



**PAPER AC19/20**

## **AUDIT COMMITTEE**

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 31 May 2019 at 09:30.

PRESENT:

### **Members**

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

### **Office of the Police and Crime Commissioner**

Chris Bland (Chief Finance Officer), Christopher Jackson (Chief Executive), Anna Parkinson (EA to the PCC and CEO/Business Administration Officer) and Tim Passmore (Police and Crime Commissioner).

### **Suffolk Constabulary**

Steve Jupp (Chief Constable) and Kenneth Kilpatrick (Assistant Chief Officer).

### **Present by invitation**

Fiona Dodimead (Audit Director TIAA), Chris Harris (Head of Internal Audit, TIAA), Claire Lavery (Internal Auditor, TIAA) and Sappho Powell (Audit Manager, Ernst and Young).

### **Apologies**

Ian Blofield (Audit Committee Member)

## **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 remainder of the calendar year.

## 2 DECLARATIONS OF INTERESTS

2.1 There were no declarations of interests.

## 3 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 22 MARCH 2019 AND MATTERS ARISING (PAPER AC19/08)

3.1 The minutes of the Audit Committee held on 22 March 2019 were agreed as a true record.

3.2 The actions were confirmed as complete with the exception of the emails that were to have been sent by the internal auditors, one with regard to Subject Access Requests (SARs) and a second with regard to procedures in place for managing personal relationships at work. The Internal Audit Director said that the update was included in the internal audit progress report.

3.3 An Audit Committee Member asked if there had been “final verification” that all policies have been reviewed and changes implemented to comply with GDPR requirements, as mentioned in the minutes at 3.9. The Internal Auditor confirmed this was the case.

3.4 The same Audit Committee Member then went onto ask for reassurance that the external audit is proceeding on schedule, given what happened last year. The External Audit Manager confirmed that the external audit had started this week and all that has been requested has been delivered. It is on schedule so far. The Chief Finance Officer added that the draft Statements of Accounts for both PCC and Chief Constable had been concluded and posted on the website earlier in the week.

3.5 The PCC said that he also wanted absolute assurance that the difficulties of the previous year would not be repeated and that no extra fees would be incurred again. The External Audit Manager said that she could not categorically say that there will be no extra fees as the audit has only just commenced. However, currently the audit is on track and considerable progress had been made concerning the issues raised last year.

## 4 CHIEF FINANCE OFFICERS

4.1 The Audit Committee noted that the PCC and Chief Constable have with effect from 8 April 2019 reverted to a position where they each have a separate Chief Finance Officer.

## 5 INTERNAL AUDIT – ANNUAL REPORT 2018/19 (PAPER AC19/09)

5.1 The Head of Internal Audit introduced this report and handed over to the Audit Director.

- 5.2 The Internal Audit Director said that this was a very positive report, with the number of limited assurances falling from seven in the previous financial year to two in 2018/19.
- 5.3 The Chair noted that this was a big and welcome improvement. He asked whether it was because the organisation was improving or were the areas audited this time ones where the organisation already performed better. The Internal Audit Director said that if some of the areas with limited assurance in 2017/18 had been re-audited in 2018/19 some indeed would have still been limited. However, work is already underway to address the problems in these areas so there was little to gain in re-auditing them at this point. She also said that in terms of the improvement in assurance assessments, staff have been very conscientious and have been working hard with the audit team to implement recommendations with the resources they have available.
- 5.4 An Audit Committee Member said that he was also pleased to note that as well as the fall in number of limited assurances, there was also a fall in recommendations from 114 to 87 compared with the previous year. However, he noted that the number of substantial assurances received was also down and asked whether the organisation was in a position to turn the reasonable assurances received into substantial in the future. Another Audit Committee Member commented that he would not want the organisation just to accept reasonable assurance as enough and stop striving for improvement to substantial.
- 5.5 The Internal Audit Director explained that it is difficult to attain substantial assurance, with reasonable being a more wide ranging assessment of where the organisation is in a particular area. She said that much work has gone into moving limited assurances to reasonable and it is a question of whether it is worth putting in the resources to move up to substantial assurance. It may not be value for money for the organisation to deploy resources in this way. Reasonable assurance, with an awareness of where the risks are, is still positive.

## 6 REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL (PAPER AC19/10)

- 6.1 The Chief Finance Officer presented this report.
- 6.2 The Audit Committee Members then confirmed that they were content with the scores received in the Evaluation of the Effectiveness of the Audit Committee section of the report.
- 6.3 The PCC then raised his concern about how it can be ensured audit and internal controls are effective as deeper collaborations are entered into, particularly with regard to the 7Force collaboration agreement on procurement.
- 6.4 The Head of Internal Audit explained that usually when a collaborative project is audited, such as Athena, the lead organisation is audited and then the report is made available to all interested parties. This would cover the corporate approach and then internal auditors could cover the organisational approach.

- 6.5 An Audit Committee Member said that before agreeing how the new procurement arrangement is audited, the Committee would need to know what the legal structure of the collaboration agreement is and how Suffolk's interests are protected. The Chief Executive gave a verbal overview of the agreement and the arrangements in place. The Audit Committee asked the Chief Executive if a short paper relating to this subject could be prepared for the next meeting, in order to provide a clearer understanding for the Committee Members.

**Action: Chief Executive to prepare a short report re the 7Force Procurement Collaboration Agreement for the next Audit Committee meeting.**

7 REVIEW OF COMMITTEE ACTIVITIES 2018/19 (PAPER AC19/11)

- 7.1 The Business Administration Officer presented this report, the content of which the Audit Committee noted. An Audit Committee Member said that he was happy to see mention of the Committee's Terms of Reference being amended to include reference to Treasury Management.

8 INTERNAL AUDIT FOLLOW UP REVIEW (PAPER AC19/12)

- 8.1 The Head of Internal Audit introduced this report and handed over to the Audit Director who said that good progress was being made.

- 8.2 An Audit Committee member said that he was particularly pleased to note within the key findings that all recommendations are now being agreed and progressed with the Assistant Chief Officers and the Deputy Chief Constables to improve response and progression.

- 8.3 The Chair commented that it was frustrating that the situation with regard to policy and processes for dog handlers and officer allowances appeared to be ongoing still. The Internal Audit Director said that in terms of dog handlers, the policy has been written and is currently being reviewed so good progress is being made. In terms of officer allowances, the Chief Constable explained that this was more complicated due to the extent of the different ways in which the national guidelines can be interpreted. It is not just about fairness to individual officers but fairness across the organisation. It is a delicate position but work is underway in this area.

- 8.4 In terms of the due dates for a number of recommendations contained within the report, an Audit Committee member observed that the dates were in the near future and asked if it would be possible to have interim feedback prior to the next meeting that they have been achieved. The Internal Audit Director said that the information will be in the papers for the next meeting of the Norfolk Audit Committee and as these are due in the next few weeks the information can easily be shared.

**Action: Audit Committee to receive interim update on implementation of recommendations.**

9 INTERNAL AUDIT PROGRESS REPORT (PAPER AC19/13)

9.1 The Head of Internal Audit introduced this report and handed over to the Internal Audit Director.

9.2 The Internal Audit Director said that a number of reports are at draft stage and very close to being finalised. The Auditors are very comfortable with progress so far and outcomes.

Audit Report: Transport Strategy

9.3 The PCC drew attention to one of the Key Findings with regard to proactive checks not being undertaken by the Driver Training Unit on cleared drivers to ensure they remain suitable to drive Constabulary vehicles. The Chief Constable said that this situation had been addressed now under the new insurers who make sure that the Force strictly adheres to their interpretation of the national guidance in this area. The PCC said, that as it is a public document, it would be helpful if the situation was more immediately clear in the report.

9.4 An Audit Committee Member drew attention to another of the Key Findings around ensuring that staff claiming mileage have the appropriate insurance for business use and current licences, as any lapses in this area could have very serious implications. The Internal Audit Director said that assurance was being gained that processes are being put into place to address this area. For example, staff claiming mileage will need to provide a copy of their policy showing that business use is covered. Staff are also being reminded that they need to make ongoing disclosures in relation to licence endorsements, medical issues etc.

Audit Report: Key Financials

9.5 The PCC said that he was concerned to the number of retrospective purchase orders being raised rather than in advance as they should be. The Internal Auditor explained that this was the way the system is set up. A purchase order has to be raised for everything, so any expenditure not known about in advance will end up with a retrospective purchase order being raised. Some systems have an "exception list" for items which do not require purchase orders but the Finance Department does not want to run this way.

9.6 An Audit Committee Member commented that having to raise purchase orders against all expenditure is not necessarily a weakness.

9.7 The Chief Constable said that the Assistant Chief Officer will take this issue away and consider whether an exception system should be used.

**Action: Assistant Chief Officer to consider the use of purchase orders / running an exception list.**

Audit Report: Fuel Usage and Telematics

- 9.8 No comments were made with regard to this report.

Audit Report: Risk Management

- 9.9 The Chair asked why there was only reasonable assurance in this area, given that no recommendations had been made. The Internal Audit Director explained that this was due to the recommendations from the previous audit report being ongoing. She said that the Internal Auditors are very pleased with the changes so far.
- 9.10 The PCC asked if the Internal Auditors were confident that the Risk Register is sufficiently dynamic. The Director of Internal Audit said that the changes to the format of the Risk Register address this.

10 ANNUAL INTERNAL AUDIT PLAN (PAPER AC19/14)

- 10.1 The Head of Internal Audit introduced this report and handed over to the Internal Audit Director.
- 10.2 The Internal Audit Director said that the plan was broadly the same as the draft plan the Audit Committee had already seen but with the changes made as requested – such as removing the audit of the PCC's grants and Specified Information Order.
- 10.3 The Chair asked whether the planned procurement audits had taken into account the changes consequent upon the 7F Procurement collaboration and questioned whether it was worth auditing and coming up with recommendations in an area which will be undergoing change. The Internal Audit Director said that audit of Contracts and Single Tender Actions had been included as it was important not to lose sight of this area, particularly in a transitional year. Included within the audit will of course be a review of compliance with Contract Standing Orders within departments.
- 10.4 An Audit Committee Member then drew attention to a line in the report stating that the Internal Auditors are not aware of any conflicts and should any arise they will be managed. He asked that should the auditors become aware of any conflicts of interest, as well as them being managed the Audit Committee should be notified of them and what is being done to address them.
- Action: Audit Committee to be notified of any conflicts of interest the internal auditors become aware of and the actions taken to manage them.***
- 10.5 The PCC then said that he would like to bring to the Committee and auditors' attention that with regard to Estates, PFI re-financing is currently under consideration so this area may also need to be looked at. The Committee and auditors noted his comment.

11 POLICE AND CRIME COMMISSIONER'S ANNUAL GOVERNANCE STATEMENT 2019 (PAPER AC19/15)

11.1 The Chief Executive presented this report, highlighting the key changes from the previous year and in particular indicated his view that there were no significant governance issues.

11.2 An Audit Committee Member asked whether the fact that the Police and Crime Plan is due for review will have any impact on this report. The Chief Executive confirmed that this would not have any impact.

11.3 The Audit Committee indicated that they were happy with the PCC's Annual Governance Statement.

12 CHIEF CONSTABLE'S ANNUAL GOVERNANCE STATEMENT 2019 (PAPER AC19/16)

12.1 The Assistant Chief Officer presented this report which mirrors the PCC's Annual Governance Statement.

12.2 The Audit Committee indicated that they were happy with the PCC's Annual Governance Statement, subject to amending the dates mentioned on page 12 of the report.

13 THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK AND THE CHIEF CONSTABLE OF SUFFOLK CONSTABULARY ANNUAL AUDIT FEE LETTERS 2019/20 (PAPER AC19/17)

13.1 The External Audit Manager presented this report. 12.3 The indicative fees for 2019/20 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.

13.2 The PCC drew attention to the letters stating any additional work the auditors may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed in advance. He asked whether this procedure had been followed last year, when additional fees were charged. The Chief Finance Officer said this had not been the case as if unanticipated items come up sometimes the cost can only be quantified afterwards. The External Audit Manager said that this year if it was identified that extra work was likely to be necessary, this would be discussed and a way forward agreed. The Chief Executive observed that the extra work undertaken last year incurring extra fees was not mutually agreed, it was extra work Ernst & Young felt had to be done.

14 RISK MANAGEMENT STRATEGY (PAPER AC19/18)

14.1 The Chief Executive presented this report for consideration by the Committee. He stated that he considered risk management in so far as it related to the PCC was working satisfactorily.

14.2 The Audit Committee agreed and had no comments on the report.

15 PROCESS FOR APPOINTMENT OF AUDIT COMMITTEE MEMBERS FOR PERIOD 1 JANUARY 2020 ONWARDS

15.1 The Chief Finance Officer advised that the current Members of the Audit Committee have six months of their terms left. The process to seek applications to the Committee for 1 January 2020 onwards is likely to start in early September 2019.

15.2 The Chair suggested it might be worth considering staggering Members' terms of service in the interests of continuity and not losing all knowledge and expertise at the same time. The Chief Finance Officer said that he would consider doing this.

16 ANY OTHER BUSINESS

16.1 There was no other business.

**CLOSED AGENDA**

[A detailed account of the discussions and decisions on the following item is contained in the confidential minutes.]

17 CLOSED MINUTES OF THE AUDIT COMMITTEE MEETING HELD 22 MARCH 2019 AND MATTERS ARISING (PAPER AC19/19)

17.1 The closed minutes of the Audit Committee held on 22 March 2019 were agreed as a true record.

17.2 There were no matters arising.

The meeting closed at 11:25

Item	Action	Owner
6.5	Chief Executive to prepare a short report re the 7Force Procurement Collaboration Agreement for the next Audit Committee meeting.	Chief Executive
9.7	Assistant Chief Officer to consider the use of purchase orders / running an exception list.	Assistant Chief Officer
10.4	Audit Committee to be notified of any conflicts of interest the internal auditors become aware of and the actions taken to manage them.	Internal Auditors