



PAPER AC18/19

AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 25 May 2018 at 9.30am.

PRESENT:

Members

Ian Blofield, Robert Millea, Andrew Peck and David Rowe.

Office of the Police and Crime Commissioner

Liz Hollingworth (Business Administration and Policy Officer), Christopher Jackson (Chief Executive) and Anna Parkinson (PA to the PCC and Chief Executive, observing).

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

Suffolk Constabulary

Rachel Kearton (Assistant Chief Constable).

Present by invitation

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

Apologies

Tim Passmore (PCC) and Gareth Wilson (Chief Constable).

PUBLIC AGENDA

1. ELECTION OF 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 of interest were made.

OFFICIAL

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 MARCH 2018 AND MATTERS ARISING (Paper AC18/8)

- 3.1 The minutes of the Audit Committee held on 23 March 2018 were agreed as a true record and signed by the Chair.
- 3.2 The Internal Auditors confirmed that a response from the Professional Standards Department was awaited on the potential fraud or irregularity noted at section 2.6 of the minutes.
- 3.3 The Chief Executive confirmed that the OPCC policy on the General Data Protection Regulation (GDPR) was in place and published on the PCC's website.
- 3.4 The policy audit would be discussed under item 8 of the agenda (Internal Audit - Progress Report).
- 3.5 The Chief Finance Officer said that he could provide an update on ICT mobile device management under item 7 of the agenda (Internal Audit - Follow Up Review).
- 3.6 The Chief Finance Officer said that he had enquired further about the findings in the Temporary Recruitment audit where it had been found that procurement arrangements had not been followed in two cases when procuring consultancy. The Chief Finance Officer confirmed that both cases required a retrospective single tender action which he had authorised. He assured the Committee that procurement staff were proactive in ensuring the Contract Standing Orders, which require three quotes for expenditure in excess of £50k, were complied with but these examples had not been identified at the time. The Chief Finance Officer had spoken with the individuals responsible and they were now aware of the requirements. The Finance Business Partners also assisted budget holders on their responsibilities.
- 3.7 The Chair said that it was important for the correct procedures to be followed so that there was not a perception of 'jobs for the boys'. The Chief Finance Officer said that one of the examples involved a former member of staff being employed on a consultancy basis to complete an important piece of work for a fixed number of days and a Single Tender Action should have been completed at the time, not retrospectively.
- 3.8 A member said that the procurement process should provide an honest assessment of the best procurement route and the trigger amount was likely to be exceeded, best practice would be to follow the higher value procurement process.
- 3.9 The Chief Finance Officer provided an overview of the procurement process for the IP Telephony contract. The work had been tendered twice as no supplier could fulfil the original specification. The Constabulary had responded to the issues that had arisen during the first exercise including increasing the time allocated for responses. The contract was let following the second tender exercise.
- 3.10 The issue raised at the previous meeting was regarding the extent to which penalties could be included within contracts. The Chief Finance Officer said that each contract was considered separately on its merits and advice on the IP Telephony contract had been provided from the 7 Forces strategic procurement lead. The project was challenging and the contract was considered complex. Instead of penalties in the contract, staged payments were used as incentives to deliver. Delivery of the project was delayed and, whilst there were ongoing discussions with the provider, procurement and legal advice was not to terminate the contract as it was considered no other supplier could complete the work. ACC Megicks had been able to work with the suppliers to find a solution and IP Telephony was delivered on 2 May 2018.
- 3.11 In summary there had been no contractual basis on which to impose financial penalties on the supplier.

3.12 The Chair asked whether lessons had been learnt from the procurement and delivery of the project. The Chief Finance Officer said that there would be an end of project report which would include 'lessons learnt'.

3.13 A member said that future contracts should consider whether financial penalties could be included. The Chief Finance Officer said that each new procurement exercise would consider this. The advice provided suggested that in this case, and potentially other complex projects, the supplier would not agree to punitive measures and either walk away or increase the cost of delivery.

4. INTERNAL AUDIT - ANNUAL REPORT 2017/18 (Paper AC18/9)

4.1 The Head of Internal Audit said that he was able to provide a positive opinion for 2017-18 and his statement in the Annual Report could be included in the Annual Governance Statements.

4.2 The number of audits with a 'limited' outcome had increased and if this trend were to continue the Head of Internal Audit said a negative opinion would be likely for the 2018-19 year. The number of limited assurances indicated that the right areas were being targeted for audit.

4.3 A member noted that there were seven audits with limited assurance for Suffolk and the additional limited assurance audit was a Norfolk only audit.

4.4 The internal audit performance and quality assurance targets for the year had been achieved and was acknowledged by the Audit Committee.

4.5 The Audit Director said that the internal audit report on Management of Police Information (MOPI) was still in draft format. The systems and processes for MOPI were in place but as the Constabulary was not yet MOPI compliant the audit had a 'limited' assurance result. A member asked whether, when the work was completed, the audit result could be converted through an advisory review. The Audit Director said that their opinion was that the work being undertaken was not enough to be compliant, so the result of the audit would not be changed.

4.6 The Chair said that the overall opinion did not adequately reflect that Norfolk and Suffolk Constabularies and PCCs were separate organisations and this could potentially be confusing for a member of the public. The Audit Director said that if the opinion had been different separate reports (and Head of Audit opinion) would have been issued.

4.7 The Chief Executive said that the Annual Governance Statement had to reflect the exact wording of the Head of Internal Audit's Annual Opinion. The Head of Internal Audit said a change to reflect Suffolk only could be considered in future.

5. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL – 2017/18 (Paper AC18/10)

5.1 The Chief Finance Officer said that the report was similar in style to the previous year and had three recommendations for the Audit Committee members to consider.

5.2 Internal Audit compliance was set out on pages 4 and 5 of the report with an assurance that there was an effective system of internal control. The opinion from the Head of Internal Audit had been included at section 1.17 of the report.

5.3 A member questioned whether recommendation 1 regarding Internal Audit compliance should include a statement to say '...insofar as they are aware, having made sufficient enquiry.' Other members said they were confident that the Internal Auditors were compliant. The Audit Director said that the external reviews undertaken also provided evidence of compliance.

- 5.4 It was noted that the operational recommendations had not been included within the total number of recommendations made by the Internal Auditors.
- 5.5 As recommended, members agreed that the Head of Internal Audit's Annual Opinion should be included in the Annual Governance Statements.
- 5.6 The Chief Finance Officer said that the assessment for 'feedback on performance' had been revised to 'partly' (Question 18, Appendix A).
- 5.7 The Committee agreed they were evaluating themselves (Q19) through considering the self-assessment and that areas for development (Q20) had been partly addressed through presentations on HR and ICT during the year. Members agreed that these could be assessed as 'partly'.
- 5.8 Members agreed that although the scoring was imprecise this kind of self-assessment was standard practice.

6. REVIEW OF COMMITTEE ACTIVITIES 2017/18 (Paper AC18/11)

- 6.1 The report provided a review of Audit Committee activities during the 2017/18 financial year. The format followed the Audit Committee Terms of Reference showing activity undertaken against each section.
- 6.2 Members agreed that the presentation from the Director of HR and the ICT report had been useful in providing relevant context for audit findings and this should be continued.
- 6.3 It was confirmed that the report covered the year to 31 March 2018.
- 6.4 A member suggested that the Terms of Reference, included as Appendix A in the report should be reviewed to include the self-assessment undertaken by the Committee. The Chief Executive said that he would include revised Terms of Reference in the revised Scheme of Governance and Consent.

7. INTERNAL AUDIT - FOLLOW UP REVIEW (Paper AC18/12)

- 7.1 A member asked whether the follow up process was improving and whether responses were being received in a more timely manner. The Audit Director said they were aiming to streamline the process as, whilst there was some improvement the regular updates were still not as timely as they would like.
- 7.2 Recommendations that remained outstanding having been previously reported to the Audit Committee were now being escalated.
- 7.3 The Chief Finance Officer said that he and the Chief Constable had been disappointed with the responses provided at the last Audit Committee meeting and had subsequently followed this up with Heads of Department. The new governance arrangements were such that the Organisational Board ensured audit recommendations were implemented with oversight from both the Chief Constable and Chief Finance Officer to ensure timely responses and implementation were delivered.
- 7.4 A member noted that there were 17 recommendations where the expected completion date had past or no date was noted for completion. The Audit Director said that since the report had been written, two recommendations had been implemented and an extended completion date had been granted for one recommendation. She said that the Organisational Board had implemented tighter reporting and escalation processes and more updates were being received. Members were pleased to hear that progress had been made.

- 7.5 A member asked whether there had been any progress with policy development, which had previously been reported as a key factor in delaying implementation of audit recommendations. The Audit Director said that they had recommended changing the policy process. Policies would be more succinct and have associated processes and documents. This would mean changes could be more easily made without a full policy review and consultation process.
- 7.6 The Chair noted that there still seemed to be a number of relatively straightforward recommendations outstanding. For example the proposed weekly check sheets for Transport Services (NSC1703) should have been completed in 2016. ACC Kearton said that a focus on the actual recommendation, in this case a standardised form, rather than associated issues, was required. The Audit Director agreed that this should have been completed and had reiterated this to the Responsible Officer.
- 7.7 The Chief Finance Officer confirmed that he was progressing the recommendations relating to the Crown DMS (NSC1707 Duty Management System).
- 7.8 A member noted that post Grenfell Tower there could be a reputational risk and liability should the recommendation requiring quarterly updates on compliance (NSC1725 Estates – Health and Safety) not be implemented. The Audit Director said that the recommendation had now been implemented.
- 7.9 A member asked what would happen if management decided they would not now progress a recommendation, for example if the change required in Athena to reduce duplicate records (NSC1817 Information Management - Data Quality), currently on hold, could not be implemented. The Audit Director said that if management discussed the options with the auditors and accepted the risk then this would be documented in the Follow Up Review and subsequently closed off.

8. INTERNAL AUDIT - PROGRESS REPORT (Paper AC18/13)

- 8.1 The report reflected the audits that had recently been completed.
- 8.2 Appendix A set out progress against the 2018-19 plan. Audits conducted as part of the 2017-18 plan which were yet to be concluded would be reported at the next Audit Committee. The Overtime, Expenses and Payments and Accounts Receivable reports had now been finalised. The Information Management - Management of Police Information (MOPI) audit report would be finalised in June. The Corporate Policy audit report had been included in the progress report, although it had been a late addition.

BUSINESS INTERESTS

- 8.3 A member said he was surprised that job applicants were not asked about business interests. The Audit Director said that notification of business interests had been included at a later stage in the recruitment process. This had been changed following the audit, making the process more efficient.
- 8.4 The audit recommendations included formalising the process for notifying the Constabulary about new business interests, providing further clarity on the definition of a business interest and developing rules around Constabulary funded training, which could potentially be utilised by staff in developing their other business interests.
- 8.5 A member asked whether the register of business interests included wider family and relations or just the employee. The Audit Director confirmed that vetting procedures encompassed relations however the Business Interest register was for employees. ACC Kearton said that, as an example, where a spouse had licensed premises this would be declared during vetting but an employee would need to declare this if a license was subsequently acquired by a family member.

- 8.6 The Chair said there seem to be a relatively high number of employees with business interests and asked what type of interests these were. ACC Kearton said that voluntary roles and rental property ownership were the most common business interests. ACC Kearton said that the recommendation to monitor where Constabulary funded training that could be beneficial to other business interests was valid. The Audit Director said that it was recommended that sickness levels of those with other business interests should also be monitored.
- 8.7 A member said that if business suppliers to the Constabulary included relations of employees there could be a reputational risk. ACC Kearton said that the Professional Standards Department assessed these situations.

RISK MANAGEMENT

- 8.8 The Audit Director said that the Internal Auditors met monthly with the Risk Manager.
- 8.9 A member asked how well risk management was understood and embedded within the Constabulary. The Audit Director said that there was a good understanding of risk management but improvements were needed in how risk was documented and carried forward. The risk appetite needed to be clarified and universally applied.
- 8.10 The Chief Executive asked whether the content of documented risks had been considered during the audit as well as the risk management process. The Audit Director said that they considered who determined and assessed risk and how this was managed and reported but said it was not the role of the auditors to determine the risks to the organisation.
- 8.11 The Head of Audit said that they would challenge if a risk looked odd or there was an obvious omission but generally would not consider the detail of risks and advise on this. Overall the aim was to achieve a better quality risk register and there should be improvement following the audit.

ICT GOVERNANCE

- 8.12 The Audit Director said that it was clear that the ICT department had delivered on a number of projects and continued to do so. The audit had been relatively positive which reflected a number of recent improvements.

CORPORATE POLICIES

- 8.13 The Audit Director said that the audit report on Corporate Policies had only recently been completed. The overall assurance assessment was confirmed as 'limited' as a number of changes had been recommended.
- 8.14 Currently policy reviews were taking up to six months and overall policy development was taking up to a year. However progress had been made and the proportion of expired policies had reduced from 83% to 38%.
- 8.15 The Chair agreed that the process needed to be shortened and policies themselves should be more succinct.
- 8.16 A member suggested there was a risk, with HR policies in particular, if the policy was not up to date. The Audit Director said that currently HR policies followed a separate process to other corporate policies and an HR audit would shortly be undertaken.
- 8.17 A member asked whether the Head of HR role had been filled. It was confirmed that the role had been filled temporarily with an experienced member of staff.

PAYROLL

- 8.18 The Audit Director said that, although the majority of areas were rated as reasonable assurance, limited assurance had been given to the audit overall because employees were able to self-approve on-call payments.

- 8.19 The Chief Finance Officer said that a technological fix to the existing payroll system was being tested to solve the issue at no cost and would be implemented in July 2018. The Head of Audit confirmed that Payroll was audited annually.
- 8.20 A member said that the timescale for implementing the reporting functionality recommendation looked challenging and said that unrealistic timescales could be a reason why so many audit recommendations were not implemented on time. The Chief Finance Office said that in this case he had no reason to doubt delivery by the end of June as a substantial amount of work had already been undertaken.
- 8.21 A member asked whether the extent of IR35 issues were known. The Chief Finance Officer said that assessments were undertaken on individual cases to ensure compliance.
- 8.22 The Chief Finance Officer asked the Committee to note that report reference 3, relating to HMRC payments, only affected Norfolk Constabulary.
- 8.23 The Chief Executive asked when the outstanding audit reports would be finalised as any 'limited' audits would need to be referenced in the Annual Governance Statements. The Audit Director said that the MOPI report would be finalised by the end of June and the other reports would be completed within two weeks.

9. ANNUAL INTERNAL AUDIT PLAN (Paper AC18/14)

- 9.1 The Audit Director said that draft plan had been considered at the last Committee meeting. The assurance ratings for previous audits had since been appended in Annex D. The final report had been submitted to the meeting for approval.
- 9.2 A member noted that a full risk audit was planned for 2018-19 but not thereafter. The Audit Director said that some audits would be a follow up rather than extensive testing and this would be considered in the scope.
- 9.3 A member said that the number of days allocated to the PCC grant audit seemed high in comparison to, for example, the Cyber audit. The Chief Executive said that, in light of the recent grant audit, he would be content with light touch audit arrangements in 2018-19. The Head of Internal Audit agreed that this could be accommodated.
- 9.4 A member questioned whether 10 days of audit time was required for the Lone Working audit. The Audit Director said the audit covered both Norfolk and Suffolk and would most likely use the time allocated however this would be considered during scoping.
- 9.5 A member asked how the contingency days would be allocated as the plan suggested the balance of 58 days would be utilised in 2018-19. The Head of Internal Audit said that this was a contingency as some audits had been delayed or deferred into the following year.
- 9.6 The Audit Director agreed to check the table but confirmed that 330 days had been allocated.
- 9.7 The Chair asked whether community confidence should be considered particularly with minority communities. The Head of Internal Audit said he did not consider this to be within the scope of the Internal Audit work. ACC Kearton said that Suffolk Constabulary had a Confidence and Satisfaction Board which considered data on public confidence and satisfaction with the police. The PCC received regular reports from the Chief Constable on Victim Satisfaction, public confidence and Stop and Search. Stop and Search was also subject to quite extensive scrutiny through the community led Stop and Search Reference Group. HMICFRS inspection reports would also highlight any areas for improvement.

10. POLICE AND CRIME COMMISSIONER'S ANNUAL GOVERNANCE STATEMENT 2018 (Paper AC18/15)
 - 10.1 The Chief Executive said that not all the required information had been available at the time of writing the draft Annual Governance Statement (AGS). The report would be updated to include the seven limited audit assessments and the most recent financial information.
 - 10.2 It was agreed that the parenthesis on page 20 referencing the Audit Committee (interim or otherwise) could be deleted.
 - 10.3 A member suggested that the Internal Auditor's Risk Report should be referenced on page 13 of the document.
 - 10.4 It was suggested that risk appetite, as discussed at the meeting, could be referenced on page 15. The Chief Finance Officer said that as risk appetite was still being considered by the Constabulary he would not suggest including this in the document.
 - 10.5 It was confirmed that the number of reviews (28) undertaken by the Internal Auditors would be included on page 21 of the AGS.
 - 10.6 The Chief Executive confirmed that a statement regarding police funding would be included so as to correspond with the Chief Constable's AGS.

11. CHIEF CONSTABLE'S ANNUAL GOVERNANCE STATEMENT 2018 (Paper AC18/16)
 - 11.1 The Chief Finance Officer said that the draft Annual Governance Statement mirrored the PCC's AGS. The seven limited assurance statements were referenced in the report. The reports would be finalised for publication with the Statement of Accounts.
 - 11.2 A number of minor alterations were agreed on pages 2, 4 and 7 of the report.
 - 11.3 A member said that there was no indication or assurance provided that the planned savings of £3.2million (page 12) would be delivered. The Chief Finance Officer said that this was covered by the arrangements for planned savings and identifying further savings, however he said he could amend the paragraph to make this clear.

12. THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK AND THE CHIEF CONSTABLE OF SUFFOLK CONSTABULARY ANNUAL AUDIT FEE LETTERS 2018/19 (Paper AC18/17)
 - 12.1 The Audit Manager said he would cover both the PCC and Chief Constable's fee letters together.
 - 12.2 The PCC and Chief Constable had opted in to the Public Sector Audit Appointments Ltd (PSAA) tendering process and the letters provided information on the 2018-19 financial year external audit fees resulting from this exercise.
 - 12.3 The indicative fees for 2018/19 were £24,434 for the PCC and £11,550 for the Chief Constable and were based on certain assumptions and an assessment of risk, as set out in each letter.
 - 12.4 It was confirmed that the audit fee would cover the same scope of audit work as previously and there was no reduction in the resource allocated or quality of the work undertaken.

13. RISK MANAGEMENT STRATEGY (Paper AC18/18)

13.1 The Chief Executive presented the report for consideration by the Committee, in accordance with the strategy.

13.2 The Chief Executive said that he considered OPCC risk management to be working satisfactorily.

14. ANY OTHER BUSINESS

14.1 There was no other business.

The meeting closed at 11.20am