



OFFICE OF THE POLICE & CRIME
COMMISSIONER FOR NORFOLK



NORFOLK
CONSTABULARY
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AUDIT COMMITTEE

Wednesday 7th June 2017 at 2.00 p.m.
Wroxham Room, Jubilee House, Falconers Chase,
Wymondham, Norfolk NR18 0WW

A G E N D A

Note for Members of the Public: If you have any specific requirements to enable you to attend the meeting, please contact the OPCCN (details overleaf) prior to the meeting.

Part 1 – Public Agenda

1. Welcome and Apologies
2. Declarations of Personal and/or Prejudicial Interests
3. To approve the minutes of last meeting held on 14th March 2017
4. Reports from the Head of Internal Audit – (TIAA)
 - Progress Report (2016/17 and 2017/18)
 - 2016/17 Head of Internal Audit Annual Report
 - Follow Up – Previous Audit Reports
5. Review of the Accounting Policies – 2016/17 Statements of Accounts
6. Review of the effectiveness of the system of internal control and the draft Annual Governance Statement for 2016/17
7. Audit Committee Annual Report 2016/17
8. External Audit Fees 2017/18
9. Forward Work Plan

Part 2 – Private Agenda

10. Strategic Risk Registers update – to follow

11. Date of Next Meeting

Tuesday 18th July 2017 at 14:00 p.m. in the Wroxham Room

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opccn@norfolk.pnn.police.uk 联系诺福克警察和犯罪事务专员办公室。

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Jei šio dokumento kopiją norėtumėte gauti lietuvių kalba, prašome susisiekti su Policijos ir nusikalstamumo komisarų tarnyba Norfolk grafystėje (Office of the Police and Crime Commissioner for Norfolk) telefonu 01953 424455 arba elektroninio pašto adresu opccn@norfolk.pnn.police.uk

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**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON TUESDAY 14 MARCH 2017 AT 2 PM
IN THE WROXHAM ROOM, JUBILEE HOUSE,
FALCONERS CHASE, WYMONDHAM**

Attendance:

Mr R Bennett (Chairman)
Mrs J Hills
Mr P Hargrave
Ms A Bennett
Mr R Chapman

Also in attendance:

Mr M Stokes	Chief Executive OPCC
Mr J Hummersone	Chief Finance Officer (CFO)
Mr K Suter	Ernst and Young
Mr C Hewitt	Ernst and Young
Mr C Harris	Head of Internal Audit, TIAA
Ms F Dodimead	Director of Audit, TIAA
Mr P Jasper	Joint Head of Finance
Ms L Shankland	Director of Joint HR

Part 1 – Public Agenda

1. Welcome and Apologies

The Chairman welcomed those present, and apologies were received from DCC Nick Dean.

2. Declarations of Personal and/or Prejudicial Interests

None reported. The CFO circulated the necessary forms for completion by all members.

3. To confirm the minutes of the meeting held on 2 December 2016

The minutes were agreed.

4. Treasury Management Strategy 2017/18

The Strategy had already been circulated to members for comment prior to its inclusion in the PCC's budget and precept report to the Police and Crime Panel 2 February 2017.

The CFO responded to questions about instant access account balances and advice on long term borrowing.

The Committee endorsed the Strategy.

5. Enterprise Resource Planning (ERP) System

The CFO introduced his report which summarised a major review of ERP. An initial report was being prepared but more work was required. ERP was performing all key functions (purchase to pay, payroll, general ledger and budget monitoring) but remained inefficient in some areas, particularly human resources. An ERP and Shared Services Programme Board had been established under the chairmanship of DCC Dean. This Board would oversee the programme work streams.

Her Majesty's Inspectorate of Constabulary (HMIC) had given notice that they will be looking at both ERP and Athena when they return in May.

The Committee sought, and was given, reassurance that the system was fit for purpose and could deliver. The Committee noted that savings included in the Change Plan hinged on the full functionality of the ERP system working efficiently.

ACTION: CFO and DCC to update the Committee with progress on the Programme.

6. Internal Audit Progress Report – 2016/17 Plan Internal Audit Strategic and Annual Plan 2017/18

The Head of Internal Audit introduced the reports with further commentary from the Director of Audit. It was noted that 8 audits had been completed since the last report with 3 substantial, 2 reasonable and 3 limited assurances. The Committee raised a number of questions focussing on the limited assurance reports. Many of the recommendations had been completed since the report was drafted and the CFO gave updates on the latest progress. All the audits were expected to be completed within the financial year with a final report to the Committee in June.

The Committee was updated on changes to the 2017/18 Internal Audit Plan since it was initially considered. The Committee accepted that the Plan needed to be flexible.

The Committee noted the Progress Report and endorsed the 2017/18 Strategic and Annual Plan.

7. External Audit Plan 2016/17

The Director, Ernst and Young, presented the Plan.

The Committee sought assurances that the tighter closedown timetable would be manageable. The Director confirmed that plans were in hand to ensure that the audit work was completed in good time for sign off at the early September meeting of the Committee.

The Committee noted the 2016/17 External Audit Plan.

8. Forward Work Plan

The Committee noted the Plan with one minor change to be made by the CFO.

Part 2 Private Agenda

9. Strategic Risk Registers

The CFO and other officers present responded to a number of questions from the Committee focussing on Athena, efficiency savings and police officer recruitment.

The Committee received the Constabulary Strategic Risk register **and noted** that the OPCC register would be circulated at a later date.

10. Date of Next Meeting

Wednesday 7th June 2017 at 2pm in the Wroxham Room

Meeting closed at 3:45 pm.

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Mr R Bennett
CHAIRMAN



Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies

Follow Up Review – Norfolk only

2016/17

June 2017

FINAL

Follow Up Review

Executive Summary

INTRODUCTION

1. The follow up of internal audit recommendations undertaken by TIAA is undertaken throughout the year and reported to the Audit Committee twice a year, in June and December, to report on mid-year and year-end positions.
2. The summary tables show the number of priority (P) 1 (Urgent) and priority 2 (Important) recommendations implemented since being reported to the December 2016 Audit Committee meeting and those outstanding past their implementation dates. A breakdown of this summary is attached as Figure 2.

Figure 1 - Summary of the action taken on Recommendations made

Evaluation	P1 - Urgent Recommendations		P2 - Important Recommendations		P 1 & 2 Recommendations	
	Number	%	Number	%	Number	Total
Implemented Since Last Meeting	5	100%	45	73%	50	50 (75%)
Outstanding (incl. deadlines extended*)	0	0%	17 (7*)	27%	17	17 (25%)

Figure 2 - Breakdown of the action taken on Recommendations made

Audit Ref	Audit Area	Date Presented to Audit Committee	Assurance Level	Complete				Outstanding and Overdue				Total Outstanding		Not Yet Due for implementation		
				Previously reported to Audit Committee		Completed since last Audit Committee		Extended Period Agreed		Previously reported as outstanding		New since last Audit Committee		P1	P2	
				P1	P2	P1	P2	P1	P2	P1	P2	P1	P2			
2014/15 Internal Audit Reviews																
	HR Training	Sep-14	Effective	3		2	4									
	Contract Management	Sep-14	Effective			1										
2015/16 Internal Audit Reviews																
NSC1604	Proceeds of Crime	Jan-16	Limited				5									
NSC1605	Estates Management	Jun-16	Reasonable				1						1			
NSC1607	Ethical Standards	Mar-16	Reasonable				2									
NSC1608	Risk Management (Embedding)	Mar-16	Reasonable				3									
NSC1611	Payroll	Jun-16	Limited		1		1									
NSC1613	Accounts Receivable	Jan-16	Reasonable				1									
NSC1614	Purchase Ordering	Jun-16	Reasonable				4									
NSC1615	Purchase Cards	Jun-16	Limited		1		7									
NSC1618	Capital Expenditure	Jun-16	Substantial				1									
NSC1619	Absence Management	Jun-16	Substantial				1									
NSC1622	Commissioning (Norfolk)	Jun-16	Substantial				3									

				Complete				Outstanding and Overdue						Total Outstanding		Not Yet Due for implementation		
				Previously reported to Audit Committee		Completed since last Audit Committee		Extended Period Agreed	Previously reported as outstanding		New since last Audit Committee		Total Outstanding		P1	P2		
				P1	P2	P1	P2		P1	P2	P1	P2						
NSC1623	Cyber Security	Jun-16	Reasonable			2												
NSC1625	T-Police	Jun-16	Reasonable			1							1					
NSC1626	ITIL	Jun-16	Reasonable			1		1										
2016/17 Internal Audit Reviews																		
NSC1701	Risk Management (Norfolk)	Mar-17	Substantial												1			
NSC1702	Firearms Management	Sep-16	Substantial															
NSC1703	Transport	Sep-16	Reasonable		1					3								
NSC1704	Corporate Communications	Sep-16	Reasonable												3			
NSC1706	Recruitment	Dec-16	Limited												1			1
NSC1707	Duty Management	Dec-16	Limited															3
NSC1708	Freedom of Information	Sep-16	Reasonable															
NSC1712	Disaster Recovery	Sep-16	Reasonable												2			
NSC1713	Purchase Cards (Norfolk)	Mar-17	Limited															
NSC1714	Overtime, Expenses	Mar-17	Reasonable															2
NSC1715	Performance Management	Jun-17	Reasonable															1
NSC1716	Pensions	Mar-17	Reasonable															
NSC1717	Budgetary Control	Dec-16	Substantial															
NSC1718	HR Strategy	Mar-17	Limited															1

		Complete				Outstanding and Overdue				Total Outstanding	Not Yet Due for implementation				
		Previously reported to Audit Committee		Completed since last Audit Committee		Extended Period Agreed	Previously reported as outstanding		New since last Audit Committee		P1	P2			
		P1	P2	P1	P2		P1	P2							
NSC1719	Payroll				1										
TOTALS		5	16	5	45	0	7	0	0	0	10	17	1	7	

The breakdown of the actions on recommendations key:

- The current format of reporting clearly highlights the direction of travel for implementing recommendations.
- The audit will remain on the table until all P1 and P2 recommendations relating to that audit are complete and reported as such to Audit Committee, including those previously reported. Once an audit is reported as complete (highlighted in grey), the audit will be removed from the table.
- Outstanding with extended period agreed – outstanding past agreed deadline and an extension to the original deadline has been agreed with management.
- Outstanding and previously reported as such to Audit Committee – outstanding past agreed deadline and no extension has been agreed.
- New since the last Audit Committee meeting – deadline has recently passed and the recommendation is still outstanding.
- Total outstanding – includes; extended period agreed, previously reported as outstanding and new outstanding.
- Not yet due for implementation – the agreed implementation deadline has not been reached.

KEY FINDINGS

3. The level of recommendations implemented since the last follow up report in December 2016 (from 13 to 56) has increased considerably.

4. There are no urgent recommendations outstanding and past the agreed deadline.
5. There are 3 recommendations relating to 2015/16, where updates have been provided by management but further action is required.
6. The issues relating to ERP run across several audit areas, which impacts on the overall opinion of the HR Strategy and Workforce audit (one urgent recommendation) and is reflected in the other related audits.
7. Internal Audit will identify where insufficient action has been taken to address outstanding recommendations by management.

SCOPE AND LIMITATIONS OF THE REVIEW

8. The review considers the progress made in implementing the recommendations made in the previous internal audit reports and to establish the extent to which management has taken the necessary actions to address the control issues that gave rise to the internal audit recommendations. The implementation of these recommendations can only provide reasonable and not absolute assurance against misstatement or loss.
9. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.
10. For the purposes of this review reliance was placed on management to provide internal audit with full access to staff, accounting records and transactions and to ensure the authenticity of these documents.

RELEASE OF REPORT

11. The table below sets out the history of this report.

Figure 3 - Report History

Date report issued:	May 2017
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FINAL

Detailed Report

FOLLOW UP

12. The recommendations recorded as outstanding past their original implementation date are reported in full below:

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
NSP1605 Estates Management – Maintenance and Repair	Procedure notes be devised in relation to carrying out operational aspects of Estates management, including; maintenance of the Estates spreadsheet records, management of payments to contractors, and the decision making process / flowchart where work is issued externally to contractors, as opposed to premises operatives.	2	Following Tranche 13 of the business support review, a number of standard operation procedures are proposed to be implemented for the new Estates helpdesk/service desk; including dealing with Estates defects and Estates ordering and invoices. These will be completed following implementation of a new database (3i) in October 2016.	Senior Facilities Officer	28/02/2017	28/02/2017	Procedures are underway, the database implementation has been delayed, impacting on the implementation of this recommendation within the given date. An audit of the database is scheduled for Q1 2017/18 and will incorporate review of procedures.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
NSP1625 ICT – t-Police	Business Management to appoint a formal system owner for the ERP system at the earliest opportunity. An Interim business lead has been appointed and, whilst this recognises the need for such a role, it can only be treated as a temporary solution.	2	Agreed.	Head of Corporate Development & Change	31/12/2016	31/12/2016	The interim business lead remains in place. A new Board has been set up, chaired by DCC Nick Dean, to consider ERP and shared services developments. A review of the ERP is underway, led by CFO John Hummerson, and includes consideration of system ownership.
NSP1626 Information Technology Infrastructure Library (ITIL) framework Gap Analysis	IT Management to review the four Service Desk best practice areas not verified/not currently being implemented and to implement those areas considered to be appropriate for the organisation. The self-assessment questionnaires to be used to guide this process.	2	ICT Service Desk Manager alongside the Policy and Process Manager to review and consider for implementation the 4 remaining best practices currently not implemented.	ICT Service Desk Manager	31/10/2016	31/03/2017	The ICT SMT have considered the implementation of the four remaining ITIL recommendations based on current available resource and risk, and will not be progressing with any further implementation at this time.
NSC1701 Risk Management (OPCC Norfolk)	Controls on the risk registers be made specific so that they address the risk that has been identified.	2	Agree with recommendation and controls will be amended to describe specific risk that is being addressed.	Director of Performance and Scrutiny	31/03/2017	31/03/2017	Risks are being amended so that they are more specific. The next risk register is scheduled for publication at SMT on 31st May 2017.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
NSC1703 Transport Services	The Joint Transport Policy be subject to document control and approval process and current operating procedures should be updated and maintained.	2	Joint Transport Policy Force Policy Officer, Corporate Development and Change to be consulted regarding document control and approval process. It should be noted this is a Transport Services only Policy as it was determined the Policy was more aligned to a standard operating procedure. The standard operating procedures are in the process of being updated to reflect T13 restructure and process changes.	Head of Transport	31/10/2016	31/07/2017	The Joint Transport Policy is under a full review to reflect the new SOPs and the requirement for these to be integrated into the policy. The existing Transport Policy could become an overarching SOP, dependent upon policy advice and the consultation process. Revised draft date for completion of the draft 30th April 2017. Revised implementation date to include taking through to final approved version - 31st July 2017. Revised date given of 30th June 2017.
NSC1703 Transport Services	The weekly vehicle check form be standardised across both counties.	2	Within Norfolk weekly check sheets fall under the remit of the Driver of Police Vehicles Force Policy Document, with the Policy owner being Specialist Operations. Within Suffolk the remit is with the County Policing Command. Norfolk and Suffolk Constabularies are aligning their equipment levels and types. This will then allow the use of one form across both Counties. This is already in progress and will be managed	Head of Transport	31/12/2016	30/06/2017	

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
NSC1703 Transport Services	The system for recording and monitoring the completion of the weekly vehicle checks be standardised and a system for central oversight of the results of the checks be implemented.	2	through the Transport Strategic Group. There is scope for the central reporting hub to be Transport services. This will be progressed through the Transport Strategic Group.	Head of Transport	31/12/2016	30/06/2017	Work has taken place to both rationalise and agree a single level of equipment and reporting form for both Norfolk and Suffolk. Additional equipment has been procured for Suffolk NRT/Response vehicles i.e. telescopic brooms and shovels. Sequential blue flashing blue lights for use at road incidents have been procured for both Norfolk and Suffolk NRT/Response vehicles. All Police equipment will be provided from Transport Services Stores, Wymondham to ensure consistency. Suffolk CPC budgets will be transferred to Transport Services. As agreed by Suffolk CPC Commander. Transport services already provide police equipment for Norfolk vehicles. There are still some equipment differences

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
NSC1704 Corporate Communications	A corporate communications strategy be developed and embedded, aligned with the visions of the Norfolk and Suffolk Constabularies.	2	A communications strategy will emerge over the next six months. Revised Police and Crime Plans for both forces are awaited: these will form a central element of an effective strategy.	Head of Corporate Communications	31/03/2017	31/03/2017	<p>across both counties, such as throwing lines, plastic body sheets and buoyancy aids that need to be addressed.</p> <p>Revised date for completion 30th June 2017</p> <p>A social media policy is about to be published for both forces. The Media Liaison Policy still needs to be reviewed.</p>
NSC1704 Corporate Communications	Corporate communications policies be developed and embedded. Appropriate review periods be set for each policy.	2	Formal policies on specific areas (for example Social Media) are being developed on an ad hoc basis. This will be ongoing, with a date of 31/03/17 set for review.	Head of Corporate Communications	31/03/2017	31/03/2017	A social media policy is about to be published for both forces.
NSC1704 Corporate Communications	Written protocols be prepared to cover the roles within the Corporate Communications teams, with appropriate references to College of Policing guidance, media law and best practice.	2	A series of communications protocols are being developed covering the core areas of the department's activities.	Head of Corporate Communications Managers	31/03/2017	31/03/2017	The College of Policing APP guidance is due to be published post general election in June 2017. Protocols will be developed following that for both Constabularies.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
NSC1706 2015/2016 HR - Recruitment	A recruitment framework to be developed across the Constabularies.	2	There are well established recruitment processes in place and for police officers this follows national guidance. However a code of practice is required to set out clearly the practice and decision making process to be followed across a variety of recruitment situations and the standards required across all roles involved with recruitment. Code of practice and accompanying selection and training, including assessor training to be developed and implemented.	Head of HR and Head of Learning and Development	01/04/2017	01/09/2017	A code of practice is in the process of being drafted. There has been a delay in completing the code of practice due to the HMIC inspection being undertaken in May 2017. The code of practice will include any recommendations which are raised following the HMIC inspection. Assessor training complete to college of policing standards, is subject to on-going review. Selection and interview training will be implemented by 1/9/17. Completion is subject to third party actions through Crown Constabulary, seeing an update from Crown on whether this will be possible and if so in what timeframe.
NSC1707 Duty Management System	The exception rules inbuilt within DMS to be investigated to see if these are correct.	2	The RMU are currently working on exceptions and discussing with Crown the feasibility of changing the exception rules.	Head of Resourcing	31/03/2017	31/03/2017	

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
NSC1712 ICT – Disaster Recovery	Documents making up the IT Disaster Recovery response all require review to ensure that they are aligned, rationalising the number of documents. To also take account of a recent major restructure within the IT department and include 3rd party vendor contact details and key SLA requirements for each. Once the review is completed, ensure that all offline copies are updated.	2	Documentation to be reviewed, rationalised and reworked to address the recommendations.	Process and Policy Manager	30/11/2016	31/03/2017	The current documentation has been revised and is out for review. This incorporates the changes due to Tranche 13 and the restructure of ICT, as well as personal / vehicle details.
NSC1712 ICT – Disaster Recovery	IT Management to work with the business areas to look into the feasibility of conducting regular physical Disaster Recovery Tests, planning these in overtime and feeding the results back to the business and relevant Business Continuity and Disaster Recovery Plans as appropriate.	2	ICT have previously engaged with the CCR to conduct physical testing but due to the nature of the criticality of the systems the appetite to conduct the testing has been low, however ICT will work with the Business leads to look into the feasibility of the recommendations with a view to planning physical tests should approval by the business be given.	Head of ICT Infrastructure	31/12/2016	31/03/2017	Currently for various operational reasons we do decant the CCR to the Backup Control Room at Dereham. This involves using the DR systems for command and control, call handling and dispatch (Storm, 999/101 delivery and ICCS/Airwave). This mimics as close as possible the loss of the CRR in Wymondham whilst not having an

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
							<p>impact on our 24/7 delivery. Call handling aspects are being replaced in both Norfolk and Suffolk CRRs. this will be tested in the same way as the current infrastructure. The CCR has recently undergone a special branch audit and information security audit, of which the decamp plan was discussed and the current plan has been amended (CCR, NC has a copy of this). Due to the recent de-camps to Dereham CCR, current CCR workload and on-going training impacts this year (new telephony, CAD etc), we would not want to de-camp to Dereham CCR without an absolute operational need to the potential risk, cost and time implications of this and other projects.</p>

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
NSC1714 Overtime, Expenses and Additional Payments	The fault within the Expenses element of the payroll system to be investigated so that individuals that have claimed for more than 8,500 miles can use Expenses for submitting of their expenses.	2	It should be noted that this affects a very small number of claims and controls are in place to ensure claims are legitimate. This is not affecting any integrity or controls. This is an issue which has been raised with CapGemini and a Request for Change raised. It is in the process of being developed but not yet tested, as the test environment has not been updated until very recently. This will be tested and anticipated to be resolved by 31 March 2017.	Head of Transactional Services	31/03/2017	31/03/2017	This is still at testing phase due to year end pressures. To note that this is not affecting any controls as paper claims are being submitted as a work around and this only affects a very small number of claims. The oracle expenses system will not permit claims to be entered in these and therefore the risks are very low. This will endeavoured to be completed by 30th June 2017.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
NSC1716 Pensions Administration	The payroll system to be investigated to establish if a report can be run to calculate pensionable pay for staff.	2	The pension contributions are set at system level and the appropriate contribution is deducted from the employee in accordance with their pensionable pay each month. I accept that we cannot check this at a global level, however I am confident that the deductions made are correct at an employee level and the necessity for a pensionable pay figure is not considered as a significant issue. However when reporting for ERP is reviewed then this will be considered as part of the requirements.	N/A	01/03/2017	01/03/2017	No further update, awaiting update of ERP.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Latest Response
NSC1718 HR - Strategy	<p>A standard form to be created for requesting new and/or amendments to posts for the OPCCs. The form to record the required post name, record against which cost centre the job is to be coded to and be approved by an appropriate authorising officer, certifying that there is sufficient funds available to fund the post.</p>	2	<p>Governance arrangements are in place for the creation, deletion or amendment of any posts within the Constabulary structures. This involves completion of a form with rational and approval through HR Business Partners, Finance Business Partners, Corporate Development and Change and the Workforce Planning Group. These arrangements will be implemented for the OPCC as well.</p>	<p>Head of Resourcing</p>	30/04/2017	30/04/2017	<p>A new standard form has been created for requesting new and amendments for posts. The forms are to be presented to the Workforce Planning Group for approval.</p>



**Police and Crime Commissioners for Norfolk and Suffolk and Chief
Constables of Norfolk and Suffolk Constabularies**

Norfolk Internal Audit Progress Report

June 2017

INTRODUCTION

1. This summary report provides an update on the progress of our work at the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies as at 26th May 2017. The report is based on internal audit work carried out by TIAA and management representations that have been received during the period since our last progress report.

PROGRESS AGAINST THE 2016/17 and 2017/18 ANNUAL PLANS

2. Our progress against the Annual Plans for 2016/17 and 2017/18 is set out in Appendix A. The results of these reviews are summarised at Appendix B.

AUDITS CARRIED OUT SINCE THE PREVIOUS PROGRESS REPORT

3. The table below sets out details of audits carried out since the previous meeting of the Audit Committee.

Review	Evaluation	Draft issued	Key Dates			Number of Recommendations			
			Responses Received	Final issued	1	2	3	OEM	
NSC1715 Performance Management	Substantial	22/03/17	24/03/17	30/03/17	0	1	1	0	
NSC1720 Complaints	Substantial	02/05/17	15/05/17	19/05/17	0	0	1	0	
NSC1721 Collaborations	Reasonable	28/04/17	25/05/17	26/05/17	0	2	0	0	
ICT ERP Second /	Reasonable	28/04/17	26/05/17	26/05/17	0	1	1	2	

Third Line Reporting	Reasonable	31/03/17	13/04/17	04/05/17	0	3	0	1
NSC1724 Key Financials	Reasonable	31/03/17	13/04/17	04/05/17	0	3	0	1
NSC1726 Estates Health and Safety	Reasonable	28/04/17	25/05/17	26/05/17	0	2	1	1

OEM = Operational Effectiveness Matters

Summaries of the finalised reports are attached at Appendix B, Full reports are available to Audit Committee Members on request. The details for Norfolk only reports will not be included in the Suffolk progress report.

CHANGES TO THE ANNUAL PLANS 2016/17 and 2017/18

- 4. There has been no changes made to the annual plan since the last meeting.

FRAUDS/IRREGULARITIES

- 5. We have not been advised of any frauds or irregularities in the period since the last summary report was issued. We regularly liaise with PSD regarding any work streams that may be relevant for internal audit.

LIAISON

- 6. Liaison is undertaken with the following:
 - Liaison with the Chief Finance Officers: Regular progress meetings are held with the Chief Finance Officers.
 - Liaison with PSD: Regular meetings are held with PSD during the year.
 - Liaison with Risk Management: Increased liaison has commenced, to directly link internal audit with risk management.
 - Liaison with external audit: We have liaised with EY during the year and kept them informed of our work and will make available to them all final audit reports.

PROGRESS ACTIONING URGENT and NOT APPROVED RECOMMENDATIONS

7. We have made no urgent recommendations (i.e. fundamental control issues) since the previous Progress Report:
8. We have made no recommendations which have not been approved by management since the previous Progress Report.

RESPONSIBILITY/DISCLAIMER

9. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Progress against the Annual Plans for 2016/17 and 2017/18

System	Planned Quarter	Planned Days	Actual Days	Current Status	Expected Audit Committee	Assurance	Comments
2016/17 Remaining Audits to Report							
NSC1715 Performance Management	4	15	15	Final Report Issued	June 2017	Substantial	
NSC1720 Complaints	4	10	10	Final Report Issued	June 2017	Substantial	
NSC1721 Collaborations	4	10	10	Final Report Issued	June 2017	Reasonable	
NRC1723 ICT ERP Second / Third Line Reporting	4	12	12	Final Report Issued	June 2017	Reasonable	
NSC1724 Key Financial Controls	4	30	30	Final Report Issued	June 2017	Reasonable	
NSC1725 Estates Health and Safety	4	12	12	Final Report Issued	June 2017	Reasonable	
2017/18 Plan							
NSC1802 ICT Mobile Devices	1	10	7	In progress	September 2017		
NSC1803 IM Audit Team Assessment	1	8		Scheduled	September 2017		
NSC1805 ill Health Retirement	1	8		Scheduled	September 2017		
NSC1806 Transport – Use of Vehicles	1	10	7	In progress	September 2017		
NSC1808 Estates Contract Management	1	10	2	In progress	September 2017		
NSC1809 Purchase Ordering	1	10		Scheduled	September 2017		
NSC1810 Temporary Recruitment	1	7		Scheduled	September 2017		
NSC1811 CSO Compliance and STA	1	17	15	In progress	September 2017		

System	Planned Quarter	Planned Days	Actual Days	Current Status	Expected Audit Committee	Assurance	Comments
NSC1812 Business Interests	1	8		Scheduled	September 2017		
NSC1814 Risk Management – Mitigating Controls	2	11			December 2017		
NSC1815 ICT Data Assurance	2	12			December 2017		
NSC1816 ICT Governance	2	12			December 2017		
NSC1817 IM Data Quality	2	12			December 2017		
NSC1818 IM MOPI Project	2	10			December 2017		
NSC1820 Suffolk PFI – Suffolk only	2	14			September 2017		Findings will only be reported to Suffolk
NSC1821 Norfolk PFI – Norfolk only	2	14			September 2017		Findings will only be reported to Norfolk
NSC1823 Overtime, Expenses, Add Payments	2	14			December 2017		
NSC1825 Corporate Policies	2	10			December 2017		
NSC1804 HR Learning and Development	3	12			December 2017		
NSC1801 Governance & Ethics	3	12			December 2017		
NSC1807 Estates 3i Property Database	3	4			September 2017		
NSC1819 HR Absence Management	3	12			March 2018		
NSC1822 Safeguarding and Investigations	3	10			March 2018		
NSC1824 Purchase Cards	3	10			December 2017		
NSC1826 ERP / Athena	3	12			December 2017		
NSC1827 Commissioners Grants	3	18			March 2018		Separate reports for Norfolk and Suffolk
NSC1813 Recovered Property	4	10			March 2018		
NSC1828 Key Financials	4	30			March 2018		

System	Planned Quarter	Planned Days	Actual Days	Current Status	Expected Audit Committee	Assurance	Comments
NSC1829 Payroll incl ERP	4	10			March 2018		
NSC2830 Accounts Payable	4	10			June 2018		
Follow Up Work	2 / 4	12	2	Ongoing			Year-end reporting June / in-year reporting December
Contingency	1-4	49		As required			
Audit Management	1-4	20	2	Ongoing			
Total Days		330	33				

KEY:

=	To be commenced
=	Site work commenced
=	Draft report issued
=	Final report issued

Summaries of Finalised Audit Reports issued since the last report

Audit Report: NSC1715 Performance Management

Report: 30th March 2017

SCOPE

This review considered the arrangements in place for performance management systems and processes in operation across Norfolk and Suffolk Constabularies.

This is not a review of the Athena system, as management are aware of the limitations of the Athena system.

MATERIALITY

Performance management frameworks are key to ensuring that the Constabularies are effectively managing performance and addressing areas of poor performance.

The overall opinion is based on the performance management frameworks devised across the Constabularies, separately from Athena, as compensating systems and processes.

KEY FINDINGS

- Athena was established by Norfolk and Suffolk Constabularies on the 19th October 2015. The introduction of Athena raised several issues relating to the quality of data.
- Monthly performance reports were discontinued between November 2015 and 31st March 2016, as there were concerns in relation to the integrity of the data being recorded. Progress is being made to address the weaknesses with Athena.
- Staff within the Joint Performance and Analysis Department developed a performance framework for each Constabulary internally to provide a means to monitor performance. These are accessible to all staff via the network.
- The level of IT support for the performance frameworks requires consideration, to assess whether this is sufficient.
- Audits are being undertaken by both Norfolk and Suffolk Constabularies Crime and Force Registrar teams in accordance with their approved work plans.
- Not all crimes are recorded promptly, thus potential breaches with the National Crime Recording Standards (NCRS).

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS




Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	Crimes are required to be recorded promptly to ensure that the Constabularies are compliant with the National Crime Recording Standards (NCRS). The current working practices do not always allow for crimes to be recorded promptly.	Working processes to be reviewed to ensure that crimes are recorded promptly, to ensure compliance with the NCRS.	2	This is a known risk and is detailed on the JPAD risk log and therefore fed through to the central risk register which is discussed and monitored at Organisational Board. It is also raised and monitored by the Force Crime Registrars and Chief Officers at the respective force Crime Data Integrity (CDI) meetings. The Crime Registry and Audit teams regularly monitor this through the audit work they undertake and the CDI meetings have put action plans in place to address and monitor progress around risks. This will therefore continue to be monitored and assessed regularly.	Ongoing	Force Crime Registrars

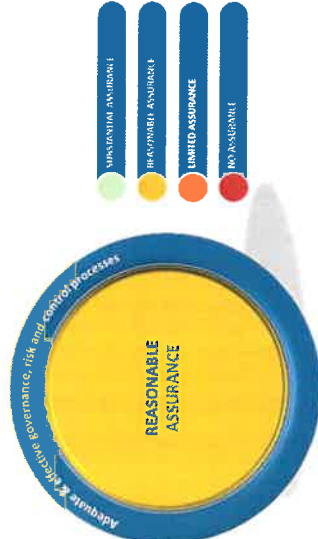
Audit Report: NSC1720 Complaints

Report: 19th May 2017

<p>SCOPE</p> <p>The aim of the review assessed the adequacy and effectiveness of the internal controls in place at the Constabularies for managing complaints.</p> <p>MATERIALITY</p> <p>A total of 734 complaints have been received for the period 1st April 2016 to the 31st March 2017.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> • A standardised approach has been adopted for recording and assessing complaints. • Staff are trained in the process to be followed when assessing complaints. • A revised complaints policy is required to be developed, which is in line with new regulations, legislation, statutory guidance and the new Policing and Crime Act 2017. • There is a process to ensure that lessons are learnt. 								
<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>ACTION POINTS</p> <table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	0	1	0
Urgent	Important	Routine	Operational						
0	0	1	0						

Audit Report: NSC1721 Collaborations

Report: 26th May 2017

<p>SCOPE</p> <p>Assessed the adequacy and effectiveness of the internal controls in place at the Constabularies for assessing the joint working arrangements / collaboration. The extent of the collaborations between Norfolk and Suffolk is extensive, as such the audit focused on the following:</p> <ul style="list-style-type: none"> Financial controls in the 'Joint Space', including income and expenditure split and recharge processes. Benefits realisation – savings realised and forecast savings <p>MATERIALITY</p> <p>The 2017/18 to 2020/21 change programme is forecasted to achieve £4.4 million of savings.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> A change programme has been developed for 2017/18 to 2020/21, this identified savings of £4.4 million. The Programme Management Office co-ordinates the change programme. Governance arrangements have been established to ensure projects are monitored. Non-financial success factors are not identified for projects prior to individual change projects commencing. An end of project report is prepared and reported to Organisational Board. The end of project report assigns any remaining actions to an owner, but there is not a process to ensure that the outstanding actions following completion of a project are completed, which may impact on the success of the project. 								
<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>ACTION POINTS</p> <table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>2</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	2	0	0
Urgent	Important	Routine	Operational						
0	2	0	0						


Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Whilst financial critical success factors are identified for projects, non-financial critical success factors are not identified as standard for an area prior to a change process commencing. Austerity pressures have caused financial success factors to be the priority.	Financial and non-financial critical success factors are to be identified and agreed for all projects prior to them commencing. The critical success factors to be used as a means for assessing and measuring the projects' success.	2	<p>The recent introduction of OBB into the Force has encouraged the PMO to review both the process of change and the templates used to ensure that non-financial CSF's are picked up.</p> <p>A recent review of CD&C has also encouraged closer working with JPAD thus ensuring the impact of change through performance and analysis are also considered in order to maintain efficient and effective services.</p>	30 th Sept 2017	Programme Manager

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	The End of Project Report (EoPR) process ensures that any outstanding actions are assigned to an appropriate officer, however there is no means to ensure that these actions are actually ever completed. There is a risk that outstanding actions for the projects are not completed, and this may affect the success of the project.	A target completion date to be assigned for any outstanding actions upon completion of projects, so that assigned officers can be held accountable for delivering outstanding actions. A follow-up process should be adopted to monitor outstanding actions with a quarterly update provided to the Organisational Board.	2	A target completion date will be added to the existing End of Project Report template and will be monitored by PMO. Any exceptions flagged as appropriate to the Programme Manager.	31 st May 2017	Governance Officer (PMO)

Audit Report: ICT Second / Third Line Reporting

Report: 26th May 2017

<p>SCOPE</p> <p>The review looked at the effectiveness of the controls in place concerning the management of the ERP second/third line support contract.</p> <p>MATERIALITY</p> <p>A robust contract management process is critical to ensuring the effective management of the ERP system. The cost of support payable to Cap Gemini in 2017/18 is projected to be £436,038.</p>	<p>KEY FINDINGS</p> <p>The assurance opinion is reflective of the current position of the second/third line reporting arrangements and it is acknowledged that work is under way to address identified issues raised in this report.</p> <p>Business ownership of the various operational elements of managing the ERP system to be formally assigned.</p> <p>A review of the Responsible, Accountable, Consulted and Informed (RACI) schedule needs to be a standing agenda item for the ERP service review meetings.</p> <p>Monthly service review meetings with Cap Gemini have commenced and are progressing well.</p>								
<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>ACTION POINTS</p> <table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>1</td> <td>1</td> <td>2</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	1	1	2
Urgent	Important	Routine	Operational						
0	1	1	2						

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	The audit found that business ownership of the various aspects of the ERP system have not been assigned. This includes key processes such as the interface jobs that transfer data between the different parts of the ERP system and external applications such as Storm, Chronicle and NCALT. It is recognised that this is a first line service issue, which means that this weakness is technically not in scope for this audit. However, it is considered prudent to raise the issue here as it was discussed during the fieldwork.	Business areas to be formally assigned ownership of processes that relate to their areas of responsibilities. Such areas include the management of interface jobs, error resolution and data reconciliation, working with other business areas as required to ensure that the processes are managed effectively.	2	An ERP and Shared Services Programme Board has recently been constituted. One of the key work streams is to clarify system management responsibilities and improve system governance. The issues highlighted will be addressed within the programme of work.	31 st March 2018	CFO Norfolk

Audit Report: NSC1724 Key Financial Controls

Report: 4th May 2017

SCOPE

The aim of the audit was to assess the adequacy and effectiveness of the internal controls in place at the Police and Crime Commissioners and Constabularies for Norfolk and Suffolk, regarding managing the key financial systems:

- Accounts Receivable
- Accounts Payable
- General Ledger
- Treasury Management

MATERIALITY

The total value of debtors for Suffolk at the end of February was £593k
The total value of debtors for Norfolk at the end of February was £170k.
The total value of expenditure for Suffolk at the end of January was £53 million.
The total value of expenditure for Norfolk at the end of January was £74.3 million.

KEY FINDINGS

- No debts have been written off during 2016/17, although there are debts for which all options for recovery have been exhausted.
- In Norfolk, aged debts are not being followed up in accordance with the agreed debt recovery process.
- There is no independent check of the aged debtor reports to confirm that the appropriate action was being taken to recover outstanding debts.
- The debt recovery process is labour intensive, as ERP is not capable of producing system generated reminder letters.

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Urgent	Important	Routine	Operational
0	3	0	1

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	There is no independent check of the aged debt reports to confirm that the appropriate action was being taken to recover outstanding debts.	Aged debt reports to be subject to independent review quarterly, to monitor that appropriate action is being taken to recover outstanding debts.	2	A quarterly review will be undertaken, to ensure that monthly monitoring of debts is completed. This will capture those more than 90 days old for further action to be taken.	30/06/17	Head of Transactional Services
2	Compliance	Audit testing found that debtors were not being followed up in accordance with the agreed debt recovery process.	Aged debts to be followed up in accordance with the debt recovery process.	2	Agreed, letter to be issued after 30 / 60 days, in line with the documented process.	30/06/17	Head of Transactional Services
3	Compliance	There has not been any debts written off during the 2016/17 financial year, although there are some debts for which all options for recovery have been exhausted.	A quarterly review of debtors to be undertaken, for consideration for write off.	2	Agreed, a quarterly review will be undertaken, with recommendations made by the Head of Transactional Services to the Head of Finance, as appropriate.	30/06/17	Head of Transactional Services

Audit Report: NSC1725 Estates Health and Safety

Report: 26th May 2017

SCOPE

The aim of the audit was to assess the adequacy and effectiveness of the internal controls in place at the Constabularies for managing the Estates Health and Safety.

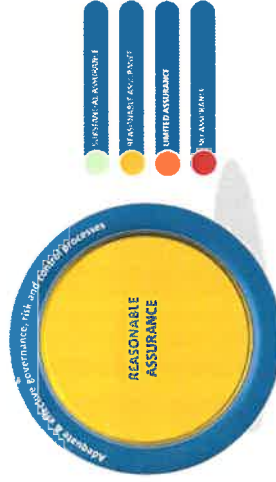
MATERIALITY

The annual value of the Kershaw contract is approximately £110k. The annual value of the East Fire contract is approximately £118k.

KEY FINDINGS

- Contracts are in place with Kershaw and East Fire for Estates Health and Safety. The contracts include KPIs.
- Standard performance monitoring arrangements have been agreed with contractors, including regular performance reports and meetings with contractors.
- Quarterly updates are provided to the Health and Safety Committee on compliance with the Norfolk and Suffolk owned buildings, but this does not cover police leased buildings
- Regular audits are undertaken on contractors work to ensure that work is being completed to the required standard.
- Whilst the qualifications of contractors is confirmed during the tender stage, there is no ongoing process to check the qualifications of contractors during the duration of contracts.
- Contractor invoices are reviewed by the Estates Team prior to payment.

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Urgent	Important	Routine	Operational
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0 2 1 1

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	There is insufficient evidence to demonstrate that police leased buildings are compliant with statutory health and safety requirements.	<p>Properties leased by the police to have all necessary statutory health and safety checks undertaken.</p> <p>Evidence of compliance with statutory health and safety requirements to be maintained and recorded in a central location so that compliance can be demonstrated.</p>	2	<p>Due to the ongoing expansion of shared sites, we recognise our procedures need to change to better capture the works and servicing undertaken by landlords. Over the last year we have been reviewing our building leases to clarify in more detail the responsibilities of each party, as often, the wording of commercial leases is not clear.</p> <p>Carter Jonas (Chartered Surveyors) has assisted us to complete a standard template for each lease to summarise the repairing obligations and we have put together a master spreadsheet to capture and note who does what.</p> <p>We intend to send landlords an annual reminder letter that they need to copy us their works and servicing statutory certification, without which, service charge payments will not be made to the landlord.</p>	<p>Work has commenced already.</p> <p>31st March 2018</p>	Estates Maintenance Officer

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	The Health and Safety Committee does not receive updates on the status of compliance with statutory health and safety requirements for police leased properties.	Quarterly updates on compliance of police leased buildings in relation to statutory health and safety to be provided to the Health and Safety Committee.	2	Historically we have updated H&S Committee on the works and servicing we are "responsible for", arranging the same via our retained contractors. We are content to add our landlord's works and servicing, but intend to state this separately.	Work has commenced already. 31 st March 2018	Estates Maintenance Officer



**Police and Crime Commissioners for Norfolk and Suffolk
and Chief Constables of Norfolk and Suffolk Constabularies**

Internal Audit Annual Report

2016/17

Internal Audit Annual Report

INTRODUCTION

This is the 2016/17 Internal Audit Annual Report by TIAA on the internal control environment at the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies. The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation’s framework of governance, risk management and control. This report is designed to assist management in making its annual governance statement.

HEAD OF INTERNAL AUDIT’S ANNUAL OPINION

TIAA is satisfied that, for the areas reviewed during the year, the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies have reasonable and effective risk management, control and governance processes in place. Also, there was evidence to support the achievement of value for money with regard to economy, efficiency or effectiveness of the systems reviewed. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability which must be obtained by the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies from its various sources of assurance.

INTERNAL AUDIT PLANNED COVERAGE AND OUTPUT

The 2016/17 Annual Audit Plan approved by the Audit Committee was for 399 days of internal audit coverage in the year (69 days were carried forward from 2015/16). During the year there were four changes to the Audit Plan and these changes were approved by the Audit Committee.

All the planned work has been carried out and the reports have been issued (Annex A).

There was no work carried out which was in addition to the work set out in the Annual Audit Plan.

ASSURANCE

TIAA carried out 25 reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and B, a summary is set out below.

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	8	7
Reasonable Assurance	12	11
Limited Assurance	5	3
No Assurance	0	0

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2016/17. The full details of these are included in Annex C.

Year	Urgent	Important	Routine
2016/17	2	54	36
2015/16	3	50	27

Year	Operational	No of Audits
2016/17	24	25
2015/16	25	21

AUDIT SUMMARY

Control weaknesses: There were five areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance'. Recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted.

Recommendations Made: We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
Directed	0	28	16
Compliance	2	24	18
Operational	0	2	2
Reputational	0	0	0

Operational Effectiveness Opportunities: One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

PERFORMANCE AND QUALITY ASSURANCE

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	96%
Compliance with Public Sector Internal Audit Standards	100%	100%

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit

Standards (PSIAS) in 2016 and in particular to meet the requirement of an independent five year review, the outcome confirmed full compliance with all the standards. Our work also complies with the IIA-UK Professional Standards.

RELEASE OF REPORT

The table below sets out the history of this Annual Report.

Date Report issued:
May 2017

Annexes

Annex A

Actual against planned Internal Audit Work 2016/17

System	Type	Planned Days	Actual Days	Audit Committee Reporting	Assurance Assessment	Comments
Transport Services	Assurance	15	15	September 2016	Reasonable	
Corporate Communications / Social Media	Assurance	12	18	September 2016	Reasonable	Social media aspects covered, days moved from ICT Network / Social Media
ICT – Network / Social Media	Assurance	12	-	n/a	n/a	Social Media aspects moved to Corporate Communications due to areas now within the same management responsibilities. Remaining days to contingency.
HR Recruitment	Assurance	12	12	December 2016	Limited	
Duty Management System	Assurance	15	15	December 2016	Limited	
Fol / DP / Document Security	Assurance	15	15	September 2016	Reasonable	
ICT – Firewall	Assurance	12	12	September 2016	Substantial	
Firearms Certificates	Assurance	12	12	December 2016	Substantial	
Estates – Facilities (Catering – Suffolk)	Assurance	6	6	December 2016	Limited	
ICT – Disaster Recovery	Assurance	12	12	September 2016	Reasonable	
Purchase Cards (Norfolk only)	Assurance	6	6	March 2017	Limited	
Purchase Cards (Suffolk only)	Assurance	6	6	March 2017	Reasonable	
Assurance Framework, Governance – Across both Constabularies	Assurance	22	--	--	--	Changes in risk management arrangements, with new Risk Manager affecting assurance framework. Audit cancelled.
Risk Management Strategy and Risk Management Mitigating Controls	Assurance	25	--	--	--	Changes in risk management arrangements, with new Risk Manager affecting assurance framework. Audit cancelled.
Risk Management (Norfolk PCC)	Assurance	-	9	March 2017	Substantial	Focus changed to risk management

Internal Audit Annual Report

Risk Management (Suffolk PCC)	Assurance	-	9	March 2017	Substantial	arrangements in place at each PCC.			
Overtime, Expenses and Additional Payments	Assurance	16	16	March 2017	Reasonable	Focus changed to risk management arrangements in place at each PCC.			
Budgetary Control	Assurance	12	12	December 2016	Substantial				
Pensions Administration	Assurance	10	10	March 2017	Reasonable				
HR – Strategy & Workforce Planning	Assurance	10	10	March 2017	Limited				
Payroll	Assurance	10	10	March 2017	Reasonable				
ICT – Exchange 2010 / Email Archiving	Assurance	12	12	March 2017	Substantial				
Performance Management	Assurance	15	15	June 2017	Substantial				
Complaints	Assurance	10	10	June 2017	Substantial				
Collaborations	Assurance	10	10	June 2017	Reasonable				
ICT – ERP Second / Third Line Support	Assurance	12	12	June 2017	Reasonable				
Key Financial Controls	Assurance	30	30	June 2017	Reasonable				
Estates – Duty of Care / Cost Allocations	Assurance	12	--	--	--	Audit cancelled			
Estates – Maintenance and Repair	Assurance	12	--	--	--	Replaced with health and safety audit			
Estates – Health and Safety	Assurance	--	12	June 2017	Reasonable				
Commissioners Grants (Norfolk only)	Assurance	10	1	--	--	Audit commenced, then postponed until October 2017			
Follow Up Work	2 / 4	10	10			Reporting: year-end June / in-year December			
Audit Management	1-4	20	20						
Possible Local Counter Fraud Work		6	-			Not required			
Contingency b/fwd	(69)	(69)							
Contingency c/fwd		62	62						
Total Days		330	330						

Assurance Assessments 2016/17

System	Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
Transport Services		Reasonable		
Corporate Communications / Social Media		Reasonable		
HR Recruitment			Limited	
Duty Management System			Limited	
Foi / DP / Document Security		Reasonable		
ICT – Firewall	Substantial			
Firearms Certificates	Substantial			
Estates – Facilities (Catering – Suffolk)			Limited	
ICT – Disaster Recovery		Reasonable		
Purchase Cards (Norfolk only)			Limited	
Purchase Cards (Suffolk only)		Reasonable		
Risk Management (Norfolk PCC)	Substantial			
Risk Management (Suffolk PCC)	Substantial			
Overtime, Expenses and Additional Payments		Reasonable		
Budgetary Control	Substantial			
Pensions Administration		Reasonable		
HR – Strategy & Workforce Planning			Limited	
Payroll		Reasonable		
ICT – Exchange 2010 / Email Archiving	Substantial			
Performance Management	Substantial			
Complaints	Substantial			
Collaborations		Reasonable		

ICT – ERP Second / Third Line Support		
Key Financial Controls		
Estates – Health and Safety		
Total	8	11
		5
		N/A

Recommendations 2016/17

System	Priority 1 Urgent	Priority 2 Important	Priority 3 Routine	OEM
Transport Services	0	4	2	0
Corporate Communications / Social Media	0	4	3	5
HR Recruitment	0	6	0	2
Duty Management System	0	8	2	0
Fol / DP / Document Security	0	0	8	2
ICT – Firewall	0	0	0	0
Firearms Certificates	0	0	1	3
Estates – Facilities (Catering – Suffolk)	0	4	7	3
ICT – Disaster Recovery	0	4	1	1
Purchase Cards (Norfolk only)	1	5	0	1
Purchase Cards (Suffolk only)	0	2	0	0
Risk Management (Norfolk PCC)	0	0	5	1
Risk Management (Suffolk PCC)	0	0	0	0
Overtime, Expenses and Additional Payments	0	3	0	2
Budgetary Control	0	0	2	0
Pensions Administration	0	1	0	1
HR – Strategy & Workforce Planning	1	2	0	1
Payroll	0	1	1	2
ICT – Exchange 2010 / Email Archiving	0	0	1	0
Performance Management	0	1	1	0
Complaints	0	0	1	0
Collaborations	0	2	0	0

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ICT – ERP Second / Third Line Support	0	1	1	2
Key Financial Controls	0	3	0	1
Estates – Health and Safety	0	2	1	1
Total	2	53	37	28



OFFICE OF THE POLICE & CRIME
COMMISSIONER FOR NORFOLK



NORFOLK
CONSTABULARY
Our Priority is You

ORIGINATOR: Chief Finance Officer

REASON FOR SUBMISSION: For Discussion and Comment

SUBJECT:

Review of the Accounting Policies for the 2016/17 Statements of Accounts

RECOMMENDATION:

The Committee is invited to consider the accounting policies set out in the report and to note that they will be included in the Statements of Accounts for 2016/17.

1. Purpose

- 1.1 To provide to the Committee the Accounting Policies on which the Statements of Accounts for 2016/17 will be based.

2. Background

- 2.1 The Committee's Terms of Reference includes the following in relation to Financial Reporting:-

The Committee will:

Review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the police and crime commissioner and/or the chief constable.

Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.

And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

- 2.2 The Committee will receive the draft Statements of Accounts for 2016/17 at its meeting on 18th July 2017.

3. The Policies

- 3.1 The Accounting Policies will be included as a Note to the Statements of Accounts, the current draft version of the Policies is attached.
- 3.2 The Policies are based on accounting regulations and codes of recommended practice and describe how these will be applied locally.
- 3.3 There are no significant changes to the Accounting Policies. There are some minor amendments and immaterial policies have been removed, e.g. Inventories.

4. Recommendation

- 4.1 The Committee is invited to discuss the report and comment thereon.

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Draft Accounting Policies – 2016/17 Statements of Accounts – Norfolk

General principles

The Statement of Accounts summarises the Group's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Group is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (COP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Cost recognition and Intra-Group adjustment

Refer to Note 5 for further details.

Recognition of working capital

The Scheme of Governance and Consent sets out the roles and responsibilities of the Police and Crime Commissioner and the Chief Constable, and also includes the Financial Regulations and Contract Standing Orders. As per these governance documents all contracts and bank accounts are in the name of the PCC. No consent has been granted to the CC to open bank accounts or hold cash or associated working capital assets or liabilities. This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is shown in the accounts of the PCC and the Group.

Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not in the financial period in which cash payments are paid or received.

Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Debtors and creditors

Revenue and capital transactions are included in the accounts on an accruals basis. Where goods and services are ordered and delivered by the year-end, the actual or estimated value of the order is accrued. With the exception of purchasing system generated accruals a de-minimis

level of £1,000 is set for year-end accruals of purchase invoices. Other classes of accrual are reviewed to identify their magnitude. Where the inclusion or omission of an accrual would not have a material impact on the Statement of Accounts, either individually or cumulatively, it is omitted.

Charges to the CIES (Comprehensive Income and Expenditure Statement) for Non-Current Assets

Net cost of policing of the PCC is debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets.
- Revaluation and impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible assets.

The PCC is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisation. However, it is required to make an annual contribution from revenue, the Minimum Revenue Provision (MRP), towards the reduction in the overall borrowing requirement (represented by the Capital Financing Requirement) equal to an amount calculated on a prudent basis determined by the PCC in accordance with statutory guidance.

Depreciation, amortisation, and revaluation and impairment losses are reversed from the General Fund and charged to the Capital Adjustment Account via the MIRS (Movement in Reserves Statement). MRP is charged to the General Fund along with any Revenue Funding of Capital and credited to the Capital Adjustment Account via the MIRS.

Guidance issued under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009, enables authorities to calculate an amount of MRP, which they consider to be prudent. For capital expenditure incurred from 2008/09, the PCC has approved calculating the MRP using the Option 3 method, which results in equal instalments of MRP being charged over the related assets' useful life.

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure on the acquisition, creation or enhancement and disposal of non-current assets is capitalised subject to a de-minimis threshold of £10,000. Expenditure below this amount on an individual asset is treated as revenue, with the following exceptions:

- Desktop and laptop computers and tablets
- Monitors
- Multi-functional devices
- Communication devices including radios
- Servers
- Software licences
- Firearms including TASERS
- Vehicles with a life exceeding 12 months
- Annual Assets (projects incurring expenditure throughout the year which are not classified as assets under construction)
- Where government grant funding has been sought and received for specific expenditure on the assumption that both the grant and expenditure are treated as capital

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Group does not capitalise borrowing costs incurred on the acquisition or construction of fixed assets.

The cost of assets acquired other than by purchase is deemed to be fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Group). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Group.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction – historic cost until the asset is live (assets under construction are not depreciated)
- all other assets – fair value, determined as the amount that would be paid for the asset

in its existing use (existing use value – EUV)

- where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for in the following way:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the net cost of policing of the PCC in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the following way:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight-line allocation over the useful life of the asset

The Code of Practice requires that where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, where the remaining asset life is significantly different for identifiable components, unless it can be proved that the impact on the Group's Statement of Accounts is not material. The Group has assessed the cumulative impact of component accounting. As a result the Group applies component accounting prospectively to assets that have a valuation in excess of £2m unless there is clear evidence that this would lead to a material misstatement in the Group's Financial Statements.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation or amortisation is charged in both the year of acquisition and disposal of an asset on a pro rata basis. Depreciation or amortisation is charged once an asset is in service and consuming economic benefit.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification, on the basis relevant to the asset class prior to reclassification, and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts and are to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the PCC's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the PCC as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the PCC.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the PCC will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. Research expenditure is not capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the PCC's services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the PCC can be determined by reference to an active market. In practice, no intangible asset held by the PCC meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of a finite intangible asset is amortised over its useful life and charged to the net cost of policing of the PCC's Office in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the net cost of policing of the PCC's Office in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Council Tax

Billing authorities act as agents, collecting council tax on behalf of the major preceptors, which includes the PCC. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax collected could be less or more than predicted.

The council tax income included in the Comprehensive Income and Expenditure Statement is the PCC's share of accrued income for the year. However, regulations determine the amount of council tax that must be included in the PCC's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Employee benefits

Benefits payable during employment

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. An accrual is made for the cost of annual leave entitlements earned by employees but not taken before the year end. The accrual is made at the most recent wage and salary rates applicable.

Post-employment benefits

Officers have the option of joining the Police Pension Scheme 2015. Civilian employees have the option of joining the Local Government Pension Scheme (LGPS), administered by Norfolk County Council. Some officers are still members of the Police Pension Scheme 1987 and the New Police Pension Scheme 2006, where transitional protection applies. All of the schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Constabulary, and all of the schemes are accounted for as defined benefit schemes.

The liabilities attributable to the Group of all four schemes are included in the Balance Sheet on an actuarial basis using the projected unit credit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits (including injury benefits on the Police Schemes) earned to date by officers and employees, based on assumptions about

mortality rates, employee turnover rates etc., and projections of earnings for current officers and employees.

Liabilities in the LGPS are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is based on the return on UK Government bonds (gilts) plus a prudent asset return assumption, which makes an allowance for an anticipated out-performance of Fund returns relative to long term yields on gilts.

Liabilities in the Police Pension Scheme are discounted to their value at current prices, using a discount rate specified each year by the actuary; this is set with reference to the current rate of return on high quality corporate bonds, plus an additional amount.

The assets of the LGPS attributable to the Group are included in the balance sheet at their fair value as follows:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

All three of the police schemes are unfunded and therefore do not have any assets. Benefits are funded from the contributions made by currently serving officers and a notional employer's contribution paid from the general fund; any shortfall is topped up by a grant from the Home Office.

The change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year, it is allocated in the CIES to the services for which the employee or officer worked. The current service cost is based on the latest available actuarial valuation.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs are debited to the Net Cost of Policing in the CIES as part of the service for which the employee or officer worked.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is charged to the Financing and Investment Income and Expenditure line in the CIES. The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- Expected return on assets – the annual investment return on the fund assets attributable to the Group, based on an average of the expected long-term return. It is credited to the Financing and Investment Income and Expenditure line in the CIES.
- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. They are debited to the pension reserve.
- Contributions paid to the four pension funds – cash paid as employer's contributions to

the pension fund in settlement of liabilities. These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amounts payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This means that in the MIRS there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Group has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including injury awards for police officers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The Group makes payments to police officers in relation to injury awards, and the expected injury awards for active members are valued on an actuarial basis.

Events after the reporting period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified.

- Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events. However where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the

instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the PCC has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets can be classified into two types:

- (i) Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- (ii) Available-for-sale assets – assets that have a quoted market price and/or do not have a fixed or determinable payment

The PCC does not hold any available-for-sale financial assets.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the PCC this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the CIES.

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Group when there is reasonable assurance that:

- The Group will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Group are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the

grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet within Creditors as government grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement (MIRS). Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

Investment policy

The PCC works closely with its external treasury advisors Capita to determine the criteria for high quality institutions. The minimum rating criteria uses the 'lowest common denominator' method of selecting counterparties and applying lending limits to those counterparties

- UK Banks which have the following minimum ratings from at least one of the three credit rating agencies:

UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

- Non-UK Banks domiciled in a country which has a minimum sovereign rating of AA+ and have the following minimum ratings from at least one of the three credit rating agencies:

Non-UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- Part Nationalised UK Banks;
- The PCC's Corporate Banker (Barclays Bank)
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds (which are rated AAA by at least one of the three major rating agencies);
- UK Government;
- Local Authorities, Parish Councils etc.

All cash invested by the PCC in 2016/17 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

Jointly controlled operations and jointly controlled assets

Jointly controlled operations are activities undertaken by the PCC or the CC in conjunction with other bodies, which involve the use of the assets and resources of the Group or the other body, rather than the establishment of a separate entity. The Group recognises on the PCC Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the relevant Comprehensive Income and Expenditure Statement with its share of the expenditure incurred and income earned from the activity of the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Group and other bodies, with the assets being used to obtain benefits for these bodies. The joint operation does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled assets, and the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the arrangement.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The PCC as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the PCC are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the PCC at the end of the lease period).

The PCC is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

The PCC as Lessor

Where the PCC grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Net Cost of Policing line in the CIES. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Private Finance Initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Group is deemed to control the services that are provided under its PFI schemes, and for the Police Investigation Centres (PICs) ownership of the property, plant and equipment will pass to the Group at the end of the contracts for no additional charge, the Group carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The liability was written down by the initial contribution.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Group.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the CIES.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – charged to the unitary payment when they are incurred in future years.

Provisions

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Group may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Group settles the obligation.

The insurance claims provision is maintained to meet the liabilities for claims received but for which the timing and/or the amount of the liability is uncertain. The Group self-insures part of the third party, motor and employer's liability risks. External insurers provide cover for large individual claims and to cap the total claims which have to be met from the provision in any insurance year. Charges are made to revenue to cover the external premiums and the estimated liabilities which will not be met by external insurers. Liability claims may be received several years after the event and can take many years to settle.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Group a possible

obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the PCC – these reserves are explained in the following paragraphs:

Revaluation Reserve

This Reserve records the accumulated gains on fixed assets arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). The reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred, only because the asset has been revalued. The balance on this Reserve for Assets disposed is written out to the Capital Adjustment Account. The overall balance on this reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historic cost.

Capital Adjustment Account

This Account accumulates (on the debit side) the write-down of the historical costs of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on this Account represents timing differences between the amount of the historical cost of the fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The PCC accounts for post-employment benefits in the CIES as the

benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the PCC and CC make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the PCC and CC have set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. Where the VAT is irrecoverable it is included in the relevant service line of the Group Comprehensive Income and Expenditure Statement. Irrecoverable VAT is VAT charged which under legislation is not reclaimable (e.g., purchase of command platform vehicles).

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.



ORIGINATOR: Chief Finance Officer

REASON FOR SUBMISSION: For endorsement

SUBJECT:

Review of the effectiveness of the system of internal control and the draft Annual Governance Statement (AGS) 2016/17.

SUMMARY:

The report describes the review of the system of internal control and presents the Annual Governance Statement for endorsement.

RECOMMENDATION:

The Committee is asked to:-

- (i) note the completion of the review of the system of internal control.
- (ii) endorse the draft Annual Governance Statement for 2016/17

1. Background

- 1.1 The governance arrangements and key documents were updated on the arrival of the new Police and Crime Commissioner (PCC).
- 1.2 The Accounts and Audit Regulations 2015 (Section 6) require the 'relevant authority', in this case the PCC and the Chief Constable, to
- conduct a review of the system of internal control (the AGS process)
 - prepare an annual governance statement.
- 1.3 The 'relevant authority' must then consider the findings of the review and approve the annual governance statement.

2. Governance

- 2.1 The corporate governance arrangements of the PCC and Chief Constable (CC) are set out in the following documents:-

Corporate Governance Framework	Includes the Joint (PCC and CC) Code of Corporate Governance	The document has been reviewed and some very minor changes made. To be published on PCC and Constabulary websites.
Scheme of Governance and Consent	Prepared in conjunction with the Suffolk PCC, includes Financial Regulations and Contract Standing Orders	To be updated in the autumn.

- 2.2 The Framework and the Code of Corporate Governance are drafted from the latest good governance guidance published by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives (CIPFA/SOLACE) (2016 Edition) and the accompanying Police Guidance Note (June 2016).
- 2.3 The Framework includes the meeting structures for the PCC and the CC, both individually and jointly. Also presented are the meeting structures for Norfolk/Suffolk Constabularies (the Strategic Partnership) and the 7 Force Collaboration.

3. The Review of the Effectiveness of the System of Internal Control and the Annual Governance Statement.

- 3.1 The Corporate Governance Working Group, comprising the Chief Executive, Chief Finance Officer, Director (Performance and Scrutiny), Head of Corporate Development and Change, the Head of Joint Finance and one Audit Committee Member has overseen the review of the Framework and the Code of Corporate Governance and the preparation of the AGS. In the course of this work it has carried out the review. Agendas and Notes of meetings are available on request.

- 3.2 The Working Group concluded that the system of internal control and governance was fit for purpose.
- 3.3 The Audit Committee is also in a position to endorse the arrangements in place through its oversight of both governance and internal audit arrangements. The Head of Internal Audit's Annual Assurance Report 2016/17, elsewhere on the agenda, includes a positive opinion on the adequacy and effectiveness of the risk management, control and governance processes.
- 3.4 The Draft Annual Governance Statement which is, essentially, a commentary on compliance with the Code of Corporate Governance, is attached at Appendix A.

4. Recommendations

4.1 The Committee is asked to:-

- (i) note the completion of the review of the system of internal control.
- (ii) comment on the draft Annual Governance Statement which will be published alongside the draft Statements of Accounts 2016/17 by 30 June 2017.

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NORFOLK
CONSTABULARY
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**DRAFT ANNUAL GOVERNANCE STATEMENT FOR
THE POLICE AND CRIME COMMISSIONER FOR NORFOLK AND
THE CHIEF CONSTABLE OF NORFOLK 2016/17**

1. Background

- 1.1 This Annual Governance Statement (AGS) covers the financial year 2016/17 [but extends to cover the period to the signing of the Statements of Accounts at the end of September 2017]. This statement is an opportunity to demonstrate compliance with the Code of Corporate Governance.
- 1.2 The Police and Crime Commissioner (PCC) and the Chief Constable for Norfolk are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.3 In discharging this overall responsibility, the PCC and Chief Constable are also responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring a sound system of governance (incorporating the system of internal control) is maintained through the year and that arrangements are in place for the management of risk.
- 1.4 The Corporate Governance Framework which sets out how governance 'works' for the PCC and Chief Constable can be found on the PCC's website (www.norfolk-pcc.gov.uk) or may be obtained from the Office of the Police and Crime Commissioner for Norfolk, Building 8, Jubilee House, Falconers Chase, Wymondham, Norfolk, NR18 0WW.
- 1.5 This Framework includes the joint Code of Corporate Governance (the Code) which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government [April 2016] (as expanded by a Guidance Note for Police [June 2016]).
- 1.6 The PCC's and Chief Constable's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (as amended December 2013). However, please see further commentary at 3.7 below. [**Note:** An update of the CIPFA Statement is due to be published shortly. This draft will be updated accordingly.]
- 1.7 This AGS also explains how the PCC and Chief Constable have complied with the Code and also meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the review of the effectiveness of the system of internal control and the publication of an annual governance statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes and culture and values by which the PCC and Chief Constable are directed and controlled, and the activities through which they account to and engage with the community. It enables the PCC and Chief Constable to monitor the achievement of their strategic objectives and to consider whether those objectives have led to the timely delivery of appropriate, cost-effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PCC's and Chief Constable's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.
- 2.3 However, good governance is not only about processes, rules and procedures. The governance framework should be applied in a way which also demonstrates the spirit and ethos of good governance. Shared values which are integrated into the culture of an organisation and are reflected in behaviour and policy are essential hallmarks of good governance.

3. The Governance Framework

- 3.1 The Chief Constable is responsible for operational policing matters, the direction and control of police officers and police staff, and for putting in place proper arrangements for the governance of the Constabulary. The PCC is required to hold the Chief Constable to account for the exercise of those functions and those of the persons under the Chief Constable's direction and control. It therefore follows that the Commissioner must satisfy himself that the Constabulary has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.
- 3.2 The PCC has adopted a Corporate Governance Framework (including the Code of Corporate Governance) and a Scheme of Governance and Consent which includes Financial Regulations and Contract Standing Orders. These are reviewed periodically in accordance with requirements.
- 3.3 The governance framework has been in place throughout the financial year 2016/17 (ending 31 March 2017) and [up to the date of the approval of the Statements of Accounts].
- 3.4 The key elements of the systems and processes that comprise the PCC's and Chief Constable's governance arrangements and how these adhere to the seven principles in the Code are set out below:-

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

- 3.5 The Police Code of Ethics, produced by the College of Policing, describes the principles that every member of the policing profession in England and Wales is expected to uphold and the standards of behaviour they are expected to meet. This Code applies to all those who work for the Constabulary, be they police officers, employees, contractors or volunteers. All staffs have been made aware of the requirements of the Code of Ethics and where necessary this is enforced for police officers by the Police (Conduct) Regulations

and for police staff by the Police Staff Council Misconduct Procedures. A Code of Conduct based on the Code has also been adopted by the PCC and staff of the OPCC.

- 3.6 Formal policies also exist in respect of whistle blowing, public complaints, anti-fraud and corruption and the need to maintain a register of interests. An Ethics Committee has been established to enable staff to raise for consideration ethical issues affecting the Constabulary to enable further improvement in the transparency, professionalism and ethical approach of staff, policies and procedures to such issues.
- 3.7 Since 1st April 2014 the Norfolk PCC's Chief Financial Officer (CFO) has acted in a dual capacity (as Section 151 officer) for both the Norfolk PCC and the Norfolk Chief Constable. The CIPFA Code says that a joint CFO is not 'envisaged' in view of the separate corporations sole, but the arrangement has been working well. There are separate employment contracts in place for each of the two roles and the arrangement has been extended until May 2018. [Note: An update of the CIPFA Statement is due to be published shortly. This draft will be updated accordingly.]

Principle B - Ensuring openness and comprehensive stakeholder engagement

- 3.8 The PCC's website contains details of the meetings the PCC holds with the public, partners, Chief Constable, Audit Committee and Police and Crime Panel. Agendas, reports and minutes are available for public scrutiny where appropriate and social and digital media are frequently used to inform people unable to attend and to summarise meetings and key decisions.
- 3.9 The Constabulary offers regular, direct updates via its social and digital channels including Twitter, Facebook, the force website, and indirectly via the local media. In addition, members of the public can sign up to the free Police Connect service to receive details of local crimes, initiatives and engagement opportunities via e-mail, voicemail or text.
- 3.10 The Constabulary Community Engagement Strategy sets out how the Constabulary will effectively engage with the residents of Norfolk in accordance with Section 34 of the Police Reform and Social Responsibility Act 2011. Key aims include actively engaging with the public, using digital technology to reach a wider audience, ensuring officers and staffs have a clear understanding of expectations, working with partners, and acting on feedback to ensure we meet needs and requirements. Seven Community Engagement Officers have been appointed to each of the policing districts within the county and are using social media in a number of different ways to communicate effectively with the public.
- 3.11 Representatives of the PCC attend meetings regularly to ensure that the arrangements the Constabulary has in place are effective. The PCC's Office (OPCC) also has its own Communications and Engagement Strategy setting out how it will obtain the views of the community and victims of crime regarding policing. This was updated for 2016-2020. The OPCC has recently appointed a Consultation and Engagement Officer to review, develop and deliver its engagement activities and oversee delivery of its overarching Strategy.
- 3.12 The PCC held a countywide budget consultation asking Norfolk people whether they agreed to a 2% precept rise for 2017/18. More than 2,200 people responded with 76% in favour of a rise. Political groups and key partners were also consulted. The PCC holds regular public meetings (Police Accountability Forum) to hold the Chief Constable to account.
- 3.13 The PCC has established a Victims' Panel which is enabling him to consult directly with victims on a wide range of subjects and issues. The OPCC manages a number of independent advisory panels including the Independent Advisory Group (IAG).

- 3.14 The Constabulary measures the satisfaction of service users through the use of public surveys and reports to the Office of the PCC on levels of satisfaction as one of the agreed Police and Crime Objectives. This is done in accordance with Home Office requirements.
- 3.15 Norfolk Constabulary collaborates extensively with Suffolk Constabulary as it has done since 2008. This formal collaboration is across a range of services including operational policing and back office functions. The PCC is required to give approval to collaborative opportunities before they can commence. The PCCs of Norfolk and Suffolk meet during the year along with the Chief Constables to consider issues impacting on the organisations and to discharge the governance responsibilities between Norfolk and Suffolk. In addition to this there are governance arrangements that cover operational managers and Chief Officers. The main drivers have been to maintain the effectiveness of operational and organisational support and to drive out savings through economies of scale in order to protect front line resources wherever possible.
- 3.16 There are also services that are subject to ongoing regional collaboration. A Seven Force Strategic Collaboration Programme has been established (this is essentially the three strategic collaborations of Norfolk/Suffolk, Kent/Essex and Bedfordshire/Cambridgeshire/Hertfordshire) with a mission to develop options for wider collaboration in order to make efficiencies and drive out further savings. The programme is governed jointly by the seven PCCs and seven Chief Constables.

Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

- 3.17 The previous Commissioner published the first Police and Crime Plan for the period 2013/14 to 2016/17 in accordance with the Police Reform and Social Responsibility Act 2011. This established the PCC's vision and objectives for residents and service users. Following the PCC's first year in office the Plan was refreshed in 2014 to take account of the commissioning strategy and framework and to also make it more user-friendly and accessible. This approach has been endorsed by the Norfolk Police and Crime Panel. An annual report is also produced that provides an update on the PCC's progress against the delivery of the Police and Crime Plan.
- 3.18 Following his arrival in May 2017, the new PCC has consulted widely on his new Plan (2016/20) and this was published in March 2017. The Plan sets out seven core priorities for Norfolk and outlines the PCC's vision for tackling and preventing crime, protecting the most vulnerable and supporting victims.

The seven priorities are:-

- Increase visible policing
- Support rural communities
- Improve road safety
- Prevent offending
- Support victims and reduce vulnerability
- Deliver a modern, innovative service
- Good stewardship of taxpayers' money.

- 3.19 There is a co-ordinated process for strategic and medium-term financial planning (MTFP). The budget for 2016/17 was set by the previous PCC based on a 'cash level' government funding settlement for police in 2016/17. In the Police Grant Report on 17th December 2015, the Minister of State for Policing said "For 2016/17 direct resource funding for each PCC, including precept, will be protected at flat cash levels, assuming that precept income is increased to the maximum amount available." As a result, the PCC decided to increase the precept by 2%. With funding the same in cash terms (as in 2015/16), budget reductions were required to finance pay awards, price inflation and service pressures over the medium

term. The work involved in preparing the budget and the MTFP requires close liaison with operational staff and budget managers followed by a detailed process of scrutiny and challenge by Chief Officers in order to ensure that the MTFP can finance the strategic aims of the Constabulary and the PCC.

- 3.20 There is a clearly defined corporate performance management framework. Objectives and key performance indicators are established and monitored both at a corporate and local level. Regular reports are made to senior managers, the Command Team and to the Commissioner on performance against objectives. This includes detailed analysis and scrutiny of performance and compares performance against the most similar family of forces.
- 3.21 Proposals for collaboration go through a detailed process, designed to ensure that all options are considered and that all parties can sign up to formal agreements in the knowledge that future policy, performance and resource levels are recognised at the offset. Dedicated resources are in place to support those units subject to Norfolk / Suffolk collaboration, including the formulation of detailed business cases. The business cases are subject to review by senior officers and the Joint Chief Officer Teams of the two constabularies. Proposals are further discussed before final sign off by the two PCCs. This is underpinned by formal agreements covering the legal aspects of collaboration. A similar process applies to regional proposals.
- 3.22 A Programme Management Office has been established to oversee the planning, implementation and delivery of Norfolk and Suffolk Constabularies' overarching change programme in accordance with the two force's strategic priorities and report upwards into a Joint Norfolk and Suffolk Chief Officer Team and the PCCs.

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

- 3.23 Norfolk and Suffolk Constabularies gather data and intelligence from a range of sources to produce an annual Strategic Assessment. The Strategic Assessment takes into account all relevant internal and external factors that might impact upon policing, crime and disorder at county and local level, highlighting emerging issues, risks and threats. All issues are risk assessed using the nationally recognised Management of Risk in Law Enforcement (MoRiLE) framework. The Strategic Assessment is then used to inform the development and review of the Police and Crime Plans and the local policing plans and performance frameworks. It also leads to the setting of the Operational Control Strategy for which there are identified strategic leads for each theme area. Partners are consulted in the development of the Strategic Assessment and the final document is also shared with them to help aid their decision making and planning.
- 3.24 The Constabulary also undertakes strategic analysis in the form of Strategic Profiles. Where relevant, these are produced jointly for Norfolk and Suffolk, highlighting any cross force and single force issues. The profiles cover a range of strategic crime and thematic topics, including some looking at organisational issues such as sickness and absence management. They provide a comprehensive account of the topic, taking into consideration any existing research or 'what works' evidence to inform strategic and tactical action plans and decision making. Partnership data is utilised wherever possible and consultation is also undertaken with stakeholders outside of policing as a key part of the process to ensure they are widely informed. These strategic profiles are used to inform the overall Strategic Assessment.
- 3.25 The Joint Performance and Analysis Department (JPAD) undertakes analysis, research, consultation and improvement and evaluation activity across the Constabulary. The collaboration of these distinct areas of business within one department allows for more

informed analysis to take place which could relate to any part of the organisation, whether operational or organisational. This collaboration also results in the greater use of a variety of techniques to aid tactical and strategic decision making and to formulate problem solving approaches. The department seeks to use an evidenced based approach to its work ensuring that the best available evidence regarding 'what works' is considered as part of the Constabulary's problem solving activity and evaluations are conducted to ensure lessons are learnt and successes identified.

- 3.26 The department produces analytical work to support a number of forums and groups, including the Tasking and Co-ordination Group meetings and Performance and Accountability meetings, delivering strategic and tactical products which facilitate forward resource planning and the identification and management of threat, risk and harm, thereby minimising costs to the organisation. The department supports the Constabulary in meeting its statutory and legislative requirements regarding information and data provision including the Annual Data Returns as set out by the Home Office and provision of data for a large proportion of Freedom of Information Requests.

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

- 3.27 Norfolk and Suffolk Constabularies have a Leadership Development Programme called Best I Can Be and run a quarterly series of professional development events as part of the work being delivered under the Leadership Strategy.

The Strategy promotes the idea that Leadership is not necessarily about rank. It advocates 'Courageous, Inclusive and Ethical' leadership. It goes further to describe the development of the whole workforce which is engaged not only in day to day activity but also in strategic projects and change programmes.

The Professional Development Review process continues to be improved and embedded and work continues to develop an ePDR system.

Principle F - Managing risks and performance through robust internal control and strong public financial management

- 3.28 The PCC and Chief Constable have Risk Policies in place to ensure that the risks facing the organisation are effectively and appropriately identified, evaluated and reported. The Joint Norfolk and Suffolk (Constabularies) Risk Management Policy includes details of the risk management framework within the governance structure of Norfolk Constabulary.). It sets out risk management requirements and practices that should be undertaken; by whom and when, and outlines the consequences of non-adherence. The policy supports a robust risk management approach for ensuring that strategic objectives are achieved and shows how risk is dealt with, by mitigation and/or escalation to the appropriate level in the organisations. A similar policy has been drawn up by the Norfolk Office of the PCC (OPCC). The Audit Committee routinely sees the Strategic Risk Registers.
- 3.29 The Crime Registry and Audit functions for Suffolk and Norfolk are also now part of JPAD. By carrying out independent and rigorous audit of crime and incident recording, they provide an objective assessment of how the Constabularies are complying with the National Crime and Incident Recording Standards. The audit reports produced are reviewed by Chief Officers and if areas for improvement are identified, action is allocated and taken accordingly. As necessary, any areas of risk in relation to Crime Data Integrity are also raised at the Force Crime Data Integrity meetings and detailed on the risk register.

- 3.30 As noted in the 2015/16 Annual Governance Statement, the introduction of Athena in October 2015 led to a reduction in data quality and a temporary halt in the provision of performance information. In response to this an Athena Data Quality Gold group was established and a detailed action plan introduced to ensure the quality of crime recording was improved to levels that ensured confidence in the data. Performance reporting has since been re-introduced. Data quality remains a key focus for the organisations with it being discussed at Athena and Crime Data Integrity meetings and with resources now in place specifically focused on data quality. Training staff on the importance of data quality and how to record information accurately within Athena is also undertaken and the training is updated in line with any national or local changes and developments.

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- 3.31 The Commissioner produces and publishes an Annual Report which details performance for the previous year against the objectives set in the Annual Policing Plan. Financial performance against the revenue budget, capital programme and levels of reserves is reported regularly.
- 3.32 The OPCC has received an award (for the second year running) for the quality of its website, which includes the transparency requirements set out by Regulations.
- 3.33 The Audit Committee (now meeting in public) has overseen the full programme of internal and external audit activity. See details below.

4. Review of Effectiveness

- 4.1 The PCC and Chief Constable have responsibility for conducting an annual review of the effectiveness of the governance framework, including the system of internal control.
- 4.2 This review of effectiveness is informed by the work of executive managers within the Constabulary and the OPCC who have the responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report and also by comments made by the external auditor and other review agencies and inspectorates.
- 4.3 A full report was [will be] presented to the June meeting of the Audit Committee and the groups and processes that have been involved in maintaining and reviewing the effectiveness of internal control include the following:

4.4 Corporate Governance Working Group

- 4.4.1 This Group has been established to review the corporate governance framework and systems of internal control and to oversee the preparation of this Annual Governance Statement. The group comprises the Chief Executive of the PCC, the PCC's and Chief Constable's Chief Finance Officer, the Head of Joint Finance together with one co-opted member of the Audit Committee. The officers have involvement in the oversight of the governance framework and its processes and are in a position to review its effectiveness.

4.5 Internal Audit

- 4.5.1 Internal audit (delivered under contract by TIAA from 1 April 2015) provides independent and objective assurances across the whole range of the PCC's and Constabulary's activities and regularly presents findings to the Audit Committee of the PCC and Chief Constable. They have taken a managed audit approach in conjunction with external audit to

ensure that all necessary areas of compliance are covered. The audit programme for the year was prepared and agreed with the PCC and Chief Constable following a risk based assessment. The managed audit approach has been developed successfully over past years, in agreement with external audit to bring further efficiency to audits.

- 4.5.2 The external auditor (Ernst and Young LLP, appointed by the Audit Commission in 2012) is able to place reliance on the work of internal audit.
- 4.5.3 Internal audit is required to give an overall opinion on the adequacy and effectiveness of the framework of the internal control and risk management environment.
- 4.5.4 The overall opinion for 2016/17 from the Head of Internal Audit was:

“TIAA is satisfied that, for the areas reviewed during the year, the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies have reasonable and effective risk management, control and governance processes in place. Also, there was evidence to support the achievement of value for money with regard to economy, efficiency or effectiveness of the systems reviewed. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability which must be obtained by the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies from its various sources of assurance.”

4.6 External Audit and Other External Review Bodies

- 4.6.1 External Audit provides a further source of assurance by reviewing the annual accounts and value for money assessment and reporting upon internal control processes and any other matters relevant to their statutory functions and codes of practice. An unqualified audit report was issued on the 2015/16 Statement of Accounts at the end of September 2016 together with an unqualified value for money conclusion. The External Auditor's Annual Audit Letter was issued on October 2016 and it did not identify any matters to be addressed.
- 4.6.2 The Constabulary is subject to almost continuous review by Her Majesty's Inspector of Constabulary (HMIC) and a number of inspections were carried out over the period. Reports relating to Norfolk can be found on HMIC website:-
<https://www.justiceinspectorates.gov.uk/hmic/?type=publications&force=norfolk&s&cat&year>

Of note are the following reports:-

PEEL: Police Effectiveness 2016
HMIC Overall Judgement: Good.
Areas for improvement

The force should reduce the backlog of crimes awaiting closure in the incident management unit. The force no longer has a back log of investigations/crimes with the Investigation Management Unit.

The force should ensure that it is fully compliant with the Code of Practice for Victims of Crime. The comment related to compliance on the offer of a VPS at time an evidential statement is taken. Following a successful pilot in Great Yarmouth trialling Victim Personal Statement Packs the constabulary they are being rolled out across the county.

The force should review how it handles domestic abuse cases which are waiting for an officer to be assigned; in particular, it should ensure that victims are not being exposed to harm because of unnecessary delays. All domestic incidents that are risk assessed not to require an immediate or priority response on a Grade A or B are forwarded to the appropriate district dispatch desk to be allocated to an officer to deal with. Where there is a delay in an officer being able to attend, or there is any relevant additional information, a further risk assessment will take place to ensure that it is correctly graded and that the victim is not exposed to any harm as a result of any delay in attending.

The force should review its absent and missing children procedures in the control room to ensure that it is properly investigating the cases of children who are categorised as absent. The Constabulary is currently reviewing its control room operating procedures to reflect the new College of Policing Approved Professional Practice. Within the new guidance there is no longer a category of "Absent" for children.

The force should review its use of preventative legislation, particularly Domestic Violence Protection Orders and Notices, and Clare's Law, to ensure that it is making best use of these powers to safeguard victims of domestic abuse. The constabulary continues to use Domestic Violence Protection Notices for those vulnerable victims of domestic abuse who are seen as being at high risk by the attending officer and are likely to benefit from the protections provided by the Domestic Violence Protection Order. Further safeguarding and support is provided by the Multi Agency Safeguarding Hub, Domestic Abuse Safeguarding Team and the Independent Domestic Violence Advocate service to maximise the safeguarding of the victim. This includes the use of Clare's Law. Recent changes to our partnership meeting structures have increased the timeliness of Clare's Law decisions and disclosures.

The force should further develop its serious and organised crime local profile in conjunction with other organisations; this would enhance its understanding of the threat posed by serious and organised crime and inform joint activity aimed at reducing this threat. A refresh of the constabulary's local serious and organised crime profile is underway to include partnership data and includes the newly formed Local Organised Crime Partnership Boards. The local profile will be complete and ready for presentation to the Joint Chief Officer Team in August 2017.

The force should enhance its approach to the lifetime management of organised criminals to limit their offending. The Norfolk and Suffolk Integrated Offender Management approach '180' fits within the Government's Serious and Organised Crime Strategy. All released nominals are subject to assessment through the 180 matrix and will feature within the Organised Crime Group Management Meeting and will be subject to intervention and provision of a Locally Responsible Officer.

PEEL: Police Efficiency 2016
HMIC Overall Judgement: Good
Areas for Improvement

Norfolk Constabulary should develop a better understanding of how the benefits of investing and using ICT affect its ability to meet current and likely future demand efficiently, with a view to updating its ICT strategy. The constabulary has made significant investment in ICT and has a strong track record of delivery to enable benefits. To date it has expanded the capacity of its networks to support changes in Norfolk working practices and collaboratively with Suffolk, including significant extra storage to support its leading Digital Forensic Unit, a common platform for Airwave, and a joint finance payroll unit to drive down costs. It has expanded the capacity and delivery of Automatic Number Plate Recognition infrastructure to support its use as a frontline proactive tool. It is also introducing body worn video cameras and mobile devices to front line officers. It has refreshed and improved its cybersecurity to comply with a PSNP health check. Dedicated projects with bolstered

governance structures have been put in place to oversee the full realisation of benefits from both the Athena and Enterprise Resource Planning systems. These market-leading systems were significant capital investments that have brought about major organisational change, but it is acknowledged have taken longer than desired in achieving the planned benefits.

Norfolk Constabulary should undertake appropriate activities to fully understand its workforce's capabilities, in order to identify any gaps and put plans in place to address them. This will enable the force to be confident in its ability to efficiently meet current and likely future demand. The constabulary has worked hard to centralise the information contained in departmentally held workforce skills databases. It now has a cleansed skills database and agreed establishment data which will inform a corporate training needs analysis by the end of the year.

PEEL: Police Legitimacy 2016

HMIC Overall Judgement: Good.

Areas for improvement:

The force should improve how it demonstrates that it has taken action to improve how it treats all the people it serves. The constabulary has put in place communications strategies which include transparency of police actions as recently seen during Operation Gravity. Social media, letters, posters and traditional media have been used to update the local community regarding actions taken. This approach is being extended to other proactive operations around child sexual exploitation and protecting vulnerable people.

- 4.6.3 Section 55 of the Police Act 1996, subsection 5(B) as amended by the Policing and Crime Act 2017 states 'If the published [HMIC] report includes a recommendation, the comments of the local policing body must include an explanation of –
- (a) The action the local policing body has taken or proposes to take in response to the recommendation, or
 - (b) Why the local policing body has not taken, or does not propose to take, any action in response'
- 4.6.4 As a result of the above HMIC reports will be taken through the Strategic Governance Board so that recommendations/actions can be appropriately considered by the PCC.
- 4.6.5 Following the audit undertaken by the Information Commissioner's Office (ICO) in April 2016 across Norfolk/Suffolk Constabularies, work has progressed to action the recommendations to help reduce the risk of non-compliance with the Data Protection Act. Resourcing levels have been reviewed and three temporary appointments (to end March 2018) are currently being recruited to address the information sharing, auditing and compliance requirements. The audit findings continue to be progressed and managed through the Information Management Steering Group.
- 4.6.6 As in previous years, Information Management has dealt with a number of data breaches in 2016/17 of which none have been reported to the Information Commissioner's Office (ICO) as they have either been contained between the relevant parties or not of serious enough impact to warrant referral. All data breaches reported to information management are thoroughly investigated and the final report is considered by the respective force Deputy Chief Constable (Senior Information Risk Owner (SIRO)) for a final decision as to whether to refer to the ICO. At present there is no mandatory requirement to refer data breaches to the ICO though this is likely to change when the new Data Protection regime takes effect in May 2018 following the adoption of the General Data Protection Regulation (GDPR) and Directive.

4.7 Police and Crime Panel

4.7.1 The Police and Crime Panel provides checks and balances in relation to the performance of the PCC and scrutinises the PCC's exercise of his statutory functions. The Panel is independent of the PCC and consists of 3 county councillors, 7 district councillors and 2 independent co-opted members.

4.7.2 The new PCC is establishing his engagement with the Panel on all relevant matters.

4.8 Audit Committee

4.8.1 The Committee provides advice, to the PCC and Chief Constable, on audit and governance issues and champions both audit and the embedding of risk management. Specifically, it receives and scrutinises the review of the system of internal control, and agrees and monitors any action plans resulting from those reviews.

4.8.2 In addition to this the Committee also examines and considers the draft Annual Governance Statement, and reviews the draft accounts of the PCC and Chief Constable to make recommendations in this respect. Also, it reviews the annual draft Treasury Management Strategy, monitors its application during the year and makes recommendations as appropriate.

4.8.3 Members have continued to receive briefings and training through the year and two vacancies have been filled.

5. Significant Governance Issues

5.1 The significant governance (internal control) issues identified in the 2015/16 Annual Governance Statement have been subject to follow up by Internal Audit. Reconciliation of tax and national insurance deductions relating to 2015/16 remains outstanding, however, payments have been made to HMRC and a payroll software fix is awaiting testing.

5.2 There were four areas (HR Recruitment, Duty Management System, HR Strategy and Workforce Planning) reviewed by internal audit in 2016/17 where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' assurance. Recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted. Most of recommended actions have been completed.

5.3 Whilst there are no 'significant' governance issues identified within the audit reports a number of recommendations make reference to the Enterprise Resource Planning System. A project is underway (commenced May 2017) to ensure that the system is running as efficiently and effectively as possible (see also paragraph 4.6.2).

6. Assurance Summary

6.1 The Corporate Governance Working Group has concluded that the governance arrangements are fit for purpose in accordance with the governance framework. Those areas to be specifically addressed are set out in Section 5 above.

6.2 Finally, we are satisfied that this report is an accurate summary of the governance arrangements in place in the Constabulary and the OPCC and of their effectiveness during this period.

Signed

Lorne Green
Police and Crime Commissioner for Norfolk

Simon Bailey QPM
Chief Constable of Norfolk

Mark Stokes
Chief Executive
Office of the Police and Crime Commissioner

John Hummersone FCPFA
Chief Finance Officer

Date:

Signed on behalf of the senior staff of the Police and Crime Commissioner for Norfolk and on behalf of the Chief Officers of Norfolk Constabulary.



OFFICE OF THE POLICE & CRIME
COMMISSIONER FOR NORFOLK



NORFOLK
CONSTABULARY
Our Priority is You

ORIGINATOR:

Chairman

REASON FOR SUBMISSION:

For review

SUBJECT: Audit Committee Annual Report – 1 April 2016 – 31 March 2017

SUMMARY:

The work undertaken by the Committee is presented in the Annual Audit Committee Report.

RECOMMENDATION:

The Committee is asked to review the Report.

1. Introduction

- 1.1 The purpose of the Audit Committee is to provide independent advice and recommendations to the Police and Crime Commissioner and the Chief Constable for Norfolk on the adequacy of governance and risk management frameworks, the internal control environment and financial reporting.
- 1.2 The Committee has an independent role to review the effectiveness of governance, risk management and control arrangements in the Office of the Police and Crime Commissioner for Norfolk (OPCCN) and in Norfolk Constabulary. It also reviews financial reporting and annual governance processes as well as the work of the internal and external auditors.
- 1.3 The Committee comprises 5 independently appointed members who have a range of backgrounds and experience. During the year, it met 5 times and its meetings were open to the public to attend.

2. Governance and Risk Management Frameworks

- 2.1 During the year, the Committee reviewed the Annual Governance Statement for the year ended 31 March 2016 which set out the arrangements that operated to ensure effective governance in the OPCCN and the Constabulary. This statement was published as part of the annual financial statements. It is also reviewed by the external auditors and they did not raise any issues in relation to its contents.
- 2.2 At each meeting during the year, the Committee reviewed the strategic risks facing the OPCCN and the Constabulary, together with the actions being taken by management to manage those risks effectively.

3. Internal Controls

- 3.1 Internal auditors have been appointed to assess and test the operation of internal controls in a number of activities based on a programme of work for the year. The Committee reviewed and agreed the internal audit plan for the 2015/16 year and then received progress reports from the internal auditors on their work at each meeting.
- 3.2 The Committee also had the opportunity to discuss individual internal audit reports with the internal audit team and with management at each of its meetings. These reports included progress in implementing agreed recommendations arising from the internal audit work.
- 3.3 The Committee also reviewed the internal audit annual report for the year ended 31 March 2016 and which provided a positive conclusion that there are adequate and effective management, control and governance processes in place to manage the achievement of the OPCCN and Constabulary objectives.

4. Financial Reporting

- 4.1 The OPCCN and the Constabulary are required to produce annual financial statements in accordance with recognised accounting standards and which are then subject to an independent external audit.
- 4.2 Prior to the production of the annual accounts, the Committee reviewed the accounting policies to be used in compiling the accounts. It also reviewed the draft annual accounts before the external audit process commenced.
- 4.3 Prior to the start of the external audit process, the Committee received details of the external audit plan based on the statutory responsibilities of the external auditor.
- 4.4 At the conclusion of the external audit process, the Committee received a report from the external auditor which set out the results of the audit work in relation to annual accounts and the arrangements for securing value for money in the use of resources at the OPCCN and the Constabulary. The external auditor provided unqualified opinions for the year ended 31 March 2016. The external auditor summarised all of these results in an Annual Audit Letter which was published on the OPCCN website.

5. Other Matters

- 5.1 The Committee reviewed the annual Treasury Management strategy for the year ending 31 March 2018. This strategy set out details of the approach to managing debt and investments.
- 5.2 As well as its formal meetings, the Committee meets to discuss topics that are relevant to its business so that members have a greater insight into policing matters. Topics that have been included in this programme of training and development during the year were procurement, Norfolk 2020 and the implementation of new IT systems such as Athena.

Report Author:

Rob Bennett
Chairman – Audit Committee
robbennett426@btinternet.com



OFFICE OF THE POLICE & CRIME
COMMISSIONER FOR NORFOLK



NORFOLK
CONSTABULARY
Our Priority is You

ORIGINATOR: Chief Finance Officer

REASON FOR SUBMISSION: For noting

SUBJECT: External Audit Fees 2017/18

SUMMARY:

The External Auditor's Annual Audit Fee 2017/18 letters are presented.

RECOMMENDATION:

To note.

1. Background

1.1 On the 21 April 2017 Ernst and Young LLP notified the Police and Crime Commissioner and the Chief Constable what the audit fees would be for the two audits for 2017/18.

The fees are:-

- PCC £33,825
- Chief Constable £15,000

1.2 The fees are unchanged from the prior year and the two letters are attached.

1.3 2017/18 is the final year of audit arrangements made by Public Sector Audit Appointments Ltd (PSAA) by delegation from the Secretary of State for Communities and Local Government.

1.4 The PCC and Chief Constable have opted into a new process administered by PSAA to procure external audit services for 2018/19 and beyond.

2. Recommendation

2.1 The Committee is asked to note the report and fees.



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Lorne Green
The Police and Crime Commissioner for Norfolk
Jubilee House
Falconers Chase
Wymondham
Norfolk
NR18 0WW

21 April 2017

Our Ref: The PCC for Norfolk/Fee
letter/ 2017/18

Direct line: 07876 397986

Email: ksuter@uk.ey.com

Dear Lorne

The Police and Crime Commissioner for Norfolk Annual Audit Fees 2017/18

We are writing to confirm the audit work that we propose to undertake for the 2017/18 financial year at Police and Crime Commissioner for Norfolk.

From 1 April 2015, the duty to make arrangements for the audit of the accounts and the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. In October 2015, the Secretary of State confirmed that the transitional arrangements would be extended for one year for audits of principal local government bodies only, to cover the audit of the accounts for 2017/18. The audit contracts previously let by the Audit Commission and novated to PSAA have therefore also been extended for one year to give effect to this decision.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 will apply for principal local government and police bodies. These audited bodies will be responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. The PSAA will play a new and different role in these arrangements.

Indicative audit fee

For the 2017/18 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees. There are no planned changes to the overall work programme for 2017/18. It is therefore proposed by the PSAA that scale fees are set at the same level as the scale fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements

- Value for money conclusion
- Whole of Government accounts.

For the Police and Crime Commissioner for Norfolk our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Police and Crime Commissioner for Norfolk;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2016/17, our audit planning process for 2017/18 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2017/18 £	Planned fee 2016/17 £	Actual fee 2015/16 £
Total Code audit fee	33,825	*33,825	34,777

*The planned fees for 2016/17 will likely be subject to a scale fee variation increase. This arises from how the new reporting requirements from the CIPFA Code of Practice on Local Authority Accounting for 2016-17 impacts the Comprehensive Income and Expenditure Statement. We will work with officers to establish working paper requirements to minimise the impact.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative code audit fee will be billed in 4 quarterly instalments.

Audit plan

Our plan is expected to be issued in January 2018. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Finance Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.


Audit team

The key members of the audit team for the 2017/18 financial year are:

Kevin Suter Executive Director	ksuter@uk.ey.com	Tel: 07876 397986
Chris Hewitt Manager	CHewitt@uk.ey.com	Tel: 07879 667245

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours Sincerely



Kevin Suter
Executive Director
For and on behalf of Ernst & Young LLP

cc. Rob Bennett, Chair of the Audit Committee



Mark Stokes, Chief Executive
John Hummersone, Chief Finance Officer



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Simon Bailey
The Chief Constable of Norfolk Constabulary
Jubilee House
Falconers Chase
Wymondham
Norfolk
NR18 0WW

21 April 2017

Our Ref: The CC of Norfolk
Constabulary/Fee letter/ 2017/18

Direct line: 07876 397986

Email: ksuter@uk.ey.com

Dear Simon

The Chief Constable of Norfolk Constabulary Annual Audit Fees 2017/18

We are writing to confirm the audit and certification work that we propose to undertake for the 2017/18 financial year at the Chief Constable of Norfolk Constabulary.

From 1 April 2015, the duty to make arrangements for the audit of the accounts and the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. In October 2015, the Secretary of State confirmed that the transitional arrangements would be extended for one year for audits of principal local government bodies only, to cover the audit of the accounts for 2017/18. The audit contracts previously let by the Audit Commission and novated to PSAA have therefore also been extended for one year to give effect to this decision.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 will apply for principal local government and police bodies. These audited bodies will be responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. The PSAA will play a new and different role in these arrangements.

Indicative audit fee

For the 2017/18 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees. There are no planned changes to the overall work programme for 2017/18. It is therefore proposed by the PSAA that scale fees are set at the same level as the scale fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements

- Value for money conclusion
- Whole of Government accounts.

For the Chief Constable of Norfolk Constabulary our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Chief Constable of Norfolk Constabulary;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2016/17, our audit planning process for 2017/18 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2017/18 £	Planned fee 2016/17 £	Actual fee 2015/16 £
Total Code audit fee	15,000	*15,000	15,709

* The planned fees for 2016/17 will likely be subject to a scale fee variation increase. This arises from how the new reporting requirements from the CIPFA Code of Practice on Local Authority Accounting for 2016-17 impacts the Comprehensive Income and Expenditure Statement. We will work with officers to establish working paper requirements to minimise the impact.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative code audit fee will be billed in 4 quarterly instalments.

Audit plan

Our plan is expected to be issued in January 2018. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Finance Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

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Yours Sincerely



Kevin Suter
For and on behalf of Ernst & Young LLP

cc. Rob Bennett, Chair of the Audit Committee
John Hummersone Chief Finance Officer



**Audit Committee
Forward Work Plan**

18 July 2017

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 7 June 2017	
Draft Statements of Accounts 2016/17 - Chief Constable - PCC/Group	From CFO/ Head of Finance

5 September 2017

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting xx July 2017	
Internal Audit 2017/18 Plan update and follow-up report	Report from Head of Internal Audit
Final Accounts 2016/17 Approval including External Auditor's Audit Results Report	Report from CFO and Director, E&Y
Strategic Risk Register update	Report from CExec and CC
Forward Work Plan	Report from CFO

9 January 2018

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting xx September 2017	
Internal Audit 2017/18 Plan update 2018/19 Internal Audit Plan (draft)	Reports from Head of Internal Audit
External Audit 2016/17 Accounts Annual Audit Letter	Report from Director, E&Y
Treasury Management Update 2016/17	Report from CFO
Strategic Risk Register Update	Report from CExec and CC
Forward Work Plan	Report from CFO

X March 2018

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 9 January 2018	
Treasury Management Strategy 2018/19	Report from CFO
Internal Audit 2017/18 Plan update 2018/19 Internal Audit Plan (Final)	Report from Head of Internal Audit
External Audit Plan 2018/19	Report from Director, E&Y
Strategic Risk Register update	Report from CExec and CC
Forward Work Plan	Report from CFO

Report Author

John Hummersone FCPFA

Chief Finance Officer

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