

ORIGINATOR: BUSINESS SUPPORT OFFICER

PAPER NO:

AC19/11

SUBMITTED TO: AUDIT COMMITTEE 31 MAY 2019

SUBJECT: REVIEW OF COMMITTEE ACTIVITIES 2018/19

SUMMARY:

This report documents the Audit Committee activity in 2018/19 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 2018/19 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 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 2018/19 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:

Consider the corporate governance arrangements and review annual governance statements (including in relation to ethical values) of the PCC and Chief Constable.

In May 2018 the Audit Committee considered the draft Annual Governance Statement for the Police and Crime Commissioner prepared by the Chief Executive (Paper AC18/15) and the draft Annual Governance Statement for the Chief Constable prepared by the Chief Finance Officer (Paper AC18/16).

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.

The Audit Committee members were presented with the final Annual Governance Statements at an Extraordinary Meeting in September 2018 as part of the Statement of Accounts 2018/19. (The Extraordinary Meeting was necessary as the statutory deadline for the closure of accounts was not met due to delays with the External Audit process).

The AGSs identified a significant governance issue owing to there being seven "limited assurance" reports issued by the Internal Auditors.

On data security there were no breaches during the 2018/19 financial year which had resulted in a referral to the Information Commissioner's Office.

In November 2018 the Committee received a report from the Chief Constable monitoring implementation of the Code of Ethics (AC18/29). The annual report fulfilled the requirement for the PCC to hold the Chief Constable to account on the Code of Ethics, as recommended by the Committee for Standards in Public Life.

Consider the effectiveness of the arrangements to secure value for money.

Audit Committee members considered the External Auditors Audit Results Report in November 2018 which included the conclusion on value for money, reflecting the position at the end of March 2018. Findings on one significant risk 'Financial resilience – achievement of savings needed over the medium term' were outlined in the report. The auditors were content that arrangements to secure value for money were in place.

Consider the risk management arrangements of the PCC and Chief Constable.

In May 2018 the Chief Executive presented a report on Risk Management to the Committee (AC18/18) setting out his assessment upon compliance with the PCC's Risk Management strategy for the year 2018/19. 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. It was confirmed that the PCC risk registers were available for Audit Committee members to view and the Constabulary risk register was regularly reviewed by the PCC during the confidential session of the Accountability and Performance Panel.

Consider the effectiveness of the arrangements for countering corruption and fraud.

Any fraud/irregularities that the Internal Auditors are advised of are reported to the Audit Committee through the Internal Audit Progress report. A fraud had been identified in 2017/18 and the matter yet to be concluded during 2018/19.

The Internal Auditors reported in their progress reports through the year that there had been regular meetings with Professional Standards which included discussion of any 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:

Review the internal audit plan and propose any revisions to the internal audit plan.

The draft of the Internal Audit Strategic Plan and Annual Plan 2019/20 (AC19/04) was considered at the meeting in March 2019. Various amendments were suggested and will be incorporated into the plan.

Consider the internal audit annual report and any appropriate in-year reports.

The Internal Audit Annual Report 2017/18 (AC18/09) 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 governance statement.

The Review of the Effectiveness of the System of Internal Control 2017/18 (Paper AC18/10) was received by the Committee in May 2018. The report, from the Chief Finance Officer, 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.

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

May 2018

- Internal Audit Follow up Review (AC18/12)
- Internal Audit Progress Report (AC18/13) reporting progress to 15 May 2018.

July 2018

- Internal Audit – Follow up Review (AC18/23)
- Internal Audit Progress report (AC18/22) reporting on progress to 8 September 2017.

November 2018

- Internal Audit – Follow up Review (AC18/28)
- Internal Audit Progress report (AC18/27) reporting on progress to 16 November 2018.

March 2019

- Internal Audit Follow up Review (AC19/02).
- Internal Audit Progress Report (AC18/4) reporting on progress to 12 March 2018.

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 and the Chief Constable of Suffolk Constabulary Annual Audit Fee Letters for 2018/19 (Paper AC18/17).
- Audit Results Report for the Year Ended 31 March 2018 and Letter of Representation. (Paper AC18/25)
- The Police and Crime Commissioner for Suffolk and the Chief Constable of Suffolk Constabulary Annual Audit Letter for the year ended 31 March 2018 (Paper AC18/30).
- The Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk Constabulary Audit Planning Report 2018/19 (Paper AC19/05).
- An EY Police Sector Audit Committee Briefing was circulated in July 2018.

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 2018/19 at the extraordinary meeting in September 2018 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 Constabulary - Understanding how the Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk gains 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 2018/19 can be reviewed.

The Review of the Effectiveness of the System of Internal Control 2017/18 was circulated prior to the Audit Committee meeting in May 2018. This report included the CIPFA 'Self-assessment of Good Practice' checklist, evaluation of effectiveness and Knowledge and Skills Framework. Members reviewed their performance using the checklist and the Review of Committee Activities report (AC18/11). The Chief Executive and Chief Finance Officer said there were no particular areas of weakness and they were satisfied with the contribution made by members.

It was agreed that the self-assessment undertaken by the Committee should be included in the Terms of Reference, and these revised terms also included in the Scheme of Governance and Consent.

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:

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.

Audit of the Statement of Accounts 2018/19

The statutory deadline for the closure of the accounts was missed due to delays in the process. An Extraordinary Audit Committee was therefore held in September 2018. The Committee received a report in November 2018 following an Audit Review Meeting on 1 November 2018 to provide reassurance that procedures were in place to ensure that the problem was not repeated.

Treasury Management Report

In March 2019 the Committee was asked to note both the Annual Investment and Treasury Management Strategy Statement 2019/20 and the Mid-Year Treasury Management

Monitoring Report 2018/19. Audit Committee Members are not expected to be specialists in this field and therefore are not required to approve the report, but instead note it.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications.

4. OTHER IMPLICATIONS AND RISKS

4.1 There are no other implications.

| ORIGINATOR CHECKLIST (MUST BE COMPLETED) | PLEASE STATE 'YES' OR 'NO' |
|---|---------------------------------------|
| 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 |

Appendix A

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.”

Note: In April 2019, the Terms of Reference were amended to include Treasury Management - The Committee will note the Annual Investment and Treasury Management Strategy Statement and any appropriate related monitoring reports.