



AUDIT COMMITTEE

An extraordinary meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Thursday 20 September 2018 at 9.30am.

PRESENT:

Members

Ian Blofield, Robert Millea, Andrew Peck and David Rowe (Chair).

Office of the Police and Crime Commissioner

Christopher Jackson (Chief Executive), Anna Parkinson (PA to the PCC and Chief Executive) and Tim Passmore (Police and Crime Commissioner).

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

Suffolk Constabulary

Peter Jasper (Head of Joint Finance) and Melanie Monaco (Senior Financial Accountant).

Present by invitation

Chris Hewitt (Audit Manager, Ernst and Young) and Mark Hodgson (Associate Partner, Government & Public Sector, Ernst and Young).

Apologies

Gareth Wilson (Chief Constable).

PUBLIC AGENDA

1. DECLARATIONS OF INTERESTS

1.1 David Rowe, Chair asked it to be noted that he is on the Board of the Suffolk Local Government Pension Scheme, which is mentioned in the papers.

1.2 No other declarations of interest were made.

2. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 30 JULY 2018 AND MATTERS ARISING (Paper AC18/24)

2.1 The minutes of the Audit Committee held on 30 July 2018 were agreed as a true record and signed by the Chair.

- 2.2 With regard to the action at 2.2 on the minutes, The Chief Finance Officer said that the report on the implementation of IP Telephony was not yet available but hoped that it would be within a month, at which point it would be circulated.
- 2.3 A member asked what the nature of the meeting was on 17 July 2018 referred to at 3.21. The Chief Finance Officer clarified that this was not a formal meeting but one to discuss the progress of the audit with Ernst & Young (EY).

3. STATEMENT OF ACCOUNTS 2017/18 (Paper AC18/25)

Ernst & Young LLP Audit Results Report for the Year Ended 31 March 2018

- 3.1 The External Auditor presented this report and, while it was largely to be taken as read, highlighted key points.
- 3.2 The External Auditor confirmed the adjusted differences noted on page 6 of the report relating to Local Government Pensions Fund Assets and a settlement of a contractual dispute with Ipswich Town Football Club (ITFC) were due to timing issues only and did not relate to errors of process.
- 3.3 A member asked whether there was now an ongoing arrangement with ITFC with regard to costs. The PCC confirmed the Constabulary is charging the maximum possible in accordance with national policy. However, this is not full cost recovery and this situation can only change if there is a change in the law. The PCC said that he would be having discussions shortly with representatives from the National Police Chiefs Council and Association of Police and Crime Commissioners to discuss next steps in making the case for a change in legislation. The Chief Finance Officer added that work is also being done on this nationally, and not only football but other events are affected.
- 3.4 The External Auditor said that during the audit process an area which had presented difficulty was around the valuation of Property, Plant and Equipment (PPE). EY's valuations differed considerably to the PCC's valuations and extra expert analysis was required to bring the valuations into a range acceptable to EY. The External Auditor confirmed that EY was now content with the valuations but a recommendation was made that the PCC's larger assets were valued more frequently in order to reflect market movements. The Head of Finance confirmed that the PCC's valuers had already been instructed to incorporate this recommendation going forward, and will check whether this will incur any additional cost.
- 3.5 A member asked for reassurance that the delays caused by the PPE valuation would not re-occur and that EY would engage with the PCC's valuers at an earlier stage to identify and address any problems as soon as possible. The External Auditor agreed that early identification was necessary to avoid the same situation arising but emphasised the role of external auditors was to challenge outcomes in order to produce a true and fair set of accounts.
- 3.6 The Chief Finance Officer said that there were a number of lessons to be learned from the recent audit process and the Finance Team will be meeting with EY in order to determine what can be done better in terms of timing and accuracy to ensure that next year the accounts are signed off by the end of July. The Chair asked if the outcome of the meeting could be shared at the next meeting of the Audit Committee so that everyone was aware of the issues raised and actions to be taken, in order to provide reassurance for the future. The Chief Finance Officer confirmed this would be done.
- 3.7 The External Auditor confirmed that EY could issue an unqualified opinion on the accounts for both the PCC for Suffolk and Chief Constable of Suffolk Constabulary, subject to the following agenda items being completed.

- 3.8 In terms of Value for Money Risks, the External Auditor drew the Committee's attention to the level of reserves. The financial model shows that significant issues could arise in year 4, where the level of reserves would be lower than the minimum level set by the Chief Finance Officer. The External Auditor added, however, that the PCC and CC have a record of achieving savings plans and is content with the way the savings programme is put together.
- 3.9 The Chief Finance Officer gave the Committee reassurance that work is being done in every department to identify savings not only for the next financial year but further ahead.
- 3.10 A member asked if Management was happy to accept the recommendations on page 32 of the report. Management confirmed that they were happy to accept the recommendations with the addition of the word "continue" in both recommendations to remove any implication that they were not already doing what was recommended. The External Auditor confirmed he was happy to add the word "continue".
- 3.11 A member asked if Management was also happy to accept the recommendation on page 31 of the report in relation to the capital programme, as the programme is due to underspend by approximately 50%. The External Auditor expressed concern about when the underspend was identified and what was done to alleviate it. The Chief Finance Officer said that the work contained in the recommendation is already being done. He explained that the programme is reviewed on a monthly basis, and work is currently ongoing to present a revised capital programme at the next Accountability and Performance Panel Meeting. The Head of Finance added that management takes as pragmatic and realistic approach as possible and it is slippage particularly around the estates programme which causes significant changes in expected spends and capital receipts. Changes to timescales, particularly with regard to Estates, are outside the Management's control. The Chair commented that in this area it is difficult to predict expenditure, and felt that this had just been an exceptional year and therefore there was no need to change any of the processes in place.
- 3.12 A member suggested in future it would be helpful to have an additional paper from Management which addresses the recommendations and explains whether it agrees or not with a short explanation. The Chief Finance Officer said he could also have spoken to the External Auditor when the report was still at draft stage if the Management felt that any of the recommendations should be challenged and could do so in future.
- 3.13 A member asked why the Value for Money section of the report did not include any reference to collaboration, particularly with Norfolk, as the PCC and CC have spent a considerable amount of time developing collaborative work in the interests of financial efficiency. The External Auditor said consideration could be given to including this next year.
- 3.14 With regard to the recommendation on page 35, the Head of Finance said that Management did not entirely accept this as they try to strike a balance so that readers are not overburdened with information which is contained within other reports. He said that Management fully complies with the spirit of the code. The Chief Finance Officer suggested discussing this recommendation at the forthcoming review meeting.
- 3.15 With regard to the recommendation on page 36, the Head of Finance stated that the same accounting policies are used for both the Chief Constable's accounts and the PCC's Group accounts, demonstrating that accounting policy is consistent across the board. The Chief Finance Officer again suggested discussing this recommendation at the forthcoming review meeting.
- 3.16 Management confirmed it agreed with both recommendations on page 38.

- 3.17 A member asked whether anyone had any comments with regard to EY levying an additional fee, following the work required to complete this year's audit. The Chief Finance Officer said that this would also be discussed at the forthcoming review meeting. Any additional fee would have to be approved by the Public Sector Audit Appointments (PSAA Ltd).
- 3.18 The External Auditor added that when the PSAA report on the late approval of accounts, individual bodies will not be named in the report.

Letters of Representation

- 3.19 The Chief Finance Officer stated that he was satisfied that the Letters of Representation addressed all matters which EY required be incorporated. The External Auditor confirmed this was the case and also that these are standard letters and not related to anything specific following this audit.

Annual Governance Statements

- 3.20 The Chief Executive said that the Audit Committee had considered the PCC's Annual Governance Statement (AGS) in draft at the May meeting. The comments received from individuals, the committee meeting and the External Auditor had been taken into account.
- 3.21 The Chief Finance Officer said that the comments on the Chief Constable's AGS had been considered in finalising the document.
- 3.22 Members were content with the Annual Governance Statements.

PCC's Group and PCC Statement of Accounts

- 3.23 The Chief Finance Officer invited comments and questions.
- 3.24 There were no material comments or questions.

Chief Constable's Statement of Accounts

- 3.25 The Chief Finance Officer invited comments and questions.
- 3.26 There were no material comments or questions.

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

- 3.27 The Chief Finance Officer said that these letters were an annual requirement and for completeness were included for the Committee to consider, noting some overlap with the Letters of Representation.
- 3.28 Audit Committee members had no material comments or questions on the letters.

Recommendations (paper AC18/25)

- 3.29 The Chief Finance Officer stated that recommendation one was complete ie that the Committee had considered the PCC's and CC's Annual Governance Statements and their respective Statements of Accounts. The External Auditor asked if consideration of the Ernst & Young Audit Results Report could be included in the recommendation for completeness and the Chair agreed.
- 3.30 Audit Committee members confirmed they were happy to recommend for approval the Statements of Accounts, and adoption of the Annual Governance Statements, by the PCC and CC.

4. ANY OTHER BUSINESS

- 4.1 There was no other business.

The meeting closed at 10.50am.