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Dear Mark,

The Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk Constabulary

Understanding your management processes and arrangements

I am replying to your letters dated 5th February 2018 addressed to me in both my CFO capacities. With effect from 1 May 2015 I assumed responsibility for both CFO roles supporting the PCC and CC.

Please find below responses to the various questions contained within your letters. Where relevant, individual PCC or CC comments have been included.

1. What are the management processes in relation to:

- ▶ **Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments).**

The financial statements are prepared in line with the IFRS Code of Practice and are subject to internal quality assurance arrangements that review areas of highest risk. The accounts are subject to analytical review that would identify major movements between years and seek explanations that would assess the likelihood for material misstatement. The CFO provides managerial support and challenge throughout the preparation of the Statement of Accounts process, particularly in the areas of analytical review.

Key tasks in this area are covered within the agreed Closedown Timetable 2017-18, with responsibilities assigned to individuals and dates for action to be completed included. Compliance with the timetable is monitored throughout the year-end closedown period and reported to senior finance staff, with corrective action taken as required.

On an on-going basis checks are made at a corporate level through the corporate accounting processes to ensure the accuracy of financial coding.

The officers who prepare the statements are professionally qualified accountants who undertake CPD activities. Their work is segregated where feasible and they work to their professional bodies codes of conduct. The officers will be present at the meeting of the Audit Committee when the Statements of Accounts for 2017-18 are presented, and Audit Committee members' detailed questions will be answered.

Further explanations of controls in place are provided under item number 8 below.

- ▶ **Identifying and responding to risks of fraud in the Police and Crime Commissioner for Suffolk (PCC) and Chief Constable for Suffolk Constabulary (CC), including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclose for which a risk of fraud is likely to exist.**

Audits on the main accounting systems are conducted annually and reported to the Audit Committee. Those areas which are more open to fraud are subject to additional internal audit review during the year and the Audit Committee receives reports on any findings. There are regular liaison meetings between Internal Audit and PSD. This contact has resulted in some extra internal audit activity.

Fraud is deterred through the existence of policies and procedures (which include segregation of duties, two authorising signatories required for many transactions etc.) and provides more detail than Financial Regulations. Regular internal audits, vetting of employed or re-employed staff and a whistle blowing policy all contribute to deterring fraud.

In addition to training for all staff and officers, the intranet site is proactively used on a regular basis to remind all officers and staff of their various responsibilities as set out in the various policies and procedures relating to fraud, ethical behaviour and other related matters.

The intranet also contains a highly confidential fraud reporting line, which is highlighted in the approved Confidential Reporting and Whistleblowing Policy (Breaches of Professional Standards), and was published on the Constabularies intranet sites on 20 January 2016.

The updated Anti-Fraud and Corruption Policy was published on the Constabularies intranet sites on 22 March 2018.

All former and current Audit Committee members are familiar with the Anti-Fraud and Corruption Strategy, which sets out the process for identifying and responding to fraud.

At any point during the preparation of the Statements of Accounts, I have open access to the PCC and CC to discuss any areas of concern pertaining to identifying and responding to risks of fraud in the PCC and Suffolk Constabulary, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclose for which a risk of fraud is likely to exist.

To date, I have been satisfied that the processes summarised above minimise the risk of fraud in the areas described above.

The procedures for identifying and responding to the risk of fraud and possible breaches of internal control are clearly set out in the above-mentioned documents and any such future instances would be dealt with accordingly and reported as necessary.

- ▶ **Communicating to employees its views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the PCC and CC's codes of conduct).**

Both the Office of the PCC and Suffolk Constabulary have adopted the Code of Ethics developed by the College of Policing, and a Joint Integrity Strategy Working Group has been established to implement an action and communication plan designed to raise employees awareness of the importance of the Code of Ethics. The action plan is monitored by the Chief Officer Team, and the Chief Constable reports back to the PCC and Audit Committee.

The approved Confidential Reporting and Whistleblowing Policy (Breaches of Professional Standards), which was published on the Constabularies intranet sites on 20 January 2016, makes particular reference to the requirements under the Code of Ethics.

In particular regard to standards of conduct, please refer to the PCC and CC draft Annual Governance Statements 2017-18, which will be considered at the Audit Committee in due course.

▶ **Encouraging employees to report their concerns about fraud.**

In addition to training for all staff and officers, the intranet site is proactively used on a regular basis to remind all officers and staff of their various responsibilities as set out in the various policies and procedures relating to fraud, ethical behaviour and other related matters.

The intranet also contains a highly confidential fraud reporting line, which is highlighted in the approved Confidential Reporting and Whistleblowing Policy (Breaches of Professional Standards), and was published on the Constabularies intranet sites on 20 January 2016.

The updated Anti-Fraud and Corruption Policy was published on the Constabularies intranet sites on 22 March 2018.

▶ **Communicating to the PCC and CC (i.e. those charged with governance) the processes for identifying and responding to fraud or error.**

The Anti-Fraud and Corruption Strategy approved by the former M&A Committee on 17 April 2009 brought together in a single document a number of inter-related strands covering the Police Authority and Constabulary's policies and procedures; the required standards of behaviour, the steps taken in preventing fraud and corruption; the detection and investigation arrangements in relation to suspected cases of fraud and corruption, and the arrangements in relation to suspected cases of fraud and corruption, and the arrangements for promoting awareness and commitment to providing relevant training.

The updated Anti-Fraud and Corruption Policy was published on the Constabularies intranet sites on 22 March 2018, the detail is understood by the PCC and CC.

The procedures for identifying and responding to the risk of fraud and possible breaches of internal control are clearly set out in the above-mentioned document and any such instances would be dealt with accordingly and reported as necessary.

2. What are Management's views about whether there are areas within the organisation that are at risk of fraud?

Fraud is deterred through the existence of policies and procedures (which include segregation of duties, two authorising signatories required for many transactions etc.) and provides more detail than Financial Regulations. Regular internal audits, vetting of employed or re-employed staff and a whistle blowing policy all contribute to deterring fraud.

There is a risk of corruption (because of investigations into serious and organized crime). Internal Audit carried out a review of Business Interests in 2017/18 (Substantial Assurance) and has made some recommendations around process.

3. Does Management have knowledge of any actual or suspected or alleged instances of fraud?

During 2017/18 there has been one case of criminal fraud and the person in question has been dismissed. A criminal case in connection to this is still progressing. While all fraud is considered as serious, the value of the fraud is under £5k and is not material to the information in the accounts.

4. Is Management satisfied that internal controls to prevent and detect fraud, including segregation of duties, exist and work effectively?

Audits on the main accounting systems are conducted annually and the results will be considered by the Audit Committee in due course. Other aspects of the annual audit planned work assess the effectiveness of internal controls, including segregation of duties, with any weaknesses being addressed following the audits.

In the knowledge of the controls that are in place and the various positive audit conclusions that have been reached, I am satisfied that internal controls, including segregation of duties, exist and work effectively and that there are controls in place to prevent, deter and detect fraud.

5. Are there any deficiencies in internal control?

I refer you to the answer above.

6. Are you aware of any instances where controls have been overridden?

I am not aware of any instances where controls have been overridden.

7. Is there any organisational or management pressure to meet financial or operating targets?

I consider that the financial and operational performance measures are openly and jointly agreed between the PCC and Chief Constable, and I am not aware of any inappropriate organisational or management pressure, or incentives offered, either to me or my colleagues to meet such targets.

Responsibility for monitoring achievement against jointly agreed targets rests with the Accountability and Performance Panel of the PCC.

8. Are there any particular areas of the accounts that are more susceptible to false entries or omissions or other forms of manipulation? Are management aware of any such manipulation having occurred?

The financial statements are prepared in line with the IFRS code of Practice and are subject to internal quality assurance arrangements that review areas of highest risk. I provide managerial support and challenge throughout the preparation of the Statement of Accounts process, particularly in areas of analytical review. Segregation of duties is rigorously applied across the Constabulary and PCC functions, ranging from the ordering and receipt of goods and services through to the authorisation of payments to staff and suppliers.

In regard to prepayments and accruals included in the draft Statements of Accounts, there is a clear audit trail for individual entries, including where appropriate, detailed calculations. There are no risk factors which are high risk of fraud. As a consequence of these (and other) controls being in place, I am confident that there are no accounting entries that I believe or suspect to be false or intentionally misleading in the draft Statements of Accounts.

9. How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2016-17?

Each year the PCC and Chief Constable, as corporations' sole and thereby separate legal entities, must by virtue of the Accounts and Audit Regulations 2015, each produce Annual Governance Statements (AGS). Draft PCC AGS and CC AGS covering 2017-18 will be considered at the Audit Committee in due course.

The preparation and publication of an Annual Governance Statement in accordance with the publication "Delivering Good Governance: Guidance Note for Policing Bodies in England and Wales issued by CIPFA in July 2016 is necessary to meet this statutory obligation.

The draft PCC AGS and CC AGS have been produced in accordance with the template provided for in the CIPFA Guidance. The template required a number of areas to be addressed, including:

- undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities;
- ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
- whistle blowing and for receiving and investigating complaints from the public and handling citizen and other redress;
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

There have been no reported breaches of relevant laws and regulations during 2017-18.

10. Are there any actual or potential litigation or claims that would affect the financial statements?

Other than any matters referred to in the Contingent Liabilities notes, or financially provided for and shown within the Provisions notes of the CC and PCC, there is no actual or pending litigation or claims that would, to the best of our knowledge and belief, affect the financial statements.

11. How does management satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

In terms of financial performance for the year ending 31 March 2018, this will be considered at the Accountability and Performance Panel meeting on 21 June 2018. Discussion of the year-end financial position will be set in the context of successfully delivering planned recurring savings of and financially managing the cost of a number of ongoing major operations within the budget approved by the PCC and delegated to the Chief Constable.

Assurance of medium term financial stability is detailed in the PCC's approved Medium Term Financial Plan (MTFP) 2018-19 to 2021-22 and the Police and Crime Plan 2017-2021, which balances agreed operational priorities within the financial resources available from Home Office grants, council tax and other income.

The current MTFP shows a recurring savings requirement of £7.622m over the period of the MTFP (2017-18 to 2020-21), of which savings plans of £4.424m have been identified, leaving savings to be identified for the last two years of the plan of £3.198m. The financial impact on reserves of implementing the MTFP as approved would result in the total reserves being £5.790m as at 31 March 2021.

A joint Norfolk and Suffolk Strategic Planning and Monitoring board has been established to oversee the delivery of the Change Programme. This group will also inform the development of the strategic planning cycle beginning in the summer known as the Service and Financial Planning process. This will help inform the savings plans which are being developed to address the savings to be achieved of £3.198m over the last two years of the MTFP. Discussions continue between the PCC (including the Senior Management Team) and Chief Constable (including Chief Officers) regarding the savings plans options.

Reference has been made in a number of the above responses to the draft PCC and CC Annual Governance Statements which will be considered at the Audit Committee in due course. These papers provide a comprehensive summary of the PCC and CC governance framework comprising the systems, process, culture and values by which they direct themselves and maintain control, and the activities which they account to and engage with the community.

It enables the PCC and CC to monitor the achievements of strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money. As such, therefore, I would recommend that the draft PCC and CC

Annual Governance Statements are read in conjunction with the responses to the specific questions raised, as they provide important context and relevant supplementary information.

12. Could you please provide a list of the affiliates of the PCC for Suffolk or any changes to the PCC, its officers and Members since 1 April 2017.

I understand that by 'affiliates' you are referring to Related Parties. As part of the closedown we will gather related parties information and this will be available to you at the audit.

13. In relation to independence matters, is management aware of:-

- Any employment discussions currently underway with, or any outstanding offers of employment to, any audit engagement team members, including key audit partners, concerning an appointment to a significant accounting role (SAR) or a financial reporting oversight role (FROR) with the PCC;
- Any former audit engagement team members, including key audit partners, who have taken employment with the PCC in a SAR or FROR, or has moved into a SAR or FROR at the PCC since 1 April 2017
- Any close relationships with any individuals in a SAR or FROR role at the PCC and any EY partner or EY professional; and
- Any business relationships between EY member practices and the PCC.

I am not aware of any individuals, circumstances or relationships that I need to report in the circumstances described above.

I trust this letter provides you with sufficient detail regarding the management processes and arrangements that are in place across the PCC and Constabulary in those areas detailed in your letter. If you require clarification on any of the issues, please do not hesitate to contact me.

Yours sincerely



Chris Bland
PCC and CC CFO