

ORIGINATOR: BUSINESS ADMIN OFFICER

PAPER NO:

AC21/14

SUBMITTED TO: AUDIT COMMITTEE 25 JUNE 2021

SUBJECT: REVIEW OF COMMITTEE ACTIVITIES 2020/21

SUMMARY:

This report documents the activity of the Audit Committee in 2020/21 against the following categories in the Terms of Reference:

- Governance, Risk and Control;
- Internal Audit;
- External Audit;
- Financial Reporting;
- Treasury Management;
- Accountability Arrangements and Wider Functions.

RECOMMENDATION:

The Audit Committee is asked to review activities during 2020/21 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. They were amended to include Treasury Management in April 2019.
- 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 2020/21 categorised according to the requirements set out in the Terms of Reference. References to published reports are included where appropriate.

2. SUMMARY OF COMMITTEE ACTIVITY

Meetings of the Audit Committee

- 2.1 Due to the ongoing C19 pandemic, meetings in 2020/21 were conducted remotely as follows:
- May 2020 via teleconference
 - July 2020 via Skype
 - November 2020 via Microsoft Teams
 - March 2021 via Microsoft Teams

Appointment of Additional Audit Committee Member

- 2.1 On 9 November 2020 Hugh May was appointed to the Audit Committee until 31 December 2023, in line with the existing Members of the Committee - Ian Blofield, Robert Millea, Andrew Peck and David Rowe. (Decision Paper 25-2020 refers). He attended his first meeting on 18 November 2020.

Governance, Risk and Control

- 2.2 *"The Committee will consider the corporate governance arrangements and review annual governance statements (including in relation to ethical values) of the PCC and Chief Constable".*

In May 2020 the Audit Committee considered the draft Annual Governance Statement for the Police and Crime Commissioner prepared by the Chief Executive (Paper AC20/14) and the draft Annual Governance Statement for the Chief Constable prepared by the Assistant Chief Officer (Paper AC20/15).

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 in November 2020 as part of the Statement of Accounts 2019/20 (Paper AC20/23). No significant governance issues were identified.

On data security there were 3 breaches during the 2019/20 financial year which were referred to the Information Commissioners' Office from the Information Management Department. None of these resulted in formal action from the Information Commissioner's Office. Lessons learnt from the three breaches have been acted upon across Suffolk.

In November 2020 the Committee received a report from the Chief Constable monitoring implementation of the Code of Ethics (AC20/26). 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. It was agreed that this would be the last specific report brought to the Audit Committee with regard to the implementation of the Code of Ethics as the code is now well embedded into the Constabulary forming part of "business as usual".

2.3 *"The Committee will consider the effectiveness of the arrangements to secure value for money".*

Audit Committee members considered the External Auditors Audit Results Report in November 2020, reflecting the position at the end of March 2020. The report stated that the External Auditors, subject to concluding the outstanding matters listed in the report (relating to pension fund valuations), would be in a position to issue an unqualified audit opinion before the statutory deadline on 30 November 2020. At the meeting in March 2021 it was confirmed that unqualified opinion was in fact issued on 8 December 2020.

2.4 *"The Committee will consider the risk management arrangements of the PCC and Chief Constable."*

In May 2020 the Chief Executive presented a report on Risk Management to the Committee (Paper AC20/17) setting out his assessment upon compliance with the PCC's Risk Management strategy for the year 2019/20. 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.

2.5 *"The Committee will 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. No frauds were identified during 2019/20.

Internal Audit

- 2.6 *“The Committee will 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 2021/22 (AC21/01) was considered at the meeting in March 2021. The Committee was advised that the plan would be reviewed regularly to consider whether proposed areas of audit were still relevant or had increased in priority. No substantive changes were proposed or agreed.

- 2.7 *“The Committee will consider the internal audit annual report and any appropriate in-year reports.”*

The Internal Audit Annual Report 2019/20 (AC20/09) from the Internal Auditors, considered by the Committee in May 2020, 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 statements.

The Review of the Effectiveness of the System of Internal Control 2019/20 (Paper AC20/19) was received by the Committee in July 2020. 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 2020 - Follow up Review (AC20/11)
 - Progress Report (AC20/12)

- July 2020 - Summary Internal Controls Assurance Report (AC20/19)
 - Follow up Review (AC20/20)

- November 2020 - Summary Internal Controls Assurance Report (AC20/24)
 - Follow up Review (AC20/25)

- March 2021 - Summary Internal Controls Assurance Report (AC21/02)

The Committee noted the historically high number of outstanding recommendations in the Internal Audit reports was seen to be consistently reducing and therefore significant progress being made.

External Audit

2.8 *“The Committee will consider all external auditor reports.”*

During the course of the year, the Committee received and considered the following reports from the External Auditors:

- May 2020 - Audit Plan Addendum – COVID-19 (AC20/16)
- November 2020 - Audit Results Report for the Year Ended 31 March 2020 (AC20/23)
- March 2021 - Annual Audit Letter for the Year Ended 31 March 2020 (AC21/05)
- Annual Audit Plan for the Year Ending 31 March 2021 (AC21/04)

Financial Reporting

2.10 *“The Committee will review the annual Statement of Accounts”.*

The Committee reviewed the Statement of Accounts 2019/20 (Paper AC20/23) at the November 2020 meeting covering:

- Ernst & Young LLP Audit Results Report for the Year Ended 31 March 2020
- PCC Letter of Representation
- CC Letter of Representation
- PCC Annual Governance Statement
- CC Annual Governance Statement
- PCC Group and PCC Statement of Accounts
- CC Statement of Accounts

Accountability Arrangements

2.11 *“The Committee will review its performance against its terms of reference and objectives on an annual basis.”*

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 2020/21 can be reviewed.

The Review of the Effectiveness of the System of Internal Control 2019/20 (Paper AC20/19) was circulated prior to the Audit Committee meeting in July 2020. 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 (AC20/10) received at the May 2020 meeting. 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.

Treasury Management

- 2.12 *“The Committee will note the Annual Investment and Treasury Management Strategy Statement and any appropriate related monitoring reports”*

In March 2021 the Committee noted the Mid-Year Treasury Management Monitoring Report 2020/21 and Investment and Treasury Management Strategy 2021/22 (Paper AC21/07).

Wider Functions

- 2.13 *“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.”*

The Committee requested and received, as part of the open agenda, a report to provide additional reassurance around the 7F Procurement Function. This was as follows:

- March 2021 - 7F Procurement Audit Results Report (Paper AC21/02)

The Committee also received, as closed agenda items, additional reports/briefings as follows:

- November 2020 - Op Response20 (verbal briefing by ACC Simon Megicks)
- Brexit (verbal briefing by ACC Simon Megicks)
- March 2021 - Strategic Risk Register Briefing (Paper AC21/05)

The Committee also made use of a Private Agenda at the meetings in November 2020 and March 2021 to discuss other matters of relevance including:

- Proposed additional fees and increased scale fees by the External Auditors
- Internal Audit tender outcome

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, amended to include Treasury Management in April 2019 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 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, including completing a self-assessment of good practice.

7 Treasury Management

- 7.1 The Committee will note the Annual Investment and Treasury Management Strategy Statement and any appropriate related monitoring reports.

8 Wider functions

- 8.1 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.