £850m.

- 6.11 The Chief Finance Officer said that the Constabulary was currently undertaking the annual Outcome Based Budgeting process which was likely to impact the level of reserves available. The Home Office funding settlement for 2018/19 would be known by mid-December 2017, following which the MTFP could be revised.
- 6.12 A member asked for information on the criteria used to test journal entries for evidence of management override. The External Auditor said a number of tests were undertaken and provided some examples.
- 6.13 A member asked what interaction the External Auditors had with the Internal Auditors. The External Auditors confirmed that there was a good working relationship whereby they were able to discuss issues. The internal audit reports were available for inspection and the External Auditors also formally wrote to the internal auditors, for example for a formal view on fraud. The working relationship had not been explicitly noted in the audit report as there were no concerns to raise.
- 6.14 A member asked for further detail on the interaction between the auditors and the actuaries as reliance had been placed on them as experts. The External Auditor said that there were a limited number of actuaries in the UK. The National Audit Office undertook a comparison of actuaries and the auditors also tested the assumptions made through a number of questions.
- 6.15 A member said that the reference to note 35 in the Group and PCC Financial Statements made in the Letter of Representation (Section F) should in fact refer to note 34 (Post Balance Sheet Events).
- 6.16 A member suggested that the PCC and CFO should state that they 'accept' rather than 'agree' the actuarial assumptions (Section L). The Head of Financial Accounting & Specialist Functions said that the report from the actuaries was reviewed and queries were raised. Previously, where the assumptions had been challenged by the Constabulary, the actuaries Hymans Robertson had reviewed and amended. The External Auditor said that he had agreed to consider this issue following the Audit Committee meeting in September 2016. He had brought the request to the attention of the EY Professional Practice Department who said that they would not accept a change in the wording.

7. STATEMENT OF ACCOUNTS 2016/17 (Paper AC17/21)

- 7.1 The Chief Finance Officer apologised for the delay in sending the papers to Audit members by post.
- 7.2 The report covered: The PCC's Annual Governance Statement; The Chief Constable's Annual Governance Statement; The Group and PCC Statement of Accounts and The Chief Constable's Statement of Accounts. The CFO said that the cover report explained the process and next steps.
- 7.3 The Chief Finance Officer said that there had been a change in the presentation of the accounts. The Head of Financial Accounting & Specialist Functions said that the simplification process suggested by the Chartered Institute of Public Finance and Accountancy (CIPFA) was intended to make financial statements more easily understood by the public.
- 7.4 Previously the Statement of Accounts had used nine different headings reflecting the Service Reporting Code of Practice (SeRCOP). This would now be replaced with high

level reporting for the Chief Constable, PCC and Commissioning. The change had resulted in some differences in the position previously reported for prior years. The Head of Financial Accounting & Specialist Functions said that the Outturn Report was more useful for any members of the public who required the detail of the accounts.

- 7.5 The Chief Finance Officer said that the Committee could now consider the accounts in light of having received the audit report and audit opinion under the previous agenda item. He recommended that the Committee members consider the reports and recommend them for approval by the PCC and Chief Constable.
- 7.6 The Chief Finance Officer said that the wording on page 68 (Section 23 Contingent Liabilities, Contractual Dispute) of the Group Accounts had been amended to read 'outcome yet to be issued'.
- 7.7 The Head of Finance confirmed that he was currently unable to quantify the potential liability therefore the contractual dispute had been included as a contingent liability. The risk would be reassessed following the judgement, which was still awaited.
- 7.8 The Chair asked whether the outcome of the case would have an impact on other venues. The Chief Constable said that there was national interest in the case as it could impact other events where special policing services were requested.
- 7.9 A member expressed concern that there were more contingent liabilities than would be usual and thus a higher likelihood that one or more would come to fruition. He asked whether any future assessment of the level of reserves would take the contingent liabilities into account. The Chief Finance Officer agreed that contingent liabilities could be taken into account when considering reserves and noted that whilst some contingent liabilities were specific to Suffolk, some were national issues with a potential impact in Suffolk.
- 7.10 The Chief Executive queried the date on the contingent liability relating to Regulation A19. The Chief Finance Officer said he would check this for a definitive answer.
- 7.11 There was reference to 'going concern' in the letter to the External Auditors and a member asked whether there should also be a statement to this effect in the accounts. The Head of Financial Accounting & Specialist Functions said that, although it would be common practice to have a note regarding going concern in private sector accounts, there was no requirement to do so for the public. The External Auditors said that they assess viability in the Value for Money statement but this was not an issue they were concerned about and therefore they were content that the correct processes had been adhered to.
- 7.12 A member commented that the estimated exposure to default of £3k (page 86) seemed low when the age analysis following indicated that £135k was past its due date by more than one year. The Head of Financial Accounting & Specialist Functions said that most of these transactions were pension transfers.
- 7.13 A member commented on the lack of consistency in the presentation through the accounts particularly in presenting increases and decreases.
- 7.14 The Head of Finance said that the Finance team had worked to tight deadlines during the year. This was in preparation for revised timescales in 2018 when the draft accounts would be prepared by 31 May and published by 31 July. Members were advised that Audit Committee meetings would be scheduled accordingly.
- 7.15 A member asked whether any changes in the presentation of the accounts were envisaged for the following year. The Head of Financial Accounting & Specialist Functions said that it was likely the preparation of the accounts would be reviewed although the accounts themselves would not look too dissimilar. No fundamental changes were expected although the new Leasing Standard which would have an impact.

- 7.16 The Chief Executive said that the Audit Committee had considered the PCC's Annual Governance Statement (AGS) in draft at the previous meeting. The comments received from individuals, the committee meeting and the external auditor had been taken into account.
- 7.17 The Chief Finance Officer said that the comments on the Chief Constable's AGS had been considered in finalising the document. Some commentary on the financial position had been included.
- 7.18 Members were content with the Annual Governance Statements.
- 7.19 Audit Committee members had no comments or questions on the letters from the PCC, Chief Constable and Chief Finance Officer to the External Auditors which provided an understanding of how the PCC and Chief Constable gain assurance from management and an understanding of management processes and arrangements.
- 7.20 The Chief Finance Officer confirmed that there was no statutory responsibility for the Audit Chair to sign the Statement of Responsibilities.
- 7.21 Audit Committee members confirmed they were happy to recommend the adoption of the Annual Governance Statements and Accounts to the PCC and Chief Constable.

8. POLICE SECTOR AUDIT COMMITTEE BRIEFING (QUARTER 3) (Paper AC17/22).

- 8.1 The Chair said he was interested in the issue raised by the briefing in regard to women in finance and leadership and questioned whether organisational culture was leading to discrimination. The Chief Constable said that he was the National Police Chiefs Council (NPCC) lead on equality and diversity and he understood that EY, as the example raised, had made progress.
- 8.2 The Chief Executive gave an update in respect of the briefing on Blue Light Integration. An options appraisal to ascertain whether there was a local case in the interests of efficiency, economy, effectiveness or public safety had been undertaken. Having considered the findings, the PCC had made a decision not to take on responsibility for fire and rescue services for the foreseeable future (see PCC Decision 25-2017). There was ongoing work between Suffolk Constabulary and Suffolk Fire and Rescue Services and the decision could be kept under review. The PCC added that he would be interested in review findings of the newly extended Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS).

9. PUBLIC SECTOR AUDIT APPOINTMENTS

- 9.1 The Chief Finance Officer gave a verbal update to the Audit Committee on the appointment by Public Sector Audit Appointments (PSAA) Ltd of Ernst & Young to undertake the audit for the PCC and Chief Constable of Suffolk.
- 9.2 The Chief Finance Officer thanked members for their prompt responses on the consultation that was sent off. He confirmed that he had completed the response to PSAA and the appointment of EY had subsequently been formalised.

10. ANY OTHER BUSINESS

- 10.1 There was no other business.

The meeting closed at 11.49am

SUMMARY OF ACTIONS

Item	Action	Owner
4.6	The Chief Finance Officer will check whether the ITIL Service Desk recommendation (Audit NSP1626) had been implemented.	Chris Bland
4.7	Director of HR to be invited to give an overview of the workforce strategy to the Audit Committee.	Liz Hollingworth
4.9	Chief Constable to follow up on implementation of the recommendation in Audit NSP1603 requiring a standard protocol for changing door codes.	Chief Constable
4.10	Constabulary to provide an appropriate level of detail on audit recommendations that had not been implemented by the due date for inclusion in the follow up review.	Chris Bland