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**Our reference: IR**

**Date: 7 March 2019**

## **AGENDA**

**TO: THE MEMBERS OF THE JOINT AUDIT COMMITTEE**

### **CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT COMMITTEE**

A Meeting of the Joint Audit Committee will take place on **Wednesday 20<sup>th</sup> March 2019** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **10am**.

In the afternoon, a development session will be held (2- 4 pm), providing updates in respect of the Medium Term Financial Forecast, Change Programme and value for money.

**Gillian Shearer**  
**Chief Executive**

**Note:** Members are advised that allocated car parking for the meeting is available in the Visitors' Car Park.

Please note – there will be a private members meeting from 9.30am – 10am

### **COMMITTEE MEMBERSHIP**

Mrs Fiona Daley (Chair)  
Mr Jack Jones  
Ms Fiona Moore  
Mr Malcolm Iredale

## **AGENDA**

### **PART 1 – ITEMS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC**

**1. APOLOGIES FOR ABSENCE**

**2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC**

To consider (i) any urgent items of business and (ii) whether the press and public should be excluded from the Meeting during consideration of any Agenda item where there is likely disclosure of information exempt under s.100A(4) and Part I Schedule A of the Local Government Act 1972 and the public interest in not disclosing outweighs any public interest in disclosure.

**3. DISCLOSURE OF PERSONAL INTERESTS**

Members are invited to disclose any personal/prejudicial interest, which they may have in any of the items on the Agenda. If the personal interest is a prejudicial interest, then the individual member should not participate in a discussion of the matter and must withdraw from the meeting room unless a dispensation has previously been obtained.

**4. MINUTES OF MEETING AND MATTERS ARISING**

To receive and approve the minutes of the committee meeting held on 22<sup>nd</sup> November 2018.

**5. ACTION SHEET**

To receive the action sheet from previous meetings.

**6. CORPORATE UPDATE**

To receive a briefing on matters relevant to the remit of the Committee.  
*(To be presented by the Deputy Chief Constable and OPCC Chief Executive)*

**7. ANNUAL WORK PROGRAMME: ASSURANCE FORMAT**

To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference.  
*(To be presented by the Deputy Chief Finance Officer)*

**8. EXTERNAL AUDIT PLAN**

To receive from the external auditors the Joint Annual External Audit Plan.  
*(To be presented by Grant Thornton)*

**9. EXTERNAL AUDIT UPDATE REPORT**

To receive from the external auditors an update report in respect of progress on the external audit plan. *(To be presented by Grant Thornton)*

**10. VALUE FOR MONEY**

To receive an annual report on value for money based on the HMICFRS VFM profile within the Constabulary *(To be presented by the Director of Corporate Improvement)*

**11. MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS**

To receive an updated summary of actions implemented in response to audit and inspection recommendations. *(To be presented by the Joint Chief Finance Officer)*

**12. PROPOSED INTERNAL AUDIT PLAN / INTERNAL AUDIT CHARTER**

- (i) To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions.
- (ii) To receive a copy of the internal audit charter from the Internal Auditors. *(To be presented by the Audit Manager)*

**13. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

To receive from the Internal Auditors a report setting out the arrangements for quality assurance and improvement. *(To be presented by the Audit Manager)*

**14. INTERNAL AUDIT – PROGRESS REPORT**

To receive reports from the Internal Auditors regarding the progress of the Internal Audit Plan. *(To be presented by the Audit Manager)*

**15. INTERNAL AUDIT REPORT(S)**

To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the committee. *(To be presented by the Audit Manager)*

- (i) Digital Media Investigation Unit (Constabulary) - Nov 18
- (ii) GDPR (OPCC) – Jan 19
- (iii) Follow Up Report - Stingers Final (Constabulary) - Feb 19
- (iv) Police Staff Pensions (Constabulary) - Mar 19
- (v) Command & Control and 101 Calls (Constabulary) - Mar 19
- (vi) Victims Code of Practice (Constabulary) - Mar 19

The following Internal Audit reports have been completed within the last quarter and have been reviewed by the Committee members. A copy of this audit report will be available to view on the OPCC website.

- (vii) Receipt Handling and Disposal of Drugs (Constabulary) - Nov 1
- (viii) Police Payroll (Constabulary) - Jan 19

**16. STRATEGIC RISK REGISTER**

- (i) To consider the COPCC strategic risk register as part of the Risk Management Strategy. *(To be presented by the Chief Executive)*
  - a) 2019 February OPCC Strategic Risk Register (Final)
  - b) 2019 February Operational Risk Register (Final)
  - c) OPCC Risk Management Monitoring - March 2019
- (ii) To consider the Constabulary strategic risk register as part of the Risk Management Strategy. *(To be presented by the Joint Chief Finance Officer)*

**17. TREASURY MANAGEMENT ACTIVITIES**

To receive for information reports on Treasury Management Activity - Quarter 3.  
*(To be presented by the Deputy Chief Finance Officer)*

**18. CAPITAL STRATEGY 2019/20**

To review the annual Capital Strategy incorporating the Capital Programme, Treasury Management Strategy, Investment and borrowing strategies and treasury management practices. *(To be presented by the Deputy Chief Finance Officer)*

- (i) Capital Strategy 2019/20
- (ii) Capital Programme 2019/20 to 2028/29
- (iii) Treasury Management Strategy Statement 2019/20
- (iv) Treasury Management Practices

**19. APPRENTICESHIP GOVERNANCE**

To receive the initial Self-assessment Report and Quality Improvement Plan in respect of the Constabulary apprenticeship scheme *(to be presented by Apprenticeship Manager)*

**20. POINTS FOR CONSIDERATION BY THE COMMISSIONER AND THE CHIEF CONSTABLE**

To review and make recommendations for consideration.

**Future Meeting Dates (For Information)**

- 23 May 2019 @ 10:30 am – Conference Room 2
- 25 July 2019 @ 1.00 pm – Conference Room 2
- 19 September 2019 @ 10:30 am – Conference Room 2
- 20 November 2019 @ 10:30 am – Conference Room 2
- 18 March 2020 @ 10:30 am – Conference Room 2

## Agenda Item 4

### CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY

#### JOINT AUDIT & STANDARDS COMMITTEE

Minutes of a meeting of the Joint Audit & Standards Committee held on Thursday 22<sup>nd</sup> November 2018 in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 10.30 am

#### **PRESENT**

Mrs Fiona Daley (Chair)  
Mr Malcolm Iredale  
Ms Fiona Moore  
Mr Jack Jones

#### **Also present:**

Chief Executive, Office of the Police and Crime Commissioner (Vivian Stafford)  
Deputy Chief Executive, Office of the Police and Crime Commissioner (Gillian Shearer)  
Deputy Chief Constable (Mark Webster)  
Joint Chief Finance Officer (Roger Marshall)  
Deputy Chief Finance Officer (Michelle Bellis)  
Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Emma Toyne)  
Senior Manager, Grant Thornton (Robin Baker)  
Director of Corporate Support (Stephen Kirkpatrick)  
Head of Procurement (Barry Leighton)  
Governance Manager, Office of the Police and Crime Commissioner (Joanne Head)  
Financial Services Apprentice (Inge Redpath)  
Member of the Public

#### **PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC**

##### **445. APOLOGIES FOR ABSENCE**

No Apologies for absence were received. The Chair called the meeting to order and invited everyone to briefly introduce himself or herself.

##### **446. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC**

There are no items of urgent business and the DCC requested one item to be placed in Part 2 by the committee.

#### **447. DISCLOSURE OF PERSONAL INTERESTS**

The Chair declared a personal interest having been appointed as Chair of the North West Regional Pensions Board; this personal interest will be declared at the start of all forthcoming meetings.

#### **448. MINUTES OF MEETING AND MATTERS ARISING**

The draft minutes of the meeting held on 12<sup>th</sup> September 2018 had been circulated with the agenda.

The minutes were first reviewed for factual accuracy and the following point was noted:

Item 436 Showed minutes approved for meeting on 24<sup>th</sup> May 2018 instead of 19<sup>th</sup> July 2018 therefore the minutes are to be corrected to 19<sup>th</sup> July 2018.

Action to amend the date of the minutes for the previous meeting to 19<sup>th</sup> July 2018.

Matters arising from minutes:

Item 431 PCC Annual report, previous minutes stated this would be brought to November meeting however after discussions it was determined that due to the absence of Mr Jack Jones the committee would defer reporting back until after the November meeting.

Action to amend the minutes of the meeting 12<sup>th</sup> September 2018 to reflect that the committee would defer reporting back until after the November meeting.

**RESOLVED**, that the minutes of the meeting held on 12<sup>th</sup> September 2018 are to be amended.

#### **449. ACTION SHEET**

The action sheet of the meeting held on 12<sup>th</sup> September 2018 had been circulated with the agenda. The following comments were made:

Item 425 the member sought clarification from Internal Audit that all outstanding measures regarding data storage had now been addresses and Internal Audit clarified this.

Item 438 Director of Corporate Support spoke regarding the costs of advertising stating that in the last year approx. £25k was spent on advertising and projected to be £24-25k this year, assurances that this is good value, the recruit to retire project are looking at the best ways to advertise in future. The DCC assured the committee that costs and best practices were being monitored to prove best value.

Item 439 (i) A new apprentice structure was attached to action plan and agreed by committee.

Item 439 (ii) Action to be incorporated into item 7 (iv).

Item 443 Deputy Chief Ex and the DCC clarified that the interim Safeguarding Hub MOU has been signed and in a meeting to be held on the 6<sup>th</sup> December, a further enhanced MOU will be signed by all parties.

JAC Improvement Action Plan 2017/18 will be updated by the committee for the next meeting.

**RESOLVED**, All items were resolved.

#### **450. CORPORATE UPDATE**

The DCC spoke on the recent HMICFRS PEEL Inspection in November 2018 looking into the three aspects legitimacy, efficiency and effectiveness as a whole as opposed to the three individual inspections that occurred previously, this inspection includes auditing records, files, briefing and interviewing staff. The HMICFRS report is to be published in the spring however; there was positive feedback at the end of the inspection.

The Constabulary is due for a Crime Data Inspection early in the New Year and the aim is to comply to 90%+ against Home Office guidance, which will be very testing

The DCC congratulated T/ACC Andy Slattery and Superintendent Mark Pannone on passing the PNAC course to progress to Chief Officer level. The position of ACC will be advertised once the senior command course is completed at the end of March 2019 and it is expected that they will both apply as well as individuals from other forces.

The DCC spoke of positive meetings with the County Council regarding the use of Safeguarding Hubs and how best to ensure effective collaboration between policing and adult services to ensure the right services are used for adult mental health provision throughout the county. The police are increasingly experiencing operational pressures to deal with mental health issues in a police station environment, which is not the best place for this.

The Police Education Qualification Framework (PEQF) is being looked into regarding funding and university provision, given press reports about various universities budgetary positions. The procurement team have been asked to look at this very closely to ensure any provider we use had met the necessary financial checks.

The DCC is also working closely with the finance team to determine what is vital to policing in Cumbria and what is vital to policing in general given our budget constraints.

The DCC spoke about the recruit to retire programme looking at the whole HR process, through recruitment, sickness management, restricted duties processes and how to best improve them.

The Joint CFO stated that there was no significant change in the budget position since the last meeting. The 2019-20 grant settlement and the Government's Comprehensive Spending Review, which is due to come out this time next year will be critical. Finance are working on pulling

together the budget.

The CE clarified arrangements on the Chief Executive position, which was made permanent in October 2018, and both Vivian Stafford and Gillian Shearer will aim to attend all meetings going forward.

The CE spoke regarding strategy events which have been held around budget planning and precept, the precept consultation will be launched around 10<sup>th</sup> December and is asking the public for the full amount available £11.97 per person and this will be widely reported in the media over the next few weeks.

The PCC's Partnerships work on a new integrated service for victims is concluding in the next month or so. This is led by the OPCC but jointly funded by the County Council and they have has excellent support from Barry Leighton and the Procurement team.

**RESOLVED**, that the reports be noted.

#### **451. ANNUAL REVIEW OF GOVERNANCE**

##### (i) Role of the Chief Finance Officer

The DCFO spoke on the role of the CFO and explained that it is reviewed on an annual basis and only basic changes had been done to the JCFO role as we are awaiting the CIPFA guidance specific to police and fire, this is still to be sent out as it is linked to the home office financial management code. Assurances have been received that the guidance will be issued soon and at that point, the compliance documents in relation to the JCFO role will be updated.

Mr Robin Baker then spoke on having a JCFO and whether it still possible for the Constabulary to be held to account by the OPCC, external audit are satisfied that having a JCFO does not impede this process.

The DCC said that he felt the arrangement works well and having had several meetings regarding budgetary spend with the JCFO there had been robust and effective challenges resulting in several very constructive discussions.

##### (ii) OPCC Scheme of Delegation / Consent – deferred to March 2019.

##### (iii) Financial Regulation & Financial Rules

- Financial Regulations
- Financial Rules

The DCFO explained that the financial regulations and rules are reviewed on a biannual basis and the major changes are to reflect the JCFO role, changing HR to the People department, references to HMIC have been updated to HMICFRS and to reflect the new governance structure that came



into effect in April 2018.

A member thanked the DCFO for all the work and have a small list of queries that will be passed to the DCFO following the meeting.

A member questioned the title on page 96 Section F: Guidance Notes on Breach of Financial Regulations and Joint Procurement Regulations not referring to all the section included, therefore should the title be amended to correctly reflect all items covered.

The chair questioned point 3 on page 48 “Responsibilities of the Joint Audit and Standards Committee regarding the oversight of the appointment and adequacy of the performance of the Internal Audit service”. The JCFO gave assurances that despite this having not occurred at the last appointment the JCFO would now ensure that the committee were included in good time when the next appointments are made.

The Chair sought clarification on the “Scheme of Consent” as it is not shown in the Definition on page 4.

Action the DCFO to make necessary changes to the Financial Regulations Section 5 in respect of the title to reflect all items covered.

Action for the DCFO to update the Definitions to include the Scheme of Consent.

(iv) Joint Audit & Standards Committee – Terms of Reference and Role Profiles

The DCFO updated the committee on changes to the terms of reference and the role profiles and update with the CIPFA guidance released in the summer, minimal change over all.

The DCFO made a recommendation in light of the removal of the standards activity would it be prudent to change the name of the committee to the “Joint Audit Committee”.

The chair then proposed the name change from this point forward, which was agreed by committee.

A member noted that the terms of reference did not appear to show who the committee members are, how it goes about its business and how many times it meets.

The DCC queried the accountability arrangements section 6 - 6.3 as to what feedback is sought from the Commissioner and the Chief Constable.

The chair explained that the committee are assessed against the CIPFA standards and the DCFO produces an annual report showing what the committee has achieved and this is fed to the Commissioner and the Chief Constable for feedback.

A member requested additional points in section 6 to include the Treasury Management and the Apprenticeship Scheme elements.

The chair queried section 3 3.8 How does the committee consider any impairments or objectivity of the internal audit service.

Robin Baker explained that if anyone from internal audit felt their position could impair their independence they have a duty to bring this to the attention of the commissioner, the chief constable and the committee at which point the committee would be in a position to make any necessary recommendation.

The chair noted a missing point from the old terms of reference regarding the appointment of the external auditor not being shown in in the new terms of reference.

The DCFO explained this was removed following the new CIPFA guidance however, this would now be added back in.

Action for all paperwork to show revised name "Joint Audit Committee" from meeting 22<sup>nd</sup> November 2018 onwards.

Action The DCFO to update the terms of reference and circulate revised copies.

Action The DCFO to add additional points to section 6 Accountability Arrangements to seek feedback from the Commissioner and the Chief Constable on the audit committee's performance, include accountability arrangements concerning Treasury Management and Apprenticeship Scheme.

Action IA to check that the Internal Audit annual report covers the points of any work that the committee might need to consider regarding the disclosure of potential impairment.

Action The DCFO to add a point in section 4 External Audit/External Inspection to show "Advise on the selection and appointment of external auditors".

**RESOLVED**, that the reports be noted.

#### **452. ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE**

The JCFO updated the committee on the mid-year governance action plans and how there had been a high level of activity and several of the actions had now been completed. Many of the items relate to the Vision 2025 programme, there is only one red item that had been delayed due to demands on resources and it due now to start March 2019.

The member asked if a timescale had been extended who agrees to the extension.

The JCFO and DCC assured the committee that departments have to report to several different governance boards regarding ongoing work and it is at board level that any requests to extend are discussed and granted if necessary.

**RESOLVED**, that the reports be noted.

#### **453. MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTIN PLAN**

The JCFO gave an update saying there are relatively few actions, two of which have now been completed, there are some where extensions have been sought and these are in operational areas. The DCC explained of ongoing issues with bringing staff up to speed on Police works has resulted in this action being delayed but measures have been put into place to move this forward and work is progressing on the Vulnerability/Hate crime action regarding dip sampling.

Action The DCC to update the committee on the Vulnerability/Hate crime action.

**RESOLVED**, that the reports be noted

#### **454. PROCUREMENT – UPDATE**

- Joint Procurement Regulations – Final for Approval
- Joint Procurement Regulations – Handbook - Final for Approval

The Director of Corporate support gave a brief update date on the challenges faced by the procurement team and how the temporary head of procurement Chris Guest had started to tighten processes, procedures and put in place a current and forward plan of activities.

He then introduced the new head of procurement Barry Leighton to the committee.

Barry spoke at length about the good work that has been started and how he will build on this moving forward, how there is a good team which lacks certain expertise but he can build on this and thirdly on how the team can look at not only what the police need in the now but how best to get this for the longer term. This can be achieved though better contracts, meeting with suppliers setting out clear expectations of suppliers, better understanding of police need and aligning suppliers with need.

He then gave an overview of the updated Procurement Regulations and Handbook, which the committee have viewed. He explained that he has had discussion with the auditors and asked them to undertake another audit on procurement next year.

He is bringing the procurement team together with other teams such as legal to ensure that any contracts awarded meet all necessary requirements and he has instigated contract award

meetings, where all teams can check budgets are in order, legal requirements are in order and other necessary checks have been completed before contracts are awarded.

A member thanked Barry for all the hard work, which has been started and requested clarification on who is responsible for the procurements regulations. Barry clarified that the JCFO is responsible for the Joint Procurement Regulations (accountability) and the function falls to the Head of Procurement (responsibility).

A member sought clarity regulations as to the use of the terms “will” and “may” be subject to a disciplinary and after discussion it was established that the documents should be standardised and clear thought-out.

The chair also commended Barry of the production of the regulations and the handbooks and the ease in which they can be navigated. However, she queried a difference in the terms used between the procurement and contracting policy and the procedures and suggested consistency in language used to avoid confusion.

Action to create an annual procurement report and bring this along with the dashboard to a yearly meeting.

Action to standardise the use of “will” and “may” be subject to disciplinary action in the procurement regulations.

Action – consider the use of consistent terminology where appropriate.

**RESOLVED**, that the reports be noted

#### **455. OPCC RESTRUCTURE REPORT – UPDATE**

The JCFO updated the meeting on the OPCC restructure report and clarified that the rotation of the chief executive role between Vivian Stafford and Gillian Shearer has now been formalised and agreed by the Police and Crime Panel.

**RESOLVED**, that the reports be noted

#### **456. INTERNAL AUDIT – PROGRESS REPORT**

Emma Toyne from internal audit gave an overview to the committee on the progress report to 7<sup>th</sup> November 2018 and all audits are progressing as planned. She said the audits identified for the first three quarters are underway and arrangements are in place for the 2019/20 planning process.

**RESOLVED**, that the report be noted.

2:43pm Joanne Head Governance Manager for the OPCC enters the meeting.

**457. INTERNAL AUDIT REPORT(S)**

- (i) OPCC Audit of Specified Information Order
- (ii) Cumbria Constabulary Workforce Planning

The committee did not require these reports to be discussed and thanked audit for their production.

The committee were pleased to note the high assurance both reports gave.

**RESOLVED**, that the reports be noted.

2:47pm the member of the public leaves the meeting

**458. STRATEGIC RISK REGISTER**

- (i) COPCC Strategic Risk Register

Joanne Head Governance Manager for the OPCC gave an overview of the OPCC Strategic risk register and explained the addition of a risk for procurement given issues brought up. The strategic finance risk score has increased whilst the risk regarding the OPCC capacity has reduced and they are looking to remove the OPCC capacity risk from the register.

- (ii) Cumbria Constabulary Strategic Risk Register

The JCFO presented the Constabulary strategic risk register, which is reviewed quarterly and there has been an increased risk around finance and that this has been expanded to include the strategic financial position going forward. He explained that the ESN project has been on the register for quite some time and this is a national project and there is a lot of uncertainty around cost in relation to ESN.

GDPR is an ongoing risk in the same vein as the OPCC albeit the data we hold is different the risk is similar, there is also an audit being carried out now into GDPR so the committee will be updated in due course from Internal Audit.

The Constabulary have also added procurement to the strategic risk register, but would aim that this risk would be downgraded soon as practicable.

**RESOLVED**, that the reports be noted.

3:03pm Joanne Head Governance Manager for the OPCC leaves the meeting.

Given time constraints, items 15 and 16 on the agenda were heard in reverse order.

#### **459. GRANT THORNTON EXTERNAL AUDIT: PROGRESS REPORT**

Robin Baker updated the committee on the move of Richard McGahon from Grant Thornton to Internal Audit, and the appointment of a new audit manager Lynne Johnson who has not worked previously with Richard so there should be no conflict between external and internal audit. Lynne has met with the JCFO and DCFO and will be introduced to the committee at the next meeting.

**3:06pm The meeting now moved to Part 2**

**3:14pm The Meeting now moved back to Part 1**

3:14pm Malcolm Iredale leaves the meeting.

#### **460. TREASURY MANAGEMENT ACTIVITIES**

The DCFO presented the Treasury Management Activities quarter 2 for the period July to September 2018.

The investment income is forecast at £120k up from the previous £75k because of the bank base rates changes over the year.

The DCFO has changed the layout of the prudential indicators 2018/19 to show a traffic light system to avoid getting bogged down in the calculations and figure, all item are shown as green.

A member ask for clarification that the numbers are scrutinised and checked and the DCFO gave assurance that the report was compiled by Lorraine Holme and then checked by the DCFO before being submitted to the committee.

The chair thanked the DCFO for the report and for the training session with Arlingclose earlier in the day, which help to understand the bigger picture around the Constabulary financial situation.

**RESOLVED**, that the report be noted.

3.19pm Gillian Shearer leaves the meeting

#### **461. POINT FOR CONSIDERATION BY THE COMMISSIONER AND THE CHIEF CONSTABLE**

A recommendation to reduce the exgratia payment limit from £10k to £5k in the financial regulations

Action the JCFO to amend the financial regulations to reflect this change from £10k to £5k.

**RESOLVED**, that the report be noted.

**462. ANY OTHER BUSINESS**

The DCFO spoke regarding the high cost of printing and posted approx. £1,500 per year and asked for consideration around moving to electronic papers.

The committee had concerns as they did not all have laptop facilities and or the programs to allow free text on the PDF's using software such as "Good Reader".

An issue was also raised regarding what is classified as Part1 and what should be classified as Part2 to ensure that sensitive items are not put on the OPCC Website for public viewing.

Action for DCFO and the Finance Apprentice to look at solutions to the viewing of electronic papers.

Action for Finance Apprentice moving forward to seek clarification on each report received as to whether it is to be added to Part1 or Part2 of the JAC Papers.

The date of the next meetings were confirmed as follows:

- 20 March 2019 @ 10:00 am – Conference Room 2
- 23 May 2019 @ 10:30 am – Conference Room 2
- 25 July 2019 @ 1.00 pm – Conference Room 2
- 19 September 2019 @ 10:30 am – Conference Room 2
- 20 November 2019 @ 10:30 am – Conference Room 2

**Meeting ended at 15:35pm**

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

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## Joint Audit Committee – Action Update and Plan

| Minute Item   | Action to be taken   | Person Responsible          | Target Date | Comments   | Status   |
|---|--|-----------------------------|-------------|--|----------|
| <b>DATE OF MEETING: 22<sup>nd</sup> November 2018</b> |  |                             |             |  |          |
| 448   | Minutes of meeting and matters arising                                   | Finance Apprentice          | March 2019  | Item 436 - To amend the date of the minutes for the previous meeting to 19 <sup>th</sup> July 2018 – Minutes of previous meeting have been amended and a new print out will be ready for next meeting, this action is now considered complete.   | Complete |
| 448   | Minutes of meeting and matters arising                                   | Finance Apprentice          | March 2019  | Item 431 - To amend the minutes of the meeting 12 <sup>th</sup> September 2018 to reflect that the committee wanted to give strategic feedback on the Annual report out with this meeting – Minutes of previous meeting have been amended and a new print out will be ready for next meeting, this action is now considered complete.  | Complete |
| 451 (iii) a   | Annual Review of Governance – Financial Regulations                      | DCFO                        | March 2019  | To make necessary changes to the Financial Regulations Section 5 in respect of the title to reflect all items covered<br><b>February 2019</b> - The financial regulations have been updated to reflect all the comments provided by the committee where appropriate. The financial regulations have been formally approved by the Commissioner on 20 February 2019 and have been published within the OPCC/Constabulary. | Complete |
| 451 (iii) a   | Annual Review of Governance – Financial Regulations                      | DCFO                        | March 2019  | To update the Definitions on page 4 to include the Scheme of Consent<br><b>February 2019</b> – as above.   | Complete |
| 451 (iv)  | Joint Audit & Standards Committee – Terms of Reference and Role Profiles | DCFO and Finance Apprentice | March 2019  | Action for all paperwork to show revised name “Joint Audit Committee” from this meeting 22 <sup>nd</sup> November 2018 onwards. Including OPCC Website<br><b>February 2019</b> – website and key documents have been updated to reference the new name of Joint Audit Committee, other documents will be updated as they are reviewed.   | Complete |

|          |  |                |            |  |          |
|----------|--|----------------|------------|--|----------|
| 451 (iv) | Joint Audit & Standards Committee – Terms of Reference and Role Profiles | DCFO           | March 2019 | To update the terms of reference to include who the committee member are, how it goes about its business and how many times it meets and circulate revised copies<br><b>February 2019</b> – ToR updated to include JAC comments and circulated by email to JAC members 18/02/19 for final approval.  | Complete |
| 451 (iv) | Joint Audit & Standards Committee – Terms of Reference and Role Profiles | DCFO           | March 2019 | To add additional points to section 6 Accountability Arrangements to seek feedback from the Commissioner and the Chief Constable on the audit committees performance, include accountability arrangements in regard to Treasury Management and Apprenticeship Scheme and circulate revised copies<br><b>February 2019</b> – as above.  | Complete |
| 451 (iv) | Joint Audit & Standards Committee – Terms of Reference and Role Profiles | Internal Audit | March 2019 | To check that the Internal Audit annual report covers the points of any work that the committee might need to consider potential impairment is disclosed.<br><br><b>March 2019.</b><br>Impairment to Internal Audit’s Independence and Objectivity is covered by Standard 1130 to the PSIAS.<br><br>The Annual report of Internal Audit includes a statement on the independence of Internal Audit and includes confirmation that there have been no threats to the independence of Internal Audit in accordance with the PSIAS. The annual report also includes a statement on compliance with the PSIAS. | Complete |
| 451 (iv) | Joint Audit & Standards Committee – Terms of Reference and Role Profiles | DCFO           | March 2019 | To add a point in section 4 External Audit/External Inspection to show “Advise on the selection and appointment of external auditors”<br><b>February 2019</b> – ToR updated to include JAC comments and circulated by email to JAC members 18/02/19 for final approval.  | Complete |

|         |   |                     |               |  |          |
|---------|---|---------------------|---------------|--|----------|
| 453     | Monitoring of audit, internal audit and other recommendations and action plan | DCC                 | March 2019    | To update the committee on the Vulnerability/Hate crime action regarding the dip sampling.<br><br>The DCC will give verbal update at the March Meeting, this action is now considered completed  | Complete |
| 454     | Procurement - Update  | Head of Procurement | November 2019 | To create an annual procurement report and bring this along with the dashboard to a yearly meeting   | Ongoing  |
| 454 (i) | Procurement - Update - Regulations  | Head of Procurement | March 2019    | To standardise the use of “will” and “may” be subject to a disciplinary in the procurement regulations and circulate revised copies<br><b>February 2019</b> - The joint procurement regulations have been updated to reflect all the comments provided by the committee where appropriate. The JPR have been formally approved by the Commissioner on 20 February 2019 and have been published within the OPCC/Constabulary. | Complete |
| 461     | Creation of new final agenda item   | Finance Apprentice  | November 2018 | To create a final agenda item for all meetings moving forward “Points for Consideration by the Commissioner and the Chief Constable” to enable the committee to capture items of note – Item added to minutes of meeting 22 <sup>nd</sup> November 2018, this action is now considered completed   | Complete |
| 461     | Point for consideration by the commissioner and the chief constable           | CFO                 | March 2019    | To reduce the exgratia payments limit in the financial regulations from 10k to 5k<br>February 2019 – This has been updated in the Financial Regulations to a new limit of £5,000.  | Complete |
| 462     | Any other business  | Finance Apprentice  | March 2019    | To look at solutions to the viewing of electronic papers, OneNote will be used for Internal attendees, Papers will be emailed to Auditors and Printed papers will be sent to Committee members and this will drastically reduce printing and postage costs, this action is now considered completed  | Complete |
| 462     | Any other business  | Finance Apprentice  | March 2019    | Moving forward to seek clarification on each report received as to whether it is to be added to Part1 or Part2 of the JAC Papers. – A footnote to the agenda email requesting clarification as to whether individuals require papers seen in Part 2 has now been added, this action is now considered completed  | Complete |

# Joint Audit Committee – Review of Effectiveness

## Improvement Action Plan 2017/18

| Ref  | Improvement Area  | Action  | Owner | Target Date | Status   |
|------|---|---|-------|-------------|--|
| JAC1 | Support and monitor the OPCC and Constabulary plans to address the increasingly stringent funding environment.  | Members to apply learning from March 2018 training session and consider as appropriate the arrangements flowing from significant changes in funding levels.<br><br>JAC members to consider efficiency aspects of any recommendations or reports to Committee.   | JAC   | March 2019  | Completed.   |
| JAC2 | Support and challenge any new governance arrangements, for example, from restructuring and capacity reviews, greater collaboration with other organisations or joint working on delivery of services. | Continue monitoring of the new Joint Chief Finance Officer arrangement and the rotating appointment of Monitoring Officer and CEO.<br><br>JAC to encourage clarity in any new arrangements; appropriate documentation and; ensure governance arrangements considered as part of the risk assessment.        | JAC   | March 2019  | Complete. CEO and JCFO arrangements reviewed in year and formalised, ongoing monitoring now part of mainstream JAC activity. |
| JAC3 | Exploring ways to strengthen partnership working with the Police and Crime Panel and the Ethics and Integrity Panel where appropriate.  | Raise the Committee’s awareness of issues and concerns of the Police and Crime Panel to the extent that they might inform the work of the Joint Audit and Standards Committee.<br><br>JAC members to attend PCP meetings by rotation. Consider impact of Ethics and Integrity Panel review of control room. | JAC   | March 2019  | JAC members have attended PCP in 2018.<br><br>Report received from the Ethics and Integrity Panel. In year update from TDCC  |
| JAC4 | Help improve the focus on outcomes so that delivery can be measured more effectively.   | Consider the arrangements for monitoring delivery of the Police and Crime Plan. Review the OPCC Annual Report and consider the qualitative outcomes.  | JAC   | March 2019  | JAC has considered arrangements and the JAC role in relation to the PCC’s annual report.                                     |

# Joint Audit Committee – Review of Effectiveness

## DRAFT Priority Action Plan 2018/19

| Ref  | Improvement Area  | Planned Action  | Owner | Target Date   | Status  |
|------|---|---|-------|---------------|---------|
| JAC1 | Support and monitor the OPCC and Constabulary plans to address the stringent funding environment.   | Members to maintain awareness of the national position in relation to the Funding Formula; to receive annual training on the budget and MTFP and consider as appropriate the arrangements flowing from significant changes in funding levels.<br><br>JAC members to consider efficiency aspects of any recommendations or reports to Committee. | JAC   | March 2020    | Ongoing |
| JAC2 | Support and challenge any new governance arrangements, for example, from restructuring and capacity reviews, greater collaboration with other organisations or joint working on delivery of services. | JAC to encourage clarity in any new arrangements; appropriate documentation and; ensure governance arrangements considered as part of the risk assessment.  | JAC   | March 2020    | Ongoing |
| JAC3 | Improve awareness of the work of the Police and Crime Panel and the Ethics and Integrity Panel where appropriate.   | Members to continue to attend PCP meetings and seek to maintain awareness of issues and concerns of the Police and Crime Panel to the extent that they might inform the work of the JAC.<br><br>JAC to consider annual report from Ethics and Integrity Panel and received updates on matters identified.                                       | JAC   | November 2019 | Ongoing |
| JAC4 | Strategic awareness of the Police and Crime Plan.   | JAC members to review and consider the PCC annual report to maintain awareness and identify any potential issues or new initiatives that have a bearing on the governance work of the Audit Committee.  | JAC   | March 2020    | Ongoing |

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## Joint Audit Committee Proposed Annual Work Programme 2019/20

Joint Audit Committee: 20 March 2019

Originating Officer: Michelle Bellis, Deputy CFO

### 1. Introduction & Purpose of the Report

1.1. On an annual basis the Joint Audit Committee agrees a work programme that informs the reports and information received by the committee to ensure that members fulfil their terms of reference and advisory role. The revised terms of reference for the committee were approved at the meeting of 22 November 2018 as part of the cyclical review of governance documents, having been reviewed and updated in line with the latest CIPFA guidance on Audit Committees. The guidance made specific reference to the role of committees within the governance framework for policing. This report translates the terms of reference into a proposed work programme and includes a number of proposed development sessions.

### 2. Report

2.1. This report presents to members an annual work programme. The programme is presented in two formats. The first format sets out each of the terms of reference and the reports/activity that it is proposed the committee would undertake to fulfil the terms (**Appendix A**). It therefore aims to present an assurance framework in line with CIPFA guidance that identifies the key documents and information that the committee requires to fulfil its purpose. The second format aligns the work programme against each committee meeting (**Appendix B**). The alignment is managed to ensure

wherever possible that meetings are balanced in terms of volume of work and that governance themes are aligned. In practice this means that:

- The meetings in March, July, September and November will receive, cyclical monitoring reports and the strategic risk registers. Audit reports will be issued to members at the point they have been finalised and will be listed on the meeting agenda. Members may request the full report to be tabled at any of the above meetings. The above reports are not generally proposed to be presented in May to reduce the business demands on that agenda, the exception to this will be where monitoring or audit reports specifically relate to the year-end process.
- The meeting in May will focus on annual reports that review the governance arrangements for the previous financial year. This will include the annual review of effectiveness for the Committee, the review of the effectiveness of internal audit and reviews of the effectiveness of arrangements for anti-fraud and corruption and risk management. The committee will also receive the annual report of the Ethics and Integrity Panel setting out the work of the panel and assurances regarding arrangements for ethics and integrity. The agenda includes the annual opinion of the Group Audit Manager (Head of Internal Audit) and ensures members have all relevant information ahead of considering the Annual Governance Statement and Code of Corporate Governance prior to their publication with the unaudited financial statements. It is also intended that at the meeting in May, members will receive a copy of the Draft Statement of Accounts (subject to audit). It should be noted that, due to the tight timescales for the production of the statements, and the timing of the meeting, it may not be possible to issue hard copies of the accounts with the meeting papers in advance of the meeting. The meeting will provide an opportunity for members to meet privately with the internal auditors.
- The meeting in July will consider the Audited Statement of Accounts and the Audit Findings Report of the External Auditor, setting out their opinion on the financial statements and their value for money conclusion. The financial statements are presented with an assurance document. This provides members with advice on the wider financial governance arrangements supporting the production of financial statements. The committee will receive the annual report of the



committee, following the consideration of the committee's review of effectiveness in May. The annual report of the committee will then be presented to the Police and Crime Panel meeting in October by the chair. The committee will also receive the updated annual governance statement prior to publication with the financial statements. The meeting will provide an opportunity for members to meet privately with the external auditors.

- The agenda for the September meeting will cover the standard cyclical reports. Due to the likely lower level of business requirements for this agenda, the timetable proposes that members undertake one of the planned development sessions in September.
- The November meeting will focus on governance arrangements with a cyclical review of one or two of the core elements of the governance framework. A schedule outlining the review schedule for governance documents is included at **Appendix C**.
- The meeting in March will consider relevant annual strategies and plans for the following financial year. This includes the proposed internal audit plan, charter and quality assurance programme; the external audit plan and the risk management and treasury management strategies. Members will also receive an annual report on value for money within the Constabulary including HMICFRS VFM profile data benchmarking costs with most similar group (msg). The meeting includes an annual development session on the medium term financial strategy and change programme. This aims to inform the committee of the financial climate going forward and any resulting operational change and risks in advance of the year.
- Ad-hoc HMICFRS/Inspection and other reports appropriate to the committee's terms will be circulated to members as they are published and listed on the agenda to provide the opportunity for questions and discussion.
- All meetings provide for a corporate update facilitating briefings from Chief Officers in respect of any issues of a corporate nature that are relevant to the remit of the committee or helpful as background/contextual information.

- A minimum of two development sessions will be held annually with members. The Commissioner's treasury management advisors will meet with members at a minimum annually to provide an update on treasury strategy and developments.
- Before every meeting members hold a pre-meeting where they discuss and monitor progress against the JAC action plan and other topical matters.

### 3. Recommendations

#### 3.1. Members are recommended to:

- Consider the proposed annual work programme and development sessions as a basis for fulfilling the terms of reference and assurance responsibilities of the committee.
- Approve the work programme subject to any proposed changes.

## Joint Audit Committee: Annual Work Programme Assurance Format

| Terms of Reference   | Meeting   | Work Programme Assurance Activity   |
|--|---|---|
| <b>Terms of Reference: Governance, Risk and Control</b>  |   |   |
| <p>2.1) Review the corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.</p> <p>Note - Underlined governance documents are scheduled for review in 2019.</p> | May (Ethics and Integrity Annual Report)                              | <b>ETHICS AND INTEGRITY GOVERNANCE:</b> To receive an annual report from the Chair of the Ethics and Integrity Panel, advising the Committee of the work of the Panel over the previous year and matters pertaining to governance in respect of the arrangements for ethics and integrity.  |
|  | November: (All governance reviews excluding ethics and integrity)     | <p><b>ANNUAL REVIEW OF GOVERNANCE:</b> To review the COPCC and Constabulary arrangements for governance; cyclical review over a three years covering:</p> <ul style="list-style-type: none"> <li>▪ <u>Role of the Chief Finance Officer: annual review (2019)</u></li> <li>▪ Financial Regulations &amp; Financial Rules: bi-ennial review (2020)</li> <li>▪ Grant Regulations: tri-annual review (2019)</li> <li>▪ <u>Scheme of Delegation/Consent: annual review (2019)</u></li> <li>▪ <u>Joint Procurement Regulations: bi-ennial review (2019)</u></li> <li>▪ Risk Management Strategy: tri-ennial review (2020)</li> <li>▪ Joint Audit Committee Terms of Reference &amp; Role Profiles: tri-ennial review (2021)</li> <li>▪ <u>Arrangements for Anti-Fraud and Corruption /whistleblowing: bi-ennial review (2019)</u></li> </ul> |
| <p>2.2) Review the Annual Governance Statements prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement</p>                  | May   | <b>ANNUAL GOVERNANCE STATEMENT</b>  |
|  | July (updated governance statement prior to approval and publication) | <ul style="list-style-type: none"> <li>▪ <b>Effectiveness of Governance Arrangements:</b> To receive a report from the Joint CFO on the effectiveness of the PCC's and Chief Constable's arrangements for Governance.</li> <li>▪ <b>Codes of Corporate Governance:</b> To consider the PCC/CC Codes of Corporate Governance</li> <li>▪ <b>Annual Governance Statements:</b> To consider the PCC/CC Annual Governance Statements for the financial year and to the date of this meeting</li> </ul>   |
|  | November  | <b>ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE:</b><br>To receive an update on progress against the development and improvement plan within the annual governance statement.  |

## Joint Audit Committee: Annual Work Programme Assurance Format

| Terms of Reference   | Meeting                     | Work Programme Assurance Activity  |
|--|-----------------------------|--|
| <b>Terms of Reference: Governance, Risk and Control</b>  |                             |  |
| 2.3) Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements  | Every meeting excluding May | <b>INTERNAL AUDIT REPORT:</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee ( <i>NB audit work in compliance with PSIAS will cover a specific control objective on 'value: the effectiveness and efficiency of operations and programmes'. Specific audit recommendations will be categorised within audit reports under this heading.</i> ) |
|  | March                       | To receive an annual report on Value for Money within both the Office of the Police and Crime Commissioner and the Constabulary.   |
|  | July                        | <b>AUDIT FINDINGS REPORT:</b> To receive from the external auditors the Annual Audit Findings Report incorporating the External Auditor's Value for Money Conclusion.  |
| 2.4) Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC and Constabulary   | March                       | <b>ANNUAL WORK PROGRAMME: ASSURANCE FORMAT:</b> To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference.   |
|  | July                        | <b>FRAMEWORK OF ASSURANCE: STATEMENT OF ACCOUNTS:</b> To receive a report from the Joint CFO in respect of the PCC's and CC's framework of assurance.  |
| 2.5) Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the Police and Crime Commissioner and the Chief Constable in addressing risk-related issues reported to them | March                       | <b>RISK MANAGEMENT STRATEGY:</b> To provide the cyclical (3yr) review of the OPCC and Constabulary Risk Management Strategies. (NB. Next due in March 2020)  |
|  | May                         | <b>RISK MANAGEMENT MONITORING:</b> To receive an annual report from the Chief Executive on Risk Management Activity including the Commissioner's arrangements for holding the CC to account for Constabulary Risk Management.  |
|  | Every meeting excluding May | <b>STRATEGIC RISK REGISTER:</b> To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy.   |
| 2.6) Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions   | Every meeting excluding May | <b>INTERNAL AUDIT REPORT:</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee.   |
|  |                             | <b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations.   |

## Joint Audit Committee: Annual Work Programme Assurance Format

| Terms of Reference   | Meeting                            | Work Programme Assurance Activity  |
|--|------------------------------------|--|
| <b>Terms of Reference: Governance, Risk and Control (Continued)</b>  |                                    |  |
| 2.7) Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy, actions and resources   | November – cyclically when updated | <b>ARRANGEMENTS FOR ANTI-FRAUD AND CORRUPTION:</b> To receive the OPCC and Constabulary strategy, policy and fraud response plan.  |
|  | May                                | <b>ANTI-FRAUD AND CORRUPTION ACTIVITIES:</b> To receive an annual report from the Chief Executive on activity in line with the arrangements for anti-fraud and corruption.   |
| 2.8) To review the governance and assurance arrangements for significant partnerships or collaborations.   | Ad-hoc                             | To receive reports on proposed governance arrangements when significant new partnerships or collaborations are entered into.   |
| <b>Terms of Reference: Internal Audit</b>  |                                    |  |
| 3.1) Annually review the internal audit charter and resources  | March                              | <b>INTERNAL AUDIT CHARTER:</b> To receive a copy of the internal audit charter from the Internal Auditors.   |
| 3.2) Review the internal audit plan and any proposed revisions to the internal audit plan  | March/Ad-hoc                       | <b>PROPOSED INTERNAL AUDIT PLAN:</b> To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions.   |
| 3.3) Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence   | March                              | <b>QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME:</b> To receive from the Internal Auditors a report setting out the arrangements for quality assurance and improvement.   |
|  | May                                | <b>EFFECTIVENESS OF INTERNAL AUDIT:</b> To receive a report from the Joint Chief Finance Officer in respect of the effectiveness of internal audit.  |
|  | Quarterly                          | <b>INTERNAL AUDIT PERFORMANCE:</b> To receive from the Internal Auditors quarterly reports on the performance of the service against a framework of performance indicators <i>(provided within the internal audit progress reports and annual report.)</i> |
|  | May                                | <b>PRIVATE INTERNAL AUDIT MEETING:</b> Confidential meeting of Committee members only and the Internal Auditors  |
| 3.4) Consider the Head of Internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements | May                                | <b>INTERNAL AUDIT –ANNUAL REPORT:</b> To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion and details of compliance with PSIAS and LGAN.  |
|  | Every meeting excluding May        | <b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.   |

## Joint Audit Committee: Annual Work Programme Assurance Format

| Terms of Reference   | Meeting       | Work Programme Assurance Activity  |
|--|---------------|--|
| <b>Terms of Reference: Internal Audit (Continued)</b>  |               |  |
| 3.5) To consider the Head of Internal Audit's statement of the level of conformance with the Public Sector Audit Standards (PSIAS) and Local Government Application Note (LGAN) and the result of the Quality Assurance and Improvement Programme (QAIP) that support that statement - these will indicate the reliability of the conclusions of internal audit. | March         | <b>QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME:</b> To receive from the Internal Auditors a report setting out the arrangements for quality assurance and improvement.   |
|  | May           | <b>INTERNAL AUDIT –ANNUAL REPORT:</b> To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion and details of compliance with PSIAS and LGAN.  |
| 3.6) Consider summaries of internal audit reports and such detailed reports as the Committee may request from the Police and Crime Commissioner and the Chief Constable, including issues raised or recommendations made by the internal audit service, management response and progress with agreed actions   | Every meeting | <b>INTERNAL AUDIT REPORTS:</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee.  |
| 3.7) Consider a report on the effectiveness of internal audit to support the Annual Governance Statement   | May           | <b>EFFECTIVENESS OF INTERNAL AUDIT:</b> To consider a report of the Joint Chief Finance Officer reviewing the effectiveness of Internal Audit.   |
| 3.8) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To make recommendations on safeguards to limit such impairments and periodically review their operation.   | May           | <b>INTERNAL AUDIT –ANNUAL REPORT:</b> To receive the Head of Internal Audit's Annual Report including relevant disclosures regarding impairments to independence or objectivity arising from additional roles or responsibilities outside internal auditing of the Head of Internal Audit. |

## Joint Audit Committee: Annual Work Programme Assurance Format

| Terms of Reference   | Meeting                     | Work Programme Assurance Activity   |
|--|-----------------------------|---|
| <b>Terms of Reference: External Audit/External Inspection</b>  |                             |   |
| 4.1) Advise on the selection of external auditors.   | Ad-hoc                      | To receive a report on the proposed selection process for the appointment of new external auditors.   |
| 4.2) Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised either by Public Sector Audit Appointments (PSAA) or the auditor panel as appropriate. | July                        | <b>AUDIT FINDINGS REPORT:</b> To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion. This also includes a statement with regard to Independence. |
| 4.3) Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money   | March                       | <b>EXTERNAL AUDIT PLAN:</b> To receive from the external auditors the Annual External Audit Plan  |
|  | May                         | <b>EXTERNAL AUDIT FEES:</b> To receive from the external auditors the proposal in respect of audit fees.  |
| 4.4) Consider the external auditor's annual management letter, relevant reports and the report to those charged with governance  | November/Ad-hoc             | <b>ANNUAL AUDIT LETTER:</b> To receive from the External Auditors the Annual Audit Letter and reports   |
|  | March                       | <b>EXTERNAL AUDIT PLAN UPDATE:</b> To receive from the external auditors an update report in respect of progress on the external audit plan   |
| 4.5) Consider specific reports as agreed with the external auditors/specific inspection reports e.g. HMICFRS, relevant to the Committee's terms of reference   | Every meeting excluding May | <b>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, HMICFRS/INSPECTION:</b> To consider any other reports falling within the remit of the Committee's terms of reference   |
| 4.6) Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies and relevant bodies  | July                        | <b>PRIVATE EXTERNAL AUDIT MEETING:</b> Confidential meeting of Committee members only and the external auditors   |

## Joint Audit Committee: Annual Work Programme Assurance Format

| Terms of Reference  | Meeting                           | Work Programme Assurance Activity   |
|---|-----------------------------------|---|
| <b>Terms of Reference: Financial Reporting</b>  |                                   |   |
| 5.1) 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 Commissioner and/or the Chief Constable | July                              | <b>ASSURANCE FRAMEWORK: STATEMENT OF ACCOUNTS:</b> To receive a report from the joint CFO in respect of the PCC's framework of assurance; To receive a report from the Deputy Chief Constable/CC in respect of the CC's framework of assurance. |
|   | July                              | <b>ANNUAL STATEMENT OF ACCOUNTS:</b> To receive the audited Statement of Accounts for the Commissioner and Chief Constable and Group Accounts and consider a copy of a summarised non-statutory version of the accounts                         |
| 5.2) Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements   | July and September (final report) | <b>AUDIT FINDINGS REPORT:</b> To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion.                   |
| <b>Terms of Reference: Accountability Arrangements</b>  |                                   |   |
| 6.1) On a timely basis report to the Commissioner and the Chief Constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management   | Every meeting (where appropriate) | To be discussed in Committee meetings and noted as feedback in the minutes.   |
| 6.2) Report to the Commissioner and the Chief Constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements and internal and external audit functions   | Every meeting (where appropriate) | To be discussed in Committee meetings and noted as feedback in the minutes.   |



## Joint Audit Committee: Annual Work Programme Assurance Format

| Terms of Reference  | Meeting   | Work Programme Assurance Activity  |
|---|-----------|--|
| <b>Terms of Reference: Accountability Arrangements</b>  |           |  |
| 6.3) Review its performance against its terms of reference, objectives and compliance with CIPFA best practice on the role of the Audit Committee. Report the results of this review to the Commissioner and the Chief Constable by means of an Annual Report including where appropriate an action plan detailing future planned improvements. | May       | <b>JAC Review of Effectiveness:</b> To receive a report reviewing the effectiveness of the committee against the CIPFA framework as a contribution to the overall effectiveness of arrangements for governance   |
|   | July      | <b>JAC Annual Report:</b> To receive the annual report of the committee (following the review of effectiveness undertaken in May). Following approval, the Annual Report will be presented to the Police and Crime Panel meeting in October by the chair of JAC. |
| 6.4) Publish an annual report on the work of the committee.   | July      | <b>JAC Annual Report:</b> To receive the annual report of the committee (following the review of effectiveness undertaken in May). Following approval, the Annual Report will be presented to the Police and Crime Panel meeting in October by the chair of JAC. |
| 6.5) Seek feedback from the Commissioner and Chief Constable on the performance of the audit committee and include this within the annual report of the committee.  | July      | <b>JAC Annual Report:</b> To receive the annual report of the committee (following the review of effectiveness undertaken in May). Following approval, the Annual Report will be presented to the Police and Crime Panel meeting in October by the chair of JAC. |
| 6.6) To provide scrutiny of the Commissioners treasury management policy and processes in compliance with the CIPFA Code of Practice for Treasury Management, advising on risk and controls where appropriate.  | March     | <b>TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES:</b> To review the annual Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices.  |
| 6.7) To provide external scrutiny of the Constabulary's training arrangements as an employer provider for the PCSO apprenticeship scheme.   | March     | <b>Apprenticeship Governance:</b> To receive the annual Self-Assessment Report and accompanying Quality Improvement Plan.  |
|   | September | <b>Apprenticeship Governance:</b> To receive the mid year update on the Quality Improvement Plan.  |

## Joint Audit Committee: Annual Work Programme Assurance Format

| Terms of Reference   | Meeting  | Work Programme Assurance Activity   |
|--|--|---|
| <b>Terms of Reference: Treasury Management</b>   |  |   |
| 7.1) Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory   | March  | <b>TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES:</b> To review the annual Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices. |
| 7.3) Review the Treasury risk profile and adequacy of treasury risk management processes   |  |   |
| 7.2) Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity                        | Every meeting excluding July                   | <b>TREASURY MANAGEMENT ANNUAL REPORT/ACTIVITIES:</b> To receive for information the treasury management annual report and an update on Treasury Management Activity.  |
|  | November                                       | <b>TREASURY MANAGEMENT ADVISORS:</b> To receive briefings/training from the Commissioner's Treasury Management advisors.  |
| 7.4) Review assurances on Treasury Management (for example, an internal audit report, external or other reports).  | Every meeting excluding May (where applicable) | <b>INTERNAL AUDIT REPORTS:</b> To receive reports from Internal Audit Unit in respect of specific audits conducted since the last meeting of the Committee  |
| <b>Terms of Reference: Apprenticeship Scheme</b>   |  |   |
| 8.1) To provide external scrutiny, challenge and recommendations with regard to apprenticeships delivered by the Constabulary as an employer provider to meet the requirements of the Education Skills Funding Agency (ESFA) and Ofsted. | March  | <b>Apprenticeship Governance:</b> To receive the annual Self-Assessment Report and accompanying Quality Improvement Plan.   |
|  | September                                      | <b>Apprenticeship Governance:</b> To receive the mid year update on the Quality Improvement Plan.   |
| 8.2) receive regular reports in relation to the annual self-assessment report and quality improvement  |  |   |

## Joint Audit &amp; Standards Proposed Annual Work Programme 2019/20

| Thursday 23 May 19   | Thursday 25 July 19  | Thursday 19 September 19   | Wednesday 20 November 19   | Wednesday 18 March 20  |
|--|--|--|--|--|
| <b>PRIVATE INTERNAL AUDIT MEETING:</b><br>Confidential meeting of Committee members only and the <b>Internal</b> Auditors. (IA)                                      | <b>PRIVATE EXTERNAL AUDIT MEETING:</b><br>Confidential meeting of Committee members only and the <b>external</b> auditors. (GT)  | <b>PRIVATE DEVELOPMENT SESSION:</b><br>Details TBC   | <b>PRIVATE DEVELOPMENT SESSION: Treasury</b><br>Advisor, to provide an update on Treasury Management developments (DCFO).  | <b>PRIVATE DEVELOPMENT SESSION: Medium Term Financial Forecast, change programme &amp; value for money (Joint CFO)</b>   |
| <b>Regular Reports</b>   |  |  |  |  |
| <b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC & CE)  | <b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC & CE)  | <b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC & CE)  | <b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC & CE)  | <b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC & CE)  |
| <b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 4/Annual Report (DCFO)                           | N/A  | <b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 1 (DCFO)   | <b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 2 (DCFO)   | <b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 3 (DCFO)   |
| N/A  | <b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)  | <b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)  | <b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)  | <b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)  |
| <b>INTERNAL AUDIT REPORT(S):</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA) | <b>INTERNAL AUDIT REPORT(S):</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)   | <b>INTERNAL AUDIT REPORT(S):</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)                                   | <b>INTERNAL AUDIT REPORT(S):</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)                                   | <b>INTERNAL AUDIT REPORT(S):</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)   |
| N/A  | <b>STRATEGIC RISK REGISTER:</b> To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)  | <b>STRATEGIC RISK REGISTER:</b> To consider the OPCC strategic risk register as part of the Risk Management Strategy. (CE or GM)   | <b>STRATEGIC RISK REGISTER:</b> To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)  | <b>STRATEGIC RISK REGISTER:</b> To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (Ceor GM & DCC)   |
| N/A  | <b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CFO)                             | <b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CFO) | <b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CFO) | <b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CFO)   |
| <b>Cyclical/Annual Reports</b>   |  |  |  |  |
| <b>EXTERNAL AUDIT FEES:</b> To receive from the external auditors the proposal in respect of audit fees. (GT)  | <b>AUDIT FINDINGS REPORT:</b> To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion. (GT) | <b>ANNUAL AUDIT LETTER:</b> To receive from the External Auditors the Annual Audit Letter and reports (GT).  | <b>ANNUAL REVIEW OF GOVERNANCE:</b> To review the OPCC and Constabulary arrangements for governance; cyclical review over a three years. (Relevant Chief Officers)                                     | <b>CAPITAL STRATEGY and TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES:</b> To review the annual Capital Strategy and Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices. (DCFO) |

## Joint Audit &amp; Standards Proposed Annual Work Programme 2019/20

| Thursday 23 May 19   | Thursday 25 July 19  | Thursday 19 September 19   | Wednesday 20 November 19   | Wednesday 18 March 20  |
|--|--|--|--|--|
| <b>Cyclical/Annual Reports (continued)</b>   |  |  |  |  |
| <b>RISK MANAGEMENT MONITORING:</b> To receive an annual report from the Chief Executive on Risk Management Activity including the Commissioner's arrangements for holding the CC to account for Constabulary Risk Management. (CE or GM) | <b>ASSURANCE FRAMEWORK STATEMENT OF ACCOUNTS:</b> To receive a report from the Joint CFO in respect of the PCC's and CC's framework of assurance. (CFO)  | <b>APPRENTICESHIP GOVERNANCE:</b> To receive the Annual Self-Assessment report and accompanying Quality Improvement Plan. (Apprenticeship Manager) | <b>ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE:</b> To receive an update on progress against the development and improvement plan within the annual governance statement (CFO) | <b>RISK MANAGEMENT STRATEGY:</b> To provide the tri-ennial review of the COPCC (CE/GM) and Constabulary (DCC) Risk Management Strategies. (next due 2020)  |
| <b>ANTI-FRAUD AND CORRUPTION ACTIVITIES:</b> To receive an annual report from the Chief Executive on activity in line with the arrangements for anti-fraud and corruption. (CE/GM)   | <b>ANNUAL STATEMENT OF ACCOUNTS:</b> To receive the audited Statement of Accounts for the Commissioner and Chief Constable and Group Accounts and consider a copy of a summarised non-statutory version of the accounts (DCFO) |  | <b>PROCUREMENT ANNUAL REPORT:</b> To receive an annual Procurement Report and Dashboard (HoP)  | <b>ANNUAL WORK PROGRAMME: ASSURANCE FORMAT:</b> To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference. (DCFO)  |
| <b>ETHICS AND INTEGRITY GOVERNANCE:</b> To receive an annual report from the chair of the Ethics and Integrity Panel.  | <b>PCC ANNUAL REPORT</b><br>To receive a copy of the PCCs annual report. (CE)  |  |  | <b>EXTERNAL AUDIT PLAN:</b> To receive from the external auditors the Joint Annual External Audit Plan. (GT)   |
| <b>INTERNAL AUDIT –ANNUAL REPORT:</b> To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion.(IA)  |  |  |  | <b>EXTERNAL AUDIT UPDATE REPORT:</b> To receive from the external auditors an update report in respect of progress on the external audit plan. (GT)  |
| <b>EFFECTIVENESS OF INTERNAL AUDIT:</b> To receive a report from the Joint Chief Finance Officer in respect of the effectiveness of internal audit. (DCFO)   |  |  |  | <b>PROPOSED INTERNAL AUDIT PLAN/ INTERNAL AUDIT CHARTER:</b> To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions. To receive a copy of the internal audit charter from the Internal Auditors.(IA) |
| <b>JOINT AUDIT AND STANDARDS COMMITTEE - REVIEW OF EFFECTIVENESS:</b> To receive a report reviewing the effectiveness of the Committee as a contribution to the overall effectiveness of arrangements for governance.(DCFO)              | <b>JOINT AUDIT AND STANDARDS COMMITTEE - ANNUAL REPORT:</b> To receive an annual report of the Committee. Once approved this annual report will be presented to the Police and Crime Panel by the chair of JASC.(DCFO)         |  |  | <b>QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME:</b> To receive from the Internal Auditors a report setting out the arrangements for quality assurance and improvement. (IA)  |

## Joint Audit &amp; Standards Proposed Annual Work Programme 2019/20

| Thursday 23 May 19   | Thursday 25 July 19   | Thursday 19 September 19  | Wednesday 20 November 19  | Wednesday 18 March 20   |
|--|---|---|---|---|
| <b>Cyclical/Annual Reports (continued)</b>   |   |   |   |   |
| <b>ANNUAL GOVERNANCE STATEMENT</b><br>▪ Effectiveness of Governance<br>Arrangements: To receive a report from the Joint CFO on the effectiveness of the PCC's and CC's arrangements for Governance.<br><br>▪ Code of Corporate Governance: To consider the PCC/CC Code of Corporate Governance<br><br>▪ Annual Governance Statement: To consider the PCC/CC Annual Governance Statement for the financial year and to the date of this meeting |   |   |   | <b>VALUE FOR MONEY:</b> To receive an annual report on Value for Money within the OPCC and Constabulary. (DCI)  |
| <b>ANNUAL STATEMENT OF ACCOUNTS:</b> To receive the un-audited Statement of Accounts for the Commissioner and Chief Constable and Group Accounts and consider a copy of a summarised non-statutory version of the accounts (DCFO)  |   |   |   | <b>INTERNAL AUDIT:</b> External Quality Assessment (5 yearly, next one due 2023)  |
|  |   |   |   | <b>APPRENTICESHIP GOVERNANCE:</b> To receive the mid year update on the Quality Improvement Plan. (Apprenticeship Manager)  |
| <b>Ad Hoc Reports</b>  |   |   |   |   |
| <b>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION:</b> To consider any other reports falling within the remit of the Committee's terms of reference  | <b>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION:</b> To consider any other reports falling within the remit of the Committee's terms of reference | <b>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION:</b> To consider any other reports falling within the remit of the Committee's terms of reference | <b>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION:</b> To consider any other reports falling within the remit of the Committee's terms of reference | <b>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION:</b> To consider any other reports falling within the remit of the Committee's terms of reference |

## Governance Documents Cyclical Review Schedule

| Documents  | Review Cycle                   | Lead Officer  | November 2016 | November 2017 | March 2018    | March 2019    | March 2020    | March 2021    | March 2022    |
|--|--------------------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OPCC Risk Management Strategy  | tri-ennial (from 2017 onwards) | Governance Manager<br>Joanne Head   | ✓             | ✓             | ✗             | ✗             | ✓             | ✗             | ✗             |
| Constabulary Risk Management Strategy                                | tri-ennial (from 2017 onwards) | Director of Corporate Improvement<br>Jane Sauntson  | ✓             | ✓             | ✗             | ✗             | ✓             | ✗             | ✗             |
|  |                                |   | November 2016 | November 2017 | November 2018 | November 2019 | November 2020 | November 2021 | November 2022 |
| Role of the Joint Chief Finance Officer                              | annual                         | Deputy CFO<br>Michelle Bellis   | ✓             | ✓             | ✓             | ✓             | ✓             | ✓             | ✓             |
| Joint Procurement Regulations  | bi-ennial                      | Head of Procurement<br>Barry Leighton   | ✗             | ✓             | ✗             | ✓             | ✗             | ✓             | ✗             |
| Scheme of Delegation/Consent   | annual                         | Chief Executive/Communications & Engagement<br>Executive, Gillian Shearer and/or<br>Governance Manager, Joanne Head | ✓             | ✓             | ✓             | ✓             | ✓             | ✓             | ✓             |
| OPCC Arrangements for Anti-fraud & Corruption/Whistleblowing         | bi-ennial                      | Chief Executive/Communications & Engagement<br>Executive, Gillian Shearer and/or<br>Governance Manager, Joanne Head | ✗             | ✓             | ✗             | ✓             | ✗             | ✓             | ✗             |
| Constabulary Arrangements for Anti-fraud & Corruption/Whistleblowing | bi-ennial                      | Head of People, Supt. Sarah Jackson<br>and/or<br>Head of Professional Standards                                     | -             | ✓             | ✗             | ✓             | ✗             | ✓             | ✗             |
| Financial Regulations & Financial Rules                              | bi-ennial                      | Deputy CFO<br>Michelle Bellis   | ✓             | ✗             | ✓             | ✗             | ✓             | ✗             | ✓             |
| Joint Audit Committee Terms of Reference and Role Profiles           | tri-ennial                     | Deputy CFO<br>Michelle Bellis   | -             | -             | ✓             | ✗             | ✗             | ✓             | ✗             |
| Grant Regulations  | tri-ennial                     | Chief Executive/Head of Partnerships and<br>Commissioning, Vivian Stafford  | ✓             | ✗             | ✗             | ✓             | ✗             | ✗             | ✓             |

# Joint External Audit Plan

*Year ending 31 March 2019*

**DRAFT**

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

This draft has been created from the template dated DD MMM YYYY

The Police and Crime Commissioner for Cumbria  
and The Chief Constable for Cumbria Constabulary

March 2019





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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PCC or the Chief Constable or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audits of both The Police and Crime Commissioner for Cumbria ('the PCC') and The Chief Constable for Cumbria ('the Chief Constable') for those charged with governance. Those charged with governance are the PCC and the Chief Constable.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). The Code summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of both the PCC and the Chief Constable. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audits is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Financial statements of the PCC, Chief Constable's and group that have been prepared by management with the oversight of those charged with governance (the PCC and the Chief Constable); and
- Value for Money arrangements in place at each body for securing economy, efficiency and effectiveness in their use of resources.

The audit of the financial statements does not relieve management, the PCC or the Chief Constable of their responsibilities. It is the responsibility of the bodies to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and the Chief Constable are fulfilling these responsibilities. Our audit approach is based on a thorough understanding of the PCC and the Chief Constable's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit.

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## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings
- Valuation of pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audits to you in our Audit Findings Report.

## Materiality

We have determined planning materiality to be £2.739m (PY £2.662m) for the group, the PCC and the Chief Constable, which equates to 2% of the Chief Constable's prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.137m (PY £0.133m).

## Value for Money arrangements

Our risk assessment across both entities regarding your arrangements to secure value for money has identified financial sustainability as the significant risk for VfM. We will update our understanding and assessment of the arrangements for monitoring the in-year financial position and how the future financial challenges are being addressed.

## Audit logistics

Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £23,360 (PY: £30,338) for the PCC and £11,550 (PY: £15,000) for the Chief Constable, subject to management meeting our requirements set out on page 14.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Key matters impacting our audit

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## Factors

### Funding Pressures

Police forces continue to face increasing financial pressures. Nationally police funding fell by 19% in real terms since 2010/11.

The Home Office's approach to funding forces through police and crime commissioners is to use the police funding formula to calculate how much money each force receives from central government's overall funds. The Home Office started work to reform the funding formula and convened a senior stakeholder group, consulted with forces, estimated the cost of dealing with different crimes and analysed the different local pressures affecting forces.

However, the Home Office stopped this work in March 2017. Signs are now emerging that forces are finding it harder to deliver an effective service.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes to the Code relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

### Financial position

The 2018/19 revenue budget for the Police and Crime Commissioner (PCC) was set at £141. million in February 2018 and a Council Tax increase of 5.42%. The 2018/19 Council Tax increase of 5.42% will help fund 25 additional police officers, maintain 95 PCSOs and an increase in the number of armed officers.

As part of the budget setting for 2018/19, the projections for 2019/20 to 2021/22 were updated. This showed that savings of £3.7 million were required between 2020/21 and 2021/22.

The latest year end projections for 2018/19 indicate that it is anticipated that there will be an overspend of £0.6m.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider, where relevant, whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- We will review and monitor your financial position as part of our assessment of your financial sustainability in reaching our Value for Money conclusion

# Group audit scope and risk assessment

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In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

| Component                                 | Individually Significant? | Audit Scope | Risks identified | Planned audit approach   |
|---|---------------------------|-------------|------------------|--|
| Police and Crime Commissioner for Cumbria | Yes                       |             | See pages 6 to 8 | Full scope UK statutory audit performed by Grant Thornton UK LLP |
| Chief Constable for Cumbria               | Yes                       |             | See pages 6 to 8 | Full scope UK statutory audit performed by Grant Thornton UK LLP |

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Significant risks identified

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Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

| Risk  | Risk relates to | Reason for risk identification  | Key aspects of our proposed response to the risk   |
|---|-----------------|---|--|
| <b>The revenue cycle includes fraudulent transactions</b> | Both            | <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>   | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the PCC and Chief Constable, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for the PCC and Chief Constable.</p> |
| <b>Management over-ride of controls</b>                   | Both            | <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals during the year and after the draft accounts stage for appropriateness</li> <li>• gain an understanding of the accounting estimates and critical judgements made by management and consider their reasonableness</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>  |

# Significant risks identified

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| Risk                            | Risk relates to | Reason for risk identification   | Key aspects of our proposed response to the risk  |
|---------------------------------|-----------------|--|---|
| Valuation of land and buildings | PCC             | <p>The PCC revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the PCC financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, as a significant risk, which is one of the most significant assessed risks of material misstatement.</p> | <p>We will:</p> <ul style="list-style-type: none"><li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li><li>• evaluate the competence, capabilities and objectivity of the valuation expert</li><li>• write to the valuer to confirm the basis on which the valuation was carried out</li><li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li><li>• test revaluations made during the year to see if they had been input correctly into the PCC's asset register</li><li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li></ul> |

# Significant risks identified

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| Risk   | Risk relates to | Reason for risk identification  | Key aspects of our proposed response to the risk  |
|--|-----------------|---|---|
| <b>Valuation of the pension fund net liability</b> |                 | <p>The pension fund net liability, as reflected in the PCC group balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,229 million in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We will:</p> <ul style="list-style-type: none"><li>• update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the controls;</li><li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li><li>• assess the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation;</li><li>• assess the accuracy and completeness of the information provided by the group to the actuary to estimate the liability;</li><li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li><li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made and the source data used.</li></ul> |

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Reports and Annual Governance Statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the PCC and Chief Constable.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statements are in line with guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - Issue of a report in the public interest or written recommendations to the PCC or the Chief Constable under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

## Materiality

### The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

### Materiality for planning purposes

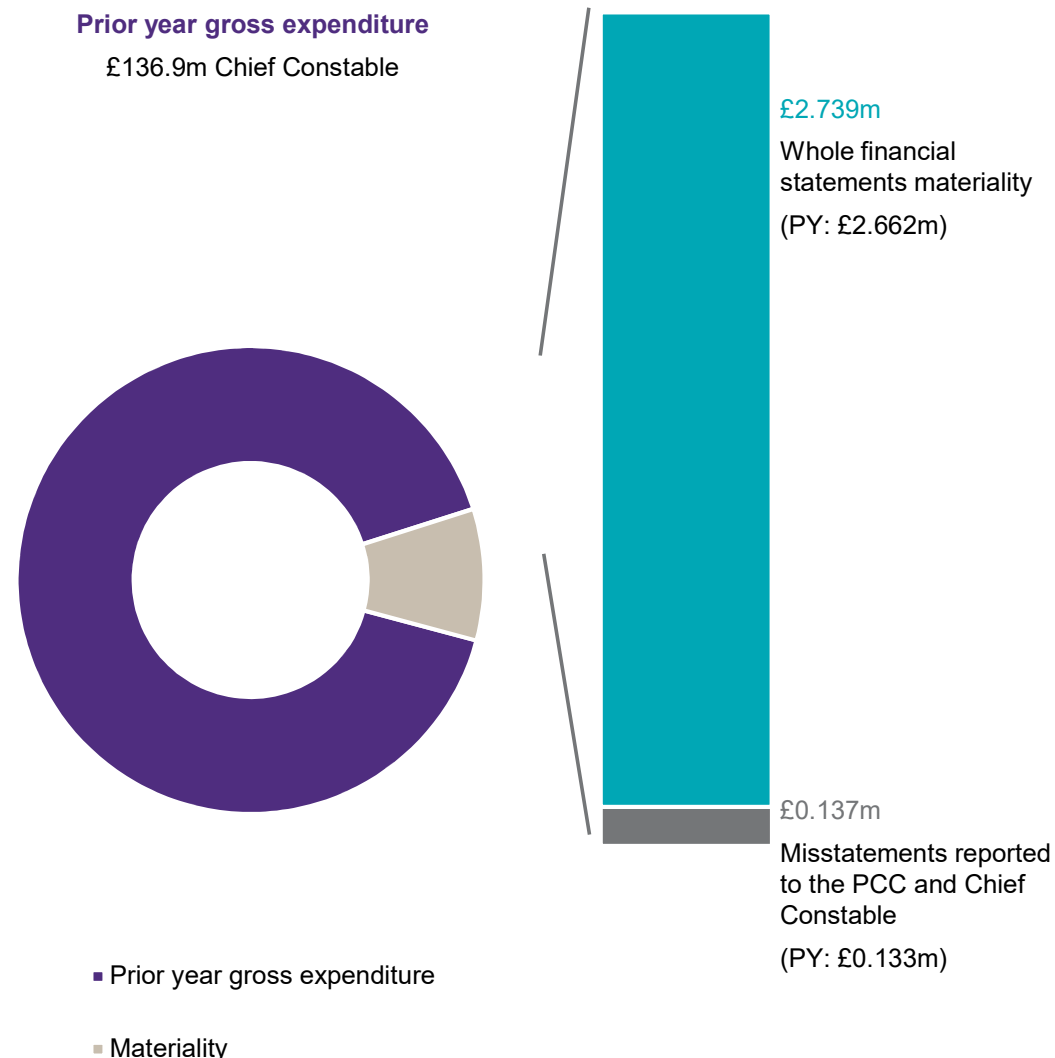
We propose to calculate financial statement materiality based on a proportion of gross expenditure for the financial year. We will use the lowest of the gross expenditures of the PCC, the Chief Constable and the group for this calculation. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £2.739 million (PY £2.662 million), which equates to 2% of your gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

### Matters we will report to the PCC and Chief Constable

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the PCC and Chief Constable any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group, the PCC and the Chief Constable, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.137m (PY £0.133m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the PCC and Chief Constable to assist it in fulfilling its governance responsibilities.





# Value for Money arrangements

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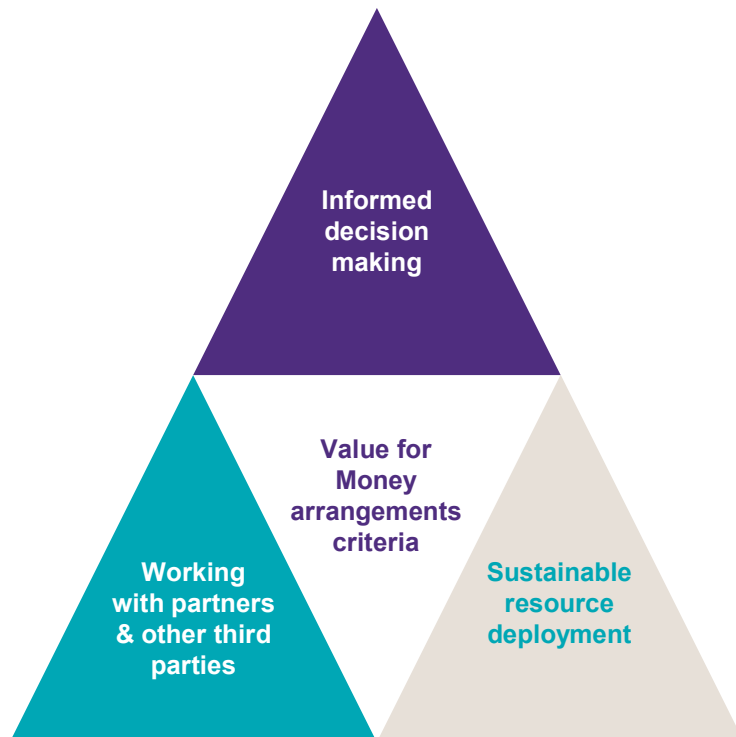
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Police, auditors are required to give a conclusion on whether the PCC and the Crime Commissioner each have proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the PCC or the Chief Constable to deliver value for money.



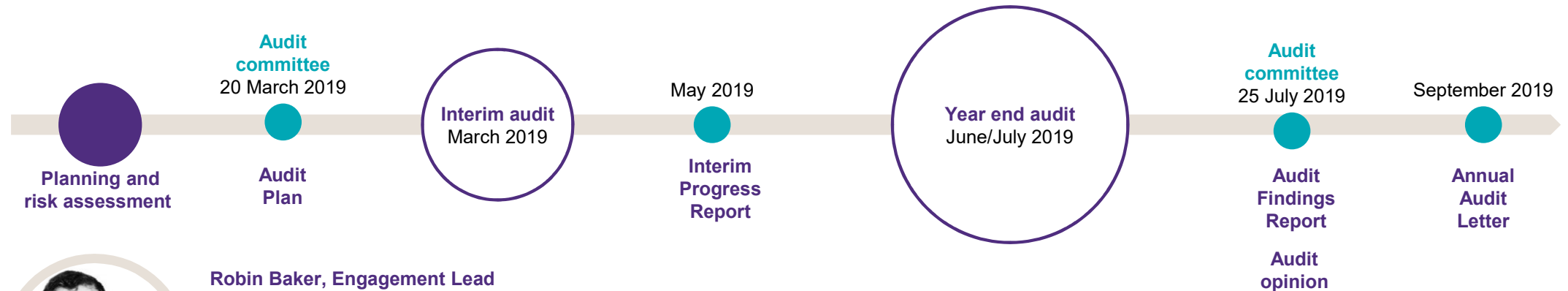
### Financial sustainability

Cumbria along with many other forces continues to face increasing financial pressures and is currently forecasting a year end position that indicates a £0.6m overspend.

We will update our understanding of the arrangements that are in place for the regular monitoring of the in year financial position and assess how the future financial challenges are being addressed.

# Audit logistics, team & fees

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**Robin Baker, Engagement Lead**



**Lynne Johnstone, Audit Manager**



**Hannah Foster, Audit In-charge**

## Audit fees

The planned audit fees under the Code are £23,360 (PY: £30,338) for the PCC, and £11,550 (PY: £15,000) for the Chief Constable. In setting your fee, we have assumed that the scope of the audit, the PCC and the Chief Constable and its activities, do not significantly change.

## Our requirements

To ensure the audits are delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any additional fee will also be agreed by Public Sector Audit Appointments.

## Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited police accounts was brought forward to 31 July, across the whole sector. This was a significant challenge.

In conjunction with the finance team, we continue to plan the most efficient partnership working arrangements to facilitate the final accounts period. We have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing what areas of the accounts (including the annual governance statement) can be prepared before the year end
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable agreed with you. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we may not be able to maintain a team on site or guarantee the delivery of the audit by the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees. We set out below the core requirements which must be met to enable the delivery of the audit by the statutory deadline.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative reports and the Annual Governance Statements
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audits runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

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# Independence & non-audit services

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## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the PCC and the Chief Constable. No other services were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

## A. Audit approach

# Audit approach

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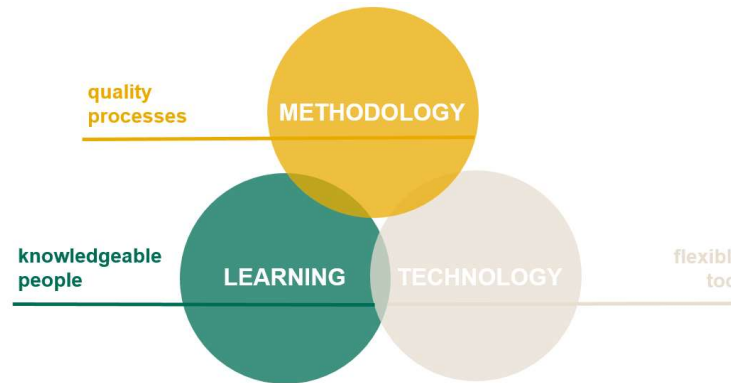
## Use of audit, data interrogation and analytics software

### LEAP



#### Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



### IDEA



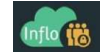
- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

### Appian

#### Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

### Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



#### ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



#### FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

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## Cumbria Constabulary: 2018 HMICFRS Value for Money Profiles' Analysis

The high level analysis in the table on pages 3 to 5 relates to the 2018 Value for Money Profiles which were published by Her Majesty's Inspector of Constabulary and Fire and Rescue Services (HMICFRS) in October 2018. The profiles compare the forces within Cumbria's Most Similar Group (MSG) and these are Lincolnshire, Norfolk and North Wales. The aim of the profiles is to compare performance and the costs of achieving that performance.

It is important to recognise that the VFM Profiles in themselves have limitations and that they require more detailed investigation before they can be safely used as basis for decision making. In particular the profiles focus on costs per head of population, which tends to show Cumbria as relatively expensive across all services due to its low resident population – it should be noted that the impact of increased population due to tourism is not taken into account. In addition, caution needs to be exercised in ensuring that costs and categorisations give a true comparison on a like for like basis, as forces can - and do - budget in different ways and there may be an element of subjectivity with regard to allocating costs.

The high level analysis only covers areas of service where Cumbria has been identified as an outlier compared with its peer group - that is, either:

- providing better value for money or,
- performing less well and services are, or appear to be, more expensive based on the criteria used in the profiles.

An outlier is defined as being in the top or bottom 10% and where the effect of the difference is greater than £1 per head of population.

The 2018 profiles show that the areas identified as being significantly above the all forces or MSG average cost are broadly the same this year as they have been in previous years and this has consistently been the case across the period since value for money profiles were first introduced.

### General points about the VfM profiles

- Cumbria is a demographic outlier when comparing it to its MSG and this will continue to be the case, regardless of any VfM comparators. Cumbria's geography, topography and socio-economic environment are unique and there are fixed costs associated with this regardless of other comparisons.
- Population is the main determinant used in the profiles for assessing value for money – that is, cost per head. This significantly disadvantages Cumbria, which has the lowest population of 42 forces (excluding City of London), is the fourth largest covering 2,613 square miles, is sparsely



populated, is classified as 98% rural and is geographically isolated. The additional cost of delivering services in this physical geography is not taken into account.

- The sparsity of the population, the rural nature of the county and the isolated geographic location of the county in England, results in higher costs to deliver police services compared to other forces and, limits opportunities for cost effective collaborations with other forces for specialist operational services or private companies to provide services. As a result, Cumbria Constabulary requires more people and more equipment to deliver a police service to a small population distributed over a large area.

All of the above result in additional fixed costs irrespective of how and by whom police services are provided and regardless of policy or strategy decisions made by senior management.

The table overleaf shows where the profiles show Cumbria as an outlier, provides an explanation or context and identifies any actions being taken by the Constabulary as a result.

| VfM Category                           | Cumbria Data Value of difference & other info  | Context and/or Explanation   | Actions being taken                      |
|--|--|--|--|
| Non staff costs<br>Capital Financing   | £0.4m<br>6.7% of workforce costs   | This is to finance the constabulary's current capital expenditure programme which includes significant investment in ICT. Capital expenditure is reviewed annually as part of planning and budget setting.   | None                                     |
| Workforce costs – officer cost per FTE | -£2.2m<br>4/4 MSG<br>9/40 All  | Our officers cost less than our MSG and most other forces because we have a higher percentage of officers with less than 5 years' service  | None                                     |
| Local policing                         | Neighbourhood policing<br>£15.3m<br>1/4 2/40<br>Command team & support overheads<br>-£0.7m<br>4/4<br>40/40 | Not really an outlier as all response/patrol officers are all declared as neighbourhood officers in the 17/18 POA return and, this category now includes local investigation (i.e. CID). Our CID is multifunctional and includes a large element of safeguarding, which enables us to prioritise investigations to threat risk and harm – these are our Crime and Safeguarding Teams (CAST) based in local areas. There are no major differences in how we spend our money within local policing across officers, PCSOs and staff. However, we do have more police officers per head of population within NHP – for reasons already outlined in the introduction and General Points sections of this report.                   | None                                     |
| Dealing with the public                | Central Communications (CCR)<br>£1.1m<br>1/4 4/40  | This reflects the changes made in Command and Control where the Constabulary made a conscious decision to operate with officers rather than police staff. This has reduced demand on frontline by 40%- delivering best use of resources by using officer knowledge and expertise at the start of the process, resolving the public's issues as early as possible and providing the best advice and information- with an aim to increase this further. The Constabulary would not be able to accommodate the demand if we put all these officers back on shift, as their impact would be diluted. The benefits from the new Command and Control system will make this function much more efficient and impact on the cost base. | None – IT replacement programme underway |

| VfM Category                  | Cumbria Data Value of difference & other info             | Context and/or Explanation   | Actions being taken  |
|-------------------------------|---|--|--|
| Criminal justice arrangements | Total Custody<br>£0<br>1/4<br>3/40                        | Cumbria has the highest cost of police doctors/nurses and surgeons in the country. Custody function is already identified to be subject of a change review, which includes workforce modernisation to reduce the cost base.  | A review of custody and criminal justice functions is scheduled for 2019/20. |
|                               | Custody<br>£0.2m<br>1/4<br>4/40                           | Note the CJ costs per 100 charges are £26k, the same as our MSG and cheaper than all force average.  |  |
|                               | Police doctors, nurses & surgeons<br>£0.6m<br>1/4<br>1/40 |  |  |
| Roads policing                | Traffic Units<br>£1.8m<br>1/4<br>2/40                     | Cumbria has been an outlier in this category since VfM profiles were first created in 2011. Although these costs are the 2 <sup>nd</sup> highest in the country please note that the comparison is not like for like. Cumbria Roads Policing includes the Armed Response Vehicle, because officers are multi-skilled and perform a dual role. Other forces have these as separate units and firearms are categorised as Operational Support. | None   |
| Operational support           | Firearms Unit<br>£-1.1m<br>4/4<br>40/40                   | For Cumbria, Operational Support Unit Firearms is the cheapest in the country and advanced public order is also a multi skilled function and includes our secondary firearms response.   |  |
|                               | Advanced public order<br>£0.7m<br>1/4<br>4/40             | When taking all of this into account, overall spend php balances out and we are no longer an outlier, although we are still high cost force. The force has the 2 <sup>nd</sup> lowest non staff costs in the country for operational support.  |  |
| Public protection             | -£1.4m<br>4/4<br>38/40                                    | This function covers all vulnerable persons (child and adult protection; 4/4 and 35/40), witness protection, joint teams (2/4 and 14/40) and command team and support.<br><br>The profiles are not flexible enough to account for our CASTs which skews the comparison (as described in local policing section). We have done some significant   | None – already accounted for in our resource allocation process              |

| VfM Category   | Cumbria Data Value of difference & other info | Context and/or Explanation  | Actions being taken  |
|--|---|---|--|
|  |   | demand work and the number of resources available for public protection will increase next year as a result of our evidence based reallocation decisions.   |  |
| Investigations<br>(excludes local investigation and prisoner processing) | -£0.9m<br>4/4<br>39/40                        | VfM profiles show that key reason is Major Investigations Unit and the fact that this is civilianised, unlike other forces. We spend more on serious and organised crime compared to our MSG and less on economic crime, specialist investigation units, command team and cybercrime. Reallocation decisions for cybercrime will impact positively on this category. Unlike other forces, we do not have a lot of specialised units, which in Cumbria would be too small to be effective, but amalgamate many officers into one unit with specialists for specific skills requirements such as financial investigators. | None – already accounted for in our resource allocation process  |
| Support functions  | All<br>£4.7m<br>1/4<br>1/40                   | Cumbria has been an outlier in this category since VfM profiles were first created in 2011. It should be remembered that the All and MSG averages are not comparing like for like. For example, Lincolnshire has outsourced its business support and operational support functions.<br>The key areas that make Cumbria more expensive per head of population are identified below   | <ul style="list-style-type: none"> <li>Business Support Futures programme with targeted savings of £600,000 per annum over the next 4 years</li> <li>Review of digital policing strategy and associated ICT to provide a new costed 5 year plan</li> <li>Review of digital storage processes to provide solutions to reduce escalating costs</li> <li>Rebasing of fleet and estate strategies to reduce overheads</li> <li>Review of training across the force</li> <li>Business intelligence Project to reduce</li> </ul> |
|  | ICT<br>£2.2m<br>1/4<br>1/40                   | Cumbria has been an outlier in this category since VfM profiles were first created in 2011. Some of our ICT fixed costs will be higher than other forces, as already described in the first section of this report.<br>The Constabulary has now focused on benefits delivery to drive out efficiencies and has a digital policing strategy to deliver increased effectiveness and productivity.   |  |
|  | Fleet services<br>£0.4m<br>1/4<br>2/40        | Cumbria has been an outlier in this category since VfM profiles were first created in 2011. The cost of fleet provision and associated transport costs are high in Cumbria due to the size, geography and topography of the county. In addition, the LSE with HMIC has undertaken some work about factors that provide challenges for policing. This identifies that Cumbria’s average travel times are 70% more than the national average.   |  |
|  | Training<br>£0.7m<br>1/4<br>3/40              | This is a new outlier. The Constabulary has invested in its own function and the collaboration with Lancashire to ensure that staff and officers have the skills to deliver the best service for the public. In addition, the force has increased its rate of police officer recruitment which has required additional trainer resource   |  |

| VfM Category                | Cumbria Data<br>Value of<br>difference &<br>other info | Context and/or Explanation  | Actions being taken  |
|-----------------------------|--|---|--|
| Support functions continued | Performance review<br>£0.4m<br><br>1/4<br>3/40         | Increased performance review costs reflect the investment in the Business Improvement Unit to drive up quality and reduce reworking costs, the change team to deliver savings required and in IMS staff to meet demand and deliver the Business Intelligence Project. | performance cost base in the next 4 years , plus other savings |

No outliers were identified in the workforce or demand sections of the VfM Profiles.



## Monitoring Key Audit Recommendations

### Introduction

This report is designed to monitor the implementation of recommendations and actions arising from Audit and Inspection.

It fulfills the assurance responsibilities of the Joint Audit Committee with regards to the implementation of control recommendations and best practice arising from Audit and Inspection work.

### Report Summary

| Summary of Actions                       | PCC      | CC       | Joint    | Total     |
|--|----------|----------|----------|-----------|
| Open actions b/fwd from last report      | 0        | 4        | 1        | 5         |
| New actions since last report            | 0        | 5        | 0        | 5         |
| <b>Total actions this report</b>         | <b>0</b> | <b>9</b> | <b>1</b> | <b>10</b> |
| Actions completed since last report      | 0        | 3        | 0        | 3         |
| <b>Open actions c/fwd to next report</b> | <b>0</b> | <b>6</b> | <b>1</b> | <b>7</b>  |

| Summary of Total Actions by Status    | PCC      | CC       | Joint    | Total     |
|---------------------------------------|----------|----------|----------|-----------|
| Completed                             | 0        | 3        | 0        | 3         |
| Ongoing (within original timescale)   | 0        | 1        | 1        | 2         |
| Ongoing (original timescale extended) | 0        | 2        | 0        | 2         |
| Overdue/ timescale exceeded           | 0        | 0        | 0        | 0         |
| Not yet due                           | 0        | 3        | 0        | 3         |
| <b>Total</b>                          | <b>0</b> | <b>9</b> | <b>1</b> | <b>10</b> |

### Key to Grade:

#### Cumbria Shared Internal Audit Service

| Grade/Priority |   |
|----------------|---|
| High           | Significant risk exposure identified arising from a fundamental weakness in the system of internal control. |
| Medium         | Some risk exposure identified from a weakness in the system of internal control.                            |
| Advisory       | Minor risk exposure/suggested improvement to enhance the system of control.                                 |

Members have requested that this summary of recommendations report provides an update on actions where the recommendation was graded High/Medium only. Minor Advisory recommendations are monitored by individual managers.

#### External Audit – Grant Thornton

| Grade/Priority |                                      |
|----------------|--------------------------------------|
| <b>High</b>    | Significant effect on control system |
| <b>Medium</b>  | Effect on control system             |
| <b>Low</b>     | Best practice                        |

| Audit Report                                 | Report Date | Report emailed to JAC Members | Report considered by JAC Meeting | Report Of                     | Recommendation   | Grade  | Person Responsible   | Agreed / Intended Action / Progress Update   | Target Date               | Revised Target Date   | Status                                |
|--|-------------|-------------------------------|----------------------------------|-------------------------------|--|--------|--|--|---------------------------|---|---------------------------------------|
| Cumbria's Multi-Agency Safeguarding Hub (CC) | 04/11/2016  | 04/11/2016                    | 24/11/2016                       | Shared Internal Audit Service | R1 Hub resources should be fully considered in terms of the skills, qualifications and experience required to fulfil defined responsibilities, operate the Hub effectively and deliver improvements. The agreed requirements and individual partner contributions should be formally reflected in a signed funding agreement that is properly communicated, including to individual partner leadership boards. | Medium | Chair of the Programme Board<br><br>Di Dan StQuintin   | <p>The Programme Board, which met on 27th October, established a Task and Finish Group which met on 27th October 2016 and will ensure that the updated MOU is in place by 5th January 2017 and is agreed / endorsed by the Board. The MOU will capture the issue regarding multi-agency resourcing.</p> <p><b>February 2017</b> - February 2018 Comments removed Issues of Hub governance are dealt with by the programme board. The MOU is currently under discussion. This is not yet complete because health are a statutory partner and are currently undergoing significant restructure under the strengthening families programme of which their contribution to the hub is part.</p> <p><b>June 2017</b> - The partnership has commissioned an external review of the hub process and model which is currently under way, the company doing the review are Ad Esse and their report is expected to be available around mid-July.</p> <p><b>August 2017</b> - Ad Esse have completed their assessment and we are awaiting the full report back from them. However, they have shared list of recommendations for the safeguarding hub. These recommendations are wide ranging and have triggered significant discussion by LSCB partners. These discussions will move forwards over the next few months at various LCSB programme board meetings. Once decisions on these recommendations have been made. Decisions on resourcing can be made once the future role and structure of the hub has been agreed. A 3 month extension to the deadline has been requested.</p> <p><b>October 2017</b> - Discussions around the Ad Esse recommendations continue at a senior level within Cumbria Constabulary. The discussions continue at a senior level within the LSCB. Request a further 3 month extension to allow decisions to be made and action to be start</p> <p><b>February 2018</b> - The Hub MOU is currently being re-written by the LSCB. All partner agencies have been invited to contribute. The revised MOU is being presented at the next Hub Programme Board meeting which has yet to be arranged but will be in March or April 2018. It is anticipated that the MOU will be agreed and signed off at that meeting.</p> <p><b>June 2018</b> - There are four key pieces of work that need to be done which have been raised by police at the LSCB Hub Programme Board. They are:<br/> 1) Setting out what the aim and purpose of the Safeguarding Hub is,<br/> 2) Creating a new MOU which sets out the purpose above and is refreshed to bring it up to date,<br/> 3) Review the LSCB thresholds document so there is clearer criteria for partners agencies to assess and grade risk more consistently,<br/> 4) Create an LSCB public task statement to meet GDPR requirements.</p> <p><b>August 2018</b> - There is not much progress on these issues but police will continue to push these. There is some concern that the MOU and aim and purpose have still not been defined which is the first and main recommendation of the Ad Esse review into the Safeguarding Hub.</p> <p><b>October 2018</b> -1) In relation to the Aim &amp; Purpose of the Hub, a meeting was convened two weeks ago between Police, Children's Services and Health to discuss creating a new MOU. In the meeting it was agreed that an MOU will be created which sets out what the current aim &amp; purpose of the hub is ie a front door to children services, where Police and Health assist Children's Services in managing their demand and where the only outcomes currently are children's social care ones. A list of desirable aims for the hub will be listed, agreed and worked towards over the next few months. Ongoing, but progress now being made. 2) An draft MOU has been created by Di St Quintin and shared with Children's Services and Health. It was agreed that all partners will read and comment on the draft and a meeting is planned on 22/11/19 to discuss any contentious issues. A final draft will then be created in time for the Hub Programme Board (which is an LCSB sub-group) on the 6th December where it is hoped it can be signed off and the 'desirables' can also be agreed. Ongoing, but progress now being made. 3) This work is ongoing. I do not have a timescale for completion, but there has been three multi-agency meetings regarding this and an initial draft has been created. Ongoing, but progress now being made. 4) In order to clarify definitively what is required the Information Commissioner's Office was contacted regarding the use of 'Public Task' as a lawful basis for sharing personal information under GDPR. The ICO has stated that there are opportunities to use 'Public Task' to supersede a lack of consent to intervene in child in need cases. For this to happen, all agencies must include that they are using 'Public Task' in their privacy notices. This information will be brought to the Hub Programme Board in December for discussion by the group.</p> <p><b>March 2019</b> - 1 &amp; 2: The Safeguarding Hub MOU has been written. It sets out the aim and purpose of the Hub which all agencies have agreed. The MOU has been agreed by the LSCB. It is now with executives from Police, Social Care and Health for agreement and sign off. It was sent to DCC Webster on 5th March 2019. A list of aspirations to develop the Safeguarding Hub has also been agreed and discussed at the Hub Programme Board. 3: A threshold document has been created and needs to be agreed. More importantly, the Safeguarding Hub Information Sharing Agreement (ISA) has been created and agreed. This is to be published very shortly on the Information Sharing Gateway. 4) With the creation and agreement of the ISA, the need for further work around GDPR is not required at present.</p> <p>Police resourcing in the Hub is now at establishment levels. This is the first time that the Hub has been fully staffed with police officers for two years. All police officers working in the Hub are qualified detectives and have the significant skills and experience around Safeguarding. A new police system for creating and managing police safeguarding referrals has been designed and launched in November 2018. Although there were some initial compliance issues, the system is proving to be a vast improvement on its predecessor. These points have enabled Cumbria Constabulary to provide a more enhanced level of service to vulnerable people in Cumbria, keeping people safer and preventing harm more swiftly.</p> | 31/01/2017                | <del>31/08/2017</del><br><del>31/10/2017</del><br><del>31/01/2018</del><br><del>30/04/2018</del><br><del>30/09/2018</del><br>31/03/2019 | Ongoing (original timescale extended) |
| Digital Case File Preparation (CC)           | 08/05/2017  | 08/05/2017                    | 24/05/2017                       | Shared Internal Audit Service | R1 Arrangements to ensure the robustness of digital case files at an earlier stage should be strengthened taking into consideration the outcomes of the Strategic Development Unit's review.   | High   | Temp Supt CIU/Partnerships<br><br>Gordon Rutherford<br>Ben Swinson                                       | <p>The Chief Officer commissioned review will report to COG in May 17. The evidence-gathering phase took place from January to March, with the team now considering data analysis and findings. Once recommendations as to future structure of CIU and the file checking function are considered and approved by Chief Officers, then they will be implemented before September 30th 2017.</p> <p><b>June 2017</b> - The primary causes of file quality issues was identified as a training/knowledge gap, together with a number of national developments. To address this gap, Chief Officers approved a number of measures, increased in staffing within CI, introduced Area Compliance Teams and a CJ trainer post. The trainer has worked to deliver a comprehensive package of training for all front line officers. This training is informed by issues raised in the file quality process. A recent example, raised by CPS, relates to lack of understanding about disclosure of undermining material. The trainer has developed a package of learning material on the subject that is being rolled out now. Further to that there will be a day's file quality training given to all officers from September 2017.</p> <p><b>August 2017</b> - No change since June update apart from the review paper will be taken to COG on September 4th.</p> <p><b>October 2017</b> - Due to staffing changes within Strategic Development the CIU review has not been completed. Chief Officers extended the period for the review to be completed until December 31st 2017. A further temporary extension was also approved for the CIU and Compliance Team staffing.</p> <p><b>February 2018</b> - Chief Officers considered the paper put forward by Strategic Development and agreed to maintain the 6.5FTE within the CIU that were temporary for the next 4 years. Work was commissioned to ascertain which posts would be recruited to in order to increase capability within the CIU. This process is ongoing and will be completed by the end of September 2018.</p> <p><b>June 2018</b> - The CIU and Compliance teams are being currently reviewed to ensure that the current changes to demand are factored in. At present we are in the stages of submitting a further COG paper which will look at the number and make-up of the two units and I will be able to report back to the next JASC (September) with a more substantial update.</p> <p><b>August 2018</b> - There is wider review work planned around how we deal with Custody and the area compliance teams will be factored in around this review to ensure we do not assess them in isolation and can consider cross-role opportunities. The Area compliance teams will be maintained in areas until this review work can be completed by the Corporate Improvement change team.</p> <p><b>November 2018</b> - The new model for the structure and governance of the compliance teams has been presented at the recent Chief Officer Strategy Day where there was outline agreement for the model proposed. This will now be progressed through COG to be formally agreed and will look to adopt a team of 8 x PC's and 1 x Sgt in full time establishment positions to work on compliance team matters in conjunction with the CI Unit at Barrow. The wider staffing in the CI Unit and CI Trainer position will remain unchanged at this time from its current level.</p> <p><b>March 2019</b> - The proposed changes to structure of the Compliance Teams have been taken to the various governance boards and, as of 5th March, they have been formally agreed and adopted. The new structure will consist of a Sgt and 8 x PC's as proposed and will be based in North and West Cumbria. The post will form part of the TPA establishment/supervision but will also have accountability and reporting via the CIU department. The posts are now permanent and will form part of the Constabularies options for restricted and adjusted duties officers. All other posts will remain as is pending any further review of the CIU/CSU departments.</p>  | June 2017 to 30 Sept 2017 | <del>31/12/2017</del><br>31/03/2019   | Completed                             |
| Duty Management (CC)                         | 26/04/2018  | 27/04/2018                    | 24/05/2018                       | Shared Internal Audit Service | R3 It should be ensured that resource management information requirements of all groups are clearly considered and defined as part of the resource management system upgrade project.  | Medium | Head of People Sarah Jackson<br>Chief Inspector (Resource Co-ordination) Louise Butler<br>Martin Loebell | <p>There is an ongoing project to upgrade various systems including the duties management system and this aspect will be picked up by the 'Business Futures' project and included in the project plan.</p> <p><b>June 2018</b> - Work has started within Business Futures, working with Paul Bull from Staffordshire Police, identifying our future reporting needs and providing better management reporting. For delivery later this year/early 2019. COG paper being prepared by Louise Butler seeking additional support for further investment in this area.</p> <p><b>August 2018</b> - This is ongoing and further scoping work and options being worked up. Next meeting 18/9. Some reports being worked on as part of business futures, longer term management information assessment ongoing.</p> <p><b>November 2018</b> - This is part of business futures, and the full implementation will not be realised until 2020. The Business Future Board governs all of the work streams and a permanent PM appointment ensures compliance with milestones.</p> <p><b>March 2019</b> - The business futures project moved into exception in December 2018 and the project has now been paused whilst a way forward is fully explored. The force is now reviewing its requirements from HR and Duties systems and will provide an update report to COG in May. An appropriate level of project / programme management resource is in place in order to coordinate changes.</p>  | 31/10/2019                |   | Ongoing (within original timescale)   |

| Audit Report                          | Report Date | Report emailed to JASC Members | Report considered by JASC Meeting | Report Of                     | Recommendation  | Grade  | Person Responsible  | Agreed / Intended Action / Progress Update  | Target Date | Revised Target Date                 | Status                                |
|---------------------------------------|-------------|--------------------------------|-----------------------------------|-------------------------------|---|--------|---|---|-------------|-------------------------------------|---------------------------------------|
| Vulnerability/Hate Crime (CC)         | 01/05/2018  | 01/05/2018                     | 24/05/2018                        | Shared Internal Audit Service | R3 Arrangements should be put in place to provide assurance to management that hate crime policy and procedures are being complied with, that all staff are aware of processes and their responsibilities in relation to hate crime and that there is sufficient evidence to demonstrate that these are being undertaken. | Medium | Det. Supt PPU & Operations<br>Vicki Ellis                   |   | 31/10/2018  | <del>31/01/2019</del><br>30/06/2019 | Ongoing (original timescale extended) |
| Statement of Accounts (Joint)         | 10/07/2018  | N/A                            | 19/07/2018                        | External Audit Grant Thornton | R2) Ensure that the justification that assets not revalued are not materially misstated is fully documented. Review the rolling programme of asset revaluations to achieve a more equitable profile to of when assets revalued to minimize the risk of assets not revalued being materially mis-stated.                   | Medium | Deputy Chief Finance Officer<br>Michelle Bellis             | During the preparation of the 2017/18 statement of accounts an evaluation of the asset valuations that had not been subject to review in the year was made. In future years, this process will be better documented and provided as a working paper for the auditors to demonstrate consideration of all values as part of the year end process. In addition, consideration is currently being given to reviewing the valuation schedule to ensure a more even split of asset valuations between years.<br><br><b>August 2018</b> - A meeting has been arranged with the Head of Estates to discuss the valuation cycle and documentation of desk based checks in future.<br><br><b>November 2018</b> - Finance and the Head of Estates & Fleet have met to discuss requirements, the valuer has been instructed and the valuations are expected in January 2019.<br><br><b>March 2019</b> - The valuations were received in January and work is underway to record the accounting transactions and prepare the supporting working papers for audit.  | 31/03/2019  |                                     | Ongoing (within original timescale)   |
| Digital Media Investigation Unit (CC) | 21/11/2018  | 22/11/2018                     | 20/03/2019                        | Shared Internal Audit Service | R1) Management should ensure they are satisfied that procedures in relation to internal checks / assessing competence are sufficiently detailed and accurately reflect the process to be followed.  | Medium | Detective Inspector DMIU<br>Ian Harwood                     | The relevant quality procedures will be reviewed by the Quality Manager and updated as necessary to ensure they are sufficiently detailed and accurately reflect the process to be followed.<br><br><b>March 2019</b> - This recommendation has been reviewed by our Quality Manager. At this stage both the Quality Manager and I are satisfied that there is sufficient detail provided to our staff to enable them to understand the processes to be followed. The procedures provide an overview of what is required but do not necessarily detail the processes to follow. However the procedure contains the specific forms for the staff to complete as part of the audit / assessment. These forms clearly detail what is required and what processes need to be followed.<br><br>These procedures and forms have been assessed by UKAS as part of our ongoing ISO 17025 accreditation and are under constant review.<br><br>I therefore believe that the potential risks identified have been mitigated and no further action is required, albeit the recommendation has been useful to test our procedures. | 31/01/2019  |                                     | Completed                             |
| Pensions (CC)                         | 01/03/2019  | 04/03/2019                     | 20/03/2019                        | Shared Internal Audit Service | R1) Effective independent checking should be undertaken to ensure pension contribution rates are correctly applied.   | Medium | Payroll and Transactional Services Manager<br>Alison Hunter | 46 new starters processed between 1.4.18 & 30.9.18, 43 were placed on the correct contribution rate and 3 placed on the incorrect rate. The 3 records have now been corrected.<br><br>Internal processes have been improved to ensure the second Admin Officer checks the actual contribution rate applied and not just that they are assigned to the Local Government Pension scheme. This action was implemented for January 2019 payroll process.<br><br>For information all police staff pension contribution rates are independently checked in April each year as part of the annual pension contribution review process.   | 30/01/2019  |                                     | Completed                             |
| Command & Control and 101 Calls (CC)  | 06/03/2019  | 06/03/2019                     | 20/03/2019                        | Shared Internal Audit Service | R1) The CCR Business Plan should be finalised and shared with the team.   | Medium | Chief Inspector - HQ CCR & CCU<br>Gaynor Wardle             | The Business Plan will be signed off by the Chief Inspector Territorial Policing Command and communicated to staff through 1:1s.  | 30/04/2019  |                                     | Not Yet Due                           |
| Command & Control and 101 Calls (CC)  | 06/03/2019  | 06/03/2019                     | 20/03/2019                        | Shared Internal Audit Service | R2) The CCR risk register should be completed and managed on an ongoing basis moving forwards.  | Medium | Chief Inspector - HQ CCR & CCU<br>Gaynor Wardle             | The CCR risk register has been created. We are currently reviewing other risk registers which impact on CCR and will consolidate these into the CCR risk register.<br><br>Once populated the CCR risk register will be kept under review in accordance with the Constabulary's risk management process.   | 30/04/2019  |                                     | Not Yet Due                           |
| Command & Control and 101 Calls (CC)  | 06/03/2019  | 06/03/2019                     | 20/03/2019                        | Shared Internal Audit Service | R3) a) Management should agree and set out their monitoring and reporting requirements in respect of the new digital quality assurance system.<br>R3) b) There should be clarity around the reporting capabilities of the digital quality assurance system.   | Medium | Chief Inspector - HQ CCR & CCU<br>Gaynor Wardle             | a) We have set out our monitoring and reporting requirements and these will be subject to on-going review.<br><br>b) The digital quality assurance system has now been removed from the process and we have now implemented an audit process for monitoring call handling. Information available by dashboard is used by the Chief Inspector – HQ CCR & CCU to monitor compliance with the procedure and identify trends.   | 30/04/2019  |                                     | Not Yet Due                           |



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# **CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT COMMITTEE**

**Meeting date: 20<sup>th</sup> March 2019**

**From: Audit Manager (Cumbria Shared Internal Audit Service)**

## **DRAFT INTERNAL AUDIT PLAN 2019/20**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 The draft audit plan has been prepared in consultation with senior management and in conformance with the Public Sector Internal Audit Standards (PSIAS).
- 1.2 The Standards require that the Head of Internal Audit prepares an annual risk based audit plan for review by Senior Management and Joint Audit Committee and approval by the Board.
- 1.3 This year we have developed the planning process to span a two year period in order to balance audit coverage of interlinked areas and schedule work.
- 1.4 Coverage is considered adequate to provide the annual audit opinions as required under the PSIAS. There is provision for advice and consultancy work.
- 1.5 The Internal Audit charter has been updated and is included as an appendix to the audit plan for review by the Joint Audit Committee. Changes to the Charter from 2018/19 include updating reference to consultancy work to refer to value for money, updating the committee title to Joint Audit Committee and making reference to the annual private meeting that takes place between the Group Audit Manager, Audit Manager and Joint Audit Committee.
- 1.6 Internal Audit will continue to follow up audits receiving 'partial' or 'limited' assurance.

## 2.0 RECOMMENDATION

2.1 *Members are asked to note the draft internal audit plan for 2019/20.*

## 3.0 BACKGROUND

3.1 The approach to preparing the audit plan has been based around:

- Review of Constabulary and OPCC strategic risk registers
- Consultation with senior management across the Office of the Police and Crime Commissioner and Constabulary
- Review of outcomes of previous audit reviews and other inspections
- Review of priorities in the police and crime plan and;
- Consideration of national, regional or emerging issues.

3.2 The audit plan is closely aligned with the Constabulary and OPCC's strategic risk registers. On a quarterly basis the Joint Audit Committee sees the strategic risk registers which document the key risks facing both organisations and controls and other assurances in place to mitigate these risks.

3.3 Through our audit planning we have identified areas for audit over the next two years. Discussions have taken place with Collaborative Board to consider these areas, some of which are interlinked, and their timings. Areas identified for potential inclusion in the 2020/21 audit plan include cyber security, well-being, sickness management and countylines.

3.4 The audit plan also includes time for consultancy work. This is part of our development of the internal audit service aimed at providing wider support to the Constabulary and OPCC. In this year's plan we have taken this a step further and included specific consultancy type work in relation to vehicle utilisation, the custody medical contract and seized dogs. Overall 45 days of the plan has been allocated to consultancy / support and advice work. This equates to 16% of overall resources in the plan. The format of reporting the outcomes of consultancy work will be determined as the work is undertaken. Potential reporting mechanisms will include a presentation to management, briefing document with key headlines, etc. The nature of the consultancy work means it will not provide a formal assurance rating. However, consideration of the outcome of consultancy / support work will be factored into the Head of Internal Audit's annual opinion statement.

3.5 Planned Internal Audit coverage is considered adequate to provide the annual audit opinions.

- 3.6 The Internal Audit charter has been reviewed and updated in accordance with the PSIAS and is included as an appendix to the audit plan. The changes to the Charter from 2018/19 include:
- updating reference to consultancy work to refer to value for money
  - updating the committee title from Joint Audit and Standards Committee to the Joint Audit Committee
  - specifying the annual private meeting between the Group Audit Manager, Audit Manager and the Joint Audit Committee.
- 3.7 Internal Audit will continue to follow up all audits resulting in 'Partial' or 'Limited' assurance.

**Emma Toyne**  
**Audit Manager**  
4<sup>th</sup> March 2019

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## **APPENDICES**

***Appendix 1: Draft Internal Audit Plan 2019/20***

***Appendix 2: Internal Audit Charter 2019/20***

Contact: Emma Toyne, Audit Manager, Cumbria Shared Internal Audit Service.  
[emma.toyne@cumbria.gov.uk](mailto:emma.toyne@cumbria.gov.uk)



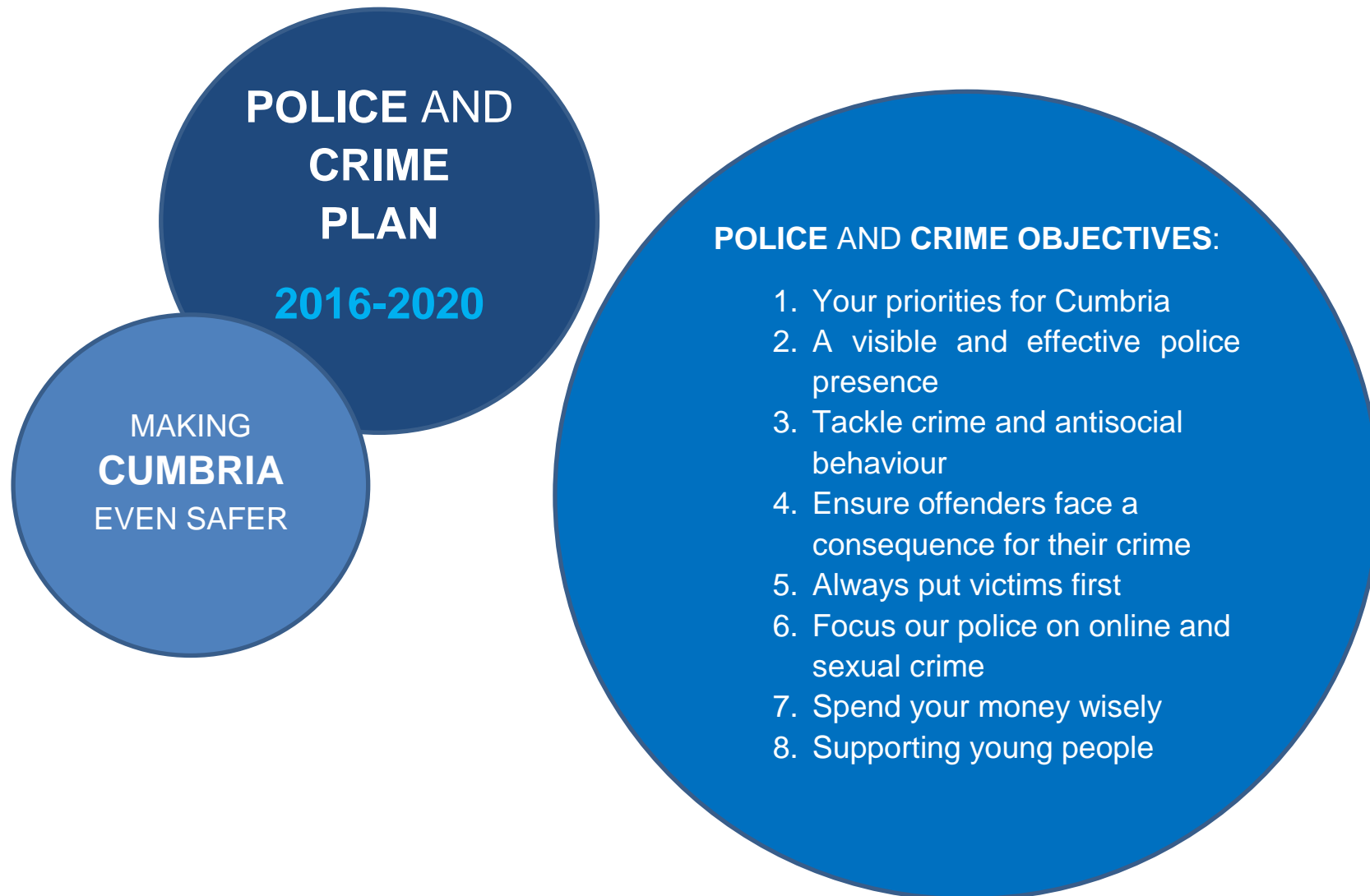
# Appendix 1



## Internal Audit Plan 2019/20

## 1. Introduction

1.1 The Internal Audit Plan for 2019/20 has been prepared based on analysis of the strategic risk registers, Police and Crime Plan 2016-2020 and other factors affecting the OPCC and Constabulary in the year ahead.



## 2. Developing the Internal Audit Plan

2.1 The OPCC and Constabulary's strategic risk registers have been used as the starting point for the development of the audit plan (see Appendix 1a for the full plan). The documented risks were used as a basis for audit planning discussions with members of the Leadership Team to identify the areas where independent assurance from Internal Audit was most appropriately focused in order to deliver the mandatory annual Internal Audit opinions.

2.2 We also supplemented these planning discussions with other sources of information to inform the audit plan as shown in the diagram below:





2.3 Following on from the approach for the production of the 2018/19 plan, we have sought to align the audit plan with risks documented within the strategic risk registers. On a quarterly basis the Joint Audit Committee sees the strategic risk registers which document the key risks facing both organisations and controls and other assurances in place to mitigate these risks. Risks have also been identified through professional networks, review of other OPCC and Constabulary audit plans and attendance at training and development events. These have been considered within our risk assessment process and included within the plan as appropriate.

### **3. The Internal Audit Service**

#### **3.1 Mission**

3.1.1 The mission of internal audit is defined within the PSIAS as:

*To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*

3.1.2 The plan has been prepared in line with the mission to ensure there is adequate audit coverage to deliver the mandatory annual assurance opinion as well as to fulfil the requirement to provide advice and insight to the organisation.

#### **3.2 Resourcing**

3.2.1 The internal audit plan will be delivered by the in-house team of internal audit staff. Internal Audit is a shared service between the County Council and the Office of the Police & Crime Commissioner / Cumbria Constabulary. The number of audit days to be delivered for the OPCC and Constabulary is 281, as agreed in the Shared Service agreement. The current level of resource is appropriate to deliver the planned number of audit days.

3.2.2 In addition to areas in the 2019/20 Internal Audit plan we have identified a number of audits to be included in the 2020/21 plan. We have discussed this with Collaborative Board to ensure balance in audit coverage (as some areas are interlinked). Areas identified for potential inclusion in the 2020/21 audit plan include cyber security, well-being, sickness management and countylines.

3.2.3 Capacity has been made available within the plan for consultancy work. This is part of our development of the internal audit service aimed at providing wider support to the Constabulary and OPCC and was an area highlighted as part of the EQA. In this year's plan we have taken this a step further and included specific consultancy type work in relation to vehicle utilisation, the custody medical contract and seized dogs. Overall 45 days of the plan has been allocated to consultancy / support and advice work. This equates to 16% of overall resources in the plan.

### **3.3 Conformance with the PSIAS**

3.3.1 Under the PSIAS, internal audit is required to have an external quality assessment (EQA) every five years. The first assessment had to be completed by 31 March 2018. The EQA of the Shared Internal Audit Service was undertaken in October 2017. The review concluded that the service 'generally conforms' with the standards and the 'audit methodology contains all the required elements of the standards'.

3.3.2 Arrangements are in place to address the recommendations arising from the assessment, and where appropriate, recommendations have been addressed in the preparation of this audit plan, e.g. closer linkages with risk registers.

3.3.3 We have a rigorous Quality Assurance and Improvement Programme to ensure a high quality of service is maintained.

## Appendix 1a – Draft Internal Audit plan 2019/20

| Audit Review                                      | Description  | Days |
|---|--|------|
| Financial sustainability<br>(Constabulary / OPCC) | Financial pressures are recognised on both the OPCC and Constabulary strategic risk registers. The audit would provide assurance over the arrangements for scenario planning during this time of financial uncertainty for the Force.  | 15   |
| Benefits realisation<br>(Constabulary / OPCC)     | There has been significant investment in projects to drive efficiencies within the organisation. An audit review to provide assurance on the arrangements for realising the benefits from this investment will be undertaken.  | 20   |
| Procurement (Constabulary / OPCC)                 | Procurement is a strategic risk on both the Constabulary and OPCC risk register. The review will provide assurance over the arrangements put in place by the new Head of Procurement. We would also undertake some detailed testing to confirm adherence to the procurement rules.   | 35   |
| Collaboration (OPCC)                              | <p>The Policing and Crime Act 2017 introduced a statutory duty for Police, Fire and Rescue and Emergency Ambulance Services to keep collaboration under review and to collaborate where it is in the interests of their efficiency or effectiveness.</p> <p>The PCC has entered a collaboration agreement with Cumbria County Council and Cumbria Fire and Rescue Service for the Cumbria Blue Light in May 2018. The review would provide assurance over the arrangements to collaborate.</p> | 15   |
| Police and Crime Plan (OPCC)                      | The Police and Crime plan 2016-2020 sets out the Commissioner's police and crime objectives. The audit will provide assurance over the internal governance arrangements for monitoring delivery of the plan.   | 15   |
| Body Worn Video<br>(Constabulary)                 | The Constabulary has invested to provide Body Worn Video to all operational officers. This review will provide assurance over the arrangements in place to comply with the Force's Body Worn Video procedure.  | 15   |

| Audit Review   | Description  | Days |
|--|--|------|
| TRIM (Trauma Risk Incident Management) (Constabulary)                                      | <p>Identified as a priority for internal audit review through audit planning discussions with management.</p> <p>The audit will provide assurance on the TRIM process</p>  | 20   |
| Firearms (Constabulary)  | <p>Identified as a priority for internal audit review through audit planning discussions with management. Review to provide assurance over the arrangements to comply with the National Ballistic Intelligence Service (NaBIS) requirements and the Force's policy on stolen firearms.</p> | 20   |
| Training (Constabulary)  | <p>Identified as a priority for internal audit review through audit planning discussions with management.</p> <p>Review will provide assurance over training plans and management of the training delivery plan for the Constabulary.</p>  | 20   |
| Consultancy <ul style="list-style-type: none"> <li>• Vehicle Utilisation</li> </ul>        | <p>Work in this area would provide support to the organisation through review and analysis of the Constabulary's vehicle utilisation data.</p>   | 15   |
| Consultancy <ul style="list-style-type: none"> <li>• Custody medical contract</li> </ul>   | <p>Work in this area would provide support to the organisation through consideration of the potential impacts of the current contract.</p>   | 15   |
| Consultancy <ul style="list-style-type: none"> <li>• Seized dogs (Constabulary)</li> </ul> | <p>Work in this area would provide support to the organisation through consideration of value for money in respect of the Constabulary's arrangements for seized dogs.</p>   | 15   |
| Risk management and governance (Constabulary / OPCC)                                       | <p>Work to support the annual opinion</p>  | 10   |

| Audit Review  | Description  | Days       |
|---|--|------------|
| Creditors (Constabulary / OPCC)                         | Cyclical financial system audit  | 10         |
| Treasury management (OPCC)                              | Cyclical financial system audit  | 15         |
| Attendance at Police Audit Training & Development event | This is an important part of the development of the internal audit service to the OPCC / Constabulary and provides insights into current issues, risks and audit matters relevant to our police audit work.  | 2          |
| Internal audit management                               | <p>Time is built into the plan for the management of the shared service in relation to work undertaken for the constabulary and the Commissioner's Office, to include:</p> <ul style="list-style-type: none"> <li>Attendance at Joint Audit committee (5 meetings in year) 4</li> <li>Preparation of progress reports, annual reports and opinions 6</li> <li>Audit planning 9</li> <li>Management liaison 4</li> <li>Effectiveness of internal audit – Compliance with PSIAS 1</li> </ul> |            |
| <b>Total</b>  |  | <b>281</b> |



# Cumbria Office of the Police and Crime Commissioner and Cumbria Constabulary

Internal Audit Charter 2019/2028/19

## Introduction

1.1 This charter describes the purpose, authority, responsibilities and objectives of Internal Audit. It establishes Internal Audit's position within the entities of the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary and the nature of the Head of Internal Audit's functional reporting relationships with the board and the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#). For the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary the role of the Head of Internal Audit is fulfilled by the Audit Manager of the Cumbria Shared Internal Audit Service.

1.2 The charter also provides for Internal Audit's rights of access to records, personnel and physical properties relevant to audit engagements. Final approval of the audit charter rests with the board having been subject to review by the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#).

1.3 The Cumbria Shared Internal Audit Service is required to conform to the mandatory Public Sector Internal Audit Standards (PSIAS). These standards comprise

- a Definition of Internal Auditing,
- a Code of Ethics and the Standards by which Internal Audit work must be conducted
- the mission of Internal Audit
- core Principles for the Professional Practice of Internal Auditing and
- the standards by which internal audit work must be conducted.

Any instances of non-conformance with the PSIAS must be reported to the board and the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) and significant deviations must be considered for inclusion within Annual Governance Statements and may impact on the external auditor's value for money conclusion.

1.4 An audit charter is one of the key requirements of the PSIAS. As such, failure to approve an internal audit charter may be considered to be a significant deviation from the requirements of the Standards.

1.5 The charter must be presented to senior management, reviewed by the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) and must be approved by the Police and Crime Commissioner and the Chief Constable, as the body charged with governance.

- 1.6 The Public Sector Internal Audit Standards use the terms ‘board’ and ‘senior management’ and require that the audit charter defines these terms for the purpose of the internal audit activity.

For the purposes of this charter the ‘board’ refers to the Police and Crime Commissioner and / or the Chief Constable. The ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) for the Cumbria OPCC and Cumbria Constabulary is an independent Committee fulfilling an assurance role in support of the overall arrangements for governance. The terms of reference of the Committee, in accordance with the recommendations of the CIPFA publication “Audit Committees Practical Guidance for Police and Local Authorities” incorporate review of the Internal Audit Charter. ‘senior management’ refers to the Police and Crime Commissioner, Chief Executive and Joint Chief Finance Officer for the OPCC and for Cumbria Constabulary the Chief Officer Group.

## The Role, Mission and Core Principles of Internal Audit

- 2.1 Internal Audit is an independent, objective assurance and consulting service designed to add value and improve the Commissioner and Chief Constable’s operations. Internal Audit helps the Commissioner and Chief Constable to accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Arrangements for internal audit are secured by the Joint Chief Finance Officer on behalf of the Commissioner and Chief Constable through the Cumbria shared Internal Audit Service.
- 2.2 The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 2.3 The Cumbria Shared Internal Audit Service (“Internal Audit”) provides an Internal Audit function for Cumbria County Council (the host authority), [and](#) Cumbria Constabulary and the Cumbria Office of the Police and Crime Commissioner
- 2.4 The services provided by Internal Audit are designed to assist the Commissioner and Chief Constable to continually improve the effectiveness of their respective risk management, control and governance framework and processes and to allow an independent, annual opinion to be provided on the adequacy of these arrangements.
- 2.5 Internal Audit activities in support of this include:



- Planning and undertaking an annual programme of risk-based Internal Audit reviews focusing on risk management, internal control and governance
- Review of arrangements for preventing, detecting and dealing with fraud and corruption
- Review of overall arrangements for risk management and corporate governance
- Review of grant funded expenditure where assurance is required by funding bodies or where risks are considered to be high
- Provision of advice on risk and control related matters
- Consultancy services which may include hot assurance on projects or service and system development (provided the assignment contributes to improved governance, risk management ~~and~~ internal control and where relevant value for money, and does not impact on the level of core assurance work)
- Investigation of suspected fraud or irregularity or provision of advice and support to management in undertaking an investigation
- Advice on strengthening controls following such an incident

2.6 The Core Principles, taken as a whole, articulate internal audit effectiveness. The Principles as set out in the PSIAS are:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

## Purpose, Authority, Responsibility and Objectives

### Purpose

3.1 Internal audit is described by the Chartered Institute of Internal Auditors as a key component of corporate governance. When properly resourced, positioned and targeted, internal auditors act as invaluable eyes and ears for Senior Management, the Board and Audit Committees inside their organisations, giving an unbiased and objective view on what's happening in the organisation.

- 3.2 Internal Audit's core purpose is to provide Senior Management, the [Joint Audit and Standards Committee](#) and the board with independent, objective assurance that their respective organisations have adequate and effective systems of risk management, internal control and governance.
- 3.3 By undertaking an annual risk assessment and using this to prepare the annual risk-based audit plan, Internal Audit is able to target resources at the areas identified as highest risk to the Commissioner and Chief Constable. This then allows Internal Audit to give an overall opinion on the Commissioner and Chief Constable's systems of risk management, internal control and governance.
- 3.4 The annual report and opinion is a mandatory requirement and is a key contributor to the Commissioner and Chief Constable's Annual Governance Statements which accompany the annual statement of accounts. The Governance Statement provides assurance that an effective internal control framework is in place.
- 3.5 Internal Audit supports the Joint Section 151 Officer to discharge his responsibilities under section 151 of the Local Government Act 1972, the Accounts and Audit Regulations 2015 and 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. This Statement places on the Joint Chief Finance Officer, the responsibility for ensuring that the Commissioner and Chief Constable have put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards.
- 3.6 Internal Audit supports the Chief Executive and Chief Constable in providing high level assurances relating to the OPCC and Constabulary's Governance arrangements.
- 3.7 Internal Audit also supports the Monitoring Officer in discharging his / her responsibilities for maintaining high standards of governance, conduct and ethical behaviour.

## Authority

- 3.8 This charter provides the authority for Internal Audit's right of access to all activities, premises, records, personnel, cash and stores as deemed necessary to undertake agreed internal audit

assignments. In approving this charter, the Commissioner and Chief Constable have approved this right of access and therefore the responsibility of all officers to comply with any reasonable request from members of the Cumbria Shared Internal Audit service.

3.9 This charter delegates to the Audit Manager for the Commissioner and Chief Constable, the responsibility to undertake an annual risk assessment in consultation with each organisation's management, and from this, prepare a risk based plan of audit work for review by the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) and approval by the board.

3.10 Internal Audit shall have the authority to undertake audit work as necessary within agreed resources so as to achieve audit objectives. This will include determining the scope of individual assignments, selecting areas and transactions for testing and determining appropriate key contacts for interview during audit assignments.

3.11 The charter establishes that the Group Audit Manager and Audit Manager of the Shared Internal Audit Service has free and unfettered access to the board and the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) and has the right to request a meeting in private with the Commissioner, Chief Constable and/or Chair of the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) should it become necessary. [The Group Audit Manager and Audit Manager will have at least an annual meeting in private with the Joint Audit Committee.](#)

## Responsibilities and Objectives

3.12 Internal audit's primary objective is to undertake an annual programme of internal audit work that allows an annual opinion to be provided on the overall systems of risk management, internal control and governance for the Commissioner and Chief Constable.

3.13 The Audit Manager and her staff have responsibility for the following areas:

### **Planning**

- Develop an annual internal audit plan using a risk based methodology, based on at least an annual assessment of risk and incorporating risks and concerns identified by senior management
- Submit the annual audit plan to senior management and the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) for review prior to approval by the board.

- Review agreed audit plans in light of new and emerging risks and report any necessary amendments to agreed plans to the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) and board as appropriate.

### **Implementation**

- Deliver the approved annual programme of internal audit work and report the outcomes in full to senior management (as agreed at the scoping stage of each engagement) and to the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#)
- Monitor implementation of agreed audit recommendations through follow up process and report the outcomes to Senior Management and the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#)

### **Reporting**

- Any significant issues arising during audit fieldwork will be discussed with management as they are identified
- Draft audit reports will be produced on a timely basis following all audit reviews and these will be discussed with management prior to finalising, to ensure the factual accuracy of the report and incorporate management responses
- Quarterly progress reports will be prepared and reported formally to the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#)
- Internal Audit has a responsibility to report to the board any areas where there is considered that management have accepted a level of risk that may be unacceptable to the organisation
- Internal Audit has a duty to bring to the attention of the board and the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) should the Group Audit Manager believe that the level of agreed resources will impact adversely on the provision of the annual audit opinion

### **Relationships with other Inspectorates**

- Internal Audit will maintain effective relationships with other providers of assurance and external inspectorates in order to avoid duplication of effort and enable Internal Audit, where appropriate, to place reliance on the work of other providers

### **Non-Audit / management responsibilities**

In order for Internal Audit to maintain its independence and thereby provide an independent and objective opinion, there are a number of areas that internal audit is not responsible for:

- Internal Audit does not have any operational responsibilities
- Internal Audit does not have any part in decision making within the organisations or for authorising transactions
- Internal Audit is not responsible for implementing its recommendations or for ensuring that these are implemented

3.14 The presence of Internal Audit does not in any way detract from management's responsibilities for maintaining effective systems of governance, risk management and internal control.

3.15 Internal Audit does not have responsibilities for preventing or detecting fraud or error, this is the responsibility of the management of the respective organisations. Internal Audit's role is to provide senior management, the board and the [Joint Audit and Standards Committee](#) with assurance that the management of the organisation have themselves established procedures that allow them to prevent or detect fraud or error and to respond appropriately should this occur.

3.16 It is the responsibility of the Commissioner and Chief Constable's management to maintain adequate systems of internal control and to review their systems to ensure that these controls continue to operate effectively.

3.17 The role of Internal Audit vs the Management of the organisation is summarised in the diagram at appendix A.

## Scope of Internal Audit Work

4.1 The scope of Internal Audit work covers the entire systems of risk management, internal control and governance across each participating organisation. This allows Internal Audit to provide assurance that appropriate arrangements are in place to ensure that:

- The organisations risks are being appropriately identified, assessed and managed;
- Information is accurate, reliable and timely;
- Employees' actions are in compliance with expected codes of conduct, policies, laws and procedures;
- Resources are utilised efficiently and assets are secure;
- The organisations plans, priorities and objectives are being achieved;
- Legal and regulatory requirements are being met

## Position and Reporting Lines for Internal Audit

- 5.1 Internal Audit reports operationally to the Joint Chief Finance Officer (S151 Officer). Functional reporting is to the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#).
- 5.2 On a day to day basis Internal Audit will report the outcomes of its work to the senior officer responsible for the area under review. Progress and performance of Internal Audit will be monitored by the Joint Chief Finance Officer who is charged with ensuring each organisation has put in place effective arrangements for Internal Audit of the control environment and systems of internal control as required by professional standards.
- 5.3 Internal Audit reports the outcomes of its work to the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) on a quarterly basis. This includes as a minimum, a progress report summarising the outcomes of Internal Audit engagements as well as the performance of Internal Audit against the approved plan of work. Where audit activity has raised significant matters with regard to weaknesses in internal control, defined as audit reports providing either only 'limited/no~~ne~~' or 'partial' assurance or recommendations graded 'High', indicating significant risk exposure identified arising from a fundamental weakness in the system of internal control, reports will be escalated by the Joint Chief Finance Officer to the board.
- 5.4 On an annual basis, Internal Audit will prepare and present to the board and ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#), an annual report containing:
- The overall opinion of the responsible Audit Manager
  - A summary of the work undertaken to support the opinion; and
  - A statement of conformance with the Public Sector Internal Audit Standards
- 5.5 Should significant matters arise in relation to the work of Internal Audit; these will be escalated through the management hierarchy to the Commissioner, Chief Constable and/or to the Chair of the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) as appropriate.
- 5.6 Where major changes are required to the agreed audit plan or Internal Audit is required to divert resource to urgent non-planned work, this will be agreed with the Joint Chief Finance Officer and reported to the board and ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#). All

changes to approved audit plans will be reported to the next meeting of the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#).

## Ethics, Independence and Objectivity

### Ethics

- 6.1 Internal Audit works to the highest standards of ethics and has a responsibility to both uphold and promote high standards of behaviour and conduct.
- 6.2 All internal auditors working within the UK public sector are now required to comply with the mandatory Code of Ethics contained within the new Public Sector Internal Audit Standards. As such this code has been adopted by the Shared Internal Audit Service and all staff [are required will be requested](#) to sign up to the Code on an annual basis. Auditors within the shared service are also required to comply with the code of ethics of their professional bodies.

### Governance and Independence of the Shared Internal Audit Service

- 6.3 Internal Audit is a Shared Audit Service between Cumbria County Council and the Office of the Police and Crime Commissioner (representing also Cumbria Constabulary). The host authority for the delivery of the Shared Audit Service is Cumbria County Council.
- 6.4 The governance of the provision of the Shared Internal Audit Service shall be carried out by the S151 Officer of the County Council and Joint Chief Finance Officer whose role is to:
- Ensure that the Shared Internal Audit Service meets the requirement of the proper practices for Internal Audit
  - Reach common agreement over issues such as standards, goals and objectives and reporting requirements
  - Agree on the range of audit outputs
  - Confirm the scope and remit of the audit function
  - Agree reporting and performance arrangements for Internal Audit, including performance measures, delivery of plan, cost and impact tracking

### Independence

- 6.5 Internal Audit is independent of all of the activities it is required to audit which ensures that the board and ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) can be assured that the

annual opinion they are given is independent and objective. Whilst the Audit Manager reports operationally to the Joint Chief Finance Officer, there is also a functional reporting line to the board and the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) and the Audit Manager has direct access to the Commissioner, Chief Constable and the Chair of the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#).

6.6 Internal auditors will not undertake assurance work in areas for which they had operational responsibility during the previous 12 months.

6.7 Internal auditors will report annually to the board and ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) to confirm that the independence of Internal Audit is being maintained.

### Resourcing, Proficiency and Due Professional Care

6.8 For Internal Audit to provide an opinion to the Commissioner –and Chief Constable there must be a sufficiently resourced team of staff with the appropriate mix of skills and qualifications. Resources must be effectively deployed to deliver the approved programme of work.

6.9 It is the responsibility of each organisation to ensure that it approves a programme of audit work sufficient to provide an adequate level of assurance over their systems of risk management, internal control and governance.

6.10 In line with the requirements of the Standards, in the event that the Audit Manager considers that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences will be brought to the attention of the board and the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#).

6.11 In line with the requirements of the PSIAS and the CIPFA Statement on the Role of the Head of Internal Audit 2010, the Group Audit Manager and Audit Manager are professionally qualified and appropriately experienced.

### The Role of Internal Audit in Fraud-related work

6.12 The PSIAS require that the role of Internal Audit in any fraud-related work is defined within the audit charter.



6.13 It is a requirement of the arrangements for Anti-fraud and Corruption within the COPCC and Constabulary that Internal Audit will be made aware of any actual incidence of fraud and corruption and will undertake a review where necessary with regard to providing assurance on any associated weaknesses within internal control. The arrangements for the Commissioner provide for internal audit to undertake any necessary investigation.

## Advice / Consultancy work

6.14 Where Internal Audit is requested to provide advice, consultancy or investigatory work, the request will be assessed by the Audit Manager. Such assignments will be accepted only where it is considered the following criteria are met:

- The work requested can be accommodated within the agreed audit days and Internal Audit has the skills to deliver the work
- The assignment will contribute to strengthening the control framework [and / or improve value for money](#)
- No conflict of interest could be perceived from Internal Audit's acceptance of the assignment

6.15 In line with the PSIAS, approval will be sought from the board for any significant additional consulting services not already included in the audit plan prior to accepting the engagement.

## Management Responsibilities

7.1 For Internal Audit to be fully effective, it needs the full commitment and cooperation from the Commissioner and Chief Constable's senior management. In approving this charter, the board is mandating management to cooperate with Internal Audit in the delivery of the service by:

- Attending audit planning and scoping meetings and agreeing terms of reference for individual audit assignments on a timely basis
- Sponsoring each audit assignment at Chief Officer level or above
- Providing Internal Audit with full support and cooperation, including complete access to all records, data, property and personnel relevant to the audit assignment on a timely basis
- Responding to Internal Audit reports and making themselves available for audit closeout meetings to agree draft audit reports
- Implementing audit recommendations within agreed timescales

7.2 Instances of non-cooperation with reasonable audit requests will be escalated through the Joint S151 Officer and ultimately to the board if necessary.

7.3 While Internal Audit is responsible for providing independent assurance to the Commissioner and Chief Constable, it is the responsibility of management to develop and maintain appropriately controlled systems and operations. Internal Audit does not remove the responsibility from management to continually review the systems and processes for which they are responsible and to provide their own assurance to senior management that they are maintaining appropriately controlled systems.

## Quality Assurance

8.1 Public Sector Internal Audit Standards require that the Internal Audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. Internal Audit will report the outcomes of quality assessments to the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) through its regular reports.

### Internal assessments

8.2 All internal audit reviews are subject to management quality review to ensure that the work meets the standards expected for audit staff. Such management review will include:

- Ensure the work complies with the PSIAS
- Work is planned and undertaken in accordance with the level of assessed risk
- Appropriate testing is undertaken to support the conclusions drawn

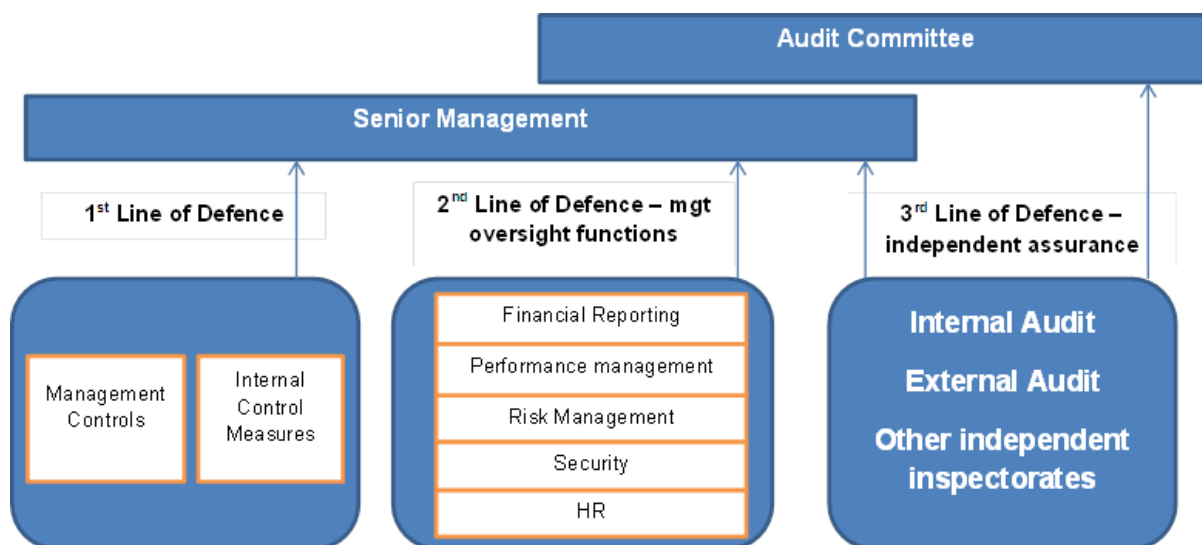
### External assessments

8.3 An external assessment must be conducted at least every five years by a qualified, independent assessor from outside the organisation. The Group Audit Manager will discuss options for the assessment with the Shared Services Board before making recommendations for approval by the respective board/Audit Committees.

## Review of Audit Charter

9.1 The charter will be reviewed annually and submitted to Senior Management and the ~~Joint Audit and Standards Committee~~[Joint Audit Committee](#) for review prior to approval by the board alongside the annual audit plan.

## Internal Audit – The Third Line of Defence



The above diagram demonstrates the three lines of defence in ensuring that organisations are adequately managing their risks.

The first line of defence comprises the arrangements that operational management have implemented to ensure risks are identified and managed. These include the controls that are in place within systems and processes together with the management and supervisory oversight designed to identify and correct any issues arising.

The second line of defence refers to the strategic oversight arrangements that are designed to provide management with information to confirm that the controls in the first line of defence are operating effectively. For example the risk management policies and strategies that determines how risks within the organisation will be identified, assessed and managed and the reporting arrangements to confirm that these policies and strategies are being appropriately implements and complied with.

Internal audit forms the third line of defence alongside other independent providers of assurance. The role of internal audit is to provide the senior management and Commissioner and Chief Constable with assurance that the arrangements within the first and second lines of defence are adequate and working effectively to manage the risks faced by their respective organisations.

## Internal Audit Performance Measures

| KPI  | Measure of Assessment  | Target (and frequency of measurement)   | Why is this important / rationale  |
|--|--|---|--|
| Annual Measures to be reported in the Annual Report    |  |   |  |
| Output Measures  |  |   |  |
| Compliance with Public Sector Internal Audit Standards | Quality Assurance and Improvement Programme & checklist for assessing conformance with the PSIAS | 100%. On-going and annual review to demonstrate conformance with the definition of Internal auditing, code of ethics and standards. | The internal audit service is required to comply with the PSIAS  |
| Preparation of audit plan                              | Preparation of risk based audit plan to meet client timetables                                   | 100%. Measured annually   | Annual agreed audit plan is required to enable delivery for the client.  |
| People Measures  |  |   |  |
| CPD / Training   | Average number of days for skills training per auditor   | 6 days per person.<br><br>Reported annually.  | CPD is a requirement of the PSIAS. An appropriately skilled workforce will ensure that staff within Internal Audit are continuously improving and adding value to the service provided to clients. |

| KPI  | Measure of Assessment   | Target (and frequency of measurement)  | Why is this important / rationale  |
|--|---|--|--|
| Monthly management measures to be reported to Audit Committees Quarterly |   |  |  |
| Output Measures  |   |  |  |
| Planned audits completed   | % of planned audit reviews (or approved amendments to the plan) completed in respect of the financial year.                               | 95% (annual per shared service agreement, 95% target reflects need for audit plans to be dynamic and respond to emerging risks). This indicator will be monitored and reported quarterly to ensure the plan is on track to be delivered. | To enable an annual opinion to be provided on the overall systems of risk management, governance and internal control. |
| Audit scopes agreed  | % of audit scopes agreed with management and issued before commencement of the audit fieldwork  | 100%<br><br>Measured monthly<br><br>Reported quarterly   | To ensure the audit is targeted to key risks, has management buy in and adds value.                                    |
| Draft reports issued by agreed deadline                                  | % of draft internal audit reports issued by the agreed deadline or formally approved revised deadline agreed by Audit Manager and client. | 80% (target is a reflection that this is a new way of working and deadlines may be impacted by several factors including client availability)<br><br>Measured monthly<br><br>Reported quarterly  | Timely reports add impact and provide on-going assurance as the year progresses.                                       |
| Timeliness of final reports  | % of final internal audit reports issued for Chief Officer comments within 5 working days of management response or closeout.             | 90% (target recognises that there may on occasion be delays in finalising reports, e.g. where further work is required to resolve matters identified at closeout meeting)<br><br>Measured monthly.<br><br>Reported quarterly             | Timely reports add impact.   |

| KPI  | Measure of Assessment   | Target (and frequency of measurement)   | Why is this important / rationale   |
|--|---|---|---|
| Recommendations agreed                           | % of recommendations accepted by management   | 95% quarterly benchmark (the benchmark reflects that it is management's responsibility to assess their risks and take final decision on whether risk may be accepted)   | Measures the quality and effectiveness of internal audit recommendations  |
| Follow up  | % of high priority audit recommendations implemented by target date   | 100% Quarterly  | Indicates that Internal Audit are adding value to the organisation.   |
| Assignment completion                            | % individual reviews completed to required standard within target days or prior approved extension by Audit Manager | 75% (target reflects that this is a new way of working for the audit service and systems for monitoring time spent on assignments may need to be further developed)<br><br>Measured monthly.<br><br>Reported quarterly. | To ensure that all audit plans across the shared service can be delivered.  |
| Quality Assurance checks completed               | % QA checks completed   | 100%.<br><br>Measured monthly<br><br>Reported quarterly   | To ensure compliance with the Public Sector Internal Audit Standards.<br><br>Provides on going feedback to the audit team and identifies areas of good practice and areas for improvement |
| Customer Measures                                |   |   |   |
| Post audit customer satisfaction survey feedback | % of customer satisfaction surveys scoring the service as 'good'  | 80% (target reflects the need for internal audit to strive to deliver a customer focused service, but that due to the nature of internal audit roles and responsibilities, may not always elicit positive feedback)     | Gauge customer satisfaction and continuously improve the audit service.   |

| KPI             | Measure of Assessment | Target (and frequency of measurement)  | Why is this important / rationale |
|-----------------|-----------------------|--|-----------------------------------|
|                 |                       | Measured monthly.<br><br>Reported quarterly  |                                   |
| People Measures |                       |  |                                   |
| Efficiency      | % chargeable time     | 80% (target takes account of non-chargeable activities such as staff holidays, service development projects and team meetings).<br><br>Measured monthly.<br><br>Reported quarterly | Measure of productivity.          |

# **CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT COMMITTEE**

**Meeting date: 20<sup>th</sup> March 2019**

**From: Audit Manager (Cumbria Shared Internal Audit Service)**

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 The Public Sector Internal Audit Standards require that the 'Chief Audit Executive' must develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity'. For the Shared Internal Audit Service the Chief Audit Executive is the Group Audit Manager.
- 1.2 The QAIP is designed to provide assurance that the work of internal audit is undertaken in conformance with the Public Sector Internal Audit Standards.
- 1.3 Key elements of the QAIP are:
  - Ongoing monitoring of the performance of the internal audit activity
  - Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices; and
  - External assessments conducted in accordance with the PSIAS

### **2.0 RECOMMENDATION**

- 2.1 Members are asked to note the Quality Assurance and Improvement Programme.



## 3.0 BACKGROUND

- 3.1 The PCC and Chief Constable must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal audit standards or guidance. 'Proper audit practices' are defined as those stated within the Public Sector Internal Audit Standards (PSIAS) which became mandatory for all UK public sector internal auditors from 1<sup>st</sup> April 2013.
- 3.2 The PSIAS require that a Quality Assurance and Improvement Programme is in place to provide reasonable assurance that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
  - Operates in an effective and efficient manner; and
  - Is perceived by stakeholders as adding value and continually improving Internal Audit's operations as well as contributing to the organisation achieving its objectives.
- 3.3 Specific requirements of the PSIAS are that it:
- Monitors the Internal Audit activity to ensure it operates in an effective and efficient manner (1311)
  - Assures compliance with the *Standards*, Definition of Internal Auditing and Code of Ethics (1311)
  - Includes both periodic and ongoing internal assessments (1311)
  - Includes an external assessment at least once every five years (1312)
  - Reporting on the results of the QAIP and any improvements plans in the annual report (1320)
  - Disclosure of non conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards (1322)
  - Helps the Internal Audit activity add value and improve organisational operations (2010)

- 3.4 A core element of the QAIP is the measures of performance that will allow internal audit to monitor its performance, identify improvements and demonstrate the value it adds to the OPCC and Constabulary. The suite of performance measures is appended to the Cumbria OPCC and Constabulary Internal Audit Charter.
- 3.5 The QAIP is documented in Appendix 1 and progress with the findings arising from the November 2017 External Quality Assessment is included as Appendix 2.

**Emma Toyne**  
**Audit Manager**  
4<sup>th</sup> March 2019

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## **APPENDICES**

### ***Appendix 1: Quality Assurance and Improvement Programme***

Contact: Emma Toyne, Audit Manager, Cumbria Shared Internal Audit Service.  
[emma.toyne@cumbria.gov.uk](mailto:emma.toyne@cumbria.gov.uk)

## Appendix 1 – Quality Assurance and Improvement Programme

### INTERNAL ASSESSMENTS (PSIAS ref: 1311)

| On-going reviews conducted through                              | Elements  |
|---|---|
| Supervision of engagements                                      | <ul style="list-style-type: none"> <li>• Work is allocated from the annual risk based plan by the internal audit management team across the shared service</li> <li>• Staff are involved in developing audit scope in conjunction with audit clients prior to commencement</li> <li>• Work is supervised to ensure that it complies with the approved methodology for carrying out an audit</li> <li>• Audit Manager / Principal Auditor attend close out meetings to support the auditor and ensure that key messages are relayed appropriately</li> <li>• Internal Audit reports signed off by Audit Manager</li> <li>• Audit reports with less than Reasonable Assurance subject to final review by Group Audit Manager</li> </ul>   |
| Regular, documented review of working papers during engagements | <p>Audit Manager / Principal Auditor review each audit file to ensure:</p> <ul style="list-style-type: none"> <li>• The scope and objectives of the audit have been agreed with clients and adequately documented and communicated</li> <li>• Key risks have been identified</li> <li>• The audit testing strategy has been designed to meet the objectives of the audit and testing undertaken to the extent necessary to provide an audit opinion for each piece of work</li> <li>• Audit has been completed in a thorough, accurate and timely manner</li> <li>• The standard of working papers and evidence collected during the audit are in accordance with audit processes and procedures</li> <li>• The draft audit report fully reflects all findings from the audit and these are properly explained and</li> </ul> |

| On-going reviews conducted through   | Elements   |
|--|--|
|  | <p>practical recommendations made</p> <ul style="list-style-type: none"> <li>• The assurance rating is fully supported by the working papers and can be justified by the auditor</li> <li>• The audit has been completed within the time allocation</li> <li>• The audit report has been produced to a good standard in an accurate and timely manner</li> <li>• Training and development needs are identified through the review process.</li> </ul> <p>Periodic reviews by the Group Audit Manager to ensure that the quality assurance process is being applied consistently.</p> |
| <p>Audit manual containing all key policies and procedures to be used for each engagement to ensure compliance with applicable planning, fieldwork and reporting standards</p> | <p>Audit manual was fully refreshed during 2014/15. The manual contains the risk based audit methodology and key working papers, the code of ethics and performance measures for the shared internal audit service.</p> <p>The audit manual is updated on an on-going basis as required.</p>   |
| <p>Feedback from customer survey on individual assignments</p>   | <ul style="list-style-type: none"> <li>• Customer feedback form reviewed in April 2014 and linked to performance measures for internal audit.</li> <li>• Feedback form issued for all risk based internal audit assignments</li> <li>• Feedback from client satisfaction forms passed on to individual auditors. Any areas identified for learning and development are taken forward</li> <li>• Any common issues are identified and action taken where necessary</li> </ul>   |
| <p>Analysis of performance measures established to improve internal audit effectiveness and efficiency</p>   | <ul style="list-style-type: none"> <li>• Monthly monitoring of performance measures by the audit management team</li> <li>• Feedback to individuals / teams as appropriate</li> <li>• Reporting to audit committees on a quarterly basis.</li> </ul>   |

| On-going reviews conducted through   | Elements  |
|--|---|
| All final reports and recommendations are reviewed and approved by the Audit Manager | <p>Formal sign off and issue of all final reports and recommendations by Audit Manager.</p> <p>Audit report template includes comments from Director or equivalent.</p> |

| Periodic reviews conducted through   | Elements  |
|--|---|
| Annual risk assessments for the purposes of annual audit planning  | <ul style="list-style-type: none"> <li>• Annual risk assessment of each organisation's audit universe as part of the planning process</li> </ul>  |
| Annual assessment of Internal Audit's conformance with its Charter, PSIAS with an improvement plan produced to address any areas of non-conformance identified | <ul style="list-style-type: none"> <li>• Review of Charter for conformance</li> <li>• Annual completion of CIPFA checklist for assessing conformance with the PSIAS</li> <li>• Improvement plan produced to address areas of non-conformance.</li> <li>• Service development plan identifying actions for service improvement.</li> </ul> |
| Benchmarking with other Internal Audit service providers   | <ul style="list-style-type: none"> <li>• CIPFA benchmarking</li> <li>• Networking at Police Audit Group Conference (national event)</li> </ul>  |
| Quarterly reports to audit committees on progress with delivery of the audit plan  | <ul style="list-style-type: none"> <li>• Preparation of progress report for each Joint Audit Committee and attendance at JAC by Group Audit Manager and / or Audit Manager.</li> </ul>  |
| Annual sign up to Code of Ethics by all internal audit staff   | <ul style="list-style-type: none"> <li>• Signed declaration from all internal audit staff</li> </ul>  |
| Annual completion of declaration of business interests from by all internal audit staff  | <ul style="list-style-type: none"> <li>• Signed declaration from all internal audit staff</li> </ul>  |

## **EXTERNAL ASSESSMENTS (PSIAS ref: 1312)**

External Assessments will be carried out in accordance with the requirements of the PSIAS and reported to Joint Audit Committee as appropriate.

The first External Quality Assessment was carried out in November 2017, in line with the requirement of the PSIAS to have an external assessment at least every five years.

## **REPORTING ON THE QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (PSIAS ref: 1320)**

The results of the quality assurance programme and progress against any improvement plans must be reported in the annual report.

**Internal Assessments** – outcomes of internal assessments will be reported to the Joint Audit Committee on an annual basis;

**External Assessments** – results of external assessments will be reported to the Joint Audit Committee and S151 officer at the earliest opportunity following receipt of the external assessors report. The external assessment report was accompanied by a written plan in response to findings and recommendations contained in the report and was reported to Joint Audit Committee in March 2018.

**Follow up** – All audits receiving less than reasonable assurance will be followed up.

## Appendix 2 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

| Finding  | Action  | What we have done   | Status   |
|--|---|---------------------|----------|
| <b>Nature of internal auditing (Standard 2100 Nature of internal audit work)</b>   |   |                     |          |
| <p><u>Finding 1</u><br/>Risk based internal audit is most effective when the organisation has a clear definition of its strategic risks with detailed identification of the controls and monitoring arrangements designed to mitigate the risks to an acceptable level. From this it is then possible to match who is best placed to provide assurance mitigation is working (an assurance map based on the 3 lines of defence) to prevent gaps or duplication in assurance. The annual internal audit plan can then be derived from the assurance map and include review of those other forms of assurance.</p> <p>Our recommendations below are designed to achieve this objective and will further facilitate general conformance to professional internal auditing standards. However, we would ask the Joint Audit &amp; Standards Committee to consider its overall aim for risk based auditing and how a risk based culture will be reinforced.</p> | <p><u>Action 1</u> – OPCC and Constabulary action</p> <p>Both the OPCC and Constabulary consider their approach to risk management is robust and meets the needs of the organisations.</p> <p>The OPCC and Constabulary consider that the current Internal Audit approach to planning gives a broader base than focusing solely on strategic risks.</p> | No action required. | Complete |

| Finding  | Action   | What we have done  | Status  |
|--|--|--|---|
| <b>Coordination and reliance (Standard 2010 Planning – non-conformance)</b>  |  |  |   |
| <p><u>Finding 2</u><br/>We acknowledge the work to date to develop strategic risk management processes. As part of this progress management should begin to map who is best placed to provide assurance that the risk mitigation for strategic risks is reliable and working. Active participation by the Group Audit Manager to achieve a coordinated approach will help to maximise assurance resources and achieve conformance to the standard.</p> | <p><u>Action 2</u> – OPCC, Constabulary and Internal Audit action</p> <p>Internal Audit has set time aside in the 2018/19 audit plan to support the OPCC and Constabulary in undertaking an assurance mapping exercise.</p>  | <p>Conversations have begun with regard to assurance mapping and this will be further developed during 2019/20.</p>  | <p>On-going</p>   |
| <b>Responsibilities regarding governance and risk management (Standard 2110 Governance and Standard 2120 Risk management – partial conformances)</b>   |  |  |   |
| <p><u>Finding 3</u><br/>The aim of the internal audit plan is to provide a broad range of assurance to enable the board to deliver an annual statement of control. In support of this aim we suggest that the Group Audit Manager gives an annual opinion upon:</p> <p>a) The development of an effective risk culture and risk maturity through specific governance audits and risk management</p>  | <p><u>Action 3</u> – Internal Audit action</p> <p>Provision has been included within the 2018/19 audit plan for additional liaison with Risk Management colleagues to fulfil this requirement. In addition, regular audits will continue to include an assessment of risk management arrangements where appropriate. Future audit plans will also include provision for reporting an opinion on risk management.</p> | <p>The annual opinion for 2018/19 will include specific commentary on the areas suggested. Work is underway to deliver the 2018/19 opinion.</p> <p>Time has been included in the 2019/20 internal audit plan to report an opinion on risk management. This will feature in all future audit plans.</p> | <p>Ongoing.</p> <p>Annual opinion for 2018/19 will be delivered in May 2019</p> |



|  |  |   |                 |
|--|--|---|-----------------|
| <p>audits.</p> <p>b) The application of corporate risk management arrangements, including implementation of processes, management of emerging risks, and the effectiveness of training.</p> <p>c) The development of operational risk management based upon specific assessment of risk processes in individual audits.</p> <p>d) Progress towards assurance mapping and the coordination of assurance arising from specific assurance audits.</p> |  |   |                 |
| <p><b>Direct interaction with the Joint Audit &amp; Standards Committee (Standard 1111 – partial conformance)</b></p>  |  |   |                 |
| <p><u>Finding 4</u><br/>The recommendations above regarding coordination and planning will be challenging and we feel further interaction with the Joint Audit &amp; Standards Committee, along with senior management consultation, is needed to explore how they will be delivered and monitored, particularly with regard to annual priorities.</p>   | <p><u>Action 4 – Internal Audit action</u><br/><br/>This action plan together with a longer term plan for the Internal Audit service will be reported to Joint Audit &amp; Standards Committee on a regular basis to give clear oversight of the actions planned to further develop the service.</p> | <p>This update provides Joint Audit Committee with progress on delivery of improvement actions identified through the EQA and the continuous improvement of the Shared Internal Audit Service</p> | <p>On-going</p> |

| Finding  | Action   | What we have done  | Status          |
|--|--|--|-----------------|
| <b>Overall planning of audit assignments (Standard 2200 Engagement planning, Standard 2201 Planning considerations, Standard 2210 Engagement objectives, Standard 2220 Engagement scope – partial conformances)</b>  |  |  |                 |
| <p><u>Finding 5</u><br/>Individual audits need closer alignment to specific risks (identified during the development of the audit plan) to reaffirm their specific purpose and include definition of the key risks and controls associated with that subject as opposed to reference to wider more generic risks. In some cases, this may prompt sessions with management so auditors can assess the adequacy of controls and monitoring as opposed to the current practice of internal audit documenting ‘expected controls’ in advance of the audit.<br/>We note the most successful audits involve consultation with senior managers as sponsors to fine tune and tighten the objectives and scope to specific risks and we encourage this practice. Realistic timetables need to be set for interviews, testing and reporting in advance with the sponsor to help the achievement of such targets.<br/>We also recommend the introduction of shorter 3 – 5 day specific reviews that focus on key controls within systems and procedures where risks</p> | <p><u>Action 5</u> – Internal Audit action</p> <p>A project will be established to take this recommendation forward. Some audits within the 2018/19 audit plan have been included with the intention of focusing in on key controls (eg main financial systems).</p> <p>All audits have a scoping meeting with a Chief Officer to agree the scope. This will continue to be an important part of our audit process.</p> <p>The audit plan for 2018/19 includes a number of shorter audits than in previous years. We will continue to develop our approach during 2018/19 with the aim of reducing these further if possible in 2019/20.</p> | <p>As part of the continued development of the Shared Internal Audit service we have set up some working groups to review areas identified for development, including one looking at client engagement and scoping. Any changes to our approach will be trialled before roll out.</p> <p>The plan for 2018/19 includes some shorter audits. As part of our continuing improvement work we will look at the framework in which we do these.</p> | <p>On-going</p> |

|   |   |  |          |
|---|---|--|----------|
| and controls are known and established.   |   |  |          |
| <b>Use of resources (Standard 2030 Resource management – partial conformance)</b>   |   |  |          |
| <p><u>Finding 6</u><br/>The current audit methodology was developed when the team included staff with little or no experience of risk based internal auditing. This has resulted in several supervision points in the process with extensive documentation requirements. As a result many audits often overrun and audit managers do not have time available to undertake audit work. There is now the opportunity to review the audit methodology to streamline the process. For example, revisiting the documentation standards and supervision stages to reduce time spent on these activities.</p> <p>In doing so a target should be set to increase the number of days available to the plan, which may involve assigning more audits to the most senior audit managers thus ensuring the allocation of challenging audits to the most experienced people.</p> | <p><u>Action 6 – Internal Audit action</u></p> <p>The risk based approach was a significant change in audit approach and a detailed methodology was appropriate at the time. Joint Audit &amp; Standards Committee were briefed at the time about the changes and the challenges the new approach presented.</p> <p>Over runs are not considered to be an issue in delivery of our work for the Constabulary and OPCC. Our approach to overruns has been addressed though the Shared Service host authority’s EQA report and action plan.</p> <p>We will review our audit approach during 2018/19 to identify efficiencies in the process, including where appropriate the management and supervision stages.</p> <p>Audits are assigned according to skills, experience, development needs and availability of team members.</p> | <p>Supervision points are in line with the PSIAS and are defined within the QAIP.</p> <p>We continually seek to identify efficiencies in the process whilst ensuring a quality product through management and supervision.</p> | On-going |

|  |   |                            |                 |
|--|---|----------------------------|-----------------|
|  |   |                            |                 |
| <b>Tracking audit recommendations (Standard 2500 Monitoring progress – partial conformance)</b>  |   |                            |                 |
| <p><u>Finding 7</u><br/> At present follow up of audit actions is limited and therefore may undermine the overall benefit of internal audit work. Once audit follow-up of partial or limited assurance assignments has been undertaken the responsibility for further progress reporting is handed over to management and there is a risk that some important issues may remain outstanding. We understand that senior managers in some areas have recognised this and have been initiating monitoring and reporting. We recommend that management in all areas are asked to undertake such monitoring and that the Joint Audit &amp; Standards Committee receive regular updates.</p> | <p><u>Action 7</u><br/> Internal Audit considers that this is already in place at the OPCC / Constabulary. All audit recommendations are reported to and monitored by JAC at each meeting until they are implemented.</p> | <p>No action required.</p> | <p>Complete</p> |

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# **CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT COMMITTEE**

**Meeting date: 20<sup>th</sup> March 2019**

**From: Audit Manager (Cumbria Shared Internal Audit Service)**

## **INTERNAL AUDIT: PROGRESS REPORT TO 4<sup>TH</sup> MARCH 2019**

### **1.0 EXECUTIVE SUMMARY**

1.1 This report provides a review of the work of Internal Audit for the period to 4th March 2019.

1.2 Key points are:

- Work is progressing as planned. It is anticipated that sufficient overall coverage will be achieved to enable the Head of Internal Audit to provide the 2018/19 annual opinions.
- We propose to remove the audit of Emergency Services Mobile Communications Programme (ESMCP) / Emergency Services Network (ESN) as there is a national review of the programme.
- The draft plan for 2019/20 has been prepared following consultation with Senior Managers in the OPCC and Constabulary. The proposed plan is a separate agenda item at this meeting.

### **2.0 OVERVIEW**

2.1 Internal Audit's work is designed to provide assurance to management and Joint Audit Committee members that effective systems of governance, risk management and internal control are in place in support of the delivery of the PCC and Constabulary's priorities.

2.2 The Audit Plan aims to deliver a programme of internal audit reviews designed to target the areas of highest risk as identified through the corporate risk registers together with management and internal audit view of key risk areas.

- 2.3 The Accounts and Audit Regulations March 2015 impose certain obligations on the PCC and Chief Constable, including a requirement for a review at least once in a year of the effectiveness of their systems of internal control.
- 2.4 Internal Audit must conform to the Public Sector Internal Audit Standards (PSIAS) which require the preparation by the Head of Internal Audit of an annual opinion on the overall systems of governance, risk management and internal control. Regular reporting to Joint Audit Committee enables emerging issues to be identified during the year.

### **3.0 RECOMMENDATION**

- 3.1 Joint Audit Committee members are asked to note the report.

### **4.0 BACKGROUND**

- 4.1 The PCC and Chief Constable must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable must undertake an effective internal audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account the PSIAS or guidance.
- 4.2 Internal audit is responsible for providing independent assurance to the PCC and Chief Constable and to the Joint Audit Committee on the systems of governance, risk management and internal control.
- 4.3 It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls are operating effectively.
- 4.4 The internal audit plan for 2018/19 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage is focused on the areas of highest risk to both organisations. The plan has been prepared to allow the production of the annual internal audit opinion as required by the PSIAS.
- 4.5 This report provides an update on the work of internal audit for the period to 4<sup>th</sup> March 2019. It reports progress on the delivery of the 2018/19 audit plan in the period and includes a summary of the outcomes of audit reviews completed in the period.

## Status of internal audit work as at 4<sup>th</sup> March 2019

- 4.6 The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2018/19 audit plan. Further detail on this is included at Appendix 2.

| <b>Audit Status</b>             | <b>Number of reviews</b> |
|---------------------------------|--------------------------|
| <u>Audits completed:</u>        | <b><u>13</u></b>         |
| Risk based audits (2017/18 WIP) | 1                        |
| Risk based audits               | 6                        |
| Governance work                 | 0                        |
| Financial systems (2017/18 WIP) | 1                        |
| Financial systems               | 2                        |
| Follow up                       | 3                        |
| <u>Audits in progress:</u>      | <b><u>9</u></b>          |
| Risk based audits               | 5                        |
| Governance work                 | 2                        |
| Financial systems               | 1                        |
| Follow up                       | 1                        |
| <u>Audits to be started</u>     | <b><u>3</u></b>          |
| Risk based audits               | 1*                       |
| Financial systems               | 1                        |
| Follow up                       | 1                        |
| <b>Audits in plan</b>           | <b><u>25*</u></b>        |

\* includes ESMCP / ESN which we propose to remove from the plan.

## Outcomes from Final Audit Reports to 4<sup>th</sup> March

- 4.7 Audits completed to 4<sup>th</sup> March comprise seven risk based audits, three financial system audits and three follow ups.
- 4.8 The detailed outcomes from each finalised audit are shown in Appendix 1. Those shaded grey have previously been reported to JAC.

## Draft Reports Issued to 4<sup>th</sup> March

- 4.9 This section provides an early indication of the outcomes of internal audit reviews which are at draft report stage. Should additional information or evidence be received through the closeout process, the initial assessment may be revised prior to finalisation of the report.



| Audit  | Date of issue of draft report | Initial audit assessment |
|--|-------------------------------|--------------------------|
| General Data Protection Regulation (GDPR) (Constabulary) | 28/01/19                      | Reasonable               |

**Sufficiency of coverage**

- 4.10 As at 4<sup>th</sup> March 2019 we have completed 13 reviews with one at draft report stage. Of the 9 audits currently in progress, we anticipate that two of these will not be completed in time for the annual audit opinions in May 2019 as a result of the absence of a member of the audit team. In addition we propose to remove the review on Emergency Services Mobile Communication Programme (ESMCP) and Emergency Services Network (ESN) because there is a national review of this.
- 4.11 It is sufficiency of audit coverage which is critical to the ability of the Head of Internal Audit to deliver the annual opinions. At this stage of the year there are no risks identified to the delivery of the opinions. I am satisfied that sufficient audit work will be undertaken for 2018/19 to allow me to provide my annual opinions for the OPCC and Constabulary.

**Emma Toyne**  
**Audit Manager**  
 4<sup>th</sup> March 2019

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**APPENDICES**

- Appendix 1: Final reports issued to 4<sup>th</sup> March 2019***
- Appendix 2: Progress on all risk based audits from the 2018/19 plan including work in progress from the 2017/18 plan***
- Appendix 3: Internal audit performance measures to 4<sup>th</sup> March 2019***

Contact: Emma Toyne, Audit Manager, Cumbria Shared Internal Audit Service.  
[emma.toyne@cumbria.gov.uk](mailto:emma.toyne@cumbria.gov.uk)

## Appendix 1 – Final reports issued to 4<sup>th</sup> March 2019

| Assignments   | Status  | Assessment  |
|---|---|-------------|
| Creditors   | Report presented to Joint Audit Committee at 19 <sup>th</sup> July 2018 meeting. Report included in Committee papers and available on the Commissioner's website.                     | Reasonable  |
| Information Security (OPCC)                             | Report presented to Joint Audit Committee at 19 <sup>th</sup> July 2018 meeting. Report included in Committee papers and available on the Commissioner's website.                     | Reasonable  |
| Follow up – Multi-agency safeguarding hub (2017/18 WIP) | Report presented to Joint Audit Committee at 12 <sup>th</sup> September 2018 meeting. Report included in Committee papers and available on the Commissioner's website.                | Reasonable  |
| Specified Information Order (OPCC)                      | Report presented to Joint Audit Committee at 22 <sup>nd</sup> November 2018 meeting. Report included in Committee papers and available on the Commissioner's website.                 | Substantial |
| Workforce Planning                                      | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website. | Substantial |
| General Data Protection Regulation (GDPR) - OPCC        | Report presented to Joint Audit Committee at 20 <sup>th</sup> March 2019 meeting. Report included in Committee papers and available on the Commissioner's website.                    | Substantial |
| Digital Media Investigation Unit                        | Report presented to Joint Audit Committee at 20 <sup>th</sup> March 2019 meeting. Report included in Committee papers and available on the Commissioner's website.                    | Reasonable  |
| Payroll   | Report circulated to members of Joint Audit Committee for consideration. Report available on the Commissioner's website.  | Substantial |

## Appendix 1 – Final reports issued to 4<sup>th</sup> March 2019

| Assignments   | Status  | Assessment  |
|---|---|-------------|
| Pensions  | Report presented to Joint Audit Committee at 20 <sup>th</sup> March 2019 meeting. Report included in Committee papers and available on the Commissioner's website.                    | Reasonable  |
| Follow up - Stingers  | Report presented to Joint Audit Committee at 20 <sup>th</sup> March 2019 meeting. Report included in Committee papers and available on the Commissioner's website.                    | Partial     |
| Follow up – Receipt, handling, storage and disposal of drugs  | Report circulated to members of Joint Audit Committee for consideration. Report available on the Commissioner's website.  | Reasonable  |
| Command and Control & 101 Calls   | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website. | Reasonable  |
| Victims Code of Practice  | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website. | Substantial |
| We have prepared and consulted on the 2019/20 draft Internal Audit plan with the Constabulary and OPCC. The proposed plan is presented to JAC for information as a separate item. |   |             |

## Appendix 2 – Progress on 2018/19 Audit Plan, including 2017/18 work in progress

| OPCC / Constabulary Review | Audit   | Stage   | Feedback form returned |
|----------------------------|---|---|------------------------|
| Joint                      | Creditors (2017/18 WIP)   | Complete  | Yes                    |
| OPCC                       | Information security (2017/18 WIP)  | Complete  | Yes                    |
| Constabulary               | Follow up – Multi-agency safeguarding hub (2017/18 WIP)   | Complete  | N/A                    |
| Constabulary               | Risk Management   | Work in progress. Our work in this area will inform the 2018/19 annual opinion and will be reported within the narrative of the annual report of the Head of Internal Audit   | N/A                    |
| OPCC                       | Risk Management   | Work in progress. Our work in this area will inform the 2018/19 annual opinion and will be reported within the narrative of the annual report of the Head of Internal Audit   | N/A                    |
| Constabulary               | Emergency Services Mobile Communications Programme (ESMCP) and Emergency Services Network (ESN) | Not yet started. We propose to remove this audit from the plan as the risk is a national issue with a national review of the ESMCP programme being undertaken.<br><br>We not consider that an internal audit of this area would add value at this time. | N/A                    |

## Appendix 2 – Progress on 2018/19 Audit Plan, including 2017/18 work in progress

| OPCC / Constabulary Review | Audit                                     | Stage   | Feedback form returned              |
|----------------------------|---|---|-------------------------------------|
| Constabulary               | Governance Structure                      | Scoping meeting organised for 19/03/19  | N/A                                 |
| Constabulary               | General Data Protection Regulation (GDPR) | Draft report issued 07/02/19. Closeout meeting arranged for 27/02/19 rescheduled to 21/03/19 at the Constabulary's request. | N/A                                 |
| OPCC                       | General Data Protection Regulation (GDPR) | Complete  | Yes                                 |
| OPCC                       | Specified Information Order               | Complete  | Yes                                 |
| Constabulary               | Digital Media Investigation Unit          | Complete  | Yes                                 |
| Constabulary               | Command and Control Room and 101          | Complete  | N/A – feedback form issued 06/03/19 |
| Constabulary               | Neighbourhood Policing Hubs               | Work in progress. Audit currently on hold due to absence of auditor undertaking the work.                                   | N/A                                 |
| Constabulary               | Overtime Spend                            | Work in progress  | N/A                                 |
| Constabulary               | Workforce Planning                        | Complete  | Yes                                 |
| Constabulary               | Force Tasking and Co-ordination           | Fieldwork   | N/A                                 |
| OPCC                       | Victims Code of Practice                  | Complete  | N/A – feedback form issued 06/03/19 |

## Appendix 2 – Progress on 2018/19 Audit Plan, including 2017/18 work in progress

| OPCC / Constabulary Review | Audit  | Stage   | Feedback form returned |
|----------------------------|--|---|------------------------|
| Joint                      | Main Accounting System   | Not yet started   | N/A                    |
| Joint                      | Debtors  | Work in progress  | N/A                    |
| Joint                      | Payroll  | Complete  | No                     |
| Joint                      | Pensions   | Complete  | N/A                    |
| Constabulary               | Follow up – Offender Management  | Work in progress  | N/A                    |
| Constabulary               | Follow up – Criminal Justice Unit  | Not yet started – update to JAC in November 2018 indicates that actions are due for completion by 31 <sup>st</sup> March 2019. We will progress the follow up once the final action has been implemented. | N/A                    |
| Constabulary               | Follow up - Stingers   | Complete  | N/A                    |
| Constabulary               | Follow up – Receipt, handling storage and disposal of drugs  | Complete  | N/A                    |
| N/A                        | Project support / consultancy. Internal Audit time will focus on a short, high level review of the SAAB project benefits realisation plan. | Work in progress. Audit currently on hold due to absence of auditor undertaking the work  | N/A                    |
| N/A                        | Attendance at Police Audit Training & Development event  | Event took place on 12 <sup>th</sup> & 13 <sup>th</sup> July 2018   | N/A                    |

**Appendix 2 – Progress on 2018/19 Audit Plan, including 2017/18 work in progress**

| OPCC / Constabulary Review | Audit                     | Stage    | Feedback form returned |
|----------------------------|---------------------------|----------|------------------------|
| N/A                        | Internal Audit management | On-going | N/A                    |

**Key:**

|          |                  |                 |
|----------|------------------|-----------------|
| Complete | Work in progress | Not yet started |
|----------|------------------|-----------------|

### Appendix 3 – Internal audit performance measures

| Measure                  | Description  | Target  | Actual | Explanations for variances / remedial action required   |
|--------------------------|--|---|--------|---|
| Completion of audit plan | % of audits completed to final report  | 60%   | 52%    | <p>Target is based on the same period last year.</p> <p>We had anticipated that one more report would be finalised at this point. This was not possible due to the closeout meeting being postponed by the Constabulary because of staff absence. Inclusion of a further finalised report would bring the actual figure to 56% which is broadly in line with last year.</p> <p>Based on the above, we consider progress with the plan to be on track.</p> |
|                          | <p>Number of planned days delivered</p> <p>*296 in 18/19 plan (281 per shared service agreement plus 15 days due to audit deferred from 17/18 at management's request).</p> <p>5 days of WIP carried forward at 17/18 year end</p> | <p>213</p> <p>301*</p> <p>(annual target)</p> | 204    | <p>Target is based on the same period last year.</p> <p>The figure is slightly lower due to an absence in the Internal Audit Team.</p>  |
| Audit scopes agreed      | Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of  | 100%  | 100%   |   |



### Appendix 3 – Internal audit performance measures

| Measure                                 | Description  | Target | Actual | Explanations for variances / remedial action required            |
|---|--|--------|--------|--|
|   | fieldwork.   |        |        |  |
| Draft reports issued by agreed deadline | Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.   | 70%    | 100%   |  |
| Timeliness of final reports             | % of final reports issued for Chief Officer / Director comments within five working days of management response or closeout meeting. | 90%    | 100%   |  |
| Recommendations agreed                  | % of recommendations accepted by management  | 95%    | 100%   |  |
| Assignment completion                   | % of individual reviews completed to required standard within target days or prior approval of extension by audit manager.           | 75%    | 100%   |  |
| Quality assurance checks completed      | % of QA checks completed   | 100%   | 100%   |  |
| Customer Feedback                       | % of customer satisfaction surveys returned  | 100%   | 100%   | Seven forms returned. One relates to an audit reported in 17/18. |
| Customer Feedback                       | % of customer satisfaction survey scoring the service as good.   | 80%    | 100%   |  |
| Chargeable time                         | % of available auditor time directly   | 80%    | 79%    |  |

### Appendix 3 – Internal audit performance measures

| Measure | Description               | Target | Actual | Explanations for variances / remedial action required |
|---------|---------------------------|--------|--------|---|
|         | chargeable to audit jobs. |        |        |   |

**Appendix 3 – Internal audit performance measures**

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# Cumbria Shared Internal Audit Service Internal Audit Report for Cumbria Constabulary



## Audit of Digital Media Investigation Unit (Digital Forensics Unit)



Draft Report Issued: **14 September 2018**

Final Report Issued: **21 November 2018**

## Audit Resources

| Title           | Name         | Email  | Telephone    |
|-----------------|--------------|--|--------------|
| Audit Manager   | Emma Toyne   | <a href="mailto:emma.toyne@cumbria.gov.uk">emma.toyne@cumbria.gov.uk</a>     | 01228 226261 |
| Lead Auditor(s) | Gemma Benson | <a href="mailto:gemma.benson@cumbria.gov.uk">gemma.benson@cumbria.gov.uk</a> | 01228 226252 |

## Audit Report Distribution

|                  |   |
|------------------|---|
| For Action:      | Ian Harwood, Detective Inspector.<br>Lesley Hanson, T/Detective Superintendent.<br>Dean Holden, T/Chief Superintendent – Crime Command. |
| For Information: | Andy Slattery, T/Assistant Chief Constable  |
| Audit Committee  | The Joint Audit Committee, which is due to be held on 20 <sup>th</sup> March 2019, will receive the report.                             |

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.*

### Cumbria Shared Internal Audit Service

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# Executive Summary

## 1. Background

- 1.1. This report summarises the findings from the audit of the **Digital Media Investigation Unit (Digital Forensics Unit)**. This was a planned audit assignment which was undertaken in accordance with the 2018/19 Audit Plan.
- 1.2. The Digital Media Investigation Unit is made up of four units, including the Digital Forensics Unit (DFU). The DFU undertakes investigative work and forensic examinations as part of enquiries into possible offences or crimes. As such, it is important to the Constabulary in helping to bring criminals to justice and protect vulnerable people and it supports the overall Constabulary aim to 'Keep Cumbria Safe'.
- 1.3. The number of cases and exhibits provided to the DFU continues to increase in line with national trends and with constant development in the digital world and increasing use of digital devices demand is expected to remain high.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

### 2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the T/Detective Chief Superintendent Crime Command. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
  - Digital Forensics Unit – processes around information flow.
- 2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within the Digital Forensics Unit provide **reasonable** assurance.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4. Summary of Recommendations, Audit Findings and Report Distribution

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There are **two** audit recommendations arising from this audit review and these can be summarised as follows:

| Control Objective  | No. of recommendations |          |          |
|--|------------------------|----------|----------|
|  | High                   | Medium   | Advisory |
| 1. <b>Management</b> - achievement of the organisation's strategic objectives                                  | -                      | -        | -        |
| 2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.1) | -                      | 1        | -        |
| 3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.2)   | -                      | -        | 1        |
| 4. <b>Security</b> - safeguarding of assets  | -                      | -        | -        |
| 5. <b>Value</b> - effectiveness and efficiency of operations and programmes                                    | -                      | -        | -        |
| <b>Total Number of Recommendations</b>   | <b>0</b>               | <b>1</b> | <b>1</b> |

- 4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:
- Regular information is provided to management which gives a picture of current workloads and performance against the service level agreement as well as highlighting any short term risks identified.
  - Processes are in place and documented around DFU information flows (on devices being provided to the DFU, risk assessing the priority of cases, timescales for processing devices, informing officers of completed examinations, storage of completed case information).
  - The DFU provides information to educate officers on device seizure, the type of information that can be recovered and other means of securing evidence in order to improve the performance of the service it provides.
  - Risks in relation to the DFU are identified and managed.
  - A project is underway to migrate the standalone DFU network to sit within a secure domain inside the core constabulary network, which will allow the ICT department to provide technical support and will protect DFU information assets within a protected network perimeter.
- 4.4. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:
- 4.4.1. *High priority issues:*
- No high priority issues were identified.
- 4.4.2. *Medium priority issues:*
- Procedures on internal checks do not set out the specific requirements of each type of check / review.
- 4.4.3. *Advisory issues:*
- Comparison data is not included against all statistics provided in the annual report to help provide a more rounded picture.

**Comment from the T/Assistant Chief Constable**

I acknowledge the findings of the audit and note the two recommendations. I am content that the recommendation in respect of dip sampling is being progressed by Quality manager in the Digital Media Investigation Unit (DMIU) as detailed. The recommendation regarding statistics included in the Annual Report will be completed by the Detective Inspector. The Head of Crime will ensure that these actions are completed and progress reported to me.

A.Slattery T/ACC



# Management Action Plan

## 5. Matters Arising / Agreed Action Plan

5.1. **Regulatory** - compliance with laws, regulations, policies, procedures and contracts.

● **Medium priority**

### Audit finding

#### (a) **Procedures on Internal Checks / Assessing Competence**

Constabulary quality procedures include information on mechanisms in place to assess staff competence including dip sampling and peer review. A brief description of the methods used is included within the procedures however, the detail to be reviewed as part of the checks is not documented.

Review of the forms used to record the results of these checks identified that what is to be checked is not included on these either. Whilst one of the forms (dip sampling form) includes questions to be answered, it still does not specify what should be reviewed in order to answer the question. Although there is no other documented guidance on this area, we were informed that staff have been briefed on what is required of these checks.

Quality Procedure 07 – Training and Competence also requires that the form used to record the results of dip sampling will be completed by the Head of Department, though our audit testing identified that it is completed by the member of staff performing the review (rather than the Head of Department).

It was also noted that the completion and use of documents to record the results of 'internal audits' undertaken by the Forensic Services Department is not as definitive as it is for documenting other types of internal checks. The procedure (Quality Procedure 02 – Internal Audit) includes that an 'audit report form (SSD/DOC/14) *shall* be made available on which auditors *can* evidence performance' and that 'notes *may* be taken using SSD/DOC/76 audit notes sheet'. Notes from

### Management response

#### Agreed management action:

The relevant quality procedures will be reviewed by the Quality Manager and updated as necessary to ensure they are sufficiently detailed and accurately reflect the process to be followed.

|   |   |
|---|---|
| <p>'internal audits' reviewed were not recorded on a document referenced as SSD/DOC/76, but on plain paper.</p>   |   |
| <p><b>Recommendation 1:</b><br/>Management should ensure they are satisfied that procedures in relation to internal checks / assessing competence are sufficiently detailed and accurately reflect the process to be followed.</p>  |   |
| <p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Staff unclear on processes to be followed;</li> <li>• Checks do not cover all aspects that management require / expect them to;</li> <li>• Management's expectations are open to interpretation;</li> <li>• Issues / inconsistencies remain unidentified.</li> </ul> | <p><b>Responsible manager for implementing:</b><br/><b>Detective Inspector - DMIU</b><br/><b>Date to be implemented:</b><br/><b>01/2019</b></p> |

**5.2. Information** - reliability and integrity of financial and operational information.

• **Advisory issue**

| <b>Audit finding</b>   | <b>Management response</b>  |
|--|---|
| <p><b>(a) Annual Report</b><br/>The majority of data reported on the DFU in the latest annual report includes comparison data from previous periods with the exception of two statistics. Performance against the SLA target was reported but no information provided as to whether this was an improvement on the previous year or not and any reasons for this (though at 98%, it was clearly above the target of 85%). Similarly, the report includes the current turnaround time for the lowest risk cases and that this is up compared to last year but does not provide the figure from last year to allow the level of change to be identified.</p> | <p><b>Agreed management action:</b><br/>The next annual report will be reviewed to ensure it includes comparison information against figures.</p> |
| <p><b>Recommendation 2:</b><br/>Management should consider the merit of providing comparison information against all figures provided as part of the annual report.</p>  |   |

Risk exposure if not addressed:

- Incomplete picture provided to management;
- The extent of changes reported is unclear.

Responsible manager for implementing:

**Detective Inspector - DMIU**

Date to be implemented:

**06/2019**

## Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

|                       | Definition:   | Rating Reason   |
|-----------------------|---|---|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>   |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                            |

## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

| Definition:     |   |  |
|-----------------|---|--|
| <b>High</b>     | ● | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| <b>Medium</b>   | ● | Some risk exposure identified from a weakness in the system of internal control                            |
| <b>Advisory</b> | ● | Minor risk exposure / suggested improvement to enhance the system of control                               |

### Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.

## Cumbria Shared Internal Audit Service

### Internal Audit Report for Cumbria Office of the Police & Crime Commissioner

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## Audit of General Data Protection Regulation (GDPR)

Draft Report Issued: **28th January 2019**

Final Report Issued: **14th February 2019**

## Audit Resources

| Title           | Name              | Email                            | Telephone    |
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## Audit Report Distribution

|                  |  |
|------------------|--|
| For Action:      | Joanne Head, Governance Manager  |
| For Information: | Vivian Stafford, Chief Executive / Head of Commissioning & Partnerships<br>Gill Shearer, Deputy Chief Executive / Head of Communications & Business Services |
| Audit Committee  | The Joint Audit Committee, which is due to be held on 20 <sup>th</sup> March 2019, will receive the report.  |

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.*

### Cumbria Shared Internal Audit Service

Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), [www.sjstudios.co.uk](http://www.sjstudios.co.uk), Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker



# Executive Summary

## 1. Background

- 1.1. This report summarises the findings from the audit of the General Data Protection Regulation (GDPR). This was a planned audit assignment which was undertaken in accordance with the 2018/19 Audit Plan.
- 1.2. The General Data Protection Regulation (GDPR) is Europe's new framework for data protection laws that came into force on 25 May 2018. It is important to the organisation because it places additional obligations on organisations in respect of the security and privacy of personal data, offers greater protection and rights to individuals and imposes higher monetary penalties for non-compliance and data breaches. This regulation is intended to strengthen and unify data protection for all individuals within the EU and is integral to the UK's Data Protection Act 2018.
- 1.3. The OPCC's overall level of compliance is impacted on by the Constabulary's level of compliance with GDPR due to inter-dependencies around personal data. These include the sharing and processing of personal data, use of Constabulary systems and services e.g. payroll and procurement and dependence on a number of Constabulary policies and procedures e.g. ICT Acceptable Use Policy. The risks associated with this inter-dependence have been identified and included in the OPCC's strategic risk register.
- 1.4. The Police and Crime Commissioner has a statutory responsibility for holding the Chief Constable to account. This includes ensuring that adequate and effective information management arrangements are in place to ensure compliance with data protection legislation both within the Constabulary and his own office.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

### 2.2. Audit Scope and Limitations



- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Gill Shearer, Deputy Chief Executive / Head of Communications and Business Services. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
- Arrangements for liaising with the Constabulary and receiving assurance in respect of areas of inter-dependence within the Constabulary's GDPR compliance plan.
- 2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. From the areas examined and tested as part of this audit review, we consider that the OPCC is liaising with the Constabulary on a regular basis, closely and pro-actively monitoring progress with the GDPR compliance plan and keeping senior management updated regarding the position and associated risks. On this basis we consider the current controls operating within the OPCC for receiving assurance on the areas of inter-dependence within the Constabulary's GDPR compliance plan provide **substantial** assurance. However, it should be noted that the Constabulary is not yet fully compliant with the requirements of GDPR and the impact of this means that the OPCC has not yet achieved full GDPR compliance.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4. Summary of Recommendations, Audit Findings and Report Distribution

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There are no audit recommendations arising from this audit review.

4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- The OPCC has a designated Data Protection Officer which is a statutory requirement of the new data protection legislation.
- The Governance Manager has been formally allocated responsibility for overseeing GDPR implementation by the OPCC Executive Team.
- Risks of non-compliance with the new data protection legislation are included on the operational and strategic risk register for ongoing monitoring and management.
- Instances of personal information sharing with the Constabulary have been captured as part of an information audit for inclusion in the Constabulary's GDPR compliance plan.
- The OPCC Governance Manager meets with the Data Protection Officer on a monthly basis to review and discuss progress against the Constabulary's GDPR compliance plan as part of her oversight role.
- The Governance Manager reports on progress towards GDPR compliance to the OPCC Executive Board on a monthly basis. Each report includes a section on risk.
- An updated privacy notice has been placed on the OPCC's website. It clarifies individual's rights under GDPR and fully explains instances where personal data is shared.

**Comment from the Chief Executive:**

I welcome the assurance that this audit provides to the OPCC.



Vivian Stafford

Chief Executive

## Appendix A

## Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

|                       | Definition:   | Rating Reason   |
|-----------------------|---|---|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>   |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                            |

## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

| Definition:     |   |  |
|-----------------|---|--|
| <b>High</b>     | ● | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| <b>Medium</b>   | ● | Some risk exposure identified from a weakness in the system of internal control                            |
| <b>Advisory</b> | ● | Minor risk exposure / suggested improvement to enhance the system of control                               |

### Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.

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# Cumbria Shared Internal Audit Service Internal Audit Report for Cumbria Constabulary



## Audit Follow up of the Constabulary's Use of Stingers

Draft Report Issued: **31st October 2018**

Final Report Issued: **18th February 2019**

## Audit Resources

| Title         | Name        | Email                      | Telephone    |
|---------------|-------------|----------------------------|--------------|
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## Audit Report Distribution

|                  |  |
|------------------|--|
| For Action:      | Andy Wilkinson – Chief Inspector Operational Support<br>Mark Pannone – Superintendent Operations                 |
| For Information: | Rob O'Connor – T/Chief Superintendent Territorial Policing Command<br>Justin Bibby - T/Assistant Chief Constable |
| Audit Committee  | The Joint Audit Committee, which is due to be held on 20 March 2019, will receive the report.                    |

### Cumbria Shared Internal Audit Service



Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), [www.sjstudios.co.uk](http://www.sjstudios.co.uk), Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker

## 1. Background

- 1.1. An audit of the use of Stingers was previously carried out in 2016/17. Based on the evidence provided at that time, the audit concluded that the controls in operation provided partial assurance. Improvements were agreed in the following areas:
  - The arrangements to provide senior management with assurance over the Constabulary's use of stingers.
  - Defining internal procedures and assigning roles and responsibilities in relation to Stingers.
  - The arrangements for ensuring that the driver training system alerts are actioned and the necessary refresher training is delivered on a timely basis.
  - The arrangements for reviewing pursuit information involving stingers to identify opportunities for improvement.
- 1.2. Internal Audit has recently undertaken a formal follow up audit to provide updated assurance to senior management and the Joint Audit Committee that the previously agreed actions to address each recommendation have been fully implemented and all controls are working effectively to mitigate the risks previously identified.

## 2. Audit Approach

### 2.1. Follow up Methodology

- 2.1.1. The Internal Audit follow up process involved completing an update statement based on what has been reported to the Joint Audit Committee and then undertaking testing as necessary to confirm that the actions have been fully implemented and that controls are working as intended to mitigate risk.
- 2.1.2. It is the responsibility of management to continue to monitor the effectiveness of internal controls to ensure they continue to operate effectively.

## 3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. Where the outcomes of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal



audit assurance opinion may be revised from that provided by the original audit.

- 3.3. From the areas examined and tested as part of this follow up review we now consider the current controls operating for the use of stingers provide **partial** assurance. This is the same result as the original opinion and it assumes that controls assessed as adequate and effective in the original report have not changed and these have not been revisited as part of the follow up.

## 4. Summary of Recommendations and Audit Findings

- 4.1. There are three levels of audit recommendation. The definition for each level is explained in **Appendix B**.
- 4.2. The previous audit raised **four** audit recommendations for action. Whilst there have been some developments made, there are still areas which require further action to enable a greater level of assurance to be reached; in summary:

- 1 recommendation has been successfully implemented (summarised at Section 4.3);
- 3 recommendations have been partially completed and further action is needed to adequately address the risks exposed;

4.3. **Recommendations fully implemented:**

- Roles and responsibilities have been defined in the Stinger procedures document that was approved by the Operations Board in September 2017.

4.4. **Areas for further development:**

We were unable to confirm whether driver training or authorities due to expire are being covered as part of 15 week reviews as the information that was requested to demonstrate this was not provided.

From the evidence that was provided as part of this follow up there are **3** of the original audit recommendations which require further action as follows:

4.4.1. *High priority issues:*

- Management cannot be assured that procedures are being complied with; audit testing found that following a police pursuit, Driver Training are not always provided with a pursuit recording form.
- The Stinger Procedures document states that *Authorised Professional Practice Roads Policing Pursuits* does not contain comment in relation

to briefing or debriefing and this is not correct as reference is made to establishing briefing and debriefing protocols, under *Analysing pursuits*.

4.4.2. *Medium priority issues:*

- There have been delays in the implementation of the Chronicle system for managing driver training and evidence to demonstrate that there was an agreed timescale for this were not provided.

4.4.3. *Advisory issues:*

- There are no advisory issues.

**Comment from the T/Assistant Chief Constable**

I have discussed the report with T/Superintendent Andy Wilkinson and I am satisfied that the recommendations are being addressed.

*J Bibby T/ACC 11/02/19*

## 5. Matters Arising / Agreed Action Plan

### 5.1. Management - achievement of the organisation's strategic objectives.

#### Audit Finding

##### (a) Management assurance on the use of stingers

● **High Priority**

We are informed that Approved Professional Practice (APP) guidance has been adopted for police pursuits; this includes the use of tactical options such as stingers.

There are no arrangements in place to review or check compliance with APP stinger guidance, including the decisions taken to deploy a stinger, ensuring risk assessments have been carried out, information is being accurately recorded and refresher training frequency is on track. As a result, management cannot be assured over the use of stingers.

#### Outcome from follow up:

*(partially implemented)*

Following our audit in 2016/17 a procedures document, titled "*Joint Audits and Standards Commission – Stinger Procedures*" was prepared. The document, which was approved by the Operations Board in September 2017 states that "*it seeks to bridge governance gaps identified by the audit in relation to the use and maintenance of stingers... The document will address each of the findings from the audit report and enable a transparent process for those aforementioned governance gaps to be documented... This document will seek to rectify the auditors experience in this regard*".

Audit testing confirmed that that the procedure is available within the policy library on the Force intranet but we were not provided with information to demonstrate that Officers have been informed of the procedure.

The procedures require that all pursuits, including those where a stinger was deployed, are reported on a Pursuit Recording Form to Driver Training. The Driver Training Team are then expected to review the pursuit from a learning and dissemination perspective so that they may identify any possible training issues etc. The forms, which are retained by Driver Training, are also used for national reporting of pursuits, via the quarterly National Police Chiefs' Council (NPCC) return.

Audit testing on a sample of incidents found that Driver Training are not always informed that a pursuit has taken place because the required pursuit

recording forms are not always completed or provided by Officers.

As a result management cannot be assured that procedures are being followed or that the information reported to the National Police Chiefs' Council is complete.

**Recommendation:**

Arrangements should be in place to demonstrate that the Stinger Procedures document has been appropriately communicated, and a mechanism to provide management with assurance that the procedures are being complied with should be developed and documented.

● **High priority**

**5.2. Regulatory** - compliance with laws, regulations, policies, procedures and contracts - effectiveness and efficiency of operations and programmes.

**Audit Finding**

**(a) Driver Training**

● **Medium priority**

APP police driver training guidance states that “*where enhanced skills are required as part of daily or periodic use those skills require regular assessment and / or refresher training*”. APP Police Driving Training Governance recommends that regular assessment or refresher training is undertaken every 2 – 5 years depending on the role of the Officer.

There is a mechanism in place to flag, to individual officers and the training department, when pursuit training is due to expire. However, there are no defined responsibilities or procedures in place to ensure that this information is acted upon and drivers receive the appropriate training at the required time, ensuring that there is no skills gap.

**Outcome from follow up:**

*(partially implemented)*

Actions reported to Joint Audit and Standards Committee (JASC) included that the Constabulary were in the process of implementing a driver training software programme (Chronicle) and that this would allow greater scrutiny and management of training in this area.

At the time of the audit we were advised that there had been delays in implementing the Chronicle system for driver training, due to other priorities and

that a planned end date for the implementation was not available. It was suggested that this may be in place by the end of November 2018, but we have not been provided with any evidence to support this.

It was also reported at JASC that prior to the full implementation of the Chronicle system, the Officer 5 & 15 week review process would be used to bring attention to any training and authorities that are due to expire. The Stinger Procedures document, prepared following the original audit, reminds Officers that it is their responsibility to ensure that they are within any stinger or driving authorisation period, *i.e. that skills are up to date*. It also confirms the expectation that as part of the 15 week reviews, “*Sergeants will ensure that any authorities due to expire or training missed are discussed*”.

We were unable to confirm whether driver training skills were being covered as part of 15 week reviews as the information requested to demonstrate this was not provided.

#### **Recommendation:**

Management arrangements should ensure that there is a defined timescale for the implementation of the Chronicle system and that any deviations from this are appropriately agreed and reported.

Management should ensure that there is evidence to demonstrate the discussions around any authorities due to expire or missed training.

● **Medium priority**

### **Audit Finding**

#### **(b) Improvement activity**

● **Medium priority**

Pursuit decisions and tactics deployed are recorded in STORM on the incident logs together with recordings of communications. More recently a national tool; NPCC pursuit recording has been adopted which records further information on pursuits for national submission. This information held is not reviewed or reported on internally for the purpose of confirming compliance with national requirements, capturing lessons learnt and identify training needs.

APP guidance states that forces must establish briefing and debriefing protocols for pursuits and appoint an individual responsible for their recording and analysis. We are informed that there is not a formal debrief in place following each pursuit.

15 week officer reviews are in place that provide an opportunity to discuss recent performance or issues. However, the pursuit logs are not currently reviewed and reported on to inform these discussions.

Without arrangements in place to review pursuit information involving stingers management cannot be assured of compliance with national requirements, data quality, that training needs are identified and lessons are learnt.

#### Outcome from follow up:

*(partially implemented)*

The Stinger Procedures document refers to the need to ensure compliance with Authorised Professional Practice Roads Policing Pursuits content and the Pursuit Tactics Directory and outlines the benefits around briefing and de-briefing. It goes on to say “*Authorised Professional Practice – Roads Policing – Police Pursuits does not contain comment in relation to briefing or debriefing*”.

However, on examination of the APP, as part of the audit, it was noted that briefing and debriefing protocols are in fact referred to under *Road policing >Police pursuits>Analysing Pursuits*, where it sets out that “*when managing pursuits forces must establish briefing and debriefing protocols...*”

We cannot therefore provide assurance that management have appropriate arrangements in place to ensure that the current procedures are fully compliant with the requirements of APP.

#### Recommendation

The current arrangements for briefing and debriefing should be considered in association with the Authorised Professional Practice, Roads Policing Pursuits guidance to ensure that the procedures in place are fully compliant and that compliance can be clearly demonstrated.

● **High priority**

## Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

|                       | Definition:   | Rating Reason   |
|-----------------------|---|---|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>   |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                            |

## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

| Definition:     |   |  |
|-----------------|---|--|
| <b>High</b>     | ● | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| <b>Medium</b>   | ● | Some risk exposure identified from a weakness in the system of internal control                            |
| <b>Advisory</b> | ● | Minor risk exposure / suggested improvement to enhance the system of control                               |



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# Cumbria Shared Internal Audit Service

## Internal Audit Report for Cumbria Constabulary



## Audit of Police Staff Pensions

Draft Report Issued: **29<sup>th</sup> January 2019**

Final Report Issued: **1<sup>st</sup> March 2019**

## Audit Resources

| Title           | Name               | Email                             | Telephone    |
|-----------------|--------------------|-----------------------------------|--------------|
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| Lead Auditor(s) | Janice Butterworth | janice.butterworth@cumbria.gov.uk | 01228 226289 |

## Audit Report Distribution

|                  |  |
|------------------|--|
| For Action:      | Ann Dobinson, Head of Central Services<br>Alison Hunter, Payroll and Transactional Services Manager  |
| For Information: | Michelle Bellis, Deputy Chief Finance Officer<br>Stephen Kirkpatrick, Director of Corporate Support<br>Roger Marshall, Joint Chief Finance Officer |
| Audit Committee  | The Joint Audit Committee, which is due to be held on 20 <sup>th</sup> March 2019, will receive the report.  |

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.*

### Cumbria Shared Internal Audit Service

Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), [www.sjstudios.co.uk](http://www.sjstudios.co.uk), Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker



# Executive Summary

## 1. Background

- 1.1. This report summarises the findings from the audit of Police Staff Pensions. This was a planned audit assignment which was undertaken in accordance with the 2018/19 Audit Plan.
- 1.2. Police Staff pensions are held with the Local Government Pension Scheme which is administered by Your Pension Service (YPS). Central Services Department (CSD) set up new employees on the payroll system ensuring the appropriate pension scheme is selected. They also provide leavers' information to YPS.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

### 2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Head of Central Services. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
  - Follow up of previous recommendations from the 2016/17 audit.
  - Processes relating to staff pensions administered through the Local Government Pension Scheme, specifically starters and leavers, deductions and monthly reporting processes.
- 2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Police Staff Pensions provide **Reasonable** assurance.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4. Summary of Recommendations, Audit Findings and Report Distribution

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There is **one** audit recommendation arising from this audit review and this can be summarised as follows:

| Control Objective  | No. of recommendations |        |          |
|--|------------------------|--------|----------|
|  | High                   | Medium | Advisory |
| 1. <b>Management</b> - achievement of the organisation's strategic objectives  | -                      | -      | -        |
| 2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts   | -                      | -      | -        |
| 3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.1)                               | -                      | 1      | -        |
| 4. <b>Security</b> - safeguarding of assets  | -                      | -      | -        |
| 5. <b>Value</b> - effectiveness and efficiency of operations and programmes  | -                      | -      | -        |
| 6. <b>Other considerations from previous audits</b><br>- Implementation of previous recommendations/impact of outstanding recommendations. | -                      | -      | -        |
| <b>Total Number of Recommendations</b>   | -                      | 1      | -        |

4.3 The previous audit raised one recommendation regarding the lack of documented procedures for internal administration of the Police Officer Pension Scheme through Kier. Follow up testing confirmed that procedures have been written and communicated to all staff.

4.4 **Strengths:** The following areas of good practice were identified during the course of the audit:

- CSD have documented procedures for internal administration of the Local Government Pension Scheme.
- The Team Leader monthly checklist has hyperlinks to completion procedures / guidance.
- A Notification of Commencement of Employment form is used as a checklist for capturing new starter information including receipt of the completed pension form.
- Police Staff Retirement Leavers Checklists and Police Staff Resignation Leavers Checklists are used to ensure each part of the leaver's process is completed; these forms include guidance notes for staff.
- Monthly balancing reports are produced and compared to the previous month's figures.
- Monthly reports are sent to YPS electronically with file acceptances retained.

4.5. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.5.1 *High priority issues:* None identified

4.5.2 *Medium priority issues:*

- Incorrect pension contribution percentages had been selected for three new starters; the errors had not been identified when independently checked by a second Admin Officer.

4.5.3 *Advisory issues:* None identified

**Comment from the Joint Chief Finance Officer**

I am pleased that the audit of police staff pensions has provided a high level of assurance and that the strength of administrative processes in the area of police staff pensions, which have been in place for many years, have been maintained. I am satisfied that the additional control in relation to ensuring the correct pension contribution rate is applied to new starters will address the recommendation in the audit.

# Management Action Plan

## 5 Matters Arising / Agreed Action Plan

5.1 **Information** - reliability and integrity of financial and operational information.

● **Medium priority**

| Audit finding  | Management response   |
|--|---|
| <p><b>(a) Contribution Rate Errors</b></p> <p>The Local Government Pension Scheme issues annual pay bands and corresponding pension contribution rates to be applied from April each year. This contribution table is used to determine the pension contribution rate when setting up new employees within the Trent HR system.</p> <p>The pension contribution percentage is identified and recorded on the 'Notification of Commencement of Employment' form by the Admin Officer. New employee set up information is then independently checked by a second Admin Officer who initials the 'Notification of Commencement of Employment' form as evidence that the information has been checked.</p> <p>Audit testing identified three records where an incorrect contribution percentage rate had been selected. The second check process had not picked up the contribution rate errors.</p> | <p><b>Agreed management action:</b></p> <p>46 new starters processed between 1.4.18 &amp; 30.9.18, 43 were placed on the correct contribution rate and 3 placed on the incorrect rate. The 3 records have now been corrected.</p> <p>Internal processes have been improved to ensure the second Admin Officer checks the actual contribution rate applied and not just that they are assigned to the Local Government Pension scheme. This action was implemented for January 2019 payroll process.</p> |
| <p><b>Recommendation 1:</b></p> <p>Effective independent checking should be undertaken to ensure pension contribution rates are correctly applied.</p>   | <p>For information all police staff pension contribution rates are independently checked in April each year as part of the annual pension contribution review process.</p>  |
| <p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Incorrect employee deductions are made.</li> </ul>  | <p><b>Responsible manager for implementing:</b></p> <p><b>Alison Hunter</b></p> <p><b>Date to be implemented: 01/2019</b></p>   |

## Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

|                       | Definition:   | Rating Reason   |
|-----------------------|---|---|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>   |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                            |



## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

| Definition:     |   |  |
|-----------------|---|--|
| <b>High</b>     | ● | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| <b>Medium</b>   | ● | Some risk exposure identified from a weakness in the system of internal control                            |
| <b>Advisory</b> | ● | Minor risk exposure / suggested improvement to enhance the system of control                               |

### Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.

# Cumbria Shared Internal Audit Service

## Internal Audit Report for Cumbria Constabulary



### Audit of Command & Control and 101 Calls

Draft Report Issued: **7th January 2019**

Final Report Issued: **6th March 2019**

## Audit Resources

| Title           | Name              | Email  | Telephone    |
|-----------------|-------------------|--|--------------|
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| Lead Auditor(s) | Sarah Fitzpatrick | <a href="mailto:sarah.fitzpatrick@cumbria.gov.uk">sarah.fitzpatrick@cumbria.gov.uk</a> | 01228 226255 |

## Audit Report Distribution

|                  |  |
|------------------|--|
| For Action:      | Gaynor Wardle (Chief Inspector - HQ CCR & CCU)   |
| For Information: | Rob O'Connor (T/Chief Superintendent Territorial Policing Command)<br>Justin Bibby (T/Assistant Chief Constable) |
| Audit Committee  | The Joint Audit Committee, which is due to be held on 20 <sup>th</sup> March 2019, will receive the report.      |

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.*

### Cumbria Shared Internal Audit Service



## 1. Background

- 1.1. This report summarises the findings from the audit of Command & Control and 101 Calls. This was a planned audit assignment which was undertaken in accordance with the 2018/19 Audit Plan.
- 1.2. Command and Control is important to the organisation because it contributes to overall constabulary performance. It ensures that the organisation can make the right decisions to control resources for the efficient and effective delivery of frontline policing to the people of Cumbria and the achievement of strategic objectives.
- 1.3. The Command and Control Room (CCR) model, which includes a single call management and resolution function performed by police officers in the room, became operational in September 2015. More recently a safeguarding help desk has operated within the CCR to build vulnerability and safeguarding considerations into the system at the point of contact.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

- 2.1.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

### 2.2. Audit Scope and Limitations

- 2.2.1 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Chief Superintendent Territorial Policing Command. The agreed scope of the audit was to provide assurance over management's arrangements for ensuring effective governance, risk management and internal controls around:
  - The quality of call handling and identification of vulnerabilities.
  - Monitoring and managing staff wellbeing.
- 2.2.2 There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating around Command & Control and 101 Calls provide **reasonable** assurance.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4. Summary of Recommendations, Audit Findings and Report Distribution

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There are **3** audit recommendations arising from this audit review and they are summarised as follows:

| Control Objective   | No. of recommendations |          |          |
|---|------------------------|----------|----------|
|   | High                   | Medium   | Advisory |
| 1. <b>Management</b> - achievement of the organisation's strategic objectives (see section 5.1) | -                      | 2        | -        |
| 2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts    | -                      | -        | -        |
| 3. <b>Information</b> - reliability and integrity of financial and operational information      | -                      | -        | -        |
| 4. <b>Security</b> - safeguarding of assets   | -                      | -        | -        |
| 5. <b>Value</b> - effectiveness and efficiency of operations and programmes (see section 5.2)   | -                      | 1        | -        |
| <b>Total Number of Recommendations</b>  | -                      | <b>3</b> | -        |

4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- The Chief Inspector - HQ CCR & CCU (Civil Contingencies Unit) updates Chief Officer Group on CCR activity on a monthly basis.
- The Command and Control Manual of Guidance is a key document used for staff induction and ongoing reference. Vulnerability is clearly embedded throughout these guidance procedures.
- Specific training on safeguarding and vulnerability is currently being rolled out to call handlers and supervisors within CCR. This will be followed up with opportunities for staff to work alongside colleagues on the safeguarding help desk to further improve skills and knowledge.
- A CCR monthly newsletter has been introduced to provide staffing updates, reinforce procedural changes, highlight training opportunities and share best practice.
- A new digital quality assurance process has been introduced in CCR, covering both qualitative and quantitative aspects of call handling, dispatch and supervisory review. The number of reviews undertaken and compliance rates are displayed in a dashboard for management attention.
- Additional arrangements are in place to check and evaluate the quality of call handling, logging of information and identification of vulnerabilities. These arrangements include checks undertaken by Crime and Incident evaluators, Business Improvement Unit (BIU) reviews, HMIC Inspections and public surveys. Outcomes inform CCR improvement activity.
- The Constabulary's Improvement Plan (CCIP) includes actions around actively managing calls for service to minimise call answering time. Call handling performance is monitored on an ongoing basis and figures show some improvements over the 6 month period commencing February 2018 for both emergency and non-emergency calls (including 101 calls).
- Staff wellbeing is a key element of the new CCR Business Plan and a CCR Inspector has been allocated a wellbeing portfolio. Various initiatives are now underway to improve staff health and wellbeing including a shift pattern review.
- Arrangements are in place for the Chief Inspector (HQ CCR & CCU) to work closely with HR and OH colleagues to flag, understand and manage staff wellbeing issues. Police officer sickness absence in CCR has reduced significantly over the six months from February 2018.

4.4. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.4.1 *High priority issues:* - none identified.

#### 4.4.2 *Medium priority issues:*

- The refreshed CCR Business Plan has not been finalised and shared with the team.
- Consequently the CCR risk register has not yet been completed for ongoing management.
- Management have not agreed and set out their monitoring and reporting requirements in respect of the new digital quality assurance system and there is insufficient clarity around the reporting capabilities of the system.

#### 4.4.3 *Advisory issues:* - none identified.

#### **Comment from the T/Assistant Chief Constable :**

I am aware of the actions the Constabulary has signed up and their implementation will be monitored through the Local Policing and Specialist Capabilities Board

I am satisfied that the actions identified by my managers address the issues and risks identified within the audit to an acceptable level

This report can now be finalised and reported in summary to the next meeting of the Joint Audit Committee via the internal audit quarterly progress report.

Justin Bibby

T/ACC 05/03/2019

## 5 Matters Arising / Agreed Action Plan

### 5.1 Management - - achievement of the organisation's strategic objectives.

● **Medium priority**

| Audit finding  | Management response   |
|--|---|
| <p><b>(a) Business Plan</b></p> <p>A refreshed CCR Business Plan is being built around the Constabulary's Plan on a Page and the key themes within it, thus supporting Police and Crime Plan priorities. Each Inspector in CCR has been allocated a portfolio for one of the key themes and has been tasked with contributing to the relevant section of the Business Plan. An additional workforce theme has been included to contribute to Workforce 2025 priorities. Significant progress has been made populating the plan with specific actions under each strategic theme but at the time of the audit review the plan remained work in progress. A deadline of October 2018 had been exceeded.</p> <p>Whilst the Business Plan is considered a fluid, ongoing document that will evolve and be updated on an ongoing basis, there is a need to reach a stage where all contributions have been made and it can be shared across CCR.</p> <p>Finalising and communicating the CCR Business Plan should improve focus and understanding across the team and further help CCR to contribute to strategic priorities.</p> | <p><b>Agreed management action:</b></p> <p>The Business Plan will be signed off by the Chief Inspector Territorial Policing Command and communicated to staff through 1:1s.</p> |
| <p><b>Recommendation 1:</b></p> <p>The CCR Business Plan should be finalised and shared with the team.</p>   |   |
| <p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Strategic priorities are not achieved.</li> <li>• Wasted resources.</li> <li>• Low morale.</li> </ul>   | <p>Responsible manager for implementing:<br/> <b>Chief Inspector - HQ CCR &amp; CCU</b></p> <p>Date to be implemented:<br/> <b>04/2019</b></p>                                  |



● **Medium priority**

| Audit finding   | Management response  |
|---|--|
| <p><b>(b) Risk Management</b></p> <p>A CCR risk register is currently under development to capture risks affecting the achievement of CCR Business Plan objectives at an operational level. The risk register design follows the established corporate format, thus ensuring all relevant information will be captured and recorded for effective risk management.</p> <p>Limited progress had been made with populating the risk register at the time of the audit review. This was due in part to the departure of the Inspector tasked with risk register development. A replacement Inspector will be tasked with completing the risk register and maintaining it thereafter. However it should be noted that the task is heavily dependent on the finalisation of the CCR Business Plan and as stated in 5.1a above this hasn't yet taken place.</p> <p>Once finalised, the Chief Inspector (HQ CCR &amp; CCU) intends to review and manage the risk register on a regular basis with the nominated Inspector and escalate risks accordingly.</p> <p>Finalising the CCR risk register will help ensure that all risks affecting the achievement of CCR objectives, as set out in the Business Plan are identified and effectively managed.</p> | <p><b>Agreed management action:</b></p> <p>The CCR risk register has been created. We are currently reviewing other risk registers which impact on CCR and will consolidate these into the CCR risk register.</p> <p>Once populated the CCR risk register will be kept under review in accordance with the Constabulary's risk management process.</p> |
| <p><b>Recommendation 2:</b></p> <p>The CCR risk register should be completed and managed on an ongoing basis moving forwards.</p>   |  |
| <p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Risks are not reviewed on a regular basis and therefore not appropriately identified (new risks), escalated or demoted (existing risks).</li> <li>• Failure to achieve Business Plan objectives.</li> </ul>  | <p>Responsible manager for implementing:<br/> <b>Chief Inspector - HQ CCR &amp; CCU</b></p> <p>Date to be implemented:<br/> <b>04/2019</b></p>   |

## 5.2 Value - effectiveness and efficiency of operations and programmes.

● **Medium priority**

### Audit finding

#### (a) Management Information

The performance dashboard for the new digital quality assurance process is designed to be filterable by question, individual staff member or team to help managers to identify and address compliance issues or trends as part of a continuous improvement process. The system was implemented in October 2018 but will require a few months of data before any patterns or trends become visible.

Management have yet to agree and set out their monitoring and reporting requirements in respect of the new system. Consideration should be given to the following:-

- Roles and responsibilities,
- The frequency and nature of monitoring,
- Action taken on non-compliance,
- Sharing monitoring information across the team,
- Reporting arrangements,
- Demonstrating how the information is utilised for improvement purpose.

The new digital quality assurance process has been recorded as a response to a specific recommendation in Cumbria Constabulary's Improvement Plan (CCIP) regarding performance monitoring around the level of advice given to the public. A recent progress update notes that the system cannot provide this information. Clarity is needed around the reporting capability of the new digital process and what it can and can't provide in terms of management information. This can then inform discussions around how best to address relevant improvements in the CCIP.

#### Recommendation 3:

- a) Management should agree and set out their monitoring and reporting requirements in respect of the new digital quality assurance system.

### Management response

#### Agreed management action:

- a) We have set out our monitoring and reporting requirements and these will be subject to on-going review.
- b) The digital quality assurance system has now been removed from the process and we have now implemented an audit process for monitoring call handling. Information available by dashboard is used by the Chief Inspector – HQ CCR & CCU to monitor compliance with the procedure and identify trends.

|  |  |
|--|--|
| <p>b) There should be clarity around the reporting capabilities of the digital quality assurance system.</p>   |  |
| <p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Business plan objectives are not achieved.</li> <li>• Ineffective decision making.</li> <li>• Failure to identify and action improvements.</li> </ul> | <p>Responsible manager for implementing:<br/> <b>Chief Inspector - HQ CCR &amp; CCU</b><br/>                 Date to be implemented:<br/> <b>04/2019</b></p> |

## Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

|                       | Definition:   | Rating Reason   |
|-----------------------|---|---|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>   |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                            |

## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

| Definition:     |   |  |
|-----------------|---|--|
| <b>High</b>     | ● | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| <b>Medium</b>   | ● | Some risk exposure identified from a weakness in the system of internal control                            |
| <b>Advisory</b> | ● | Minor risk exposure / suggested improvement to enhance the system of control                               |

### Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.

# Cumbria Shared Internal Audit Service

## Internal Audit Report for Cumbria Constabulary



## Audit of Victims Code of Practice

Draft Report Issued: **10th January 2019**

Final Report Issued: **6th March 2019**

## Audit Resources

| Title         | Name        | Email                      | Telephone      |
|---------------|-------------|----------------------------|----------------|
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| Lead Auditor  | Diane Lowry | diane.lowry@cumbria.gov.uk | (01228) 226281 |

## Audit Report Distribution

|                  |  |
|------------------|--|
| For Action:      | Alan Taylor, Performance Sergeant - Joint Command Support Unit                               |
| For Information: | Justin Bibby, T/Assistant Chief Constable  |
| Audit Committee  | The Joint Audit Committee which is due to be held on 20 March 2019 will receive this report. |

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.*

### Cumbria Shared Internal Audit Service

Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), [www.sjstudios.co.uk](http://www.sjstudios.co.uk), Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker



# Executive Summary

## 1. Background

- 1.1. This report summarises the findings from the audit of Victims Code of Practice. This was a planned audit assignment which was undertaken in accordance with the 2018/19 Audit Plan.
- 1.2. A revised Code of Practice for Victims of Crime (the Victims' Code) was issued by the Ministry of Justice in 2015. The Victims' Code is a statutory code that sets out the minimum level of service that victims can expect from the criminal justice system. It also stipulates the responsibilities that are placed on each of the criminal justice agencies, including the Police.
- 1.3. The Victims' Code forms part of the wider Government strategy to transform the criminal justice system by putting victims first. Ensuring that victims receive the support they need and are entitled to is important to the Constabulary as one of the objectives of the Police and Crime Plan 2016-2020 is to 'always put victims first'. The Plan references making sure those agencies who work with victims of crime meet national standards (the national Code of Practice for Victims of Crime).

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

### 2.2. Audit Scope and Limitations

The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Superintendent – North TPA. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in their arrangements for ensuring compliance with the Code of Practice for Victims.

- 2.2.1. There were no instances whereby the audit work undertaken was impaired by the availability of information.



### 3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within the Victims' Code provide **Substantial** assurance.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

*It should also be noted that our audit testing did not include reviews of individual cases to assess whether Officers had been compliant with the Victims' Code of Practice. Our findings are based on the information obtained from the Constabulary and the testing carried out by them as part of their assessment of compliance, the underlying information, such as case files were not tested by Internal Audit.*

### 4. Summary of Recommendations, Audit Findings and Report Distribution

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There is **1** audit recommendation arising from this audit review as follows:

| Control Objective   | No. of recommendations |        |          |
|---|------------------------|--------|----------|
|   | High                   | Medium | Advisory |
| 1. <b>Management</b> - achievement of the organisation's strategic objectives                                   | -                      | -      | -        |
| 2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.1.) | -                      | -      | 1        |
| 3. <b>Information</b> - reliability and integrity of financial and operational                                  | -                      | -      | -        |
| 4. <b>Security</b> - safeguarding of assets   | -                      | -      | -        |
| 5. <b>Value</b> - effectiveness and efficiency of operations and programmes                                     | -                      | -      | -        |

|  |   |   |   |
|--|---|---|---|
| <b>Total Number of Recommendations</b> | - | - | 1 |
|--|---|---|---|

4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- Working with the Safer Cumbria Partnership, a quality assessment framework (QAF) has been developed and endorsed by the PCC. The framework provides a way of assessing and evaluating compliance with the Victims Code. For the Constabulary this includes, but is not limited to, periodic self-assessment, dip sampling of cases and attending the meetings of Victims and Witnesses Group.
- The QAF is supported by a 'manual for audit' developed by Victim Support in conjunction with Safer Cumbria and the PCC in March 2017 which sets out the requirements of each partner.
  - Results of the QAF dip sampling are provided to the OPCC for review and challenge before they are reported to the Safer Cumbria Partnership for inclusion in the annual report.
  - The QAF promotes the sharing of knowledge and case studies of good practice are regularly shared at Safer Cumbria meetings.
- Cumbria's approach to improving compliance with the Victims' Code and the development of the QAF has been recognised in HM Government's recently published Victims Strategy.
- The Constabulary has identified a Superintendent as Professional Lead for the Victims' Code and Services.
- A training package has been developed and delivered on the Victims' Code to Officers in local areas. This has included:
  - A Victims Code e-learning module which explains the purpose of the Code and police responsibilities to victims of crime.
  - A briefing on the Victims' Code as part of the Constabulary's 7 minute briefing series
  - Briefing sessions involving input from various agencies, such as Victims Support, Remedi-Restorative Justice Services and the Cumbria Witness Care Unit.
- Information and guidance is available to victims of crime. This includes:
  - Putting Victims First, a help and advice booklet is provided to those reporting a crime to the police.
  - The Constabulary website includes information for victims and has links to the Victims' Code of Practice and to the relevant support agencies.

4.4. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.4.1. *High priority issues:*

- None Identified

4.4.2. *Medium priority issues:*

- None Identified

4.4.3. *Advisory issues:*

- The Constabulary has included areas not currently measured or that require improvement within their Improvement Plan (CCIP). Monitoring delivery of the actions will be required to confirm that they provide an adequate method for measuring compliance with the Code and that continuous improvement is made.

**Comment from the T/Assistant Chief Constable :**

I am aware of the actions the Constabulary has signed up and their implementation will be monitored through the Local Policing and Specialist Capabilities Board

I am satisfied that the actions identified by my managers address the issues and risks identified within the audit to an acceptable level

This report can now be finalised and reported in summary to the next meeting of the Joint Audit Committee via the internal audit quarterly progress report.

**Justin Bibby**  
**T/ACC**  
**05/03/2019**

# Management Action Plan

## 5. Matters Arising / Agreed Action Plan

5.1. **Regulatory** - compliance with laws, regulations, policies, procedures and contracts.

● **Advisory**

### Audit finding

#### (a) **Measuring Compliance with the Victims Code**

Whilst the Quality Assessment Framework (QAF) provides the means for the police (and other partners) to assess compliance with the Victims Code, the outcome of the Constabulary's latest QAF self-assessment (undertaken in July 2018), including dip sample testing, indicates that the Constabulary currently do not or are unable to measure six of the twenty four required areas.

Reasons shown for not / being unable to measure include:

- No relevant cases to measure (2);
- Information not specifically captured (4)

Areas identified as not being measured or that require improvement within the QAF self-assessment are included on the Constabulary's improvement plan (CCIP) together with related actions, action owners and timescales for delivery. All actions are due to be complete by the end of March 2019. In the meantime reliance is placed on existing processes which give some assurance in those areas where information is not specifically captured at the current time.

In order to continue to be assured that the Constabulary is meeting its responsibilities under the Victims Code of Practice, management should continue to monitor delivery of the actions included in the CCIP to confirm that all requirements can be measured and that improvement in levels of compliance are met. Where a measurement can't be provided (for example due to lack of measureable cases) consideration should be given to marking these as not applicable rather than not measured.

### Management response

Agreed management action:

*Delivery of the actions included in the CCIP will continue to be monitored via the existing corporate arrangements.*

*When the outstanding actions are complete, and before they are 'closed', they will be reality checked by the Business Improvement Unit to ensure that they have been implemented.*

|   |  |
|---|--|
| <p><b>Recommendation 1:</b><br/>Management should continue to monitor delivery of the actions included in the CCIP and confirm that the actions set out provide an adequate method for measuring compliance with the Code and allows for continued improvement.</p> |  |
| <p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"><li>• The Constabulary fails to meet its responsibilities to victims and witnesses.</li><li>• Reputational damage from non-compliance with the Victims Code of Practice.</li></ul>  | <p>Responsible manager for implementing:<br/><b>T/ACC</b></p> <p>Date to be implemented:<br/><b>March 2019</b></p> |

## Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

|                       | Definition:   | Rating Reason   |
|-----------------------|---|---|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>   |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                            |

## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

| Definition:     |   |  |
|-----------------|---|--|
| <b>High</b>     | ● | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| <b>Medium</b>   | ● | Some risk exposure identified from a weakness in the system of internal control                            |
| <b>Advisory</b> | ● | Minor risk exposure / suggested improvement to enhance the system of control                               |

### Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.

# Cumbria Shared Internal Audit Service Internal Audit Report for Cumbria Constabulary



## Audit Follow up of Receipt, Handling & Disposal of Drugs

Draft Report Issued: **6<sup>th</sup> November 2018**

Final Report Issued: **30<sup>th</sup> November 2018**



## Audit Resources

| Title         | Name               | Email                             | Telephone    |
|---------------|--------------------|-----------------------------------|--------------|
| Audit Manager | Emma Toyne         | emma.toyne@cumbria.gov.uk         | 01228 226261 |
| Lead Auditor  | Janice Butterworth | janice.butterworth@cumbria.gov.uk | 01228 226289 |

## Audit Report Distribution

|                  |   |
|------------------|---|
| For Action:      | Dean Holden – T/Detective Chief Superintendent, Crime Command   |
| For Information: | Andy Slattery – T/Assistant Chief Constable   |
| Audit Committee  | The Joint Audit Committee, which is due to be held on 20 <sup>th</sup> March 2019, will receive the report. |

### Cumbria Shared Internal Audit Service



Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), [www.sjstudios.co.uk](http://www.sjstudios.co.uk), Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker

# Executive Summary

## 1. Background

- 1.1. An audit of the Receipt, Handling and Disposal of Drugs was previously carried out in 2016/17. Based on the evidence provided at that time, the audit concluded that the controls in operation provided **partial** assurance. Improvements were agreed in the following areas:
- Defining internal policy and procedures in relation to receipt, handling and disposal of drugs;
  - New procedures to be communicated to staff;
  - Arrangements to be put in place for ensuring compliance with the policy and procedures.
- 1.2. Internal Audit has recently undertaken a formal follow up audit to provide updated assurance to senior management and the Joint Audit Committee that the previously agreed actions to address the recommendation have been fully implemented and all controls are working effectively to mitigate the risks previously identified.

## 2. Audit Approach

### 2.1. Follow up Methodology

- 2.1.1. The Internal Audit follow up process involved obtaining details of management updates to Joint Audit Committee and then undertaking testing as necessary to confirm that the reported actions have been fully implemented and that controls are working as intended to mitigate risk.
- 2.1.2. It is the responsibility of management to continue to monitor the effectiveness of internal controls to ensure they continue to operate effectively.

## 3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. Where the outcomes of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.

3.3. From the areas examined and tested as part of this follow up review we now consider the current controls provide **reasonable** assurance. This has been revised from the original opinion of partial assurance. The revised audit opinion assumes that controls assessed as adequate and effective in the original report have not changed and these have not been revisited as part of the follow up.

## 4. Summary of Recommendations and Audit Findings

4.1. There are three levels of audit recommendation. The definition for each level is explained in **Appendix B**.

4.2. The previous audit raised **one** audit recommendation for action. Whilst the recommendation has mostly been addressed, there are still areas which require further action to enable a greater level of assurance to be reached.

### 4.3. **Areas for further development:**

From the evidence provided as part of this follow up there are two parts of the audit recommendation which require further action as follows:

4.3.1. *High priority issues:* None identified

4.3.2. *Medium priority issues:*

- Periodic spot checks of drugs held are not being undertaken as required by the procedure.

4.3.3. *Advisory issues:*

- The procedure doesn't include guidance on the drugs destruction process.

**Comment from the T/Assistant Chief Constable**

**I am aware of the actions DCS Holden has signed up to in relation to spot-checks of drug destruction and improved officer guidance. I am satisfied that these actions address the issues and risks identified within the audit to an acceptable level and DCS Holden has arrangements in place to monitor their implementation**

**The report can now be finalised and reported in summary to the next meeting of the Joint Audit Committee via the internal audit quarterly progress report.**

**A.Slattery**

**T/ACC**

**29/11/2018**

# Management Action Plan

## 5. Matters Arising / Agreed Action Plan

5.1. **Management** - achievement of the organisation's strategic objectives.

### Audit Finding

#### Original finding - Policy and Procedures

● **High Priority**

There are currently no corporate policies or procedures outlining the detailed requirements for receipt, recording, storage, and disposal of drugs. Management have not defined their requirements or expectations and therefore they cannot be assured that seized drugs are being received, recorded, stored and disposed of as intended.

The Standard Operating Procedure for property management shows, at Appendix H, a flow chart of the process for controlled drugs but this does not specify any detailed requirements. We were informed that local customs and practices have developed in each Territorial Policing Area meaning that there is no consistent approach over how drugs are receipted, recorded, stored and disposed of.

In the absence of a policy and procedures Internal Audit are unable to provide assurance to management that:

- Procedures meet national requirements, local objectives and management expectations;
- Roles and responsibilities are clearly defined;
- Staff have been trained effectively;
- Consistent processes are being followed in each Territorial Policing Area.

#### Outcome from follow up: *(partially implemented)*

A procedure 'Receipt, recording, storage and disposal of drugs' was produced, approved and communicated to staff in 2017.

The new procedure requires all drug seizures to be recorded on the Property Register and for Front Enquiry Office staff to be integral to the process of recording and storing drug exhibits. The defined procedure should assist in ensuring consistency in each Territorial Policing Area (TPA).

Whilst the procedure guidance includes the arrangements for allocating items for destruction and moving them to drug destruction bins it does not include

the arrangements for destroying them e.g. transportation requirements (vehicle and staff), officers to witness destruction, destruction certificates to be obtained and retained on file. Setting out the final part of the process would ensure that all staff are clear on the arrangements required to destroy drugs.

The procedure provides for random spot checks to be undertaken on drugs marked for destruction and those marked for retention to ensure that seized drugs are present and accounted for. We were informed that these random spot checks have been undertaken in the South Area but these are not documented or reported. We were advised that spot checks on retained drugs have not been undertaken in North and West Areas.

**Recommendation 1:**

● **Advisory**

The drug destruction process should be included within the procedure and should be communicated to relevant staff.

**Recommendation 2:**

● **Medium Priority**

Periodic spot checks of the drug storage areas in each TPA should be undertaken, documented and reported to provide Management with assurance that procedures are being complied with.

## Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

|                       | Definition:   | Rating Reason   |
|-----------------------|---|---|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>   |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                            |

## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

| Definition:     |   |  |
|-----------------|---|--|
| <b>High</b>     | ● | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| <b>Medium</b>   | ● | Some risk exposure identified from a weakness in the system of internal control                            |
| <b>Advisory</b> | ● | Minor risk exposure / suggested improvement to enhance the system of control                               |



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# Cumbria Shared Internal Audit Service

## Internal Audit Report for Cumbria Constabulary & OPCC



## Audit of Payroll

Draft Report Issued: **13<sup>th</sup> December 2018 (Re-issued 17<sup>th</sup> January 2019)**

Final Report Issued: **22<sup>nd</sup> January 2019**

## Audit Resources

| Title           | Name               | Email                             | Telephone    |
|-----------------|--------------------|-----------------------------------|--------------|
| Audit Manager   | Emma Toyne         | emma.toyne@cumbria.gov.uk         | 01228 226261 |
| Lead Auditor(s) | Janice Butterworth | janice.butterworth@cumbria.gov.uk | 01228 226289 |

## Audit Report Distribution

|                  |  |
|------------------|--|
| For Action:      | Ann Dobinson, Head of Central Services<br>Alison Hunter, Payroll and Transactional Services Manager  |
| For Information: | Michelle Bellis, Deputy Chief Finance Officer<br>Roger Marshall, Joint Chief Finance Officer<br>Stephen Kirkpatrick, Director of Corporate Support |
| Audit Committee  | The Joint Audit & Standards Committee, which is due to be held on 20 <sup>th</sup> March 2019, will receive the report.                            |

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.*

### Cumbria Shared Internal Audit Service

Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), www.sjstudios.co.uk, Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker



# Executive Summary

## 1. Background

- 1.1. This report summarises the findings from the audit of Cumbria Constabulary and Office of the Police Crime Commissioner's (OPCC) payroll. This was a planned audit assignment which was undertaken in accordance with the 2018/19 Audit Plan.
- 1.2. The payroll processing function is undertaken by the Central Services Department (CSD). The department currently administers the monthly salaries of approximately 1960 Constabulary officers and staff and 18 OPCC staff.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

### 2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Head of Central Services. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
  - Monthly reconciliation processes;
  - Processes around the payment of Unsocial Hours and TOIL.

This audit focused on the work undertaken by the Central Services Department from the point at which records are passed to them for processing. It did not look at the Duty Management System or the role of Finance in verifying TOIL information prior to authorisation.

2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3. Assurance Opinion

3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.

3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Cumbria Constabulary and OPCC payroll provide **substantial** assurance.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4. Summary of Recommendations, Audit Findings and Report Distribution

4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.

4.2. There is **one** audit recommendation arising from this audit review and this can be summarised as follows:

| Control Objective  | No. of recommendations |        |          |
|--|------------------------|--------|----------|
|  | High                   | Medium | Advisory |
| 1. <b>Management</b> - achievement of the organisation's strategic objectives                                  | -                      | -      | -        |
| 2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.1) | -                      | -      | 1        |
| 3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.2)   | -                      | -      | -        |
| 4. <b>Security</b> - safeguarding of assets  | -                      | -      | -        |
| 5. <b>Value</b> - effectiveness and efficiency of operations and programmes                                    | -                      | -      | -        |
| <b>Total Number of Recommendations</b>   | -                      | -      | 1        |

4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- Monthly payroll deadlines have been established, communicated to all staff and are adhered to.
- The Team Leader monthly checklist has hyperlinks to completion procedures / guidance.
- Monthly payroll reports received from Midland Trent are checked to the monthly reconciliation spreadsheet prior to the reports being authorised and returned to Midland for processing.
- BACS authorisation reports received from Midland are signed by the Payroll & Transactional Services Manager or the Employee Services Team Leader as evidence of checking and payment authorisation.
- Procedures for processing Unsocial Hours and TOIL payments have been written and are available to all staff.
- Unsocial hours report is downloaded monthly from the Duty Management System (DMS) and hours paid the month after they were earned. In addition, the report is re-run the following month to check for any adjustments. Any under or over payments are then made and are clearly shown on the employees monthly payslip.
- Checks on payment eligibility for claims made by an Officer above the rank of Sergeant are undertaken and manually input to ensure the correct hourly rate is paid.

4.4. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.4.1. *High priority issues:* None identified.

4.4.2. *Medium priority issues:* None identified.

4.4.3. *Advisory issues:*

- The Monthly Payroll Tasks check list does not clearly identify tasks which require a second check

**Comment from the Director of Corporate Support & Joint Chief Finance Officer**

I am delighted that the 2018 review of the Payroll function has again provided Substantial assurance and that there is only one advisory level recommendation made. The audit has again provided reassurance that the Constabulary has an excellent approach to the provision of Payroll services which effectively supports and enables the organisation to provide robust, reliable and effective remuneration for all employees.

The audit identified numerous areas of good practice, which is a credit to all staff involved in the Payroll function. I am pleased that the audit

highlighted the strong governance and oversight of the procedures and systems in place, specifically around the areas of TOIL and unsocial hours etc. The one advisory recommendation of updating the check list to clearly identify tasks that need a second check has now been addressed.

The findings of this audit are extremely encouraging and recognise the excellent work undertaken regarding Payroll services, specifically within the Central Services Department.

*Stephen Kirkpatrick – Director of Corporate Support*

I am pleased to note the very positive results of the internal audit review of payroll. This is a critical function, which often doesn't get recognition, but has been consistently managed well over a number of years. It is a testament to the diligent work of Ann Dobinson and her team that the service continues to perform well and internal audit are able to provide a conclusion of substantial assurance in the recent audit. Thanks to all involved.

*Roger Marshall – Joint Chief Finance Officer*

# Management Action Plan

## 5. Matters Arising / Agreed Action Plan

### 5.1. Regulatory - compliance with laws, regulations, policies, procedures and contracts

● **Advisory issue**

| Audit finding   | Management response   |
|---|---|
| <p>(a) <b>Monthly Payroll Tasks Checklist</b></p> <p>Admin Officers complete a 'monthly payroll tasks checklist' to show when tasks have been completed and by whom. The checklist includes a column for 'payslips checked'. We were advised that only certain tasks on the checklist require a payslip check to be undertaken by a second member of staff. However, it is not clear which tasks require this additional check.</p> | <p>Agreed management action:</p> <p>The monthly checklist has been amended to clearly identify which tasks do not require a payslip check as part of the payroll process. There are some processes that do not directly affect the payslip or are as a result of a file upload, these have their own individual process checks. Payroll staff were aware of which checks are required, the amendment to checklist now provides greater clarity for audit purpose.</p> |
| <p><b>Recommendation 1:</b></p> <p>The monthly payroll tasks checklist should clearly show which tasks must be second checked.</p>  | <p>This action was implemented following the audit visit.</p>   |
| <p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Checks required are not carried out.</li> </ul>  | <p><b>Responsible manager for implementing:</b><br/> <b>Payroll &amp; Transactional Services Manager</b><br/> <b>Date to be implemented: Dec 2018</b></p>   |



## Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

|                       | Definition:   | Rating Reason   |
|-----------------------|---|---|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>   |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                            |

## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

| Definition:     |   |  |
|-----------------|---|--|
| <b>High</b>     | ● | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| <b>Medium</b>   | ● | Some risk exposure identified from a weakness in the system of internal control                            |
| <b>Advisory</b> | ● | Minor risk exposure / suggested improvement to enhance the system of control                               |

### Recommendation Follow Up Arrangements:





- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.

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## OFFICE OF THE POLICE & CRIME COMMISSIONER – STRATEGIC RISK REGISTER

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| Risk No.       | Risk Title   | Total Score  | Risk Owner                           |                                 | Any outstanding actions YES/NO | Actions to be completed   | Reviews    |
|----------------|--|--|--------------------------------------|---------------------------------|--------------------------------|---|------------|
|                |  |  | Risk Owner                           | Action Owner                    |                                |   |            |
| <b>R1</b>      | Strategic Finance  | 16   | Chief Executive                      | Chief Finance Officer           | No                             | Continued review of the MTFF as part of the budgeting process. Further development and refinement of savings options in conjunction with the Constabulary.  | April 2019 |
| <b>R2</b>      | The Emergency Services Mobile Communications Programme (ESMCP) | 9   | Chief Executive                      | Chief Executive                 | No                             | Continue to monitor the national position and take appropriate actions to prepare for implementation.   | April 2019 |
| <b>R4 (10)</b> | Information Management (GDPR Compliance)                       | 9  | Head of Comms & Business Services    | Governance Manager              | Yes                            | The OPCC is interdependent upon the Constabulary for some areas of work such as data sharing agreements and updating of shared policies. This work is to be undertaken by the Joint DPO/Team. As the work of the Constabulary progresses it therefore reduces the potential severity of the risk. | April 2019 |
| <b>R5</b>      | Procurement  | 9  | Head of Partnerships & Commissioning | Partnerships & Strategy Manager | Yes                            | Further development and implementation of a detailed procurement action plan including review recruitment of vacant posts.  | April 2019 |

Scores:

|           |                         |
|-----------|-------------------------|
| 8 – 16    | Review within 3 months  |
| 4 - 6     | Review within 6 months  |
| 3 or less | Review within 12 months |

|                              |  |   |
|------------------------------|--|---|
| <b>Risk No:</b><br><b>R1</b> | <b>Risk Title:</b><br><b>STRATEGIC FINANCE</b> | The Police and Crime Commissioner is required to set a balanced budget. Resources from central Government formula grant provide the significant majority of funding to deliver police services. Real term reductions in that funding will have a substantial impact on the level of policing that can be provided and on the potential to deliver the Commissioner's wider responsibilities.<br><br><b>Police &amp; Crime Plan Objectives - 1 Your Priorities for Cumbria / 2 A Visible and Effective Police Presence / 3 Tackle Crime and Anti-Social Behaviour/ 4 Ensure Offenders Face a Consequence for their Crime / 5 Always Put Victims First / 6 Focus on Police on Online and Sexual Crime / 7 Spend Your Money Wisely / 8 Supporting Young People</b> |
|------------------------------|--|---|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)   | What is the consequence of the described risk?<br>(Results in.....leads to.....)   | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk   | Actions   |  |                       | Action Owner(s)   | Review Date |
|--|--|-------------------|------------|------------|-----------------|------------|------------|---|--|---|--|-----------------------|-------------------|-------------|
|  |  | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   |  | Assurances  | Future or further actions to be taken  |                       |                   |             |
| Reduction in real term resources within the medium term time horizon to provide sufficient funding for the Commissioner and Constabulary to deliver current levels of policing service. Current government funding protection is only provided in cash terms, requiring the Commissioner to meet inflation and other service pressures from <b>increased precept or savings</b> . This risk has increased recently due to proposed increases in police pension contributions, introduction of PEQF, over-running national projects which may ultimately impact on force budgets, the relaxation of the public sector pay cap, Brexit and a potential review of the Police Funding Formula. | This risk may lead to a reduction in the level of police services and/or result in Cumbria Constabulary not being viable as an independent force. Alternative options for delivering a police service in Cumbria may have to be considered. This may impact on the extent to which services respond to local needs in Cumbria. During the period of change there may be reductions in public assurance/confidence. | 4                 | 4          | <b>16</b>  | 4               | 4          | <b>16</b>  | Chief Executive (Reduce)  | The budget and medium term financial forecast (MTFF) are reviewed and updated on a regular basis. The budget has been balanced in the short term and reserves provide additional security. <b>The 2019/20 grant settlement was more favourable than expected providing short term funding for pensions and increased flexibility to raise council tax, which was utilised in producing the 2019/20 budget. However, this does not alleviate the longer term concerns regarding the sustainability of a funding model which relies on local taxpayers to fund all cost increases. Hence the risk score has been maintained</b><br>Scenario planning to identify potential longer-term savings and service | Budget monitoring processes and internal controls are in place to manage financial commitments. The financial control environment is tested annually by internal and external audit. HMIC Peel inspections and external auditors review overall financial resilience and the track record of delivering savings. The most recent audit review of preparedness for funding cuts provided reasonable assurance. | Continued review of the MTFF as part of the budgeting process. Further development and refinement of savings options in conjunction with the Constabulary. | Chief Finance Officer | <b>April 2019</b> |             |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  | <p>re-engineering is on-going in both the OPCC and Constabulary.</p> <p>The Commissioner has joined the National Rural Crime Network to support rural policing issues.</p> <p>In the December 2017 grant settlement the Government announced that the review of the funding formula would be deferred to the next spending review from 2021/22.</p> <p>The position will be further reviewed in light of the 2019/20 budget.</p> |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

|                              |   |   |
|------------------------------|---|---|
| <b>Risk No:</b><br><b>R2</b> | <b>Risk Title:</b><br><b>Emergency Services Mobile Communications Programme</b> | The Emergency Services Network is a major national project to replace the current Airwave radio communications system across all emergency services with Mobile Phone technology. There are national and local risks in relation to uncertainty over the cost and timing of implementation of the new system. Cumbria also specific risks in relation to the coverage due to the topography of the county.<br><br><b>Police &amp; Crime Objectives: 1 – Your Priorities in Cumbria / 2 -A visible and Effective Police Presence</b> |
|------------------------------|---|---|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)  | What is the consequence of the described risk?<br>(Results in.....leads to.....)  | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions  |  |   |                 |             |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|--|--|---|-----------------|-------------|
|   |   | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk   | Assurances   | Future or further actions to be taken   | Action Owner(s) | Review Date |
| The Emergency Services Mobile Communications Programme (ESMCP) is a collaboration between the police, fire and ambulance Emergency Services (3ES) in England, Scotland and Wales to replace the existing mobile radio system known as Airwave. ESCMP will deliver the Emergency Services Network (ESN) which will provide integrated critical voice and broadband data over an enhanced 4G commercial network. This is a significant project. At the present time there are concerns around cost, coverage and timescales for delivery, which has been subject to a series of delays. | This risk may result in significant additional costs and coverage issues may impact upon the Commissioner's ability to ensure Cumbria has an efficient and effective policing service, which could lead to reputational risk. | 4                 | 3          | 12         | 3               | 3          | 9          | Chief Executive (Reduce)  | The Commissioner is working regionally with other North West Commissioners and nationally through the APCC to highlight concerns. The Chief Constable is a member of the national reference group and Cumbria has seconded a staff member to the regional implementation team. Appropriate staffing resources have been identified within the ICT team to deliver the project and prudent estimates of costs have been included in the capital programme and medium term financial forecast. | Work being undertaken regionally and nationally provides some assurance. The critical nature of this national project and delays in national implementation mean it will be a significant risk for a protracted time period. | Continue to monitor the national position and take appropriate actions to prepare for implementation. | Chief Executive | April 2019  |

|                                      |   |  |
|--------------------------------------|---|--|
| <b>Risk Number:</b><br>R4<br>(Op 10) | <b>Risk Title:</b><br><b>Information Management</b> | The OPCC has a duty to process information in a fair and transparent manner in line with current legislation.<br><br>Police & Crime Objectives: 1 Your Priorities in Cumbria |
|--------------------------------------|---|--|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)   | What is the consequence of the described risk?<br>(Results in.....leads to.....)  | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions  |   |  |                    | Action Owner(s) | Review Date |
|--|---|-------------------|------------|------------|-----------------|------------|------------|---|--|---|--|--------------------|-----------------|-------------|
|  |   | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk   | Assurances  | Future or further actions to be taken  |                    |                 |             |
| The General Data Protection Regulations came into force on 25 May 2019. The OPCC has a responsibility to ensure it processes information in line with legislation. | Should the OPCC fail to comply with the new legislation or have a data breach could result in substantive financial penalties up to 2m Euros. Any significant loss of data could lead to reputational damage. | 4                 | 3          | 12         | 3               | 3          | 9          | Head of Communications and Business Services                          | OPCC Lead officer to identify required changes and progress implementation. National guidance and information to be provided by APCC and APACE Joint working with the Constabulary's Data Protection Officer is ongoing. Action plan developed and implemented. Monthly progress updates to the Joint Collaborative Board on the implementation and progress against the action plan and further work to be carried out Programme of data mapping/ cleansing to remove old or unnecessary data Training programme completed by all OPCC staff Updating OPCC policies and strategies, developing new where appropriate. | Executive Team oversight, provided with regular reports Staff awareness training and mentoring. Risk session from Insurers. APACE & APCC guidance. Internal Audit review of GDPR preparations gave an assurance of reasonable | The OPCC is interdependent upon the Constabulary for some areas of work such as data sharing agreements and updating of shared policies. This work is to be undertaken by the Joint DPO/Team and will be monitored within the agreed an action plan. As the work of the Constabulary progresses it therefore reduces the potential severity of the risk. | Governance Manager | April 2019      |             |
| Failure to process, store or handle data correctly could lead to a data breach and information being lost or stolen.   | This could result in sensitive information being seen by unauthorised people, resulting in financial penalties and reputational damage to the organisation.   | 4                 | 3          | 12         | 3               | 2          | 6          | Head of Communications and Business Services                          | Staff, volunteers and panel members are made aware of information security requirements at their induction.  | Staff, volunteer and members awareness training.  | The OPCC is interdependent upon the Constabulary for some areas of work such as data sharing agreements and  | Governance Manager | April 2019      |             |



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  | Reminders are sent out to all upon any changes or when a breach has been encountered. Each situation is assessed and any learning disseminated appropriately. Briefing by Governance Manager at team meeting following DPA/GDPR course regarding information security and data breaches. | Reminders regarding information security | updating of shared policies. The current Constabulary data breach policy has been updated and finalised. |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

|                           |  |  |
|---------------------------|--|--|
| <b>Risk Number:</b><br>R5 | <b>Risk Title:</b><br><b>Procurement</b> | The Commissioner shares a procurement team with Cumbria Constabulary. Recent difficulties in recruiting the Head of Procurement and other senior posts within the function have compromised the ability to provide an effective procurement service.<br><br>Police & Crime Plan Objectives - 1 Your Priorities for Cumbria / 3 Tackle Crime & Anti-Social Behaviour / 4 Ensure Offenders Face a Consequence for their Crime / 5 Always Put Victims First / 6 Focus our Police on Online and Sexual Crime / 7 Spend Your Money Wisely / 8 Supporting Young People |
|---------------------------|--|--|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)                                      | What is the consequence of the described risk?<br>(Results in.....leads to.....)   | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions   |   |  |                                 | Action Owner(s) | Review Date |
|---|--|-------------------|------------|------------|-----------------|------------|------------|---|---|---|--|---------------------------------|-----------------|-------------|
|   |  | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk  | Assurances  | Future or further actions to be taken  |                                 |                 |             |
| Difficulties in recruiting a Head of Procurement and lack of capacity and skills within the function. | The procurement function operating sub-optimally, impacting on compliance with the Joint Procurement Regulations, ineffective commissioning processes. | 4                 | 3          | 12         | 3               | 3          | 9          | Head of Partnerships and Commissioning                                | A new Head of Procurement is now in post and has developed a strategy and action plan to address weaknesses, strengthen the team and improve procurement processes. An immediate action has been to review the Joint Procurement Regulations, which have now been agreed and put in place. Vacant posts have been recruited to. | Oversight of procurement is provided by Collaborative Board. Additional assurances are provided by scrutiny of procurement by internal audit and JAC. | Further development and implementation of the strategy and detailed procurement action plan. | Partnerships & Strategy Manager | April 2019      |             |
|   |  |                   |            |            |                 |            |            |   |   |   |  |                                 |                 |             |

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## OFFICE OF THE POLICE & CRIME COMMISSIONER – OPERATIONAL RISK REGISTER

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

|           |                         |
|-----------|-------------------------|
| 8 – 16    | Review within 3 months  |
| 4 - 6     | Review within 6 months  |
| 3 or less | Review within 12 months |

|  |   |                                      | Risk Owner                                 |                                   | Actions                        |   | Reviews        |
|--|---|--------------------------------------|--|-----------------------------------|--------------------------------|---|----------------|
| Risk No.                                   | Risk Title  | Total Score<br>(direction of travel) | Risk Owner                                 | Action Owner                      | Any outstanding actions YES/NO | Actions and dates to be completed   | Date of review |
| <b>FINANCE</b>                             |   |                                      |  |                                   |                                |   |                |
| 01   | Budget Management   | 9 ↔                                  | Joint Chief Finance Officer                | Deputy CFO                        | No                             | The overall PCC and Constabulary expenditure in 2018/19 is forecast to come in over budget, actions are in place to contain expenditure and fund any deficit at the year-end. Budget pressures are likely to remain for the near future, which will need to be carefully monitored. | April 2019     |
| 02   | Investment Counterparty Risk                                | 3 ↔                                  | Joint Chief Finance Officer                | Deputy CFO                        | No                             | None  | May 2019       |
| 03   | Financial Governance  | 2 ↔                                  | Joint Chief Finance Officer                | Deputy CFO                        | No                             | Internal Audit commencing in Nov of Code of Corporate Governance  | April 2019     |
| 04   | Shared Services   | 2 ↔                                  | Chief Executive                            | Deputy Chief Executive            | No                             | Governance agreements will be reviewed on an on-going basis.  | April 2019     |
| 05   | Asset Management  | 2 ↔                                  | Chief Executive                            | Chief Finance Officer             | No                             | None  | November 2019  |
| 06   | Insurance   | 4 ↔                                  | Chief Executive                            | Chief Finance Officer             | No                             | None  | November 2019  |
| <b>PARTNERSHIPS &amp; COMMISSIONING</b>    |   |                                      |  |                                   |                                |   |                |
| 07   | Performance / delivery of the police and crime plan         | 6 ↔                                  | Head of Partnerships & Commissioning       | Partnerships and Strategy Manager | No                             | Maintain current staffing levels.   | April 2019     |
| 08   | Partnerships & Collaboration                                | 6 ↔                                  | Head of Partnerships & Commissioning       | Partnerships and Strategy Manager | No                             | Maintain an integrated partnership working approach   | June 2019      |
| 09   | Commissioning of Services                                   | 6 ↔                                  | Head of Partnerships & Commissioning       | Partnerships and Strategy Manager | Yes                            | Increase contract management and engagement   | April 2019     |
| <b>COMMUNICATION AND BUSINESS SERVICES</b> |   |                                      |  |                                   |                                |   |                |
| 10   | Information Management (GDPR)                               | 9 ↔                                  | Head of Communications & Business Services | Governance Manager                | Yes                            | The OPCC is interdependent upon the Constabulary for some areas of work such. This work is to be undertaken by the Joint DPO/Team   | April 2019     |
| 12   | Complaints  | 4 ↔                                  | Head of Communications & Business Services | Governance Manager                | Yes                            | Guidance, training and development of systems. Delayed implementation until 01.04.2019  | April 2019     |
| 14   | Independent Custody Visiting Scheme & Animal Welfare Scheme | 3 ↔                                  | Head of Communications & Business Services | Governance Officer                | Yes                            | 6 new custody visitors have been appointed. All have undertaken induction training.   | April 2019     |

|                                  |  |   |
|----------------------------------|--|---|
| <b>Risk Number:</b><br><b>01</b> | <b>Risk Title:</b><br><b>Budget Management</b> | Budget management concerns the arrangements for monitoring and reviewing our actual expenditure against the budget and taking corrective action to manage areas of under or overspend.<br><b>Police &amp; Crime Plan Objectives – 1 Your Priorities for Cumbria / 2 A Visible and Effective Police Presence / 7 Spend Your Money Wisely</b> |
|----------------------------------|--|---|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)      | What is the consequence of the described risk?<br>(Results in.....leads to.....)  | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions   |   |   | Action Owner(s) | Review Date |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|---|---|---|-----------------|-------------|
|   |   | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk  | Assurances  | Future or further actions to be taken   |                 |             |
| Failure to effectively manage budgets resulting in under or overspend | Reputational damage<br>Financial pressures resulting in the need to cease services or recruitment<br>Failure to deliver services.<br>Unanticipated draw down of reserves. | 3                 | 4          | 12         | 3               | 3          | 9          | Chief Finance Officer<br>Reduce                                       | Robust budget setting and monitoring arrangements.<br>Named budget owners for all budget lines.<br>Close working between finance and all departments within the Constabulary, including People, to identify deviations from budget at an early stage and take corrective action. Regular financial reporting.<br>Financial Regulations<br>Use of Reserves | Financial regulations reviewed by JASC<br>External and internal audit reviews of budget management have consistently given a minimum of reasonable assurance. | A significant over-spend is forecast on the 2018/19 budget for the Constabulary. This is largely as a result of deliberate decisions to recruit additional officers. There are also other factors, which are outside senior management control. Work is currently ongoing to manage the budget position during the remainder of the year and to fund any deficit. A balanced budget for 2019/20 has been developed. | Deputy CFO      | April 2019  |

|                                  |   |  |
|----------------------------------|---|--|
| <b>Risk Number:</b><br><b>02</b> | <b>Risk Title:</b><br><b>Investment Counterparty Risk</b> | We invest with a number of counterparties to provide security and returns on the cash balances we hold as a result of having reserves and timing differences between our income and expenditure<br><br><b>Police &amp; Crime Plan Objectives – 1 Your Priorities for Cumbria / 2 A Visible and Effective Police Presence / 7 Spend Your Money Wisely</b> |
|----------------------------------|---|--|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)  | What is the consequence of the described risk?<br>(Results in.....leads to.....)  | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions   |  |                                       |                 |             |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|---|--|---------------------------------------|-----------------|-------------|
|   |   | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk  | Assurances   | Future or further actions to be taken | Action Owner(s) | Review Date |
| There is risk that the counterparty we invest in fails or under banking regulations is required to restructure capital, resulting in the loss of our investment or a reduction in value | Reputational damage – there may be an assumption that our treasury management activities have not been carried out responsibly.<br>Financial loss – a complete or partial loss of the funds invested. | 4                 | 2          | 8          | 3               | 1          | 3          | Chief Finance Officer<br>Reduce                                       | Procurement of external specialist advisors on counterparty risk<br>Spread of investment and limits for investment categories and individual counterparties in the treasury management strategy<br>Controls over authorisation of investments<br>Compliance with the CIPFA code for Treasury Management.<br>Monitoring of TM Activity | Internal Audit of TM function<br>JAC review the strategy & activity reports<br>External audit of year end balances |                                       | Deputy CFO      | May 2019    |

|                                  |   |  |
|----------------------------------|---|--|
| <b>Risk Number:</b><br><b>03</b> | <b>Risk Title:</b><br><b>Financial Governance</b> | A number of financial governance arrangements are in place to ensure the proper administration of financial affairs. This includes financial regulations, financial rules and structural governance e.g. CFO, Deputy CFO, JASC, audit. It is basically a framework for robust financial control and rules supported by checks and balances that ensure it is operating effectively.<br><br><b>Police &amp; Crime Plan Objectives – 1 Your Priorities for Cumbria / 2 A Visible and Effective Police Presence / 7 Spend Your Money Wisely</b> |
|----------------------------------|---|--|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....) | What is the consequence of the described risk?<br>(Results in.....leads to.....) | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions   |   |                                       |                 | Review Date |
|--|--|-------------------|------------|------------|-----------------|------------|------------|---|---|---|---------------------------------------|-----------------|-------------|
|  |  | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk  | Assurances  | Future or further actions to be taken | Action Owner(s) |             |
| A failure in financial governance                                | Reputational damage<br>Potential Financial loss<br>Unlawful expenditure          | 4                 | 4          | 16         | 2               | 1          | 2          | CFO<br>Reduce & transfer  | Arrangements for financial governance as detailed in the Code of Corporate Governance, Financial Regulations and Financial Rules. | Internal and external audit reports.<br>Annual Governance Statement subject to audit<br>Internal and External Audit Management assurances on systems and processes.<br>Specific insurance for fraud risk on investments |                                       | Deputy CFO      | April 2019  |

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| <b>Risk Number:</b><br><b>04</b> | <b>Risk Title:</b><br><b>Shared Services</b> | The OPCC is dependent on partner organisations for a number of key support services to enable it to deliver its functions. This includes legal services, financial services inc internal audit, HR, procurement, estates.<br><br><b>Police &amp; Crime Plan Objectives - 1 Your Priorities for Cumbria / 2 A Visible and Effective Police Presence / 3 Tackle Crime and Anti-Social Behaviour/ 4 Ensure Offenders Face a Consequence for their Crime / 5 Always Put Victims First / 6 Focus on Police on Online and Sexual Crime / 7 Spend Your Money Wisely / 8 Supporting Young People</b> |
|----------------------------------|--|--|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)                                  | What is the consequence of the described risk?<br>(Results in.....leads to.....)   | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions  |   |  |                        | Review Date |
|---|--|-------------------|------------|------------|-----------------|------------|------------|---|--|---|--|------------------------|-------------|
|   |  | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk   | Assurances  | Future or further actions to be taken                        | Action Owner(s)        |             |
| Failure of the partner organisation to deliver a sufficiently qualitative and responsive service. | Lack of sufficiently/timely/robust information has implications regarding the ability to make decisions, potential risk regarding the quality of decision making<br>In some cases areas of work may not be able to be delivered. | 3                 | 1          | 4          | 2               | 1          | 2          | Chief Executive   | Shared Service Agreement & Annual Resource Planning with Audit<br>NW employers subscription (HR)<br>Named on legal frameworks/OPCC networks<br>CC Funding agreements includes controls on resource changes to support services | Progress on the annual audit plan is monitored by JAC/CFO attends shared service board meetings<br>CCCFO/PCCCFO have statutory decision making powers in respect of finance resources | Governance agreements will be reviewed on an on-going basis. | Deputy Chief Executive | April 2019  |



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|---------------------------|---|---|
| <b>Risk Number:</b><br>05 | <b>Risk Title:</b><br><b>Asset Management</b> | The Commissioner is the owner of all capital assets procured and used by the commissioner and the constabulary – the estate, ICT, and fleet. The Constabulary on behalf of the Commissioner manages assets.<br><br>Police & Crime Plan Objectives - 1 Your Priorities in Cumbria / A Visible and Effective Police Presence / 3 Tackle Crime & Anti-Social Behaviour / 7 Spend Your Money Wisely |
|---------------------------|---|---|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)   | What is the consequence of the described risk?<br>(Results in.....leads to.....)  | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk  | Assurances  | Future or further actions to be taken | Action Owner(s)       | Review Date   |
|--|---|-------------------|------------|------------|-----------------|------------|------------|---|---|---|---------------------------------------|-----------------------|---------------|
|  |   | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   |   |   |                                       |                       |               |
| Failure of the Constabulary to manage the commissioner’s assets resulting in breach of regulations and/or public/employee liability, loss or damage to the asset, failure to secure value for money from the use of assets | Accident or injury by employee or the public resulting from use of inadequately maintained assets<br>Loss/damage to the asset as a result of inadequate security/management of the asset.<br>Financial and reputational implications regarding the use of public money. | 3                 | 1          | 4          | 2               | 1          | 2          | Chief Executive<br>Reduce<br>Transfer                                 | Public and employer liability Insurance<br>Insurance for fleet, estates and ICT assets<br>Insurance reserve and provision<br>Financial regulations include rules for managing assets – including authorisation for write off<br>CC Funding agreement places requirements on the CC with regard to asset management and security.<br>Responsibilities for asset management are outlined in budget protocols. | Procurement of a broker to provide professional advice on insurance<br>Bi-annual actuarial review of levels of insurance liability<br>Internal audit of asset management/asset safeguarding |                                       | Chief Finance Officer | November 2019 |

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| <b>Risk Number:</b><br><b>06</b> | <b>Risk Title:</b><br><b>Insurances</b> | The Commissioner and Chief Constable take out insurance to transfer the financial risks in respect of a range of liabilities/risks including public and employee liability, assets, investment fraud.<br><br><b>Police &amp; Crime Plan Objectives - 7 Spend Your Money Wisely</b> |
|----------------------------------|---|--|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)  | What is the consequence of the described risk?<br>(Results in.....leads to.....)  | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions   |  |                                       | Action Owner(s)       | Review Date |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|---|--|---------------------------------------|-----------------------|-------------|
|   |   | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk  | Assurances   | Future or further actions to be taken |                       |             |
| Failure to adequately insure the organisation against all of the risks that it faces and/or failure to procure sufficient insurance cover/failure of the insurance provider | Potential significant financial implications should either the insurer fail commercially or the insurance cover taken fall short of the full liability incurred | 4                 | 2          | 8          | 4               | 1          | 4          | Chief Executive<br>Reduce/Accept                                      | An insurance broker is procured to provide specialist advice on the level of cover. Broker advice includes a rating for the financial stability of the insurance provider. Deputy CFO provides detailed insurance schedules to ensure broker and insurers have a full understanding of the business and risks Business managers in specialist areas are asked to advise on options regarding additional/bespoke insurance policies Annual report from the Director of Legal in respect of significant public and employee liability claims. | Bi-annual external actuarial review of levels of insurance liability against existing provision and reserves.<br><br>Decisions on level of cover and whether to self-insure are taken for review to the Executive Board and determined by the Commissioner and Chief Constable providing further scrutiny. |                                       | Chief Finance Officer | Nov 2019    |

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| <b>Risk Number:</b><br><b>07</b> | <b>Risk Title:</b><br><b>Performance / delivery of the police and crime plan</b> | The Commissioner is required to set out his vision, priorities and objectives for policing and crime within the police and crime plan. The production and publishing of the plan is a core statutory planning requirement as defined by the Police and Social responsibility Act 2011. The plan sets out the resources and assets that the commissioner will make available to the Chief Constable for policing and the mechanisms by which the Chief Constable will report on performance and be held to account.<br><br><b>Police &amp; Crime Plan Objectives - 1 Your Priorities for Cumbria / 2 A Visible and Effective Police Presence / 3 Tackle Crime and Anti-Social Behaviour/ 4 Ensure Offenders Face a Consequence for their Crime / 5 Always Put Victims First / 6 Focus on Police on Online and Sexual Crime / 7 Spend Your Money Wisely / 8 Supporting Young People</b> |
|----------------------------------|--|---|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)  | What is the consequence of the described risk?<br>(Results in.....leads to.....)       | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk   | Assurances               | Future or further actions to be taken | Action Owner(s)                   | Review Date |
|---|--|-------------------|------------|------------|-----------------|------------|------------|---|--|--------------------------|---------------------------------------|-----------------------------------|-------------|
|   |  | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   |  |                          |                                       |                                   |             |
| Changes in personnel and staffing levels may lead to a potential disruption in the ability to monitor delivery partners of the police and crime plan. | Contracts are not managed in a timely manner resulting in potential under performance. | 3                 | 3          | 9          | 3               | 2          | 6          | Head of Partnerships and Commissioning<br><br>Reduce                  | Staff arrangements were reviewed and interim plans put in place in April 2018 to reduce the likelihood of this risk and a permanent staffing structure from April 2019 has been approved.<br><br>The likelihood of this risk has however increased due to long term absence and two staff vacancies. Recruitment is underway but it is anticipated that both positions will not be filled before June 2019. This is being monitored by the Executive Team. | Executive team oversight | Maintain current staffing levels.     | Partnerships and Strategy Manager | April 2019  |

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| <b>Risk Number:</b><br><b>08</b> | <b>Risk Title:</b><br><b>Partnerships &amp; Collaboration</b> | The Commissioner has a statutory duty to deliver in partnership the Victims Code and Community Safety. The Victims Code ensures all victims and witnesses of crime have access to support and redress to help them cope and recover. The commitment to partnership working ensures an approach of shared accountability and services providing value for money.<br><br><b>Police &amp; Crime Plan Objectives - 1 Your Priorities for Cumbria / 3 Tackle Crime &amp; Anti-Social Behaviour / 4 Ensure offenders Face a Consequence for their Crime / 5 Always Put Victims First / 6 Focus our Police on Online and Sexual Crime / 7 Spend Your Money Wisely</b> |
|----------------------------------|---|--|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)   | What is the consequence of the described risk?<br>(Results in.....leads to.....)  | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions  | Current Controls in Place to Mitigate the Risk                  | Assurances   | Future or further actions to be taken | Action Owner(s) | Review Date |
|--|---|-------------------|------------|------------|-----------------|------------|------------|---|--|---|--|---------------------------------------|-----------------|-------------|
|  |   | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   |  |   |  |                                       |                 |             |
| Lack of funding from partners to support victims' services may reduce the ability to provide a continued level of service.             | Results in a failure to provide appropriate levels of service leading to gaps in provision and potential reputational damage  | 4                 | 3          | 12         | 3               | 2          | 6          | Head of Partnerships and Commissioning                                | We have key partnership collaboration through Safer Cumbria and other key strategic and operational boards within the team.  | Executive team  | Maintain an integrated partnership working approach with attendance at Safer Cumbria and other key strategic and operational board meetings.                               | Partnerships and Strategy Manager     | April 2019      |             |
| Lack of engagement by and with partners may reduce the ability to deliver the Blue Light Collaboration Agreement and programme of work | Results in a failure to realise the voluntary Blue Light working in Cumbria. Despite this being the preferred option of the partnership. Reputational risks for the OPCC and other partners by failing to deliver against their high level duty to collaborate under the Police and Crime Act 2017 to improve efficiency and effectiveness and/or community safety. | 1                 | 2          | 2          | 1               | 1          | 1          | Head of Partnerships and Commissioning                                | Cumbria Blue Light Collaboration Agreement and action plan. Signed by PCC, CFRS, CCC, Cumbria Constabulary and NWAS. Governance structure in place to drive forward the programme, monitoring performance and progress. Exec Leaders Board (quarterly) Programme Board (monthly) and Working Group (monthly) | Executive Team updates Reports and presentations to PCC and PCP | The PCC chairs the Exec Leaders Board. OPCC Blue Light Collaboration Manager oversees the programme, attending each of the Governance Groups, including chairing the BLWG. | Blue Light Collaboration Manager      | Nov 2019        |             |

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| <b>Risk Number:</b><br><b>09</b> | <b>Risk Title:</b><br><b>Commissioning Services</b> | The Commissioner sets out their priorities in the Police and Crime Plan including how he will work in partnership to ensure delivery of priorities and commissioning or services. The Commissioner ensures robust project management frameworks are in place to mitigate risk, of partners failing to deliver on services or problems associated with mobilisation.<br><br><b>Police &amp; Crime Plan Objectives - 1 Your Priorities for Cumbria / 3 Tackle Crime &amp; Anti-Social Behaviour / 4 Ensure Offenders Face a Consequence for their Crime / 5 Always Put Victims First / 6 Focus our Polie on Online and Sexual Crime / 7 Spend Your Money Wisely / 8 Supporting Young People</b> |
|----------------------------------|---|---|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)   | What is the consequence of the described risk?<br>(Results in.....leads to.....)   | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk   | Actions  |   |  | Action Owner(s) | Review Date |
|--|--|-------------------|------------|------------|-----------------|------------|------------|---|--|--|---|--|-----------------|-------------|
|  |  | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   |  | Assurances   | Future or further actions to be taken   |  |                 |             |
| Lack of ability to develop and deliver new projects and/or funding opportunities due to lack of staffing capacity.           | Will result in reputational damage due to inefficiency to deliver projects leading to reduction in public confidence and reduce services.          | 4                 | 3          | 12         | 3               | 2          | 6          | <b>Head of Partnerships and Commissioning</b><br><br><b>Reduce</b>    | Funding for additional staff capacity is included in new funding bids. Planning in place to review staffing levels and capacity with the view to maintaining and/or expanding staff capacity   | Executive team oversight   | Maintain and/or increase current staffing levels.   | Head of Partnerships and Commissioning | April 2019      |             |
| Lack of providers ability to deliver against project objectives and outcomes linked to the Police and Crime Plan             | Will result in reputational damage due to inefficient service leading to a reduction in public confidence and a reduced service for service users. | 4                 | 3          | 12         | 3               | 2          | 6          | <b>Head of Partnerships and Commissioning</b><br><br><b>Reduce</b>    | Closer scrutiny and enhanced contract management is in place where providers are under delivering.<br><br><b>Current Risks:-</b><br>4x contracts/projects have been identified as potential risk areas for non-delivery or delayed delivery of services: <ul style="list-style-type: none"> <li>G4S (high risk)</li> <li>VAB (low risk)</li> <li>Keep Safe (medium risk)</li> <li>CSPs (low risk)</li> </ul> | Partnership and Commissioning team meetings and escalation to Executive team if appropriate. | Increase contract management and engagement with projects/providers identified as being a risk. | Partnerships and Strategy Manager      | April 2019      |             |
| Lack of providers ability to deliver an integrated crisis service for victims of sexual violence and domestic abuse services | Will result in potential suspension of services putting victims at risk of repeat victimisation and could lead to reputational damage.             | 4                 | 3          | 12         | 3               | 2          | 6          | <b>Head of Partnerships and Commissioning</b>                         | Close scrutiny and enhanced contract management is in place.   | Partnership and Commissioning team meetings and escalation to                                | Ensure Partnership engagement and working remains a key focus. Dip                              | Partnerships and Strategy Manager      | April 2019      |             |

|  |   |   |   |    |   |   |   |   |               |   |   |  |                                   |            |
|--|---|---|---|----|---|---|---|---|---------------|---|---|--|-----------------------------------|------------|
|  |   |   |   |    |   |   |   |   | <b>Reduce</b> | Commissioning of a victim service, which will integrate this support into a wider victim service with greater capacity/resilience. Dip sample of cases conducted which provided reassurance about standard of service.  | Executive team if appropriate.                  | sampling of cases to be conducted  |                                   |            |
| Lack of capacity and resilience within the procurement department leads to a failure to ensure contracting and grant agreements are progressed in a timely manner. | Will result in a potential suspension of services for victims of crime leading to reputational damage and resulting in an inability to deliver the objectives and commitments set out in the Police and Crime Plan. | 4 | 3 | 12 | 3 | 2 | 6 | <b>Head of Partnerships and Commissioning</b> | <b>Reduce</b> | Procurement regularly attend Partnership and Commissioning team meetings to ensure continued guidance and support. Close working with Procurement Business Partner to ensure knowledgeable about OPCC contracts and needs.  | Executive team and collaborative board          | Team to ensure Commissioning pipeline is updated regularly and shared with Head of Procurement thereby providing a strategic outline of work.  | Partnerships and Strategy Manager | April 2019 |
| Lack of clear contract management arrangements for the Custody Medical/Bridgeway forensic medical contract   | Will result in the provider's management not focussing on the Cumbria contract and improvement requirements not being effectively communicated, enforced and delivered  | 4 | 5 | 20 | 3 | 2 | 6 | <b>Head of Partnerships and Commissioning</b> | <b>Reduce</b> | OPCC regular attendance at contract meetings, with a focus on Bridgeway requirements, regular chasing up of Constabulary leads , strategic risks flagged up with Constabulary Superintendent Constabulary to provide administrative support to contract management.   | Executive Team                                  | Discussions about future commissioning timescales and responsibilities to be held with Constabulary and partner agencies; Development Board set up by Constabulary with the provider to look at future service development and management arrangements | Partnerships and Strategy Manager | April 2019 |
| Potential challenge received on the procurement process for commissioning a victim service   | Could result in costs needing to be refunded and time / resource being required to deal with a challenge. This may also hold up the ability to award the contract.  | 4 | 4 | 16 | 3 | 2 | 6 | <b>Head of Partnerships and Commissioning</b> | <b>Reduce</b> | External legal advice has been obtained to check the proposed process and documentation for compliance and legality OPCC staff advised of the need to record any contact with potential suppliers. Questions received from a Third Party have been responded to by Legal Services; clarification questions were responded to on the procurement portal. | Executive Team Contact with contractor register | Notes to be taken for all bidder engagement meetings   | Partnerships and Strategy Manager | April 2019 |

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| <b>Risk Number:</b><br><b>10</b> | <b>Risk Title:</b><br><b>Information Management</b> | The OPCC has a duty to process information in a fair and transparent manner in line with current legislation.<br><b>Police &amp; Crime Objectives: 1 Your Priorities in Cumbria</b> |
|----------------------------------|---|---|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)   | What is the consequence of the described risk?<br>(Results in.....leads to.....)  | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions   |   |  |                    | Action Owner(s) | Review Date |
|--|---|-------------------|------------|------------|-----------------|------------|------------|---|---|---|--|--------------------|-----------------|-------------|
|  |   | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk  | Assurances  | Future or further actions to be taken  |                    |                 |             |
| The General Data Protection Regulations came into force on 25 May 2019. The OPCC has a responsibility to ensure it processes information in line with legislation. | Should the OPCC fail to comply with the new legislation or have a data breach could result in substantive financial penalties up to 2m Euros. Any significant loss of data could lead to reputational damage. | 4                 | 3          | 12         | 3               | 3          | 9          | Head of Communications and Business Services                          | OPCC Lead officer to identify required changes and progress implementation. National guidance and information to be provided by APCC and APACE Joint working with the Constabulary's Data Protection Officer remains ongoing. Action plan developed and implemented. Monthly progress updates to the Joint Collaborative Board on the implementation and progress against the action plan and further work to be carried out Programme of data mapping/ cleansing to remove old or unnecessary data Training programme completed by all OPCC staff Updating OPCC policies and strategies, developing new where appropriate. | Executive Team oversight, provided with regular reports Staff awareness training and mentoring. Risk session from Insurers. APACE & APCC guidance. Internal Audit review of GDPR preparations gave an assurance of reasonable | The OPCC is interdependent upon the Constabulary for some areas of work such as data sharing agreements and updating of shared policies. This work is to be undertaken by the Joint DPO/Team and will be monitored within the agreed an action plan. As the Constabulary's work progresses the severity of risk is reducing. | Governance Manager | April 2019      |             |
| Failure to process, store or handle data correctly could lead to a data breach and information being lost or stolen.   | This could result in sensitive information being seen by unauthorised people, resulting in financial penalties and reputational damage to the organisation.   | 4                 | 3          | 12         | 3               | 2          | 6          | Head of Communications and Business Services                          | Staff, volunteers and panel members are made aware of information security requirements at their induction.   | Staff, volunteer and members awareness training.  | The OPCC is interdependent upon the Constabulary for some areas of work such as data sharing   | Governance Manager | April 2019      |             |

|  |  |  |  |  |  |  |  |  |  |  |   |  |  |
|--|--|--|--|--|--|--|--|--|--|--|---|--|--|
|  |  |  |  |  |  |  |  |  | Reminders are sent out to all upon any changes or when a breach has been encountered. Each situation is assessed and any learning disseminated appropriately. Briefing by Governance Manager at team meeting following DPA/GDPR course regarding information security and data breaches. Existing policies and procedures still provide advice and support in relation to Data Protection. | Reminders regarding information security | agreements and updating of shared policies. The current Constabulary data breach policy is being updated and will be finalised by the end of October. |  |  |
|--|--|--|--|--|--|--|--|--|--|--|---|--|--|



|                                  |   |   |
|----------------------------------|---|---|
| <b>Risk Number:</b><br><b>12</b> | <b>Risk Title:</b><br><b>Complaints</b> | Members of the public contact the Office of the Police and Crime Commissioner to complain or raise concerns regarding policing issues. It is important the OPCC deals with these in line with the relevant legislation and where appropriate signpost individuals to the correct body to investigate the matter.<br><br>Police & Crime Plan Objectives: 1 Your Priorities for Cumbria / 2 A Visible and Effective Police Presence / 3 Tackle Crime and Anti-Social Behaviour / 4 Ensure Offenders Face a Consequence for their Crime / 5 Always Put Victims First / 7 Spend Your Money Wisely / 8 Supporting Young People |
|----------------------------------|---|---|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)  | What is the consequence of the described risk?<br>(Results in.....leads to.....)  | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions  |  |   |                    | Action Owner(s) | Review Date |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|--|--|---|--------------------|-----------------|-------------|
|   |   | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk   | Assurances   | Future or further actions to be taken   |                    |                 |             |
| The Policing and Crime Act received Royal Ascent on 31 January 2017. One element is to make it a mandatory roll for PCC's to consider police complaint appeals, failure to successfully implement a system to process appeals may result in appeals not being processed and lead to reputational damage and lack of confidence in the PCC | This could result in an increased workload for the OPCC to process and consider appeals. It may also increase the number of complaints made against the PCC should a complainant be dissatisfied about the outcome of their appeal. | 3                 | 3          | 9          | 2               | 2          | 4          | Head of Communications and Business Services                          | Some preparatory work has been undertaken in what the potential workload for the OPCC would be. The IOPC and College of Policing are to provide guidance on the changes to the complaint process and misconduct process respectively Regional<br>There is a delay to the implementation of the changes. The Home Office have yet to provide a date when legislation is to be laid. Guidance will be issued and a six month period to enable arrangements to be made. It is envisaged this will be towards the middle or end of 2019. | The APCC has arranged briefings for PCC's and OPCC's on the proposed changes. Further training seminars and sessions are to be organised<br>The IOPCC have produced draft guidance, the consultation for which ended on 23 January 2019<br>The OPCC have responded via the APCC. | When guidance is produced this will be implemented. Options for the PCC to consider on who will undertake to consider and process Appeals Training to be organised for OPCC staff<br>Use of centurion system to assess suitability to consider appeals. | Governance Manager | April 2019      |             |

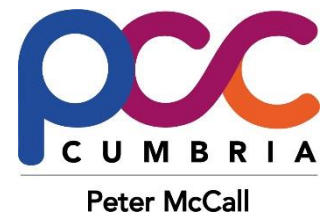
|                                  |  |  |
|----------------------------------|--|--|
| <b>Risk Number:</b><br><b>14</b> | <b>Risk Title:</b><br><b>Independent Custody Visiting &amp; Animal Welfare Schemes</b> | The Police and Crime Commissioner is required to operate an effective Independent Custody Visiting Scheme in line with legislation.<br><b>Police &amp; Crime Plan Objectives – 2 A Visible &amp; Effective Police Presence / 7 Spend Your Money Wisely</b> |
|----------------------------------|--|--|

| Risk Mitigation Strategies: |   |
|-----------------------------|---|
| <b>Avoid</b>                | Stop the risk completely or stop it having an impact.           |
| <b>Reduce</b>               | Reduce the likelihood and/or impact of the risk                 |
| <b>Transfer</b>             | Outsource, use contractors or insure against things going wrong |
| <b>Accept</b>               | The risk is tolerable/accepted                                  |

| Risk Score | Impact    | Likelihood – over the next 4 years               |
|------------|-----------|--|
| 1          | Low       | Not expected to happen, but is possible          |
| 2          | Medium    | May happen occasionally                          |
| 3          | High      | Will probably happen, but not a persistent issue |
| 4          | Very High | Will undoubtedly happen, possibly frequently     |

| What is the cause of the risk?<br>(Lack of .....failure to.....)   | What is the consequence of the described risk?<br>(Results in.....leads to.....)  | Unmitigated Score |            |            | Mitigated Score |            |            | Risk Owner & Mitigation Strategy<br>(Avoid, reduce, transfer, accept) | Actions   |  |  |                    | Action Owner(s) | Review Date |
|--|---|-------------------|------------|------------|-----------------|------------|------------|---|---|--|--|--------------------|-----------------|-------------|
|  |   | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   | Current Controls in Place to Mitigate the Risk  | Assurances   | Future or further actions to be taken  |                    |                 |             |
| The Police and Crime Commissioner has a statutory responsibility to operate an Independent Custody Visiting Scheme. A number of custody visitors within 3 of the Panels left the scheme in 2019. A lack of custody visitors on a Panel can result in weekly visits to custody suites not being undertaken. | Visits not being undertaken and checks within the custody suites are not being undertaken. Resulting in the PCC not meeting his statutory requirement | 3                 | 4          | 12         | 3               | 1          | 3          | Governance Manager  | Existing ICV's undertake visits on a more regular basis. ICV's from other Panels have been approached and are assisting by carrying out visits.<br>Recruitment process has enabled 6 new visitors to be appointed across the 3 panels with a further 2 applications being considered.<br>Induction has taken place for 3 (Barrow and Kendal) with a further induction session in February for a further 3 (West and North). Six new custody visitors are now carrying out visits with their Panels. | Weekly visits are undertaken which are documented and reported upon. | Once appointed the new custody visitors will undertake induction training and a 6-month probationary period. | Governance Officer | April 2019      |             |

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# Joint Audit Committee

## Title: OPCC Risk Management Monitoring

**Date:** 5 March 2019

**Agenda Item No:** Item 16

**Originating Officer:** Joanne Head

**CC:**

### **Executive Summary:**

The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. This takes place in a constantly changing and challenging environment and the OPCC must ensure that it has robust systems and processes in place to monitor and react appropriately to risk.

### **Recommendation:**

That, the committee notes the changes regarding the OPCC's strategic risk register, the oversight undertaken of the Constabulary's risk management; and the front sheet of the OPCC's operational risk register.

## **1. Introduction & Background**

1.1 The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. To enable it to carry out this function effectively it must monitor and react appropriately to risks. The Joint Audit Committee as part of their role, ensures that the OPCC is actively managing strategic risks and one member of the committee has been appointed as the lead member for risk.

## **2. Issues for Consideration**

2.1 Appended to this report at [Appendix 1](#) is the OPCC's strategic risk register, which has been reviewed and updated since the last meeting of the Committee. There are four identified risk, these being:

- R1 - Strategic Finance
- R2 - The Emergency Services Mobile Communications Programme
- R4 - Information Management (GDPR compliance)

- R5 – Procurement

- 2.2 The scoring for R1 remains at 16. The 2019/20 grant settlement was more favourable than expected providing short term funding for pensions and increased flexibility to raise council tax, which was utilised in producing the 2019/20 budget. However, this does not alleviate the longer term concerns regarding the sustainability of a funding model which relies on local taxpayers to fund all cost increases. Hence the risk score has been maintained
- 2.3 R2 has retained its score of 9 as there has been no significant change to this risk since the last review. There remains concern regarding the cost, coverage and timescales for the delivery of this project which has been subject to a series of delays.
- 2.4 R4 continues to appear on the strategic register due to its total score from the operational risk register due to the OPCC's interdependency on Cumbria Constabulary for areas of business such as policies and data sharing agreements. The OPCC have monthly meetings with the Project Team to oversee their progression of this area of work. As the work for the Constabulary progresses the severity of risk to both organisations is reducing. The Constabulary project is due to conclude at the end of March 2019, therefore any residual work will be carried out as 'day business' until it is fully compliant.
- 2.5 At the last review a new strategic risk relating to Procurement was included within the strategic risk register due to difficulties in recruiting a Head of Procurement and lack of capacity and skills within the function. A new Head of Procurement is now in post and has developed a strategy and action plan to address weaknesses, strengthen the team and improve procurement processes. An immediate action has been to review the Joint Procurement Regulations, which have now been agreed and put in place. Vacant posts have been recruited to.
- 2.6 The OPCC has also reviewed its operational risk register, rationalising it to appropriately reflect the operational risks it faces. A review of the operational risk register is carried out on a quarterly basis with all staff being required to review their own risks and make any necessary changes and updates. The OPCC Executive Team consider both the strategic and operational risk registers every quarter as part of their meetings. A copy of the front sheet is attached at [Appendix 2](#). This illustrates whether the scores for the individual risks have risen, remained the same or decreased and assists the Committee to understand how the risk is being managed.
- 2.8 The OPCC Chief Executive and the Governance Manager met with the Constabulary's Lead for Risk Management on Wednesday 27 February 2019. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.
- 2.9 Discussions took place in relation to the two separate risk registers, the risks identified therein and any risks that may impact upon the other organisation which may need to be recorded within the relevant strategic risk register if it does not already appear. Both the OPCC and Constabulary's strategic risk registers retained risks in relation to Strategic Finance and ESMCP with appropriate scoring. Proposed changes to the risks included within their Strategic Risk register were to be presented to the Chief Officer Group the following week for final agreement. The Constabulary will report further on their strategic risk register at the meeting.

### **3. Implications**

- 3.1 Financial - the inability of the OPCC to successfully identify and manage its organisational and strategic risks could impact financially on not only the OPCC but Cumbria Constabulary and other partner organisations which are financially dependent.
- 3.2 Legal - the OPCC could face legal challenge on some areas of its business, therefore it is essential that these are identified at an early stage and effectively mitigated and managed.
- 3.3 Risk - if the OPCC does not identify and mitigate risks then it may mean that the OPCC cannot carry out its statutory function efficiently and effectively.

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## Joint Audit Committee

**TITLE OF REPORT:** Constabulary Quarterly Risk Management Update

**DATE OF MEETING:** 20<sup>th</sup> March 2019

**ORIGINATING OFFICER:** Strategic Development, Corporate Improvement

**PART 1 or PART 2 PAPER:** PART 1 (OPEN)

### Executive Summary:

The purpose of this paper is to provide the Joint Audit Committee with an update on the Constabulary's risk management arrangements, including a review of the current strategic risk register.

Corporate Improvement has carried out a quality assurance check of all the departmental and operational risk registers, together with those from the new Boards, to ensure that risk is effectively managed across the organisation. The Strategic Risk Register was reviewed by Extended COG on 12th March 2019 where a decision was made to:

Update the cause of:

- Risk 29 in relation to the Command and Control Room

Change the action owner of:

- Risk 31 in relation to digital crime to Detective Chief Superintendent – Crime Command

Reduce the likelihood score of:

- Risk 36 in relation to professional procurement capability

Consideration was given to the proposed risk regarding the continuing rise in policing demand and complexity. However this was not considered strategic at this stage as it has been addressed through the resource allocation process.

Consider adding a new risk around Brexit once the outcome is known.

### Recommendations:

**That the Audit Committee:**

Note the Constabulary's current strategic risks, and that a quarterly review of all risk registers was completed in accordance with the Risk Management Policy in February 2019.



## MAIN SECTION

### 1. Introduction and Background

#### 1.1 Strategic Risks

Risk is the threat that an event or action will affect the Constabulary's ability to achieve its organisational aim and objectives.

Each risk is managed at the level where the control to manage the risk resides. Therefore strategic risks are managed by the Chief Officer Group, significant operational risks are managed by Crime and Territorial Policing SMT and significant strategic business risks are managed in the relevant directorate by nominated senior managers. Projects and programmes also have their own risks that are managed by the project / programme teams.

Strategic risks are those affecting the medium to long term objectives of the Constabulary and are the key, high level and most critical risks that the Constabulary faces. Best practice indicates that the number should be between 5 and 10. Currently the Constabulary has nine strategic risks.

The Constabulary's mission is to 'Keep Cumbria Safe'. The Constabulary's core policing objectives are:

1. Responding to the public
2. Prevention and deterrence
3. Investigation
4. Protecting vulnerable people
5. Monitoring dangerous and repeat offenders
6. Disrupting organised crime
7. Responding to major incidents

The strategic risks identified by the Constabulary are concerned with:

1. Significant additional and unbudgeted capital and revenue expenditure may be incurred due to delays in ESMCP transition.
2. The implications of longer-term reduction in budget and the level of savings required.
3. Healthcare services for those in Custody
4. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme.
5. Failure to keep up with technological advances to fight digital crime.
6. Reduced public confidence due to delays in answering non-emergency and 999 calls.
7. GDPR
8. Failure to deliver Cumbria Vison 25 and its associated efficiency plan.
9. Lack of professional procurement capability.

The table on page three outlines the Constabulary's nine strategic risks and provides the RAG rating (Red, Amber, and Green) for each risk (**RAG risk rating = impact x likelihood**). It also indicates which of the Constabulary's core policing objectives the risks link to.

## Strategic Risk Register

| Risk Ref No | Responsible Officer(s)                                  | Risk Description  | Impact    | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken   |
|-------------|---|---|-----------|------------|-------------------------|--------------|------------------------------|---|
| 32          | Director of Corporate Support                           | The Constabulary may incur significant additional and unbudgeted capital and revenue expenditure caused by a delay in ESMCP transition and consequential extension of reliance on Airwave resulting in the Constabulary having to extend the life of its airwave infrastructure, and potentially having to pay for both systems for a time.   | High      | Very High  | 20                      | 20           | All                          | <p>The Constabulary are joining with the region to develop a cost model to capture the financial impacts of Airwave extension, and seek Home Office central support.</p> <p>A national review of the programme is currently underway and we are still awaiting the results. The Constabulary has made the decision to extend the life of the current Airwave radio handsets.</p>  |
| 28          | Chief Financial Officer / Director of Corporate Support | As a result of a combination of the inflationary pressures on police budgets particularly pay, the lack of provision for inflation in Government grant allocations, proposed changes to police pension contributions, the impact of national projects and initiatives such as ESN and PEQF and potential changes to the police funding formula (including the removal of dampening funding) there may be a detrimental and significant impact on the available budget and a requirement for substantially increased savings. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation. | Very High | High       | 25                      | 20           | All                          | <p>There was a better than anticipated grant settlement with additional grant support in 2019-20 for pensions and increased flexibility for the PCC to raise additional council tax. The PCC budget proposal, for a precept increase was supported by the Police and Crime Panel and the public. This provides assurance regarding the robustness of the 2019/20 budget, but the medium term financial pressures remain.</p> <p>The outcome of the Comprehensive Spending Review will be critical in determining resources over the medium term, but the results will not be known until December 2019.</p> |

| Risk Ref No | Responsible Officer(s)        | Risk Description   | Impact    | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken  |
|-------------|-------------------------------|--|-----------|------------|-------------------------|--------------|------------------------------|--|
| 38          | Head of Procurement           | There is a risk of adequate and timely medical provision not being provided to detainees and other members of the public whilst attending a custody unit in Cumbria. Caused by changes to the existing contract model and provisions, together with staffing levels of the medical provisions contractor. This could result in the delay in assessment and provision of medical care, fitness for interview and other diversion measures provided by Health Care Professionals in a custody environment. | Very High | High       | 25                      | 20           | 4                            | <p>Greater governance and strategic overview of the contract and performance meetings from both business users and Procurement department.</p> <p>Monthly Contract meetings established to ensure robust challenges to contractual performance issues.</p> <p>Mitigating actions from Custody staff to use alternative measure in medical provisions.</p>  |
| 25          | Director of Corporate Support | Commitment to the Emergency Services Mobile Communications Programme (ESMCP) and subsequent use of the Emergency Services Network (ESN) has the potential to breach the Constabulary's risk capacity, cost and levels of service provision. This could potentially result in unacceptable levels of service provision; compromise officer safety, increasing costs and loss of reputation.<br>The duration of impact is likely to exceed 2 years.  | High      | Medium     | 16                      | 12           | All                          | <p>The Constabulary is working in partnership with other forces and emergency services to deliver ESMCP together as a region.</p> <p>It was expected that the new system would go live in late 2017 however the National Programme announced a time slippage. The programme is expected to begin transition after June 2018 meaning that Cumbria Constabulary is likely to transition in late 2018 / early 2019.</p> <p>The risk owner has transferred over to the Director of Corporate Support. Cumbria continues to be an active participant in the regional group and is leading coverage aspects on behalf of the region.</p> |

| Risk Ref No | Responsible Officer(s) | Risk Description   | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken   |
|-------------|------------------------|--|--------|------------|-------------------------|--------------|------------------------------|---|
|             |                        |  |        |            |                         |              |                              | A national review of the ESMCP programme is currently underway and we are still awaiting results. A review of current Airwave coverage is underway.   |
| 31          | D/Supt Crime           | Advances in digital crime may result in the Constabulary being unable to keep up with technological change. This could result in a loss of confidence, both internally and with the wider public.                              | Medium | High       | 12                      | 12           | 2,3,4,5,6                    | <p>Staff growth in this area has been approved, and all student officers receive cyber-crime training.</p> <p>In addition, the Constabulary has recently trained 12 new DMIS's with a view that all DMIS's will be accredited to College of Policing standards.</p> <p>The Constabulary has established a dedicated Force Specialist Cyber Unit. This is funded from the Constabulary matched by the Police Transformation Fund. The changes mean that the DFU technical manager post has been upgraded and is currently being advertised.</p> <p>A demand review to cover digital forensics is currently taking place with the report due at the end of March 2019.</p> <p>Assessors have now been trained within Cumbria for the Digital Assessment Tool.</p> |
| 29          | Chief Supt TPA         | Failure to answer 999 and non-emergency calls within a reasonable time and deal with them proficiently, could result in a loss of public confidence and prevent people reporting future crime / incidents to the Constabulary. | High   | Low        | 16                      | 8            | All                          | <p>Temporal analysis is now regularly completed to predict demand in CMR. A review of the current shift pattern has been carried out and a new pattern will be implemented in April 2019.</p> <p>A new CCR business plan is in place which links in with strategic objectives.</p>  |

| Risk Ref No | Responsible Officer(s) | Risk Description   | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken  |
|-------------|------------------------|--|--------|------------|-------------------------|--------------|------------------------------|--|
|             |                        |  |        |            |                         |              |                              | <p>Quality of service provided is continually monitored.</p> <p>The Constabulary has also launched a number of media campaigns regarding calling 101.</p> <p>All CMR staff have received training on THRIVE SC, Mental Health and NCRS to ensure the correct identification and management of safeguarding and vulnerability.</p> <p>The safeguarding helpdesk now sit within CCR and review high risk incidents.</p> <p>Performance is reviewed daily and after call work and email demand are also monitored.</p> <p>The CCR Inspector now has safeguarding and vulnerability as part of their portfolio, and a Performance Inspector is now in place and undertaking a piece of work to understand and manage CCR demand.</p> |
| 37          | Head of People         | The Constabulary may not be fully compliant with new data protection legislation which was implemented on 25 <sup>th</sup> May 2018 caused by delays in the DPA 2018 receiving Royal Assent. This could result in inadvertent disclosure of personal information and potential action by the Information Commissioner. | High   | Low        | 16                      | 8            | All                          | Self-assessment and Preparation Plan (SAPP) completed and areas of likely non-compliance identified. Project team has been set up under Force Disclosure Manager. Regular reporting on progress of project which will run until end of March 2019. Additional funding has been provided to support this work.  |

| Risk Ref No | Responsible Officer(s)  | Risk Description  | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken  |
|-------------|---|---|--------|------------|-------------------------|--------------|------------------------------|--|
|             |   |   |        |            |                         |              |                              | In addition, a review of the structures and governance of all information management functions and processes has been initiated to determine the level of resource required to manage the risks effectively. This is due to complete by end June.  |
| 2           | Director of Corporate Improvement & Director of Corporate Support | The Constabulary may not have the capacity to deliver the Cumbria Vision 25 and its associated Efficiency Plans. If this risk occurs the Constabulary would have to find further savings. | High   | Low        | 10                      | 8            | All                          | <p>Governance arrangements for monitoring the progress of delivery and outcomes are via regular and frequent FSDB meetings which coordinates all business change strategies.</p> <p>A dedicated lead has been appointed to support delivery of Cumbria Vision 2025 and a delivery plan is being developed.</p> <p>Revised governance arrangements are being developed to ensure effective prioritisation and co-ordinate delivery.</p> <p>High level plan and initial delivery plan completed and disseminated to all managers across the Constabulary. Governance changes now complete with supporting ICT change. Change to structure of Business Improvement Unit to allow delivery arm of BIU.</p> <p>Benefits delivery capture is in the process of being implemented across all projects. All key projects have savings targets as part of benefits realisation and owners held to account for delivery.</p> |

| Risk Ref No | Responsible Officer(s) | Risk Description  | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken  |
|-------------|------------------------|---|--------|------------|-------------------------|--------------|------------------------------|--|
|             |                        |   |        |            |                         |              |                              | Revised reporting arrangements for Vision 25 are being implemented from March 2019 resulting in a V25 balanced scorecard showing progress of all work streams to Extended COG every two months to identify issues, risks and interdependencies, agreeing any action that is required.  |
| 36          | Head of Procurement    | There is a risk that a lack of professional procurement capability compromises our ability to provide an effective and compliant procurement service, resulting in some instances of non-compliance with joint procurement regulations. | Medium | Low        | 9                       | 6            | All                          | <p>Head of Procurement in post and recruitment process for Business Partner/Contracts Manager in place.</p> <p>Work on Compliance in advanced stage.</p> <p>Central Contracts repository in place</p> <p>VFM plans in development and vision and direction agreed</p> <p>New head of department has now been embedded. Chief Officers and the PCC have now approved the new procurement strategy and joint procurement regulations. A number of staff within the department are currently undertaking a CIPS qualification which will develop professional procurement expertise. Likelihood reduced to 2.</p> |

**Risk Tolerance Levels**

|   |   |   |
|---|---|---|
| <p><b>Risk Score 1-4</b><br/>Acceptable.<br/>No action is required but continue monitoring.</p> | <p><b>Risk Score 5-12</b><br/>Tolerable risks but action is required to avoid a Red status. Investigate to verify and understand underlying causes and consider ways to mitigate or avoid within a specified time period.</p> | <p><b>Risk Score 15-25</b><br/>Unacceptable. Urgent attention is required. Investigate and take steps to mitigate or avoid within a specified short term.</p> |
|---|---|---|

## 1.2 Drivers for Change

Effective risk management is a key component of effective corporate governance. Managing risk will contribute towards delivery of the strategic priorities. There are potential significant consequences from not managing risk effectively.

Robust risk management will help improve decision-making and drive corporate activity that represents value for money.

Effective risk management will help protect the reputation of the Constabulary and the Office of the Police and Crime Commissioner, safeguard against financial loss and minimise service disruption.

## 1.3 Consultation processes conducted or which needs to be conducted

Individual risk owners have been consulted as part of the standard risk management arrangements.

## 1.4 Impact assessments and implications on services delivered

Not applicable- described in the risk register where appropriate.

## 1.5 Timescales for decision required

Not applicable to this report.

## 1.6 Internal or external communications required

None.

## 2. Financial Implications and Comments

Any financial implications are described in the relevant risks outlined within this report.

## 3. Legal Implications and Comments

Any legal implications are described in the relevant risks outlined within this report.

## 4. Risk Implications

The Constabulary's risks are described in section one of this report.



## 5. HR / Equality Implications and Comments

Any HR / Equality implications are described in the relevant risks outlined within this report.

## 6. ICT Implications and Comments

Any ICT implications are described in the relevant risks outlined within this report.

## 7. Procurement Implications and Comments

Any procurement implications are described in the relevant risks outlined within this report.

## 8. Supplementary Information

8.1 List any relevant documents and attach to report

|                   |                     |
|-------------------|---------------------|
| <b>Appendix 1</b> | Risk Scoring Matrix |
|-------------------|---------------------|

8.2 List persons consulted during the preparation of report

- All Departmental risk owners.
- Territorial Policing and Crime Command risk owners.
- Chief Officer Group.

**Risk Scoring Matrix**

| Impact Score | Description |   |   |   |                                     |   |
|--------------|-------------|---|---|---|-------------------------------------|---|
|              |             | IMPACT ON SERVICE PROVISION                         | FINANCIAL IMPACT                        | IMPACT ON PEOPLE                                | DURATION OF IMPACT                  | IMPACT ON REPUTATION  |
| 5            | Very High   | Unable to function, inability to fulfil obligations | Severe financial loss > £3M             | Multiple fatalities                             | In excess of 2 years                | Highly damaging, severe loss of public confidence or being declared a failing Force |
| 4            | High        | Significant impact on service provision             | Major financial loss £1M to £3M         | Fatality  | Between 1 year - 2 years            | National publicity, major loss of confidence or serious IPCC complaint upheld       |
| 3            | Medium      | Service provision is disrupted                      | Significant financial loss £500k to £1M | Serious injury, RIDDOR reportable               | Between six months to 1 year        | Some adverse local publicity, legal implications, some loss of confidence           |
| 2            | Low         | Slight impact on service provision                  | Moderate financial loss £100k to £500k  | Slight medical treatment required               | 2 to 6 months                       | Some public embarrassment, or more than 1 complaint                                 |
| 1            | Very Low    | Insignificant impact, no service disruption         | Insignificant financial loss < £100k    | First Aid treatment only No obvious harm/injury | Minimal - up to 2 months to recover | No interest to the press, internal only   |

| Likelihood Score | Tolerance Levels – Likelihood Assessment |  |
|------------------|--|--|
| 5                | Very High                                | A risk has a very high score if there is a 90% or more chance of it happening every year. This means that it is almost certain to happen regularly.                            |
| 4                | High                                     | A risk has a high score if there is a 65% to 90% likelihood of it happening at some point over the next 3 years. Basically, it probably will happen but it won't be too often. |
| 3                | Medium                                   | A risk has a medium score if the likelihood of it happening is between 20% and 65% over the next 10 years. This means it may happen occasionally.                              |
| 2                | Low                                      | A risk has a low score if the likelihood of it happening is between 5% and 25% at some point in the next 25years. This means it is not expected to happen but it is possible.  |
| 1                | Very Low                                 | A risk has a very low score if the likelihood of it happening is less than 5% over 100 years. Basically, it could happen but it is most likely that this would never happen.   |

|            |               | Impact       | Impact  | Impact     | Impact  | Impact        |
|------------|---------------|--------------|---------|------------|---------|---------------|
|            |               | Very Low (1) | Low (2) | Medium (3) | High(4) | Very High (5) |
| Likelihood | Very High (5) | 5            | 10      | 15         | 20      | 25            |
| Likelihood | High (4)      | 4            | 8       | 12         | 16      | 20            |
| Likelihood | Medium (3)    | 3            | 6       | 9          | 12      | 15            |
| Likelihood | Low (2)       | 2            | 4       | 6          | 8       | 10            |
| Likelihood | Very Low(1)   | 1            | 2       | 3          | 4       | 5             |
|            |               | Impact       | Impact  | Impact     | Impact  | Impact        |



Peter McCall

# Treasury Management Activities 2018/19

## Quarter 3 (October to December 2018)

Public Accountability Conference 20 February 2019

Joint Audit Committee Meeting 20 March 2019

### Purpose of the Report

The purpose of this paper is to report on the Treasury Management Activities (TMA), which have taken place during the period October to December 2018, in accordance with the requirements of CIPFA's Code of Practice on Treasury Management. TMA are undertaken in accordance with the Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) approved by the Commissioner in February each year.

### Recommendations

The Commissioner is asked to note the contents of this report.

JAC Members are asked to note the contents of this report. The report is provided as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy.

### Economic Background

The uncertain political situation surrounding Brexit has produced the prospect of divergent paths for UK monetary policy.

Due to the short time for a Brexit withdrawal deal to be agreed and the possibility of an extended period of uncertainty over the possible outcome, the treasury advisors (Arlingclose) have altered the assumption underlying the central forecast, prompting the forecast rises in Bank Rate to be pushed back.

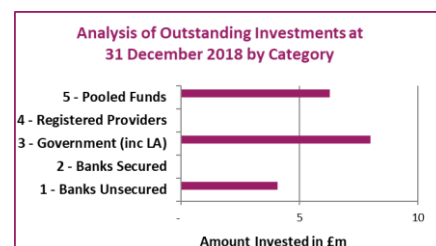
The Monetary Policy Committee bias towards tighter monetary policy remains, but policymakers are unlikely to raise Bank Rate unless there is a withdrawal arrangement and the prospect of a transition period.

Arlingclose's central case is for Bank rates to now only rise once in 2019 to 1.00% in December and then to 1.25% in June 2020.

### TM Operations and Performance Measures

The Commissioners day to day TMA are undertaken in accordance with the TMSS. The TMSS establishes an investment strategy with limits for particular categories of investment and individual counterparty limits within the categories.

**Outstanding Investments:** As at 31 December 2018 the total value of investments was **£18.365m** and all were within TMSS limits. The chart below shows the outstanding investments at 31 December by category.



A full list of the investments that make up the balance of **£18.365m** is provided at **Appendix A**.

**Investment Activity:** During quarter 3 a total of two investments with a combined value of £4m were made within TM categories 1-3 (banks unsecured, banks secured and

Government). In addition to these there were regular smaller investments in category 5 (money market pooled funds).

| Month         | Number of Investments | Total Value of Investments<br>£m |
|---------------|-----------------------|----------------------------------|
| October 2018  | 0                     | 0.00                             |
| November 2018 | 0                     | 0.00                             |
| December 2018 | 2                     | 4.00                             |

There are also regular smaller investments made via money market funds (category 5 pooled funds) as part of cash flow management.

**Non-specified investments:** The TMSS sets a limit for investments with a duration of greater than 364 days at the time the investment is made (known as non-specified investments), this limit is £5m. At 31 December the Commissioner had no investments that met this definition.

**Investment Income:** The budget for investment interest receivable in 2018/19 is £75k. This budget was set prior to the bank of England base rate rise in November 2017. The current forecast against this target is that the actual interest will be in the region of £135k. Factors such as future interest rates available and investment balances will impact on the final result.

The average return on investment at the end of quarter 3 is 0.68%.

As a measure of investment performance, the rate achieved on maturing investments of over 3 months in duration is compared with the average BOE base rate.

The table below illustrates the rate achieved on the four maturing investments of over three months duration in quarter 3 compared with the average base rate for the duration of the investment.

| Borrower                      | Value<br>£m | Period<br>(Months) | Actual Rate<br>(%) | Average Base Rate<br>(%) |
|-------------------------------|-------------|--------------------|--------------------|--------------------------|
| Heleba                        | £2m         | 3.9                | 0.60%              | 0.70%                    |
| Nationwide                    | £2m         | 4.9                | 0.64%              | 0.71%                    |
| Leeds Building Society - Bond | £2m         | 29.6               | 0.68%              | 0.47%                    |
| Treasury bills                | £2m         | 5.6                | 0.53%              | 0.71%                    |

**Cash Balances:** The aim of the TMSS is to invest surplus funds and minimise the level of un-invested cash balances. The actual un-invested cash balances for the period October to December are summarised in the table below:

|                | Number of Days | Average Balance<br>£ | Largest Balance<br>£ |
|----------------|----------------|----------------------|----------------------|
| Days In Credit | 91             | 8,216                | 496,109              |
| Days Overdrawn | 1              | (333)                | (333)                |

The largest un-invested balance occurred on the 19th December (£496k) whereby the receipt for the sale of Ulverston Police Station was received late in the day from the solicitors. In line with procedure,

any funds banked during the day are subject to checking by the bank and could be removed from our account again while any issues are resolved, which would have resulted in an overdrawn account. It is therefore normal practice that this cash is not invested into the liquidity select account and would have been left in the main fund account.

The largest/only overdrawn balance occurred on 31<sup>st</sup> December (£333) and was as a result of the monthly online banking charges being applied to the account being omitted from the cash flow forecast.

**Prudential Indicators**

In accordance with the Prudential Code, the TMSS includes a number of measures known as Prudential Indicators, which determine if the TMSS meets the requirements of the Prudential Code in terms of **Affordability, Sustainability and Prudence.**

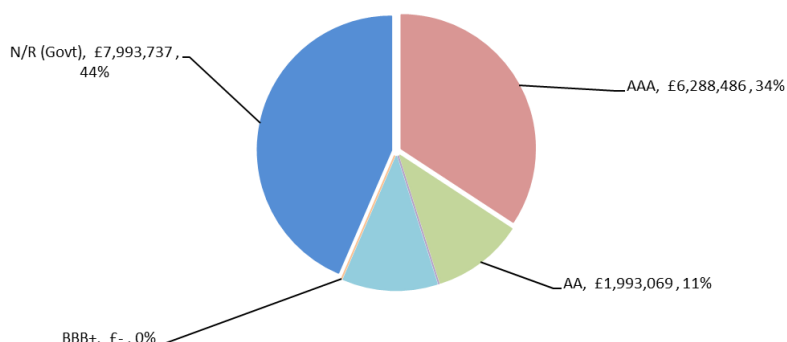
An analysis of the current position with regard to those prudential indicators for the financial year 2018/19 is provided at **Appendix B.** The analysis confirms that the Prudential Indicators set for 2018/19 are all being complied with.

## Appendix A

### Investment Balance at 31 December 2018

| Category/Institution  | Credit Rating | Investment Date | Investment Matures | Days to Maturity | Rate (%) | Amount (£)        | Counterparty Total (£) |
|---|---------------|-----------------|--------------------|------------------|----------|-------------------|------------------------|
| <b>Category 1 - Banks Unsecured (Includes Banks &amp; Building Societies)</b>     |               |                 |                    |                  |          |                   |                        |
| Svenska (Deposit Account)   | AA            | Various         | On Demand          | N/A              | 0.30%    | 1,993,069         | 1,993,069              |
| Lloyds Bank   | A+            | 24/12/2018      | 24/06/2019         | 175              | 1.000%   | 2,000,000         | 2,000,000              |
| NatWest (Liquidity Select Account)  | A+            | 31/12/2018      | 02/01/2019         | O/N              | 0.20%    | 90,000            | 90,000                 |
|   |               |                 |                    |                  |          | <b>4,083,069</b>  | <b>4,083,069</b>       |
| <b>Category 2 - Banks Secured (Includes Banks &amp; Building Societies)</b>       |               |                 |                    |                  |          |                   |                        |
|   |               |                 |                    |                  |          | <b>0</b>          | <b>0</b>               |
| <b>Category 3 - Government (Includes HM Treasury and Other Local Authorities)</b> |               |                 |                    |                  |          |                   |                        |
| Lancashire County Council   | NR            | 17/04/2018      | 16/04/2019         | 106              | 0.80%    | 2,000,000         | 2,000,000              |
| East Dunbartonshire Council   | NR            | 06/09/2018      | 06/03/2019         | 65               | 0.60%    | 2,000,000         | 2,000,000              |
| Moray Council   | NR            | 03/12/2018      | 03/06/2019         | 154              | 0.53%    | 2,000,000         | 2,000,000              |
| HM Treasury Bills   | NR            | 09/07/2018      | 07/01/2019         | 7                | 0.58%    | 1,993,737         | 1,993,737              |
|   |               |                 |                    |                  |          | <b>7,993,737</b>  | <b>7,993,737</b>       |
| <b>Category 4 - Registered Providers (Includes Providers of Social Housing)</b>   |               |                 |                    |                  |          |                   |                        |
| None  |               |                 |                    |                  |          | 0                 | 0                      |
|   |               |                 |                    |                  |          | <b>0</b>          | <b>0</b>               |
| <b>Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)</b>          |               |                 |                    |                  |          |                   |                        |
| Fidelity  | AAA           | Various         | On demand          | O/N              | 0.66%    | 2,288,486         | 2,288,486              |
| Goldman Sachs   | AAA           | Various         | On demand          | O/N              | 0.70%    | 1,900,000         | 1,900,000              |
| Aberdeen Standard   | AAA           | Various         | On demand          | O/N              | 0.74%    | 2,100,000         | 2,100,000              |
|   |               |                 |                    |                  |          | <b>6,288,486</b>  | <b>6,288,486</b>       |
| <b>Total</b>  |               |                 |                    |                  |          | <b>18,365,292</b> | <b>18,365,292</b>      |

#### Analysis of Outstanding Investments by Credit Rating of Counterparty at 31 December 2018 (Minimum Criteria per TMSS A-)



Note – The credit ratings in the table & chart relate to the standing as at 31 December 2018, these ratings are constantly subject to change.

## Appendix B

### Prudential Indicators 2018/19

| Prudential indicators (numbering references the indicator number from the Treasury Management Strategy) |  |   | Result | RAG |
|---|--|---|--------|-----|
| <b>Treasury Management Indicators</b>   |  |   |        |     |
|   | <b>The Authorised Limit</b>  |   |        |     |
| 5   | <i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section 3(1) of the Local Government Act 2003.</i> | TEST - Is current external borrowing within the approved limit                                | YES    | ●   |
|   | <b>The Operational Boundary</b>  |   |        |     |
| 6   | <i>The operational boundary represents an estimate of the most likely but not worst case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i>   | TEST - Is current external borrowing within the approved limit                                | YES    | ●   |
|   | <b>Actual External Debt</b>  |   |        |     |
| 7   | <i>It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing.</i>   | TEST - Is the external debt within the Authorised limit and operational boundary              | YES    | ●   |
|   | <b>Gross and Net Debt</b>  |   |        |     |
| 9   | <i>The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.</i>  | TEST - Is the PCC planning to borrow in advance of need                                       | NO     | ●   |
|   | <b>Interest Rate Exposure</b>  |   |        |     |
| 10/11   | <i>The purpose of this indicator is to contain the Commissioner's exposure to unfavourable movements in future interest rates. This represents the position that all of the Commissioner's authorised external borrowing may be at a fixed rate at any one time.</i>   | TEST - Is the PCC exposed to unfavourable interest rates                                      | NO     | ●   |
|   | <b>Maturity Structure of Borrowing</b>   |   |        |     |
| 12  | <i>The indicator is designed to exercise control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.</i>  | TEST - Does the PCC have large amounts of fixed rate debt requiring repayment at any one time | NO     | ●   |
|   | <b>Upper Limit for total principal sums invested for over 364 Days</b>   |   |        |     |
| 13  | <i>The purpose of this indicator is to ensure that the Commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.</i>  | TEST - Is the value of long term investments within the approved limit                        | YES    | ●   |
| <b>Affordability Indicators</b>   |  |   |        |     |
|   | <b>Ratio of Financing Costs to Net Revenue Stream</b>  |   |        |     |
| 3   | <i>This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs</i>   | TEST - Is the ratio of capital expenditure funded by revenue within planned limits            | YES    | ●   |
|   | <b>Impact of capital investment decisions on the Council Tax</b>   |   |        |     |
| 8   | <i>This indicates the incremental impact of the capital investment decisions funded from prudential borrowing proposed for the period 2018/19 based on a Band D property in line with the proposed council tax level.</i>  | TEST - Is the effect of capital expenditure on council tax within planned estimates           | YES    | ●   |
| <b>Prudence Indicators</b>  |  |   |        |     |
|   | <b>Net Borrowing and the Capital Financing Requirement</b>   |   |        |     |
| 1   | <i>This indicator is to ensure that net borrowing will only be for capital purposes. The Commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.</i>  | TEST - Is net debt less than the capital financing requirement                                | YES    | ●   |
|   | <b>Capital Expenditure and Capital financing</b>   |   |        |     |
| 2   | <i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2018/19</i>  | TEST - Is the current capital outturn within planned limits                                   | YES    | ●   |
|   | <b>Capital Financing Requirement</b>   |   |        |     |
| 3   | <i>The CFR is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i>   | TEST - Is the capital financing requirement within planned limits                             | YES    | ●   |







# Office of the Police and Crime Commissioner Report

## Public Accountability Conference 20 February 2019

**Title: Capital Strategy 2019/20**

Report of the Joint Chief Finance Officer

**Originating Officers: Michelle Bellis, Deputy Chief Finance Officer;  
Lorraine Holme, Financial Services Manager**

### 1. Purpose of the Report

- 1.1. This capital strategy is a new report for 2019/20, intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.2. The aim of this report is to provide enough detail to allow non-financial decision makers to understand how stewardship, value for money, prudence, sustainability and affordability will be secured without repeating in detail the information that is contained in other documents presented as part of this suite of capital and treasury management reports (agenda items 10b & 10c)
- 1.3. These reports meet the reporting requirements of the Chartered Institute of Public Finance and Accounting (CIPFA) Prudential Code for capital finance in Local Authorities 2017 updated guidance.



## 4. Capital Expenditure and Financing

4.1. Capital expenditure is the term used to describe expenditure on assets, such as property, vehicles and ICT equipment, that will be used (or have a life) of more than 1 year. There is some limited discretion on what is to be treated as capital expenditure and assets costing less than £25k will be charged to the revenue account in accordance with the Financial Rules and Regulations (this is known as the deminimis level).

Prudential indicator of affordability – Estimates of capital expenditure

4.2. The capital expenditure estimates for the current year and four year medium term are shown below:

| Capital Expenditure | 2017/18<br>Actual<br>£m | 2018/19<br>Forecast<br>£m | 2019/20<br>Estimate<br>£m | 2020/21<br>Estimate<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m |
|---------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Capital Expenditure | 5.25                    | 6.05                      | 8.71                      | 9.47                      | 5.35                      | 8.34                      |

4.3. The profile of capital expenditure fluctuates annually. Across the current four year programme, annual average expenditure typically comprises £1.4m to replace fleet vehicles, £2.5m on estate schemes and around £3.3m for replacement of ICT systems and equipment. ICT Expenditure reflects the Constabulary Strategy to invest in technology to support the delivery of operational policing and provide efficient business processes; schemes include the replacement of a number of control room systems with a single integrated solution and the national programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN). Expenditure on Estates schemes over the 4 years includes the construction of the Eden Deployment Centre and the commencement of a scheme to provide a territorial headquarters in the west of the county (subject to option appraisal and formal approval). Smaller rolling replacement schemes are also included in all sections.

4.4. Budget holders are consulted in early October each year to review the previously approved 10 year capital investment plan, make changes based on latest information and project it forward one more year. These submissions are amalgamated and the resources available are applied. Shortfalls identified will need to be funded by increased revenue contributions or borrowing. Capital over the medium term is fully financed. Currently the Commissioner holds no external borrowing, however there is an underlying borrowing requirement, which is currently funded through internal borrowing.

**Internal Borrowing** – the practice of using reserves and provisions that have been set aside for future use to fund capital expenditure plans now. External borrowing comes with interest payments of currently 3%+ where investments are barely making 1% return in terms of interest, therefore there is an incremental cost to borrow in advance of need (known as cost of carry). This is therefore discouraged if there are cash reserves available that can be drawn down as an alternative to borrowing.

- 4.5. Over the 10 year capital plan there is currently a £1.8m shortfall in funding. Capital expenditure plans of this length depend greatly on estimated figures regarding future business requirements. Budget holders have been tasked with looking at their capital plans to refine their estimates and attempt eliminate this funding shortfall.
- 4.6. Before the commencement of each financial year the schemes for that year are revisited to be assigned an approval category. Large schemes which have previously been approved by the Commissioner following submission of a business case and the smaller rolling replacement schemes are approved on a firm basis or delegated to the Joint Chief Finance Office for future approval. Schemes requiring business cases, option appraisals and financial appraisals are given the status of indicative until they have been thoroughly scrutinised by all relevant business leads before being passed to the Police and Crime Commissioner for final approval.
- 4.7. All capital expenditure must be financed from one of three places:
- External sources, such as government grants or contributions
  - Internal resources - revenue budgets, capital reserves or capital receipts.
  - Debt – borrowing, Private Finance Initiative, leasing

The planned financing of the above expenditure is as follows:

| Capital Financing                  | 2017/18<br>Actual<br>£m | 2018/19<br>Forecast<br>£m | 2019/20<br>Estimate<br>£m | 2020/21<br>Estimate<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m |
|------------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Capital Receipts                   | 0.00                    | 0.00                      | 0.00                      | 1.96                      | 0.16                      | 0.00                      |
| Government Grants                  | 0.00                    | 0.58                      | 2.77                      | 4.11                      | 0.37                      | 0.00                      |
| Revenue Contributions              | 5.25                    | 5.47                      | 5.94                      | 3.40                      | 4.82                      | 4.94                      |
| <b>Total Financing</b>             | <b>5.25</b>             | <b>6.05</b>               | <b>8.71</b>               | <b>9.47</b>               | <b>5.35</b>               | <b>4.94</b>               |
| Borrowing *                        | 0.00                    | 0.00                      | 0.00                      | 0.00                      | 0.00                      | 3.40                      |
| <b>Total Funding</b>               | <b>0.00</b>             | <b>0.00</b>               | <b>0.00</b>               | <b>0.00</b>               | <b>0.00</b>               | <b>3.40</b>               |
|                                    |                         |                           |                           |                           |                           |                           |
| <b>Total Financing and Funding</b> | <b>5.25</b>             | <b>6.05</b>               | <b>8.71</b>               | <b>9.47</b>               | <b>5.35</b>               | <b>8.34</b>               |

\* All borrowing in the table is internal although towards the end of the medium term it will be necessary to externalise our borrowing.

4.8. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing. The Commissioner is required to set aside a sum each year from the revenue budget to repay borrowing, which is linked to the life of the asset being financed. This is known as the minimum revenue payment (MRP) and can be likened to the minimum repayment on a credit card debt. The estimates for the repayment of internal borrowing from the revenue budget is shown below:

|  | 2017/18 | 2018/19  | 2019/20  | 2020/21  | 2021/22  | 2022/23  |
|--|---------|----------|----------|----------|----------|----------|
| Minimum revenue provision                        | Actual  | Forecast | Estimate | Estimate | Estimate | Estimate |
|  | £m      | £m       | £m       | £m       | £m       | £m       |
| Minimum revenue provision for the financial year | 0.42    | 0.43     | 0.49     | 0.50     | 0.53     | 0.55     |

4.9. The capital financing requirement (CFR) is a measure of the amount of capital spending that has not yet been financed by capital receipts, grants or contributions, it is in essence the amount of internal debt finance of the Police and Crime Commissioner. The CFR increases each time there is new capital expenditure financed by debt and decreases with MRP repayments, capital receipts assigned to repay debt or by making additional voluntary contributions. The current and estimated CFR levels are shown below but it should be noted that these include an amount for the PFI financing of on average £4.5m.

Prudential indicator of affordability – Capital Financing Requirement

|   | 2017/18 | 2018/19  | 2019/20  | 2020/21  | 2021/22  | 2022/23  |
|---|---------|----------|----------|----------|----------|----------|
| Capital Financing Requirement                 | Actual  | Forecast | Estimate | Estimate | Estimate | Estimate |
|   | £m      | £m       | £m       | £m       | £m       | £m       |
| Capital Financing Requirement as at 31 March. | 17.98   | 20.85    | 22.30    | 21.69    | 21.05    | 23.80    |

4.10. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debts. The capital financing has been forecast assuming that all capital receipts will be used to finance new assets rather than reduce existing debt. Estimated capital receipts for the medium term are as follows:

|                  | 2017/18 | 2018/19  | 2019/20  | 2020/21  | 2021/22  | 2022/23  |
|------------------|---------|----------|----------|----------|----------|----------|
| Capital Receipts | Actual  | Forecast | Estimate | Estimate | Estimate | Estimate |
|                  | £m      | £m       | £m       | £m       | £m       | £m       |
| Asset sales      | 0.52    | 0.66     | 0.55     | 0.00     | 0.24     | 1.00     |

- 4.11. To ensure that capital assets continue to be of long term use and facilitate delivery of strategic objectives, there are Estates, Fleet and ICT strategies produced which are reviewed and approved annually.
- 4.12. Full details of the 10 year programme can be found in the separate report 'Capital Programme 2019/20 to 2028/29' (item 10b on this agenda).

## 5. Treasury Management

- 5.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet spending needs while managing the risks involved. Surplus cash is invested until required while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Police and Crime Commissioner is generally cash rich in the short term due to the level of reserves currently held and revenue grants being received in advance of spend, but cash poor in the long term due to capital expenditure being incurred in advance of being financed.
- 5.2. **Borrowing Strategy** - The main objectives when borrowing are to achieve a low but certain cost of finance, while retaining flexibility should plans change in future. These objectives are often conflicting, and the Commissioner therefore seeks to strike a balance between low cost short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 3.0%+). Current forecasts show that short term borrowing, probably from other local authorities, may be required at the start of 2020/21 to bridge a shortfall in cash in advance of receipt of the new financial year's revenue grants.

The Commissioner's actual external debt as at 31 March 2019 will be £4.75m, comprising other long term liabilities of £4.75m in relation to the PFI. It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investments rates compared to the costs of borrowing. It should be noted that all external borrowing with the PWLB (Public Works Loans Board) was repaid during 2012/13.

Projected levels of the total outstanding debt are shown below compared with the capital financing requirement (CFR).

| Gross Debt and Capital financing requirement | 2018/19<br>Forecast<br>£m | 2019/20<br>Estimate<br>£m | 2020/21<br>Estimate<br>£m | 2021/22<br>Estimate<br>£m |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Closing CFR 31 March                         | 17.55                     | 17.06                     | 16.56                     | 16.03                     |
| Gross Debt 31 March                          | 4.75                      | 4.58                      | 4.40                      | 4.20                      |

Prudential indicator of prudence – Gross debt and the Capital Financing Requirement

Statutory guidance is that external debt should remain below the CFR in the previous year plus the estimates of any increase in the CFR at the end of the current year and the next two financial years this is to ensure that borrowing is only for capital purposes. The Commissioner remains well within this limit.

**Liability Benchmark** - The 2017 code encourages Authorities to define their own ‘Liability Benchmark’ which will provide a basis for developing a strategy for managing interest rate risk. On the basis that Arlingclose are not forecasting significant interest rate movements in the short term and that the Commissioner has no plans to make any long term external borrowing decisions over the next financial year, because of the ‘cost of carry’, development of a liability benchmark at this point would not provide added value. However, the Commissioner will actively develop indicators to manage interest rate risk in due course once there is more clarity over borrowing intentions.

As an assurance that borrowing is only undertaken for capital purposes and is sustainable, the Commissioner is required to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with the statutory guidance a lower ‘operational boundary’ is also set as a warning level should debt approach the limit.

Prudential indicator of affordability – Authorised limit and operational boundary for external debt

| Authorised Limit for External Debt | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£m | 2022/23<br>£m |
|------------------------------------|---------------|---------------|---------------|---------------|
| External Borrowing                 | 18.977        | 18.654        | 18.334        | 21.417        |
| Other Long Term Liabilities        | 4.585         | 4.403         | 4.197         | 3.965         |
| Total Authorised Limit             | 23.562        | 23.057        | 22.531        | 25.382        |

| Operational Boundary for External Debt | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£m | 2022/23<br>£m |
|--|---------------|---------------|---------------|---------------|
| External Borrowing                     | 17.477        | 17.154        | 16.834        | 19.917        |
| Other Long Term Liabilities            | 4.585         | 4.403         | 4.197         | 3.965         |
| Total Operational Boundary             | 22.062        | 21.557        | 21.031        | 23.882        |

Further details on the borrowing strategy are on pages 7 to 9 of the treasury management strategy (agenda item 10c).

- 5.3. **Investment strategy** - Treasury investments arise from receiving cash before it is paid out again. The Commissioner makes investments because he has a cash surplus as a result of his day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments). The Commissioner does not make investments to support local public services by

lending to or buying shares in other organisations (service investments), or to earn investment income (known as commercial investments where investment income is the main purpose).

The Commissioner's policy on treasury investments is to prioritise **security** and **liquidity** over **yield**; that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy (subject to strict criteria) and the Commissioner may request his money back at short notice.

Estimates of investment levels and investment income are shown below:

| Estimated Treasury Position | Estimate<br>2019/20<br>£m | Estimate<br>2020/21<br>£m | Estimate<br>2021/22<br>£m | Estimate<br>2022/23<br>£m |
|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Investments (average)       | 15.185                    | 9.816                     | 7.376                     | 4.563                     |
| Interest Receipts           | 0.120                     | 0.165                     | 0.140                     | 0.115                     |

Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Joint Chief Finance Officer and Financial Services staff, who must act in line with the treasury management strategy approved by the Commissioner. Quarterly reports on treasury management activity are presented to the Joint Audit Committee. The Joint Audit Committee is responsible for scrutinising treasury management decisions.

Prudential indicators relating to treasury management activities are set out in the treasury management strategy.

Further details on treasury investment strategy are on pages 9 to 13 of the treasury management strategy (agenda item 10c).

## 6. Liabilities

- 6.1. In addition to debt of £4.75m detailed above, the Commissioner's balance sheet also shows long term liabilities totalling £1.229bn in respect of the Local Government and Police Officer Pension Scheme deficits. These will be met through a combination of payments from the revenue budget over a long



period and support from central Government. A sum of £1.4m has been set aside to cover risks from legal claims and insurance liabilities. The Commissioner is also at risk of having to pay for an unlawful discrimination claim arising from the transitional provisions in the Police pension Regulations 2015 but has not put aside any money because there has been no firm outcome to the case, no clarity of the scale of the claim and no certainty over who will bear the costs at this time.

- 6.2. The risk of liabilities crystallising and requiring payment is monitored by the Finance Services team. Further details on liabilities and guarantees are on page 93 of the 2017/18 statement of accounts.

## 7. Revenue Budget Implications

- 7.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Prudential indicator of affordability – Proportion of financing costs to net revenue stream

| Ratio of Financing Costs to Net Revenue Stream | 2017/18 Actual<br>£m | 2018/19 Forecast<br>£m | 2019/20 Estimate<br>£m | 2020/21 Estimate<br>£m | 2021/22 Estimate<br>£m | 2022/23 Estimate<br>£m |
|--|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Investment income                              | 0.090                | 0.140                  | 0.170                  | 0.140                  | 0.120                  | 0.050                  |
| MRP  | 0.420                | 0.430                  | 0.490                  | 0.500                  | 0.530                  | 0.550                  |
| <b>Financing Costs</b>                         | <b>0.330</b>         | <b>0.290</b>           | <b>0.320</b>           | <b>0.360</b>           | <b>0.410</b>           | <b>0.500</b>           |
| Net Revenue Stream                             | 101.820              | 104.530                | 106.510                | 107.640                | 108.800                | 110.000                |
| Ratio  | 0.32%                | 0.28%                  | 0.30%                  | 0.33%                  | 0.38%                  | 0.45%                  |

The ratios of financing costs to the revenue budget above are considered sustainable.

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred over the MTFF period may extend for up to 50 years into the future. The Joint Chief Finance Officer is satisfied that the proposed capital programme is **prudent, affordable and sustainable**.

## 8. Knowledge and Skills

- 8.1. The Commissioner employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Joint Chief Finance Officer is committed to the Governments apprenticeship levy scheme and currently has a number of key employees studying at Level 3/4 (AAT) and Level 7 (CIPFA).
  
- 8.2. Where employees do not have the knowledge and skills required, use is made of suitably qualified external advisers. The Commissioner currently employs Arlingclose Limited as treasury management advisers. The contract expires on the 31 March 2019 and a process to re-tender the contract is currently underway. This approach is more cost effective than employing such staff directly, and ensures that the Commissioner has access to knowledge and skills commensurate with his risk appetite.

**CUMBRIVISION 25**



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# Cumbria Office of the Police and Crime Commissioner

**Title:** Capital Programme 2019/20 & Beyond

**Public Accountability Conference: 20 February 2019**

Report of the Joint Chief Finance Officer

Originating Officers: Michelle Bellis, Deputy Chief Finance Officer  
Lorraine Holme, Financial Services Manager

## 1. Purpose of the Report

1.1. The purpose of this report is to provide information on the proposed capital programme for 2019/20 and beyond, both in terms of capital expenditure projections and the financing available to fund such expenditure. The capital programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner.

## 2. Recommendations

- 2.1. The Commissioner is asked to approve the capital programme for 2019/20 and beyond as part of the overall budget process for 2019/20.
- 2.2. The Commissioner is asked to approve the status of capital projects as outlined in paragraph 3.1 and as detailed in appendices 2 to 5.

### 3. Capital Funding and Expenditure

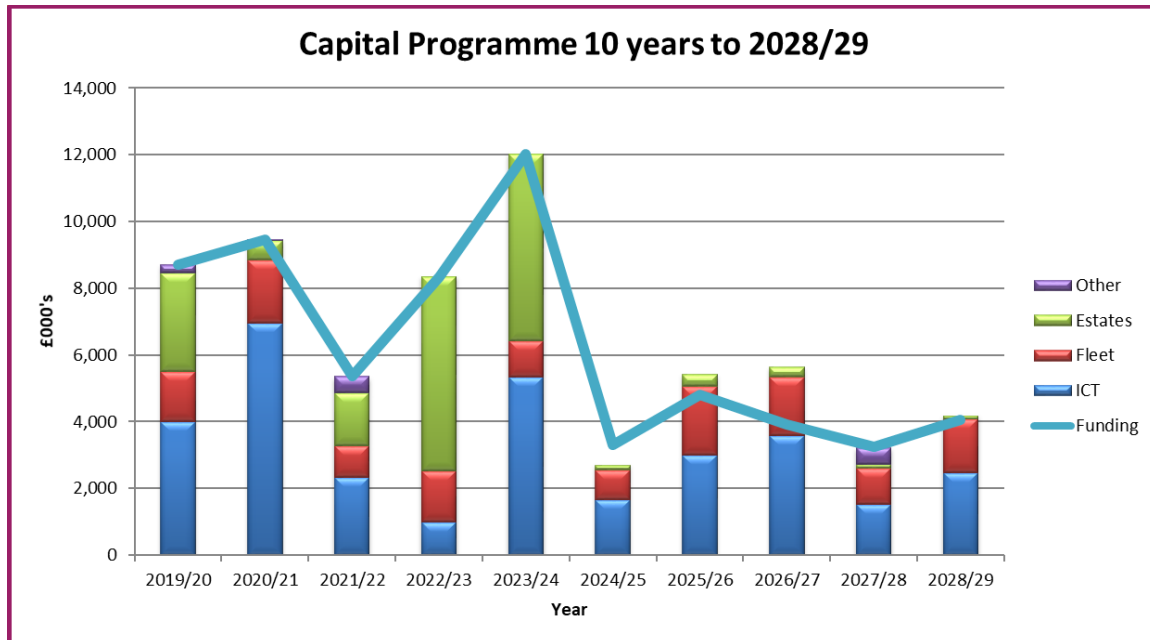
- 3.1. Local Authorities (including Police and Crime Commissioners) determine their own programmes for capital investment in non-current (fixed) assets that are essential to the delivery of quality public services. The Commissioner is required by regulation to have regard to The Prudential Code when carrying out his duties in England and Wales under part 1 of the Local Government Act 2003. The Prudential Code establishes a framework to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure: “within a clear framework, that the capital investment plans of local authorities are **affordable, prudent and sustainable**”. To meet these requirements, all schemes within the 4-year medium term capital programme are only approved on the basis that they are fully funded either through capital grants, capital reserves, capital receipts, revenue contributions or planned borrowing.
- 3.2. There are three main recurring elements to the Commissioner’s capital programme namely: Fleet Schemes, Estates Schemes and ICT Schemes. In addition to these, there are currently a small number of “other schemes” which do not fall into the broad headings above and in particular includes the replacement of Taser and firearms equipment and replacement of the countywide CCTV system in the longer term.
- 3.3. The table below provides a high-level summary of the proposed capital programme and associated capital financing over the four-year timeframe of the medium term financial forecast (2019/20 to 2022/2023).

| Capital Expenditure                      | Yr 0<br>2018/19<br>£ | Yr 1<br>2019/20<br>£ | Yr 2<br>2020/21<br>£ | Yr 3<br>2021/22<br>£ | Yr 4<br>2022/23<br>£ |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| ICT Schemes                              | 2,200,850            | 4,003,363            | 6,961,009            | 2,333,071            | 983,946              |
| Fleet Schemes                            | 987,484              | 1,491,253            | 1,872,720            | 946,504              | 1,533,290            |
| Estates Schemes                          | 2,696,917            | 2,964,172            | 590,000              | 1,575,000            | 5,825,000            |
| Other Schemes                            | 166,520              | 250,000              | 42,770               | 500,000              | 0                    |
| <b>Total Capital Expenditure</b>         | <b>6,051,772</b>     | <b>8,708,787</b>     | <b>9,466,499</b>     | <b>5,354,575</b>     | <b>8,342,236</b>     |
| Capital Financing                        | Yr 0<br>2018/19<br>£ | Yr 1<br>2019/20<br>£ | Yr 2<br>2020/21<br>£ | Yr 3<br>2021/22<br>£ | Yr 4<br>2022/23<br>£ |
| Capital Receipts                         | 0                    | 0                    | (1,961,604)          | (163,737)            | 0                    |
| Contributions from Revenue               | (1,468,024)          | (1,771,608)          | (3,392,173)          | (3,244,140)          | (3,242,952)          |
| Capital Grants                           | (575,051)            | (2,774,905)          | (4,112,722)          | (371,698)            | 0                    |
| Capital Reserves                         | (4,008,697)          | (4,162,275)          | 0                    | (1,575,000)          | (1,699,284)          |
| Borrowing                                | 0                    | 0                    | 0                    | 0                    | (3,400,000)          |
| <b>Total Capital Financing</b>           | <b>(6,051,772)</b>   | <b>(8,708,787)</b>   | <b>(9,466,499)</b>   | <b>(5,354,575)</b>   | <b>(8,342,236)</b>   |
| <b>Capital Budget (Excess)/Shortfall</b> | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             |

- 3.4. The profile of capital expenditure fluctuates annually. Across the current ten year programme, annual average expenditure typically comprises £1.4m to replace fleet vehicles, £1.8m on estate schemes and around £3.2m for replacement of ICT systems and equipment. ICT Expenditure reflects the Constabulary Strategy to invest in technology along with the national programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN).
- 3.5. By the end of 2020/21 historic capital grant and general capital reserves will have been fully utilised. This means that the capital programme from 2021/22 becomes more reliant on revenue contributions to fund capital expenditure. Historically the annual contribution from the revenue budget was set at £1.2m. When setting the capital budgets for 2017/18 onwards (PCP Jan 2017) to ensure the stability of the capital programme the annual contributions were increased to £1.7m for 2018/19 and 2019/20. This will rise to above £3.0m per annum from 2020/21 as accumulated capital reserves and grant are fully extinguished. The financing presented in this report includes an additional increase to revenue contributions of £0.3m per annum from 2020/21. The provisional funding settlement figures announced on 13 December 2018 stated that the capital grant will be £372k, this is an increase of £8k on the previous financial year. It is assumed in this strategy that the capital grant will remain at this new level each year for the full 10 years.
- 3.6. A summary of the 10-year capital programme is provided for information at **Appendix 1**. The appendix shows that the capital programme is fully funded over the medium term four-year period to 2022/23. The appendix also shows that in years 6-10 of the programme there are some shortfalls and excesses that amount to a combined net shortfall of £1.8m. The estimates for 5-10 years are built on a number of assumptions and relatively unknown costs making it difficult to accurately predict project costs. Department heads have been tasked with finding savings and new ways of working to reduce the planned expenditure across all areas, with the aim of bringing the programme back into balance over the longer term.
- 3.7. As a result of the majority of capital expenditure being in relation to relatively short lived assets (e.g. ICT and fleet of up to 10 years' life), choices for financing the capital expenditure are fairly limited. Borrowing for short-lived assets is not a viable consideration due to the requirement to set aside funds from revenue for the repayment of debt over the life of the asset. Therefore, any future borrowing would have to be in relation to building projects with a life of 50 years. It can be seen in **Appendix 1** that during 2022/23 and 2023/24 it is estimated that the Commissioner will need to borrow £9m. This is linked to an indicative scheme to improve the Commissioner's estate in the west of the county. A

full options evaluation exercise and formal report will be required before any firm decisions are made in relation to this project.

The chart below illustrates capital expenditure and funding over the ten-year period:



### 3.8. ICT Schemes

The ICT Capital Programme primarily provides for the cyclical replacement and improvement of the full range of ICT equipment, hardware and application software to meet the strategic and operational needs of the Constabulary. However, over the period of the medium term financial forecast it also supports the Constabulary strategy to invest in technology to modernise the police service that is delivered to our communities. The Policing Vision 2025 issued by the APCC and NPCC seeks to transform the delivery of policing services and positions ICT as a key enabler of change. These plans for the future will be developed and managed locally within the work streams of Cumbria Vision 2025.

The ICT capital programme is supported by the ICT strategy, an annual refresh of which will be presented to the Commissioner for approval at the Public Accountability Conference in February 2019 as part of the overall budget process for 2019/20.

The ICT Capital Programme also makes provision for a large number of national ICT programmes, which include changes of major strategic importance to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN). The ESN scheme is included in the capital programme at the

estimated cost of £2.4m over the four years of the MTF and £5.9m over 10 years. Details of requirements are still emerging and it won't be clear as to the financial commitment needed locally until the Home Office release further information and devices are developed. There is slippage being reported by the national ESN programme and it is likely to be well into 2019 before we get any further clarity. The replacement Airwave handsets will use different technology to the old radios and the Constabulary's control room infrastructure needs to be upgraded if it is to be ready to support the connection to ESN.

The current command and control infrastructure in the control room is a large and complex network of ten legacy systems that provide a suite of applications to manage incidents. A scheme to replace these systems with a single fully integrated solution provided by Saab, known as SAFE, has commenced and is expected to be implemented in 2019/20.

If these two large schemes are discounted, the programme shows that the ICT capital programme presented remains broadly flat over the 10 years at approximately £2.2m per annum. This provides for the cyclical replacement and improvement of the full range of ICT services: the networks, security and storage data centre capacity that ensures information can be moved securely between the different systems and device end points through which it is entered, processed and stored. It also covers local and mandated national police systems such as the main crime and intelligence system, command and control, forensics management, prisoner information systems, case and custody, including digital files for sharing with Criminal Justice partners and the police national data base that supports the sharing of information between forces.

The Constabulary also maintains a range of ICT systems to manage corporate functions including financial transactions, human resources, payroll, fleet management, estates management, ICT support systems and training and learning systems. Over recent years significant investment in mobile and digital ICT has been undertaken, the capital programme presented provides for the subsequent replacement of existing mobile devices as they reach end of life. Budgets for devices also provide for the costs of all the different technology used to access systems, including traditional desktop computers, laptops, tablets as well as the smartphones that use application technology (police apps), but importantly provide end user access to all systems and applications.

**Appendix 2** provides a high-level analysis of the ICT capital programme.



### 3.9. Fleet Schemes

The constabulary fleet replacement programme consists of 297 vehicles. The capital programme provides for the replacement and kit out of these vehicles on a periodic basis at the end of their useful life. The fleet schemes are supported by the fleet strategy, an annual refresh of which will be presented to the Commissioner for approval at the Public Accountability Conference in February 2019 as part of the overall budget process for 2019/20. The fleet strategy sets out the constabulary fleet requirements over the coming years. The main aim of the fleet strategy is to provide a cost effective fleet service to meet the needs of operational policing. The majority of vehicles are procured through a national framework agreement which ensures value for money is achieved.

During 2014/15 a large number of marked operational policing vehicles (e.g. ford focus estates, dogs vans and transit vans) were replaced with a single vehicle platform (SVP) which is based on a one size



fits all model, this SVP vehicle provides a single fit for purpose vehicle type to meet the majority of requirements. These vehicles are now approaching end of life and those with the highest mileage are becoming expensive to maintain. In the programme presented half of the single vehicle platform vehicles have been brought forward for replacement in 2019/20

Changes in permitted emissions levels have led to the temporary withdrawal of some car models whilst the manufacturers test and make modifications to their engines. This has led to delays in delivery of certain vehicles, but more importantly for this programme, it has led to an increase in prices for the new models as manufacturers seek to cover the costs of the additional work. Approximately £700k has been added to the fleet 10 year programme in response to these additional costs.

The 2019/20 capital programme is recommended for approval on a firm basis; the programme for future years is currently indicative and subject to change as the fleet programme develops to meet the changing needs of the organisation and the continual review process.

**Appendix 3** provides a high-level analysis of the fleet capital programme.

### 3.10. Estates Schemes

The Commissioner's estate currently consists of 30 premises (including police headquarters, larger police stations/Territorial Policing Area HQ, which include custody suites, smaller police stations, one police house, leased in and leased out property together with surplus assets subject to disposal). The estates schemes are supported by the estates strategy, an annual refresh of which will be presented to the Commissioner for approval at the Public Accountability Conference in February 2019 as part of the overall budget process for 2019/20. The estates strategy aims to provide a link between the strategic objectives of the organisation and priorities for the estate. The strategy outlines the current and future requirements of the estate and documents the changes that are required to meet these.



The estates capital programme presented in February 2017 included the development of a new Eden Deployment base and replacement hostel accommodation on the HQ site at Penrith. Construction on this base is well under way and scheduled to be operational late in 2019.

The Eden Deployment base accounts for the vast majority of the estates programme for 2019/20 leaving only a small amount of cyclical replacement schemes e.g. roof repairs at Whitehaven and Kendal along with replacement of the UPS (Uninterrupted Power Supply) at the HQ site in Penrith.

Further into the medium term there is budget allocated to provide improved premises in the west of the county in response to major flooding incidents in recent years. Beyond this in the 10 year plan, the estates capital budget reduces significantly once the west scheme is complete, to leave on average £205k per year for replacement schemes.

**Appendix 4** provides a high-level analysis of the estates capital programme.

### 3.11. Other Schemes

Other schemes include cross cutting or operational programmes of work and include the replacement of Tasers and Glock Pistols and works to expand and replace the Countywide CCTV system.

**Appendix 5** provides a high-level analysis of the 'other' schemes.

## 4. Supplementary information

### Attachments

- Appendix 1 Capital Expenditure and Financing 10 years 2019/20 to 2028/29
- Appendix 2 ICT Schemes
- Appendix 3 Fleet Schemes
- Appendix 4 Estates Schemes
- Appendix 5 Other Schemes
- Appendix 6 Analysis of the change in Capital Programme between February 2018 and February 2019

## Capital Expenditure and Financing 10 years 2019/20 to 2028/29

| Capital Expenditure                      | Yr 0               | Yr 1               | Yr 2               | Yr 3               | Yr 4               | Yr 5                | Yr 6               | Yr 7               | Yr 8               | Yr 9               | Yr 10              | Yr 1-10             |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
|  | 2018/19            | 2019/20            | 2020/21            | 2021/22            | 2022/23            | 2023/24             | 2024/25            | 2025/26            | 2026/27            | 2027/28            | 2028/29            | Total               |
|  | £                  | £                  | £                  | £                  | £                  | £                   | £                  | £                  | £                  | £                  | £                  | £                   |
| ICT Schemes                              | 2,200,850          | 4,003,363          | 6,961,009          | 2,333,071          | 983,946            | 5,330,061           | 1,660,777          | 2,987,820          | 3,581,661          | 1,521,463          | 2,458,772          | 31,821,942          |
| Fleet Schemes                            | 987,484            | 1,491,253          | 1,872,720          | 946,504            | 1,533,290          | 1,095,336           | 890,340            | 2,077,040          | 1,759,932          | 1,082,280          | 1,612,824          | 14,361,519          |
| Estates Schemes                          | 2,696,917          | 2,964,172          | 590,000            | 1,575,000          | 5,825,000          | 5,600,000           | 150,000            | 350,000            | 295,000            | 125,000            | 105,000            | 17,579,172          |
| Other Schemes                            | 166,520            | 250,000            | 42,770             | 500,000            | 0                  | 0                   | 0                  | 0                  | 0                  | 500,000            | 0                  | 1,292,770           |
| <b>Total Capital Expenditure</b>         | <b>6,051,772</b>   | <b>8,708,787</b>   | <b>9,466,499</b>   | <b>5,354,575</b>   | <b>8,342,236</b>   | <b>12,025,397</b>   | <b>2,701,117</b>   | <b>5,414,860</b>   | <b>5,636,593</b>   | <b>3,228,743</b>   | <b>4,176,596</b>   | <b>65,055,402</b>   |
| <b>Capital Financing</b>                 | <b>Yr 0</b>        | <b>Yr 1</b>        | <b>Yr 2</b>        | <b>Yr 3</b>        | <b>Yr 4</b>        | <b>Yr 5</b>         | <b>Yr 6</b>        | <b>Yr 7</b>        | <b>Yr 8</b>        | <b>Yr 9</b>        | <b>Yr 10</b>       | <b>Yr 1-10</b>      |
|  | 2018/19            | 2019/20            | 2020/21            | 2021/22            | 2022/23            | 2023/24             | 2024/25            | 2025/26            | 2026/27            | 2027/28            | 2028/29            | Total               |
|  | £                  | £                  | £                  | £                  | £                  | £                   | £                  | £                  | £                  | £                  | £                  | £                   |
| Capital Receipts                         | 0                  | 0                  | (1,961,604)        | (163,737)          | 0                  | (1,714,557)         | 0                  | (795,001)          | (254,853)          | 0                  | 0                  | (4,889,752)         |
| Contributions from Revenue               | (1,468,024)        | (1,771,608)        | (3,392,173)        | (3,244,140)        | (3,242,952)        | (3,241,729)         | (3,305,369)        | (3,272,211)        | (3,301,104)        | (3,236,457)        | (3,304,659)        | (31,312,401)        |
| Capital Grants                           | (575,051)          | (2,774,905)        | (4,112,722)        | (371,698)          | 0                  | (743,396)           | 0                  | (743,396)          | (371,698)          | 0                  | (743,396)          | (9,861,211)         |
| Capital Reserves                         | (4,008,697)        | (4,162,275)        | 0                  | (1,575,000)        | (1,699,284)        | (725,716)           | 0                  | 0                  | 0                  | 0                  | 0                  | (8,162,275)         |
| Borrowing                                | 0                  | 0                  | 0                  | 0                  | (3,400,000)        | (5,600,000)         | 0                  | 0                  | 0                  | 0                  | 0                  | (9,000,000)         |
| <b>Total Capital Financing</b>           | <b>(6,051,772)</b> | <b>(8,708,787)</b> | <b>(9,466,499)</b> | <b>(5,354,575)</b> | <b>(8,342,236)</b> | <b>(12,025,397)</b> | <b>(3,305,369)</b> | <b>(4,810,608)</b> | <b>(3,927,655)</b> | <b>(3,236,457)</b> | <b>(4,048,055)</b> | <b>(63,225,639)</b> |
| <b>Capital Budget (Excess)/Shortfall</b> | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>            | <b>(604,252)</b>   | <b>604,252</b>     | <b>1,708,937</b>   | <b>(7,714)</b>     | <b>128,541</b>     | <b>1,829,763</b>    |

A more detailed analysis of capital expenditure is provided at Appendices 2-5.

## ICT Schemes

| ICT Summary  | Yr 0<br>2018/19<br>£ | Yr 1<br>2019/20<br>£ | Yr 2<br>2020/21<br>£ | Yr 3<br>2021/22<br>£ | Yr 4<br>2022/23<br>£ | Yr 5<br>2023/24<br>£ | Yr 6<br>2024/25<br>£ | Yr 7<br>2025/26<br>£ | Yr 8<br>2026/27<br>£ | Yr 9<br>2027/28<br>£ | Yr 10<br>2028/29<br>£ | Yr 1-10<br>Total<br>£ |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| ICT End User Hardware Replacement (002x)                           | 100,859              | 1,274,799            | 136,711              | 1,342,042            | 267,270              | 1,006,063            | 626,063              | 136,360              | 1,489,212            | 237,213              | 241,927               | 6,757,660             |
| ICT Core Hardware Replacement (003/004x)                           | 1,728,379            | 2,873,188            | 2,749,782            | 398,302              | 517,750              | 1,046,400            | 573,448              | 2,699,766            | 479,783              | 759,058              | 1,152,509             | 13,249,987            |
| ICT Core Infrastructure Replacement (projects)                     | 0                    | 112,493              | 1,998,200            | 300,000              | 96,094               | 2,032,092            | 0                    | 0                    | 1,851,918            | 0                    | 0                     | 6,390,796             |
| ICT Infrastructure Solution Replacement (Projects)                 | 371,612              | 1,742,882            | 76,316               | 292,726              | 471,708              | 1,696,645            | 553,084              | 799,878              | 90,744               | 756,836              | 1,555,323             | 8,036,143             |
| Savings Target - 15% Year 5-10 (linked to ICT tech advances)       | 0                    | 0                    | 0                    | 0                    | (368,876)            | (451,139)            | (91,818)             | (648,184)            | (329,996)            | (231,644)            | (490,987)             | (2,612,645)           |
| General Prudent Slippage (linked to workloads and staffing levels) | 0                    | (2,000,000)          | 2,000,000            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| <b>Total ICT Summary</b>   | <b>2,200,850</b>     | <b>4,003,363</b>     | <b>6,961,009</b>     | <b>2,333,071</b>     | <b>983,946</b>       | <b>5,330,061</b>     | <b>1,660,777</b>     | <b>2,987,820</b>     | <b>3,581,661</b>     | <b>1,521,463</b>     | <b>2,458,772</b>      | <b>31,821,942</b>     |

Status - The ICT schemes within the capital programme above consolidate a significant number of complex and interrelated projects. The status of schemes is subject to agreement between the Commissioner and Constabulary. It is recommended that delegated approval is given to the Joint Chief Finance Officer to agree the status of schemes on the basis of the following principles:

### Firm Schemes

- Schemes that are either routine cyclical upgrade of existing systems/hardware/software
- Schemes which have been approved by the Commissioner following submission of a business case/decision report

### Delegated Schemes

- Schemes agreed in principle by decision report, where the detail of the financial profile/procurement/implementation plans are still to be developed
- Schemes within the Joint Chief Finance Officer's virement authorisation limits for which there is a clear business case
- Schemes above the Joint Chief Finance Officer's virement authorisation limits, but which are nationally mandated and supported by a business case.

Schemes not meeting the principles for firm or delegated schemes will be classed as indicative and will require a business case or decision report to the Commissioner before approval is given to commence with the scheme. The status of schemes applies to the funding for the four years 2019/20 to 2022/23, covering the period for which the capital programme is fully funded.

## Fleet Schemes

| Fleet Summary Proposed                       | Number of Vehicles in Category | Yr 0<br>2018/19<br>£ | Yr 1<br>2019/20<br>£ | Yr 2<br>2020/21<br>£ | Yr 3<br>2021/22<br>£ | Yr 4<br>2022/23<br>£ | Yr 5<br>2023/24<br>£ | Yr 6<br>2024/25<br>£ | Yr 7<br>2025/26<br>£ | Yr 8<br>2026/27<br>£ | Yr 9<br>2027/28<br>£ | Yr 10<br>2028/29<br>£ | Yr 1-10<br>Total<br>£ |                  |                   |
|--|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|------------------|-------------------|
| Covert                                       | 14                             | 74,200               | 107,498              | 0                    | 83,824               | 27,560               | 81,000               | 94,600               | 22,400               | 91,884               | 30,160               | 88,500                | 627,426               |                  |                   |
| Neighbourhood Policing                       | 92                             | 261,630              | 681,400              | 979,200              | 0                    | 723,980              | 421,200              | 0                    | 739,200              | 1,124,040            | 792,280              | 460,200               | 5,921,500             |                  |                   |
| Specialist Vehicles                          | 28                             | 118,800              | 384,946              | 0                    | 150,800              | 120,840              | 159,840              | 38,500               | 386,400              | 87,780               | 164,720              | 165,200               | 1,659,026             |                  |                   |
| Dog Vehicles                                 | 10                             | 0                    | 35,000               | 285,600              | 0                    | 0                    | 37,800               | 38,500               | 313,600              | 0                    | 0                    | 0                     | 710,500               |                  |                   |
| Motor Cycles                                 | 8                              | 15,300               | 0                    | 0                    | 0                    | 0                    | 16,200               | 0                    | 141,120              | 0                    | 0                    | 17,700                | 175,020               |                  |                   |
| Pool Cars                                    | 29                             | 46,716               | 13,000               | 53,040               | 135,200              | 15,900               | 128,736              | 40,040               | 20,160               | 38,418               | 60,320               | 180,304               | 685,118               |                  |                   |
| Protected personnel Carriers                 | 9                              | 122,400              | 0                    | 0                    | 187,200              | 254,400              | 0                    | 0                    | 0                    | 136,800              | 0                    | 0                     | 578,400               |                  |                   |
| Roads Policing Vehicles                      | 19                             | 90,000               | 0                    | 408,000              | 336,960              | 106,000              | 0                    | 440,000              | 362,880              | 114,000              | 0                    | 472,000               | 2,239,840             |                  |                   |
| Crime Command                                | 39                             | 62,100               | 106,000              | 0                    | 31,200               | 0                    | 210,600              | 135,300              | 58,240               | 103,740              | 34,800               | 0                     | 679,880               |                  |                   |
| Crime Scene Investigators                    | 10                             | 0                    | 0                    | 0                    | 21,320               | 284,610              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 305,930               |                  |                   |
| Garage                                       | 6                              | 130,294              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 159,300               | 159,300               |                  |                   |
| Boat   | 0                              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |                  |                   |
| Chief Officer Pool                           | 2                              | 35,700               | 0                    | 0                    | 0                    | 0                    | 39,960               | 38,500               | 0                    | 0                    | 0                    | 0                     | 78,460                |                  |                   |
| Above Strength Vehicles                      | 16                             | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |                  |                   |
| Rechargable Vehicles                         | 15                             | 30,344               | 163,409              | 146,880              | 0                    | 0                    | 0                    | 64,900               | 33,040               | 63,270               | 0                    | 69,620                | 541,119               |                  |                   |
|  |                                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                       | 0                     |                  |                   |
| Fleet Savings - Growth Limited to 50%        |                                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                       | 0                     |                  |                   |
| <b>Total Fleet Summary</b>                   | <b>297</b>                     | <b>0</b>             | <b>987,484</b>       | <b>0</b>             | <b>1,491,253</b>     | <b>1,872,720</b>     | <b>946,504</b>       | <b>1,533,290</b>     | <b>1,095,336</b>     | <b>890,340</b>       | <b>2,077,040</b>     | <b>1,759,932</b>      | <b>1,082,280</b>      | <b>1,612,824</b> | <b>14,361,519</b> |
| <b>Number of Vehicles Replaced Each Year</b> |                                | <b>50</b>            | <b>44</b>            | <b>60</b>            | <b>35</b>            | <b>44</b>            | <b>47</b>            | <b>39</b>            | <b>60</b>            | <b>53</b>            | <b>40</b>            | <b>49</b>             | <b>471</b>            |                  |                   |

Status - Fleet Replacement - It is recommended that all fleet replacement schemes are approved as firm for 2019/20 only. This provides authority to procure on the basis of the currently approved fleet strategy. The strategy will be reviewed during 2020/21 to inform the status of the capital programme in future years.

## Estates Schemes

| Estates Schemes   | Ref | Status     | Yr 0<br>2018/19<br>£ | Yr 1<br>2019/20<br>£ | Yr 2<br>2020/21<br>£ | Yr 3<br>2021/22<br>£ | Yr 4<br>2022/23<br>£ | Yr 5<br>2023/24<br>£ | Yr 6<br>2024/25<br>£ | Yr 7<br>2025/26<br>£ | Yr 8<br>2026/27<br>£ | Yr 9<br>2027/28<br>£ | Yr 10<br>2028/29<br>£ | Yr 1-10<br>Total<br>£ |
|---|-----|------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| <b>Existing Schemes</b>                                   |     |            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                       |                       |
| <b>Roof Repairs - Various</b>                             |     |            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                       |                       |
| Whitehaven Police Station                                 | a   | Firm       | 0                    | 37,625               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 37,625                |
| Kendal Police Station                                     | b   | Firm       | 0                    | 55,000               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 120,000              | 0                    | 0                     | 175,000               |
| Roof Repairs - HQ Dog section                             | c   | Firm       | 0                    | 0                    | 70,000               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 70,000                |
| <b>Heating, Ventilation &amp; Cooling Plant - Various</b> |     |            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                       |                       |
| Police Headquarters                                       |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 300,000              | 0                    | 0                    | 0                     | 300,000               |
| Barrow HVAC   |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 60,000               | 0                     | 60,000                |
| <b>Other Existing Schemes</b>                             |     |            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                       |                       |
| UPS Durranshill   |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 150,000              | 0                    | 0                    | 0                    | 0                     | 150,000               |
| UPS HQ  | d   | Firm       | 0                    | 100,000              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 30,000                | 130,000               |
| UPS Barrow  |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 15,000               | 0                     | 15,000                |
| North Resilience Flood Management - NPT/Hostel            | e   | Firm       | 2,300,000            | 2,771,547            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 2,771,547             |
| Workington - Land Purchase                                | f   | Firm       | 287,225              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| Garage Provision  | g   | Indicitive | 0                    | 0                    | 500,000              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 500,000               |
| Durranshill - Replacement CCTV system and cell call       | h   | Firm       | 50,000               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 50,000               | 0                    | 0                    | 0                     | 50,000                |
| Kendal CCTV and Cell Call                                 |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 50,000               | 0                     | 50,000                |
| West Resilience Flood Management                          | i   | Indicitive | 0                    | 0                    | 0                    | 1,575,000            | 5,825,000            | 5,600,000            | 0                    | 0                    | 0                    | 0                    | 0                     | 13,000,000            |
| Roof Repairs & Glazing - Durranshill                      |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 75,000               | 0                    | 0                     | 75,000                |
| HQ Static inverter  |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 50,000               | 0                    | 0                     | 50,000                |
| HQ firearms flood defence to ventilation plant            | j   | Firm       | 9,692                | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| HQ window conservation                                    |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 50,000               | 0                    | 0                     | 50,000                |
| Durranshill heat and vent plant                           | k   | Firm       | 50,000               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| Gas suppression cylinder replacements                     | l   | Firm       | 0                    | 0                    | 20,000               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 20,000                |
| <b>Sub Total Existing Estates Schemes</b>                 |     |            | <b>2,696,917</b>     | <b>2,964,172</b>     | <b>590,000</b>       | <b>1,575,000</b>     | <b>5,825,000</b>     | <b>5,600,000</b>     | <b>150,000</b>       | <b>350,000</b>       | <b>295,000</b>       | <b>125,000</b>       | <b>30,000</b>         | <b>17,504,172</b>     |
| <b>New Estates Schemes 2019/20</b>                        |     |            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                       |                       |
| Barrow CCTV camera replacement                            |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 35,000                | 35,000                |
| Kendal M&E plant  |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 20,000                | 20,000                |
| Carlisle M&E plant (area 2)                               |     |            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 20,000                | 20,000                |
| <b>Sub Total New Estates Schemes</b>                      |     |            | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>75,000</b>         | <b>75,000</b>         |
| <b>Total Estates Schemes</b>                              |     |            | <b>2,696,917</b>     | <b>2,964,172</b>     | <b>590,000</b>       | <b>1,575,000</b>     | <b>5,825,000</b>     | <b>5,600,000</b>     | <b>150,000</b>       | <b>350,000</b>       | <b>295,000</b>       | <b>125,000</b>       | <b>105,000</b>        | <b>17,579,172</b>     |

Estates Scheme Status Recommendations\*

1. It is recommended that schemes (a), (b), (c), (d), (e), (f), (h), (j), (k) and (l) be approved as firm, these being routine cyclical replacement, upgrade of existing facilities or continuation of previously agreed schemes.
2. It is recommended that schemes (g) and (i) be agreed in principle as indicative schemes and subject to a business case being approved by the Commissioner.

\*scheme status applies to the financial profile between 2019/20 and 2022/23 only unless otherwise stated.



## Other Schemes

| Other Schemes<br>2019/20 onwards        | Yr 0<br>2018/19<br>£ | Yr 1<br>2019/20<br>£ | Yr 2<br>2020/21<br>£ | Yr 3<br>2021/22<br>£ | Yr 4<br>2022/23<br>£ | Yr 5<br>2023/24<br>£ | Yr 6<br>2024/25<br>£ | Yr 7<br>2025/26<br>£ | Yr 8<br>2026/27<br>£ | Yr 9<br>2027/28<br>£ | Yr 10<br>2028/29<br>£ | Yr 1-10<br>Total<br>£ |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| CCTV                                    | 23,890               | 0                    | 0                    | 500,000              | 0                    | 0                    | 0                    | 0                    | 0                    | 500,000              | 0                     | 1,000,000             |
| ANPR                                    | 49,855               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| Accelerated Recruitment                 | 46,675               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| Portable Ballistic Protective Equipment | 46,100               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| X2 Taser migration                      | 0                    | 250,000              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 250,000               |
| Glock Pistol Replacement                | 0                    | 0                    | 42,770               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 42,770                |
| <b>Total Other Schemes</b>              | <b>166,520</b>       | <b>250,000</b>       | <b>42,770</b>        | <b>500,000</b>       | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>500,000</b>       | <b>0</b>              | <b>1,292,770</b>      |

### Other Scheme Status Recommendations\*

- It is recommended that the remainder of the original CCTV scheme remains approved as firm, but that the wholesale replacement of the system in 2021/22 be subject to a business case.
- It is recommended that the Glock Pistol Replacement and Taser replacement schemes be approved on an indicative basis subject to a business case from the Territorial Policing Commander being presented to the Commissioner for approval.

\*scheme status applies to the financial profile between 2019/20 and 2022/23 only unless otherwise stated.

## Analysis of the change in Capital Programme between February 2018 and the February 2019 position.

|   | Yr 1<br>2019/20<br>£ | Yr 2<br>2020/21<br>£ | Yr 3<br>2021/22<br>£ | Yr 4<br>2022/23<br>£ | 4 Year Total<br>(£)<br>TOTAL<br>£ |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------------------|
| Capital Strategy - February 2018              | 7,441,788            | 7,470,741            | 9,326,423            | 9,177,825            | 33,416,777                        |
| Capital Strategy - Proposed (January 2019)    | 8,708,787            | 9,466,499            | 5,354,575            | 8,342,236            | 31,872,097                        |
| Difference (decrease)/Increase                | 1,266,999            | 1,995,758            | (3,971,849)          | (835,588)            | (1,544,680)                       |
| <b>Difference by Type</b>                     |                      |                      |                      |                      |                                   |
| - ICT Schemes                                 | (450,813)            | 3,650,226            | 327,563              | (1,106,348)          | 2,420,627                         |
| - Fleet Schemes                               | 786,237              | (368,238)            | (49,412)             | 45,760               | 414,347                           |
| - Estates Schemes                             | 1,274,576            | (1,275,000)          | (4,250,000)          | 225,000              | (4,025,425)                       |
| - Other Schemes                               | (343,000)            | (11,230)             | 0                    | 0                    | (354,230)                         |
| Difference (decrease)/Increase                | 1,266,999            | 1,995,758            | (3,971,849)          | (835,588)            | (1,544,680)                       |
| <b>Explanation of the Difference by Type</b>  |                      |                      |                      |                      |                                   |
| <b>- ICT Schemes</b>                          |                      |                      |                      |                      |                                   |
| Change in telephony profile to 5 years        | 30,000               | 0                    | 0                    | (33,000)             | (3,000)                           |
| Change in mobile device profile               | 0                    | 0                    | (106,500)            | 13,520               | (92,980)                          |
| Change in Smartphone profile                  | 209,950              | (18,888)             | (19,307)             | (19,733)             | 152,022                           |
| Slippage 17/18 to 18/19 and 18/19 to 19/20    | 1,174,998            | 2,050,000            | (31,900)             | (30,800)             | 3,162,298                         |
| Transfer to revenue                           | (110,000)            | 0                    | 0                    | 0                    | (110,000)                         |
| Change in National ESN Project                | (1,885,707)          | 1,648,200            | 300,000              | (1,398,492)          | (1,335,999)                       |
| Storage requirement added in                  | 120,000              | 0                    | 0                    | 387,679              | 507,679                           |
| Case and Custody future development removed   | (12,538)             | (52,020)             | (53,060)             | (54,122)             | (171,740)                         |
| BWV new scheme replacement                    | 22,484               | 22,934               | 238,330              | 28,600               | 312,348                           |
| <b>- Fleet Schemes</b>                        |                      |                      |                      |                      |                                   |
| Peugeot Expert Price Increase                 | 0                    | 128,000              | 0                    | 0                    | 128,000                           |
| Peugeot Expert Price Increase and B/Fwd       | 750,000              | (650,000)            | 0                    | 0                    | 100,000                           |
| Effects of a previous years decision built in | 33,690               | (13,000)             | 0                    | 48,800               | 69,490                            |
| 18/19 Slipped to 19/20 and future             | 82,498               | 0                    | 0                    | 50,000               | 132,498                           |
| Replacement extended                          | (373,694)            | 400,000              | 20,000               | (79,000)             | (32,694)                          |
| Write Off                                     | (15,700)             | (43,000)             | (50,000)             | 50,000               | (58,700)                          |
| Price Increase                                | 177,150              | 46,700               | 42,500               | 24,500               | 290,850                           |
| Price Decrease                                | (4,000)              | 0                    | (25,100)             | (100)                | (29,200)                          |
| Replacement removed                           | 0                    | (150,000)            | 0                    | 0                    | (150,000)                         |
| Added in - recharged                          | 0                    | 0                    | 0                    | 0                    | 0                                 |
| 2028/29 added in                              | 0                    | 0                    | 0                    | 0                    | 0                                 |
| Inflation                                     | (27,116)             | (86,938)             | (36,812)             | (48,440)             | (199,306)                         |
| Camera Scheme (recharged)                     | 163,409              |                      |                      |                      | 163,409                           |
| <b>- Estates Schemes</b>                      |                      |                      |                      |                      |                                   |
| Change in Eden NPT Scheme                     | 1,574,576            | 0                    | 0                    | 0                    | 1,574,576                         |
| Re-profile of the West Scheme                 | (300,000)            | (1,275,000)          | (4,250,000)          | 225,000              | (5,600,000)                       |
| <b>- Other Schemes</b>                        |                      |                      |                      |                      |                                   |
| Business Analytics - removed from capital     | (343,000)            | (54,000)             | 0                    | 0                    | (397,000)                         |
| Glock Replacement added in                    | 0                    | 42,770               | 0                    | 0                    | 42,770                            |
| Difference (decrease)/Increase                | 1,266,999            | 1,995,758            | (3,971,849)          | (835,588)            | (1,544,680)                       |
| <b>Difference left to explain</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>                          |

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**Treasury Management, Investment, Borrowing  
and MRP strategies 2019/20  
(Including Prudential Indicators)**

## Office of the Police and Crime Commissioner Report

**Title: Treasury Management, Investment, Borrowing and MRP strategies 2019/20 & Prudential Indicators**

Report of the Joint Chief Finance Officer

**Originating Officers: Michelle Bellis, Deputy Chief Finance Officer;  
Lorraine Holme, Financial Services Manager**

### 1. Purpose of the Report

1.1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code require Local Authorities (including PCCs) to determine the Treasury Management Strategy Statement (TMSS) on an annual basis.

These codes were originally issued in 2002, revised in 2009, 2011 and again in 2017. The TMSS presented here complies to the 2017 codes and accompanying guidance notes. The TMSS also incorporates the Investment Strategy which is a requirement of the Ministry of Housing, Communities and Local Government's Investment (MHCLG) Investment Guidance 2018.

This report proposes a strategy for the financial year 2019/20.

Treasury Management in Local Government continues to be a highly important activity. The Police and Crime Commissioner (“The Commissioner”) adopts the CIPFA definition of Treasury Management which is as follows:

*‘the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.’*

## 2. Recommendations

2.1. The Commissioner is asked to:

- Approve the Strategy for Treasury Management as set out at paragraph 4 for 2019/20.
- Approve the Prudential Indicators Specific to Treasury Management for 2019/20 as described in paragraph 5.
- Approve the Minimum Revenue Provision Policy Statement for 2019/20 as set out in paragraph 6.
- Approve the Investment Strategy for 2019/20 as set out in paragraph 4.6
- Note that the detailed Treasury Management Practices (TMPs) have been reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner’s website.
- Delegate to the Joint Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit Committee.

2.2. The Joint Audit Committee are asked to review the Treasury Management Strategy Statement and Treasury Management Practices to be satisfied that controls are satisfactory and provide advice as appropriate to the Commissioner.

## 3. Background

3.1. The Commissioner is required to approve an annual Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management, which also incorporates an Investment Strategy as required by the Local Government Act 2003 and which is prepared in accordance with the Ministry of Housing, Communities and Local Government’s Investment Guidance 2018. Together, these cover the financing and investment strategy for the forthcoming financial year.

- 3.2. The Treasury Management Strategy has been prepared in line with the model guidance produced by Arlingclose Ltd, who provide specialist treasury management advice to the Commissioner. It should however be noted that all treasury management decisions and activity are the responsibility of the Commissioner and any such references to the use of these advisors should be viewed in this context.
- 3.3. The current contract to provide specialist treasury advice expires on 31/03/2019 and a process to re-tender the contract is currently underway.

## 4. Treasury Management Strategy 2019/20

### 4.1. General Principles

4.1.1. Treasury management activities involving, as they do, the investment of large sums of money and the generation of potentially significant interest earnings have inherent risks. The Commissioner regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks. The main risks to the Commissioner's treasury activities are outlined below:

- Credit and Counterparty Risk (Security of Investments)
- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Re-financing risks (Impact of debt maturing in future years)
- Legal & Regulatory Risk.
- Fraud, error and corruption Risk

4.1.2. Details of the control measures the Commissioner has put in place to manage these risks are contained within the separate Treasury Management Practices (TMPs).

4.1.3. The Commissioner acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. However, the high profile near failure of major banks in 2008 highlighted that this objective must be sought within a context of effective management of counter-party risk. Accordingly, the Commissioner will

continue to search for optimum returns on investments, but at all times the **security** of the sums invested will be paramount. This is a cornerstone of the CIPFA Code of Treasury Management Practice which emphasises “**Security, Liquidity, Yield** in order of importance at all times”. The security of the sums invested is managed by tight controls over the schedules of approved counter-parties, which are continually reviewed to take account of changing circumstances, and by the setting of limits on individual and categories of investments as set out at **Appendix A**.

4.1.4. The strategy also takes into account the impact of treasury management activities on the Commissioner’s revenue budget. Forecasts of cash balances, interest receipts and financing costs are regularly re-modelled. The revenue budget for 2019/20 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

## 4.2. External Guidance

4.2.1. The guidance under which this strategy is put forward comes from a variety of different places. Principally, however, the requirement to produce an annual Treasury Management Strategy is set out in the CIPFA Code of Practice on Treasury Management published in 2011 and recently updated in 2017. There is, in addition, a further requirement arising from the Local Government Act 2003 (Section 15) and the 2018 Ministry of Housing, Communities and Local Government’s Investment Guidance, to produce an investment strategy as part of the wider Treasury Strategy. This is set out below at paragraph 4.6. Finally, the Commissioner’s current treasury advisor’s Arlingclose Ltd have provided some advice about possible future trends in interest rates and advice on best practice in relation to the format of the TMSS.

## 4.3. Treasury Management Cash Flow Forecast

4.3.1. Treasury Management activity is driven by the complex interaction of expenditure and income flows, but the core drivers within the Commissioner’s balance sheet are the underlying need to borrow to finance its capital programme, as measured by the capital financing requirement (CFR), which is explored in detail in section 4.5 of this report, and the level of reserves and balances. In addition, day-to-day fluctuations in cash-flows due to the timing of grant and council tax receipts and out-going payments to employees and suppliers have an impact on treasury activities and accordingly are modelled in detail. The Commissioner’s level of debt and investments is linked to the above elements, but market conditions, interest rate expectations and credit risk considerations all influence the Commissioner’s strategy in determining exact borrowing and lending activity.



4.3.2. The estimated treasury position at 31<sup>st</sup> March 2019 and for the following financial years are summarised below:

| Estimated Treasury Position | Estimate<br>2019/20<br>£m | Estimate<br>2020/21<br>£m | Estimate<br>2021/22<br>£m | Estimate<br>2022/23<br>£m |
|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| External Borrowing          | 0.00                      | 0.00                      | 0.00                      | 0.00                      |
| Interest Payments           | 0.00                      | 0.00                      | 0.00                      | 0.00                      |
| Investments (average)       | 15.185                    | 9.816                     | 7.376                     | 4.563                     |
| Interest Receipts           | 0.120                     | 0.165                     | 0.140                     | 0.115                     |

4.3.3. The figures in the table above are based on the approval of the proposed revenue budget and capital programme presented to the Commissioner elsewhere on this agenda and are based on the interest rate assumptions as outlined in paragraph 4.4.3 below.

4.3.4. The Commissioner's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), is estimated to be £17.5m at the start of the 2019/20 financial year. This includes £4.7m which is the capital value of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009. The capital programme paper elsewhere on this agenda (see item 10b) indicates that the Commissioner will need to borrow to deliver the agreed capital programme, specifically to provide a fit for purpose territorial policing HQ in the west of the county. This investment is still indicative and would be subject to a full business case decision process. However, under current market conditions, where short term interest receipts are forecast to remain low in the immediate future, and there are continuing general uncertainties over the credit worthiness of financial institutions, it is assumed that the most prudent borrowing strategy for the present is to meet the capital funding requirement from within internal resources. This has the effect of reducing the cash balances available for investment. Advice will continue to be sought from our treasury advisors as to the most opportune time and interest rate to undertake external borrowing.

4.3.5. The estimate for interest receipts in 2019/20 is £165k (latest forecast for 2018/19 is £135k). The low level of receipts reflects the historically low level of investment returns currently available where the Bank of England base rate stands at 0.75%.

#### 4.4. Treasury Management Interest Rate Forecast

4.4.1. The uncertain political situation surrounding Brexit has produced the prospect of divergent paths for UK monetary policy. The on-going economic and political uncertainty relating to Brexit has prompted Arlingclose to both change their central forecast and widen the possible range of interest rate paths to incorporate the different Brexit outcomes. These range from an immediate no-deal Brexit to remaining in the European union.

4.4.2. Due to the short time for a Brexit withdrawal deal to be agreed and the possibility of an extended period of uncertainty the central forecast is the bank base rate to remain unchanged until December 2019 before rising twice thereafter

4.4.3. The main forward projections of interest rates provided by Arlingclose are shown in the table below. It should be noted that these forecasts are based on information as at January 2019. The quarterly treasury activities reports will contain updated information in respect of interest rate forecasts.

| Base Rate Estimates | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---------------------|---------|---------|---------|---------|---------|
| Quarter 1           | 0.50%   | 0.75%   | 1.00%   | 1.25%   | 1.25%   |
| Quarter 2           | 0.75%   | 0.75%   | 1.25%   | 1.25%   | 1.25%   |
| Quarter 3           | 0.75%   | 0.75%   | 1.25%   | 1.25%   | 1.25%   |
| Quarter 4           | 0.75%   | 1.00%   | 1.25%   | 1.25%   | 1.25%   |

#### 4.5. Borrowing Strategy

##### 4.5.1. Long Term Borrowing

The Commissioner's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement (CFR), which is one of the Prudential Indicators and represents the cumulative capital expenditure of the Commissioner that has **not** been financed from other sources such as capital receipts, capital grants, revenue contributions or reserves. To ensure that this expenditure will ultimately be financed, authorities are required to make a provision from their revenue accounts each year for the repayment of debt. This sum known as the Minimum Revenue Provision (MRP) is intended to cover the principal repayments of any loan over the expected life of a capital asset. The CFR together with Usable Reserves, are the core drivers of the Commissioner's Treasury Management activities.

Actual borrowing may be greater or less than the CFR, but in order to comply with the Prudential Code, the Commissioner must ensure that in the medium term, net debt will only be for capital purposes. Therefore the Commissioner must ensure that except in the short term, net debt does not exceed the

CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. In compliance with this requirement the Commissioner does not currently intend to borrow in advance of spending need.

The table below shows the Commissioner’s projected capital financing requirement for 2019/20 and beyond.

| Capital Financing                                | 2017/18<br>Actual<br>£m | 2018/19<br>Forecast<br>£m | 2019/20<br>Estimate<br>£m | 2020/21<br>Estimate<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Balance B/fwd                                    | 18.40                   | 17.98                     | 17.55                     | 17.06                     | 16.56                     | 16.03                     |
| Plus Capital Expenditure financed from borrowing | 0.00                    | 0.00                      | 0.00                      | 0.00                      | 0.00                      | 3.40                      |
| Less MRP for Debt Redemption                     | -0.42                   | -0.43                     | -0.49                     | -0.50                     | -0.53                     | -0.55                     |
| <b>Balance C/Fwd</b>                             | <b>17.98</b>            | <b>17.55</b>              | <b>17.06</b>              | <b>16.56</b>              | <b>16.03</b>              | <b>18.88</b>              |

The above table shows only capital expenditure that is required to be financed from borrowing. The full capital programme and associated financing is reported in summary within the capital programme and capital programme elsewhere on the agenda (see item 10b).

The Commissioner is not expected to have any external borrowing at the start of 2019/20. Given that the CFR is forecast to be £17.5m this effectively means that the Commissioner will be funding over £12.8m of capital spend from internal resources (CFR £17.5m less £4.7m in relation to PFI).

Currently, there is a significant differential between investment rates at 1.00% and the rate at which long term finance can be procured, which despite standing at historically low levels, will still cost over 3.00+% pa. Consequently, at this juncture, undertaking long term borrowing is likely to have a prohibitively high short term cost to the revenue account. However, such funding decisions may commit the Commissioner to costs for many years into the future and it is therefore critical that a long term view is taken regarding the timing of such transactions. It should also be recognised that by funding internally, there is an exposure to interest rate risk at the point that actual borrowing is undertaken. Accordingly, the Commissioner, in conjunction with its treasury advisor (currently Arlingclose Ltd), will continue to monitor market conditions and interest rate prospects on an on-going basis, in the context of the Commissioner’s capital expenditure plans, with a view to minimising borrowing costs over the medium to long term.

#### 4.5.2. Short Term Borrowing

Short term loans will be used to manage day to day movements in cash balances, or over a short term period to enable aggregation of existing deposits into longer and more sustainable investment sums. Short term borrowing would probably be from another Local Authority.

#### 4.6. Investment Strategy

4.6.1. Local Authorities (which include the Commissioner) invest their money for three broad purposes:

- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

The Local Government Act 2003, Section 15(1)(a) requires the Commissioner to approve an investment strategy which must also meets the requirement in the statutory investment guidance issued by the Ministry of Housing, Communities and Local Government in January 2018. The Commissioner does not currently have, and does not intend to invest in, service investments or commercial investments so the detail below focuses on a Treasury Management Investment Strategy.

4.6.2. The CIPFA Code requires funds to be invested prudently, and to have regard for:

- **Security** – protecting the capital sum invested from loss; and
- **Liquidity** – ensuring the funds invested are available for expenditure when needed

The generation of **yield** is distinct from these prudential objectives. Once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities. The

objective when investing surpluses is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the aim would be to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

In the past the treasury management investment strategy has operated criteria based on credit ratings to determine the size and duration of investments it is willing to place with particular counterparties. The credit worthiness of counterparties is reviewed on an ongoing basis in conjunction with the Commissioner’s treasury advisors (Arlingclose Ltd).

*The updated investment guidance emphasises “**Security, Liquidity, Yield** in order of importance at all times”.*

The Commissioner holds significant balances of invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2018/19, the Commissioner's investment balance has ranged between £9.2m and £35.1m. The larger sum was due to the receipt in July 2018 of £20.4m pension top up grant from the Home Office, which is drawn down steadily over the remainder of the year. Balances in 2019/20 are forecast to slowly reduce as expenditure on large capital schemes continues. It is anticipated that, at the peak, when the pensions grant is received in July, balances for investment could approach £32m.

**Credit Rating** - Investment decisions are made by reference to the lowest published long-term credit rating from credit agencies such as, Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In addition to credit ratings, the Commissioner and its advisors,(currently Arlingclose Ltd), select countries and financial institutions after analysis and ongoing monitoring of:

- Economic fundamentals (e.g., net debt as a % of GDP)
- Credit default swap prices
- Sovereign support mechanisms
- Share prices
- Corporate developments, news, articles, market sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

The investment strategy for 2015/16 was opened up slightly to include some additional classes of investment to allow more flexibility and diversification. The strategy for 2019/20 remains the same. The decision to enter into a new class of investment is delegated to the Joint Chief Finance Officer. The strategy allows for investments in pooled funds such as money market funds or property funds. Following Brexit information and advice will be sought regarding the use of property funds to further diversify the Commissioners' portfolio, provide a longer-term investment and increase yield whilst maintaining security. A full explanation of each class of asset is provided in **Appendix A** together with a schedule of the limits that will be applied.

The Treasury Management Strategy is designed to be a dynamic framework which is responsive to prevailing conditions with the aim of safeguarding the Commissioner's resources. Accordingly, the Commissioner and his advisors will continuously monitor corporate developments and market sentiment with regards to counterparties and will amend the approved counterparty list and lending criteria where necessary. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining

investment strategy. It is proposed to continue the policy, adopted in 2017/18 that the Joint Chief Finance Officer, subject to consultation with the Commissioner, be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

The Joint Audit Committee will be updated on any changes to policy. The performance of the Commissioner's treasury advisors and quality of advice provided is evaluated prior to the annual renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

#### 4.6.3. The use of Financial Instruments for the Management of Risks

Currently, Local Authorities (including PCC's) legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit.

In the absence of any explicit legal power to do so, The Commissioner has **no** plans to use derivatives during 2019/20. Should this position change, the Commissioner may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require explicit approval.

#### 4.6.4. Liquidity of investments

The investment strategy must lay down the principles which are to be used in determining the amount of funds which can prudently be committed for more than one year i.e. what MHCLG's defines as a long term investment.

The Financial Services team uses a cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Commissioner being forced to borrow on unfavourable terms to meet his financial commitments. For the Commissioner, the total of investments over one year in duration are limited to £5m with a maximum duration of three years. This policy balances the desire to maximise investment returns, with the need to maintain the liquidity of funds.

Under current market conditions there is still little opportunity to generate significant additional investment income by investing in longer time periods over one year. However, as always, investment plans should be flexible enough to respond to changing market conditions during the year. The estimate of investment income for 2019/20 amounts to £165k (£135k 2018/19) and actual investment performance will be reported regularly to the Commissioner and will be provided to members of the Joint Audit Committee as background information to provide guidance and support when undertaking scrutiny of Treasury Management procedures.

## 4.7. Treasury Management and Risk

4.7.1. The Commissioner's approach to risk is to seek optimum returns on invested sums, taking into account at all times the paramount security of the investment. The CIPFA Code of Practice and Treasury Management Practices (as set out below in para. 4.8) sets out in some detail defined treasury risks and how those risks are managed on a day to day basis.

## 4.8. Treasury Management Practices

4.8.1. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). As outlined in section 1.1 above, the Treasury Management Code and Prudential Code were updated and additional guidance notes have now been received. The TMP's have been updated. The guidance from CIPFA recommends that TMPs should cover the following areas:

- Risk Management
- Performance Management
- Decision Making and Analysis
- Approved Instruments
- Organisation, Segregation of duties and dealing arrangements
- Reporting and Management Information requirements
- Budgeting, Accounting and Audit
- Cash and cashflow management
- Money laundering
- Training & Qualifications
- Use of external service providers
- Corporate Governance

Treasury Management is a specialised and potentially risky activity, which is currently managed on a day-to-day basis by the Financial Services Team under authorisation from the Joint Chief Finance Officer as part of a shared service arrangement for the provision of financial services. The training needs of treasury management staff to ensure that they have appropriate skills and expertise to effectively undertake treasury management responsibilities is addressed on an ongoing basis.

Specific guidance on the content of TMPs is contained within CIPFA's revised code of Practice for Treasury Management. Accordingly, the TMPs have been reviewed in detail and where necessary minor amendments have been made to bring the TMPs into line with The Code.

## 5. Treasury Management Prudential Indicators

5.1. The key objectives of The Code are to ensure, within a clear framework, that Capital investment plans are **affordable, prudent and sustainable** (or to highlight, in exceptional cases, that there is a danger this will not be achieved so that the Commissioner can take remedial action). To demonstrate that Authorities have fulfilled these objectives, the Prudential Code sets out the Indicators that must be used. The indicators required by The Code are designed purely to support local decision making and are specifically not designed to represent comparative performance indicators.

5.2. The treasury management Indicators are not targets to be aimed at, but are instead limits within which the treasury management policies of the Commissioner are deemed prudent. These cover three aspects:

5.2.1. **Maturity Structure of Borrowing** - It is recommended that upper and lower limits for the maturity structure of borrowings are calculated as follows:

| Period of Maturity             | Upper Limit<br>% | Lower Limit<br>% |
|--------------------------------|------------------|------------------|
| Under 12 months                | 100.00           | 0                |
| 12 months and within 24 months | 100.00           | 0                |
| 24 months and within 5 years   | 100.00           | 0                |
| 5 years and within 10years     | 100.00           | 0                |
| 10 years and above             | 100.00           | 0                |

*The PCC currently has no external debt. This table will be updated once actual borrowing is undertaken.*

This indicator is primarily applicable to organisations, which have undertaken significant levels of borrowing to finance their capital programmes in which case it is prudent to spread the profile of repayments to safeguard against fluctuations of interest payments arising from having to refinance a large proportion of the debt portfolio at any point in time. During 2012/13 the Commissioner repaid all outstanding external borrowing and as a result there is currently no requirement to apply stringent limits to the maturity profile of existing debt.

5.2.2. **Principal sums invested for periods longer than a year** – The purpose of this indicator is to contain the Commissioner’s exposure to the possibility of loss that might arise as a result of having to borrow short term at higher rates or losses by seeking early repayment of its investments.

| Price Risk Indicator                        | 2019/20 | 2020/21 | 2021/22 |
|---|---------|---------|---------|
| Limit on principal invested beyond one year | £3m     | £2m     | £1m     |



5.2.3. **Exposure to interest rate changes** - The 2017 code encourages Authorities to define their own 'Liability Benchmark' which will provide a basis for developing a strategy for managing interest rate risk. On the basis that Arlingclose are not forecasting significant interest rate movements in the short term and that the Commissioner has no plans to make any long term external borrowing decisions over the next financial year, because of the 'cost of carry', development of a liability benchmark at this point would not provide added value. However, the Commissioner will actively develop indicators to manage interest rate risk in due course once there is more clarity over borrowing intentions.

### 5.3. Setting, Revising, Monitoring and Reporting

Prudential Indicators, other than those using actual expenditure taken from audited statements of accounts must be set prior to the commencement of the financial year to which they relate. Indicators may be revised at any time, and must, in any case, be revised for the year of account when preparing indicators for the following year. The Joint Chief Finance Officer has a prescribed responsibility under The Code to ensure that relevant procedures exist for monitoring and reporting of performance against the indicators. The Prudential Indicators when initially set and whenever revised, must be approved by the body which approves the budget, i.e. The Commissioner at his Public Accountability Conference.

## 6. Annual MRP Statement for 2019/20

6.1. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on authorities to make a prudent provision for debt redemption, this is known as the **Minimum Revenue Provision (MRP)**. The Local Government Act 2003 requires the Authority to "have regard" to The Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision most recently issued in 2018. This sum known as the MRP is intended to cover the principal repayments of any loan over the expected life of a capital asset.

6.2. The Ministry of Housing, Communities and Local Government's Guidance recommends that before the start of the financial year, The Commissioner approves a statement of MRP policy for the forthcoming financial year. This is now by agreement encompassed within the TMSS. The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure, which gave rise to the debt, provides benefits.

The four options available for calculating MRP are set out below:

- Option 1 – Regulatory Method based on 4% of the CFR after technical adjustments.
- Option 2 – CFR Method, based on 4% of the CFR with no technical adjustments.
- Option 3 – Asset Life Method, spread over the life of the asset being financed.
- Option 4 – Depreciation Method, based on the period over which the asset being financed is depreciated.

- 6.3. It is proposed that The Commissioner’s MRP policy for 2019/20 is unchanged from that of 2018/19 and that The Commissioner utilises option 1 for all borrowing incurred prior to the 1st April 2008 and option 3 for all borrowing undertaken from 2008/09 onwards, irrespective of whether this is against supported or unsupported expenditure. This policy establishes a link between the period over which the MRP is charged and the life of the asset for which borrowing has been undertaken. It is proposed that a fixed instalment method is used to align to the Commissioner’s straight line depreciation policy.
- 6.4. MRP in respect of PFI and leases brought on to the balance sheet under the 2009 accounting requirements will match the annual principal repayment for the associated deferred liability. This will not result in an additional charge to the Commissioner’s revenue budget as this is part of the capital repayment element of the PFI unitary charge.
- 6.5. There have been some additional voluntary contributions of MRP made in previous years that are available to reduce the revenue charges in later years. No such overpayments or withdrawals are planned for 2019/20.

## 7. Balanced Budget Requirement

- 7.1. The Commissioner complies with the provisions of section 32 of the Local Government Finance Act 1992 to set a balanced budget.

## 8. Reporting on Treasury Activities

- 8.1. In accordance with The Code of Practice for Treasury Management, the Commissioner will approve the Annual TMSS, receive, a quarterly summary of treasury activity, a mid-year update on the strategy and an annual report after the close of the financial year.
  
- 8.2. The Joint Audit Committee will be responsible for the scrutiny of treasury management policy and processes. The Joint Audit Committee terms of reference in relation to treasury management are:
  - Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory.
  - Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity.
  - Review the treasury risk profile and adequacy of treasury risk management processes.
  - Review assurances on Treasury Management (for example, an internal audit report, external or other reports).
  
- 8.3. The MHCLG Guidance on investments states that publication of strategies is now formally recommended, the full suite of strategy documents will be published on the Commissioner's website once approved.

## Counterparty Selection Criteria and Approved Counterparties

### 1. Background

- 1.1. The lending criteria set out below are designed to ensure that, in accordance with The Code of Practice, the security of the funds invested is more important than maximising the return on investments. Following consultation with the Commissioner's treasury advisors (currently Arlingclose Ltd) there are no amendments to the criteria used in determining approved investment counterparties for 2019/20 compared to those in operation for 2018/19.

### 2. Counterparty Selection Criteria

- 2.1. The agreed changes to the selection criteria for investment counterparties for 2015/16 included changes to the investment categories, a reduction in the maximum amount and duration lengths for investments. This was to encourage diversification and to increase the security of those funds invested. These principles apply to the 2019/20 strategy. The investment limits and duration are linked to the credit rating and type of counterparty at the time the investment is made.
- 2.2. The credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Arlingclose Ltd who provide timely updates and advice on the standing of counterparties. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy and at the time when individual investment decisions are made. In the event that this ongoing monitoring results in a significant change to counterparty selection during the year, the Commissioner and the Joint Audit Committee will be advised through the quarterly activities report.

- 2.3. The approved investment counterparties for the 2019/20 investment strategy are summarised as follows:

| Category   | Description          | Comments   |
|------------|----------------------|--|
| Category 1 | Banks Unsecured      | Includes building societies                                    |
| Category 2 | Banks Secured        | Includes building societies                                    |
| Category 3 | Government           | Includes other Local Authorities                               |
| Category 4 | Registered Providers | Includes providers of social housing e.g. Housing Associations |
| Category 5 | Pooled Funds         | Includes Money Market Funds and property funds                 |

- 2.4. A more detailed explanation of each of these counter party groupings is provided in **Schedule B** (page 20).

### 3. Counterparty Groupings / Limits

- 3.1. The criteria for approving investment counterparties have been devised, grouped, graded and investment limits attached as detailed in **Schedule A** (page 19). The limits are based on a percentage of the potential maximum sums available for investment during the year of up to £40m. The counterparty limits for 2019/20 are the same as the limits for 2018/19. Pooled funds are in essence the same as AAA money market funds but they require 3 days notice for the return of our funds. This slight reduction in cashflow is rewarded by a slightly increased interest rate. Arlingclose suggest that these funds are used for longer term investments and the ordinary money market funds to manage cash flow.

### 4. Description of Credit Ratings

- 4.1. As outlined in paragraph 2.2 above the credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Arlingclose Ltd. A description of each of the credit rating is provided at **Schedule C** (page 21-23).

## Schedule A – Counterparty Groupings and Associated Limits

| Investment Limits                          |          |           |           |             |            |  |
|--|----------|-----------|-----------|-------------|------------|--|
| Credit Rating                              | Maximum  | 1         | 2         | 3           | 4          | 5  |
|  |          | Banks     | Banks     | Government  | Registered | Pooled   |
|  |          | Unsecured | Secured   |             | Providers  | Funds  |
| <u>Category Limit 2019/20</u>              | Amount   | £20m      | £20m      | Unlimited   | £10m       | £20m   |
|  | Duration |           |           |             |            |  |
| <u>Individual Institution/Group Limits</u> |          |           |           |             |            |  |
| UK Government                              | Amount   | N/A       | N/A       | £ unlimited | N/A        | N/A  |
|  | Duration |           |           | 50 Years    |            |  |
| AAA  | Amount   | £2m       | £4m       | £4m         | £2m        | £4m per fund (Pooled funds are generally not rated but the diversification of funds equate to AAA credit rating) |
|  | Duration | 5 years   | 20 years  | 50 years    | 20 years   |  |
| AA+  | Amount   | £2m       | £4m       | £4m         | £2m        |  |
|  | Duration | 5 years   | 10 years  | 25 years    | 10 years   |  |
| AA   | Amount   | £2m       | £4m       | £4m         | £2m        |  |
|  | Duration | 4 years   | 5 years   | 15 years    | 10 years   |  |
| AA-  | Amount   | £2m       | £4m       | £4m         | £2m        |  |
|  | Duration | 3 years   | 4 years   | 10 years    | 10 years   |  |
| A+   | Amount   | £2m       | £4m       | £2m         | £2m        |  |
|  | Duration | 2 years   | 3 years   | 5 years     | 5 years    |  |
| A  | Amount   | £2m       | £4m       | £2m         | £2m        |  |
|  | Duration | 13 months | 2 years   | 5 Years     | 5 years    |  |
| A-   | Amount   | £2m       | £4m       | £2m         | £2m        |  |
|  | Duration | 6 months  | 13 months | 5 years     | 5 years    |  |
| None                                       | Amount   | N/A       | N/A       | £2m         | £2m        |  |
|  | Duration |           |           | 25 years    | 5 years    |  |

Note, individual, group and category limits for 2019/20 are based on the potential maximum available for investment during the year of up to £40m. It should also be noted that as outlined in paragraph 2.2 above, counterparty credit rating is not the only factor taken into consideration at the time of placing investments.

The maximum of all investments with outstanding maturities greater than one year will be £5m.

## Schedule B – Explanation of Counterparty Groupings

### Class of Investment

**Category 1 - Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Category 2 - Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Category 3 - Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Category 4 - Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

**Category 5 - Pooled Funds:** Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

## Schedule C – Description of Credit Ratings – Long Term Rating

| Rating Agency           | Fitch  | Moody's  | Standard & Poor's   |
|-------------------------|--|--|---|
| <b>Long Term Rating</b> | <p>This category of ratings applies to investments over 12 months. The grading is in the range AAA, AA, A, etc, down to DDD.</p> <ul style="list-style-type: none"> <li>• AAA Highest credit quality<br/>'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be affected by foreseeable events.</li> <li>• AA Very high credit quality<br/>'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.</li> <li>• A High credit quality<br/>'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A-.</b></p> | <p>This category of ratings applies to investments over 12 months. The grading is in the range Aaa, Aa, A, etc, down to C.</p> <p>Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa to Caa.</p> <p>The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.</p> <ul style="list-style-type: none"> <li>• Aaa Obligations rated Aaa are judged to be of the highest quality, with the lowest level of credit risk.</li> <li>• Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.</li> <li>• A Obligations rated A are considered upper-medium grade and are subject to low credit risk.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A1.</b></p> | <p>This category of ratings applies to investments over 12 months. The grading is in the range AAA, AA, A, etc, down to D.</p> <p>The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.</p> <ul style="list-style-type: none"> <li>• AAA: An obligation rated 'AAA' has the highest rating assigned by Standard &amp; Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.</li> <li>• AA: An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.</li> <li>• A: An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A-.</b></p> |



## Schedule C – Description of Credit Ratings – Short Term Rating

| Rating Agency            | Fitch  | Moody's   | Standard & Poor's  |
|--------------------------|--|---|--|
| <b>Short Term Rating</b> | <p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range F1, F2, F3, B, C, D.</p> <ul style="list-style-type: none"> <li>F1 Highest credit quality<br/>Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote an exceptionally strong credit feature.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of F1.</b></p> | <p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range P1, P2, P3, NP (not prime).</p> <ul style="list-style-type: none"> <li>P1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of P1.</b></p> | <p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range A1,A2, A3, B1, B2, B3, C, D.</p> <ul style="list-style-type: none"> <li>A1 A short-term obligation rated 'A-1' is rated in the highest category by Standard &amp; Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A1.</b></p> |

## Schedule C – Description of Credit Ratings – Support Rating

| Rating Agency                 | Fitch   | Moody's               | Standard & Poor's     |
|-------------------------------|---|-----------------------|-----------------------|
| <b>Support Rating (Fitch)</b> | <p>This category of assessment does not rate the quality of the banking institution, but represents the analyst's view of whether the bank would receive State or other support should this be necessary. The gradings are in the range 1 – 5, although as set out above, the strategy is to restrict such investments to grades 1 - 3:</p> <ul style="list-style-type: none"> <li>• 1) A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question.</li> <li>• 2) A bank for which, in the Analyst's opinion, there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to support the bank in question.</li> <li>• 3) A bank for which, in the Analyst's opinion, there is a moderate probability of external support, because of uncertainties about the ability or propensity of the potential provider of support to do so.</li> </ul> | <p>Not applicable</p> | <p>Not applicable</p> |

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Joint Audit Committee  
20 March 2019  
Agenda Item No 18iv

**Peter McCall**

Members are asked to note that the TMPs have been updated to reflect changes in role titles and a change in the treasury management advisor from 1 April 2019. Any other changes in wording have been highlighted in green.



## **Treasury Management Practices 2019/20**

Local Authorities (which include the Commissioner) invest their money for three broad purposes:

- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

Service investments and Commercial investments are classed as non- treasury investments.

The Commissioner does not currently have, and does not intend to invest in, non-treasury investments so the detailed Treasury Management Practices below relate to Treasury Investments only.

## Treasury Management Practices – Treasury investments

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Finance staff have authority to undertake transactions on instruction from the Joint Chief Finance Officer as part of the arrangements for shared financial services.

## Schedule 1

### Summary Identifying Risks of Treasury Management

The “**Treasury Management in the Public Services: Code of Practice and cross sectoral guidance notes** “(the Code) identifies twelve areas where statements of Treasury Management practices (TMPs) should be developed to implement the full requirements of the Code.

#### TMP 1 Risk Management

The Joint Chief Finance Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. They will report at least annually on the adequacy / suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in TMP6 – Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule 2.

##### 1. **Credit and Counterparty Risk Management**

The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty’s diminished creditworthiness, and the resulting detrimental effect on the organisation’s capital or current (revenue) resources.

The Commissioner regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 ‘approved instruments methods and techniques’ and listed in schedule 2 of this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial or derivative arrangements.

To ensure this it will maintain a defined list of authorised counterparties and the group deposit limits. In conjunction with The Commissioner’s treasury advisors (Link Asset Services) the credit worthiness of counterparties is reviewed on an ongoing basis. Where such monitoring results in significant changes to the

approved counterparty list, this will be reported to the Commissioner and the Joint Audit Committee through the quarterly treasury management activities report. The treasury advisory service provided by Link Asset Services gives daily updates on credit worthiness which allows immediate action where necessary. Any amendments are subsequently put to the Commissioner for ratification. A weekly statement will be presented to the Deputy Chief Finance Officer for approval detailing all the week's investment activity and a summary of all amounts deposited at any one time by counterparty and category together with details of any borrowings undertaken or repaid in the week and the total outstanding at close of business for the week. Copies of this information are also provided to the Joint Chief Finance Officer and the Director of Corporate Support. Where exceptional circumstances make it necessary to deviate from the approved lending list limits this will be approved by the Joint Chief Finance Officer (or in his/her absence by the Deputy Chief Finance Officer) in advance of the transaction being undertaken and will be reported to the Commissioner at the earliest opportunity.

## **2. Liquidity Risk Management**

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business / service objectives will be thereby compromised.

The Commissioner considers that the prospect of ongoing liquidity problems is remote due to the nature and timing of its main income sources and the substance of major items of expenditure. However, it will ensure that the Policing Body has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This will be achieved through the use of a proven cash flow forecasting model. This is updated annually to include all known major income streams (e.g. Home Office Grant, RSG, NNDR, precepts, capital grant etc.) and all major payments (e.g. payroll, HMRC, weekly payment run estimates, etc.).

The Commissioner will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities. There are currently no plans to borrow in advance of need.

## **3. Interest Rate Risk Management**

The risk that fluctuations in the level of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Commissioner will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

The Commissioner will achieve this by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to consideration and, if required, approval of any policy or budgetary implications.

The Commissioner will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy. There are currently no plans to utilise such instruments.

Revised interest forecasts for both the current and forward years are incorporated within the Commissioner's budget and medium term financial forecasts on a regular basis. An appropriate limit will also be defined in the annual strategy setting out the maximum amount of variable rate debt to be incurred. However, security of principal will always take precedence over interest returns in decisions over investment of our cash.

#### **4. Exchange Rate Risk Management**

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Commissioner will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. However, this is not considered to be an issue for the Commissioner at the moment, as all treasury transactions are currently undertaken in pounds sterling.

#### **5. Refinancing Risk Management**

The risk that maturing borrowings, capital, projects or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for refinancing, both capital and current (revenue), and / or that the terms are inconsistent with prevailing market conditions at the time.



The Commissioner will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured, documented and the maturity profile of the monies raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Commissioner as can be reasonably achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

## **6. Legal and Regulatory Risk Management**

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements and that the organisation suffers losses accordingly.

The Commissioner will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

An Investment Strategy, as required in Section 15 of the Local Government Act 2003 will be put to the Commissioner annually for ratification as part of the treasury management strategy statement.

The Commissioner recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Regular scanning of the internal and external regulatory framework will be undertaken by the Deputy Chief Finance Officer to aid the above.

## **7. Fraud, Error and Corruption and Contingency Management**

The risk that the organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ

suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

The Commissioner will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

## **8. Market Risk Management**

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Commissioner will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Only very secure instruments and institutions are chosen with strict limits placed on the value of deposit that can be made with each institution (including group limits) thus limiting its exposure.

## **TMP 2 Performance Measurement**

The Commissioner is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in schedule 2.

## TMP 3 Decision Making and Analysis

The Commissioner will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and the processes and practices to be pursued in reaching decisions are detailed in Schedule 2.

## TMP 4 Approved Instruments, Methods and Techniques

The Commissioner will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in Schedule 2 and within the limits and parameters defined in TMP1 Risk Management.

Where the Commissioner intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Commissioner will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products. There are currently no plans to utilise such instruments.

## TMP 5 Organisation, Clarity, Segregation of Responsibilities and Dealing Arrangements

The Commissioner considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities. A separate statement of responsibilities exists to facilitate this and is set out in Schedule 2.

The principle on which this will be based is a clear distinction, as far as is feasible between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions and the audit and review of the treasury management function.

The Joint Chief Financial Officer has overall responsibility for the treasury management activities but delegates day-to-day management of the function to the Deputy Chief Finance Officer.

If and when the Commissioner intends, as a result of lack of resources or other circumstances, to depart from these principles, the Joint Chief Finance Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

On behalf of the Joint Chief Finance Officer, the Deputy Chief Finance Officer will ensure that:

- there are clear written statements of the responsibilities for each post engaged in treasury management.
- there are appropriate arrangements for absence cover.
- that at all times, those engaged in treasury management will follow the policies and procedures set out.
- there is proper documentation for all deals and transactions.
- that procedures exist for the effective transmission of funds.

The present arrangements are detailed in schedule 2.

The delegations to the Deputy Chief Finance Officer in respect of treasury management are set out within schedule 2 of this document. The Deputy Chief Finance Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the "Standard of Professional Practice on Treasury Management".

## TMP 6 Reporting Requirements and Management Information Arrangements

The Commissioner will ensure that regular reports are prepared and considered on the implementation of treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Commissioner, will receive:

- an annual report on the strategy and plan to be pursued in the coming year (before 31 March).
- A rolling three year statement of treasury Indicators, combining those required by the prudential code and by the treasury management code.

- A mid-year review
- A quarterly summary of treasury management activity.
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Commissioner's treasury management policy statement and TMPs. (Reported to both the Commissioner's Public Accountability Conference and the Joint Audit Committee).

In addition to the above, the **Joint Audit Committee** will receive:

- regular (no less than quarterly) monitoring reports on treasury management activities and risks. In addition, where ongoing monitoring of the credit worthiness of approved counterparties has revealed a significant change, this will also be reported to the Joint Audit Committee.
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Constabulary's treasury management policy statement and TMPs. (Reported to both the Commissioner's Public Accountability Conference and the Joint Audit Committee).

The Joint Audit Committee will have responsibility for the scrutiny of treasury management strategy, policies and practices.

The present arrangements and the form of these reports are detailed in schedule 2.

## TMP 7 Budgeting, Accounting and Audit Arrangements

The Joint Chief Finance Officer will recommend and the Commissioner will approve and if necessary, from time to time will amend an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement and TMP4 Approved instruments, methods and techniques. The Joint Chief Finance Officer will ensure the effective exercise of controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Commissioner will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force at that time.

The Commissioner will ensure that its auditors and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles. The Commissioner will also ensure that such information and papers demonstrate compliance with external and internal policies and approved practices.

## TMP 8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Commissioner will be under the control of the Joint Chief Finance Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Joint Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP 1 liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in Schedule 2

## TMP 9 Money Laundering

The Commissioner is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and for reporting suspicions, and will ensure that staff involved in this is are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in schedule 2.

## TMP 10 Training and Qualifications

The Commissioner recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. The Commissioner will therefore

seek to appoint individuals who are both capable and experienced and will also provide training to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Deputy Chief Finance Officer will on behalf of the Joint Chief Financial Officer recommend and implement the necessary arrangements.

The Joint Chief Finance Officer will ensure that Joint Audit Committee members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure they have the necessary skills to complete their role effectively.

The present arrangements are detailed in schedule 2.

## TMP 11 Use of External Service Providers

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed as consistent with the Joint Procurement Regulations. The monitoring of such arrangements rests with the Joint Chief Finance Officer, and details of the current arrangements are set out in schedule 2.

The Commissioner has a formal contract with Link Asset Services, to provide a range of technical advice and information covering the treasury business. The current contract to provide specialist treasury advice expires on 31/03/2019 and a process to re-tender the contract is currently underway.

## TMP 12 Corporate Governance

The Commissioner is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Commissioner has adopted and implemented the key principles of the CIPFA Code of Practice on Treasury Management. This, together with the other arrangements detailed in Schedule 2, are considered vital to the achievement of proper corporate governance in treasury management, and the Joint Chief Finance Officer will monitor, and if and when necessary, report upon effectiveness of these arrangements.



## Treasury Management Practices

### TMP 1 Risk Management

#### Liquidity Risk

In its day to day operations the Commissioner experiences wide fluctuations in its receipts and payments, although, the majority of its cash streams are known at least 3 days in advance. The policy will be to maintain the minimum cash balance hence make best use of potential income streams.

Performance measure – the daily bank balance on the main account should be maintained within a limit of + or - £2,000, this should be achieved 95% of the time (i.e. 347 days out of 365). A minimum investment balance of £250k should be held to cover unforeseen expenditure; this should be placed on treasury deposit overnight, within the liquidity select account or within instantly accessible money market funds.

#### Standby Facilities

- The Deputy Chief Finance Officer will ensure that the daily investment function has adequate cover. On a day to day basis treasury management tasks are performed by the Financial Services Manager (Treasury), in the event of his/her absence, there is a clear order of personnel designated for cover and that order is communicated to all involved (see below).
  - 1) Financial Services Officer
  - 2) Financial Services Manager (Revenue)
  - 3) Deputy Chief Finance Officer
- All programs and systems are held within the main body of the Commissioner's IT systems and are therefore backed up daily. A manual printed record of the daily transactions will be kept at least until External Audit has reviewed the statutory accounts.
- In the event that the Bankline system is not operational balances and transaction details can be obtained from the Nat West Corporate Office.
- Temporary borrowings / overdrafts will only be used in exceptional cases to manage day to day movements in cash balances

## Interest Rate Risk

*Details of approved interest rate exposure limits / Minimum / Maximum proportions of variable rate debt / interest*  
Previously the Commissioner is required to approve a series of Prudential Indicators, which includes recommended setting limits for upper limits on exposure to fixed and variable interest rates. The 2017 code encourages Authorities to define their own 'Liability Benchmark' which will provide a basis for developing a strategy for managing interest rate risk. On the basis the commissioners advisors are not forecasting significant interest rate movements in the short term and that the Commissioner has no plans to make any long term external borrowing decisions over the next financial year, because of the 'cost of carry', development of a liability benchmark at this point would not provide added value. However, the Commissioner will actively develop indicators to manage interest rate risk in due course once there is more clarity over borrowing intentions.

*Policies concerning the use of financial derivatives and other instruments for interest rate management.*

Forward Dealing – forward dealing will not normally form part of the day to day activities other than arranging deposits to cover periods when signatory cover is limited and will be subject to approval by the Deputy Chief Finance Officer on behalf of the Joint Chief Finance Officer.

Forward Borrowing – would be considered as part of the long-term debt authorisation process and in each case will be looked at on its own merits. The Commissioner will only progress when prudent to do so.

It should be noted that the current strategy does not approve the use of such derivatives.

## Exchange Rate Risk

This is currently not a concern to the Commissioner as all receipts are presently in sterling.

## Credit and Counterparty Risk

Criteria to be used for creating / managing approved Counterparty lists / limits – the Joint Chief Finance Officer and the Deputy Chief Finance Officer will formulate suitable criteria for assessing and monitoring investment counterparties and shall construct a lending list comprising time, type, and specific Counterparty limits. An Investment strategy will be submitted to the Commissioner detailing selection procedures. Compliance with these limits and any significant changes to the approved counterparty list as a result of the ongoing review of the

creditworthiness of counterparties will be included in the regular monitoring reports provided to the Commissioner and the Joint Audit Committee.

### **Refinancing Risk; Debt / Other Capital Financing Maturity Profiling, Policies and Practices.**

The Prudential Code requires that:

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Commissioner should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next three financial years”.

To that end the Commissioner will set annual prudential indicators and then proceed to operate within those boundaries, thus showing that all decisions taken adhere to the above.

### **Fraud, Error, Corruption and Contingency Management**

Policy on Delegated Powers – members of staff undertaking day to day management of cash are identified in TMP 5. There will always be complete segregation of duties between staff involved in carrying out transactions in the Money Market and those authorised to transfer cash (any amendments to these policies will be reviewed by Management/Internal Audit prior to implementation).

Policy on the use of Internet Systems – The Bankline system operated by NatWest for obtaining balances and making payments is an internet based system. In addition to this counterparties are increasingly providing services via the internet from checking rates to viewing details of investments. Prior to using such facilities, an assessment will be made of the security of such arrangements and, when satisfied, approval will be obtained from the Joint Chief Finance Officer.

Emergency and Business Continuity Arrangements – the following standby facilities will be maintained.

- All staff involved in the treasury management function will have designated absence cover (see Policy)
- All local programmes and systems will be backed up on a daily basis and also printed weekly records are maintained.
- Bank balances can be manually obtained from the bank in the event of a Bankline Systems failure.

- Evidence of any error or discrepancy will be notified to the Joint Chief Finance Officer and the Deputy Chief Finance Officer as soon as identified.
- Computer Systems are backed up on a daily basis by the IT department.
- Business Continuity Planning is actively managed, and includes all areas of finance and treasury.
- All staff involved in Treasury Management have mobile tablets which allow access to the treasury management records from another location if they are unable to operate from HQ (provided HQ systems are in operation).
- The Bankline system is internet based and as such bank account information can be accessed by appropriate staff from any location with internet access.

Treasury management is recognised as high priority for Financial Services and as such arrangements in the event of a business continuity event are detailed in the Financial Services Business Continuity Plan.

Insurance Cover Details – Fidelity Guarantee insurance is held for staff involved in treasury management processes at a suitable level and is reviewed annually.

### **Market Value of Investments**

The investment strategy, whilst principally centred around investments with a fixed value such as cash fixed term deposits and AAA rated Money Market Funds has been extended to include AAA rated Money Market Funds with a variable net asset value (VNAV). The use of VNAV funds will be limited to longer term investments to minimise the risk of incurring a loss in value as a result of adverse market conditions funds and will be subject to advice and closely monitoring in conjunction with the Commissioner's treasury advisors Link Asset Services.

## TMP 2 Performance Measurement

### Frequency and Processes for Tendering

**Banking Services.** Arrangements for banking services will be reviewed every 5 years to ensure that the level of prices and service delivery reflect efficiency savings achieved by the supplier and current pricing trends.

**Money Broking Services** In the main, the Commissioner deals directly with financial institutions although, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

**Consultants/Advisors** The Commissioner has appointed Link Asset Services as its treasury advisors for the financial year 01 April 2019 to 31 March 2020.

### Methods to be Employed for Measuring the Performance of The Commissioner treasury management activities –

Benchmarks will be used to assess the performance of the Treasury Management function in the following areas:

- Day to day cash balances, management to within + - £2,000.
- Investments – the yield on investments for over 3 months in duration will be measured against the average Bank of England base interest rate over the period of the investment.
- Long term borrowing against budget.
- Temporary borrowing against budget.
- Annual investment performance against budget.

These statistics will be reported to the Commissioner and the Joint Audit Committee on an appropriate basis.

**Benchmarking and Calculating Methodology** – The Commissioner will continue to search for appropriate benchmarks which effectively compare investment performance.

## TMP 3 Decision Making and Analysis

### Funding, Borrowing, Lending and New Instruments & Techniques

In respect of every decision made the Commissioner will:

- Above all, be clear about the nature and extent of the risks to which it may be exposed.
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver its objectives and protect its interests, and to deliver good housekeeping.
- Ensure that counterparties are judged satisfactory in the context of the organisation's credit worthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transactions have been benchmarked against the market, and have been found to be competitive.

In respect of borrowing and other funding decisions, the Commissioner, in consultation with the Joint Chief Finance Officer, will:

- Consider the ongoing revenue liabilities created, and the implications for the Commissioner's future plans and indicative budgets.
- Evaluate the economic and market factors that might influence the manner and timing of any decisions to fund.
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing, and private partnerships.
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

In respect of investment decisions, the Commissioner will:

- Consider the optimum period, in light of cash flow availability and prevailing market conditions.
- Consider alternative investment products and techniques available, especially the implications of using any which may expose the Commissioner to changes in the value of its capital.
- Ensure that asset security is always considered paramount in any investment.

## TMP 4 Approved Instruments, Methods and Techniques

### Approved Activities of the Treasury Management Function

- Borrowing.
- Lending.
- Debt repayment and rescheduling.
- Consideration, approval and use of new financial instruments and treasury management techniques.
- Managing the underlying risk associated with the capital financing and surplus funds.
- Managing cashflow.
- Banking activities.
- Leasing.
- Forecasting interest receipts and payments arising as a result of treasury activities.

### Approved Instruments for Investment

- Deposits with banks and building Societies or local authorities up to 365 days
- Non-specified deposits with banks and building societies or local authorities up to 5 years
- Pooled Funds (including Triple A rated Money Market Funds both with a constant and variable net asset value).
- Registered Providers (including providers of social housing).
- Deposits with Government (including HM Treasury, Debt Management Office and Local Authorities).

Investment in any new instrument can only be undertaken following consultation with and approval by the Joint Chief Finance Officer.

### Approved Methods and Sources of Raising Capital Finance

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the Joint Chief Finance Officer.

## TMP 5 Organisation, Clarity, Segregation of Responsibilities and Dealing Arrangements.

### **Policy on Delegation, Review and Reporting Arrangements**

The Commissioner will receive and review reports on its treasury management strategy, policies and practices, including as a minimum, an annual strategy and plan in advance of the year and an annual report after its close. They will also:

- Approve amendments to the treasury management policy statement and treasury management practices.
- Approve the division of responsibilities and delegation within the treasury management function.
- Endorse relevant Codes of Practice on treasury business.
- Receive a quarterly summary of treasury management activities.

Assurance with regards to monitoring of treasury management policies and practices is a function of the Joint Audit Committee. The Commissioner delegates overall arrangements for the treasury management function including determining appropriate strategy and procedures to the Joint Chief Finance Officer. The Joint Chief Finance Officer delegates to the Deputy Chief Finance Officer the undertaking of day to day treasury management activities in accordance with the strategies and procedures. All officers undertaking treasury management activity will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Commissioner nominates the Joint Audit Committee to be responsible for assurance in respect of effective scrutiny of the treasury management strategy and policies.

The **Joint Audit Committee** will:

- Receive and review regular monitoring reports in relation to treasury management activities which will include any significant changes to the approved counterparty list as a result of the ongoing review of the creditworthiness of counterparties.
- Review the treasury management policy and procedures and make recommendations to the Commissioner.
- Receive and review external and internal audit reports in relation to treasury management.



The **Joint Chief Finance Officer** will:

- Review the policy statement and annual strategy statement and present to the Commissioner.
- Review periodic treasury management reports and present to the Commissioner.
- Review the annual treasury management report and present to the Commissioner.
- Review compliance with relevant treasury Codes of Practice.
- Ensure that there is a written statement of responsibilities covering the complete treasury management function.
- Delegate the operation of the treasury management function to the Deputy Chief Finance Officer.
- Ensure the adequacy of internal audit, and liaising with external audit.
- Approve any long or short term borrowings.

The **Deputy Chief Finance Officer** will:

- Ensure arrangements are in place for the preparation of periodic treasury management policy statements and an annual strategy statement.
- Hold the Financial Services Manager (Treasury) to account for the day to day management of the treasury function.
- Review the periodic reports on treasury management activities.
- Review the annual report on treasury management as soon as possible after the end of a financial year.
- Review compliance with relevant treasury codes of practice.
- Ensure that all staff who deal in treasury matters understand and have access to the Non Investments Product Code and the CIPFA Code of Practice.
- Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Oversee and approve investments made for periods greater than three months.
- Review the performance of the treasury function at least twice each financial year.
- Ensure adequate separation of duties.
- Institute a range of performance measures for treasury management.
- Recommend the appointment of external service providers.
- Prepare an annual report on Treasury Management as soon as possible after the end of a financial year.
- Ensure compliance with relevant Treasury Codes of Practice
- Document and maintain 'Treasury Management Practices' as set out in the Code of Practice
- Review alternative methods of investment
- Provide advice to the Joint Chief Finance Officer in respect of any borrowings

The **Financial Services Manager (Treasury)** will:

- Have overall responsibility for the daily treasury management activities
- Prepare periodic reports on treasury management activities
- Review treasury systems documentation
- Prepare and keep up to date cash flow projections for a 12 month rolling period
- Liaise with the Deputy Chief Finance Officer for any investment over three months
- Deal with counterparties and make a record of such
- Comply with the Non Investments Product Code and the CIPFA Code of Treasury Management
- Ensure credit worthiness and maintain lending list
- Ensure the training of those listed for absence cover is kept up to date.
- Monitor performance of brokers and ensure a spread of brokers are used
- Supply the Deputy Chief Finance Officer with a weekly report on treasury activities for authorisation and supply an electronic copy to the Joint Chief Finance Officer and the Director of Corporate Support.

#### **Absence Cover for Daily Dealing Arrangements**

In the absence of the Financial Services Manager (Treasury) the absence cover is to cascade thus:

- 1) Financial Services Officer (Corporate)
- 2) Financial Services Manager (Revenue)
- 3) Deputy Chief Finance Officer

Each treasury deal transacted via the Bankline system requires a second individual to authorise the deal. The following posts will have responsibility for authorising Bankline deals:

- 1) Financial Services Officer – (4.6 FTE used subject to availability)

Before any planned absence all staff will be notified of their required responsibilities.

The **Financial Services Trainee/Apprentice** will:

- Reconcile treasury deals in the Commissioner cash book
- Receive and verify confirmation of treasury deals
- Reconcile general ledger entries in relation to treasury activity
- Produce management information for reporting treasury activities

**Internal/Management Audit will:**

- Complete periodic checks on the treasury management function and make recommendations where appropriate.
- Review compliance with agreed policies, procedures and Codes of Practice and make recommendations for improvement where appropriate.

**Principles and Practices Concerning Segregation of Duties**

The activities of the Treasury function will be carried out in accordance with the duties and responsibilities detailed above. In particular, day to day duties will be split to ensure that no one person can both initiate and then authorise payment.

Other than in the event of a technical failure all deposits will be initiated through the Bankline software – complete segregation of duties. It will be a disciplinary offence for individuals to release their personal operator cards or passwords. If a card is lost or stolen then the system administrator (Financial Services Manager (systems) or Financial Services Assistant) must be immediately informed - who will then immediately change all relevant computer access codes.

**Dealing Limits**

Approved dealers have the delegated power to enact transactions on a day to day basis within the constraints of the treasury management practice schedules and the procedure manual. They can, in particular operate within the limits laid down within the Counterparty Selection Criteria and Approved Counterparty List.

**Policy on Broker's Services**

In the main, the Commissioner deals directly with financial institutions, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

**Policy on Taping of Conversations**

The Commissioner's does not tape conversations with brokers.

### **Direct Dealing Practices**

Direct deals will if appropriate be undertaken with anyone on the agreed counterparty list. Approved dealers have the delegated power to enact transactions and all transactions require independent authorisation by an approver before funds are transferred via Bankline.

### **Settlement Transmission Procedures**

Once a deal has been agreed, either with a broker or direct with a third party, funds will be transferred in accordance with Bankline procedures.

### **Documentation Requirements**

All transactions will be recorded on a daily basis on the Investments spreadsheet.

### **Arrangements Concerning the Management of Counterparty Funds**

The Commissioner will not undertake transactions on behalf of other organisations

## **TMP 6 Reporting Requirements and Management Information Arrangements**

### **Annual Treasury Management Strategy Statement**

The treasury management strategy will set out the broad parameters of the treasury function for the forthcoming financial year. The strategy will be submitted to the Commissioner for approval, alongside the budget, capital strategy, capital programme and prudential indicators before commencement of each financial year.

The treasury management strategy will cover the following elements:

- The prospects for interest rates, long and short term
- An investment strategy as set out in the Local Government Act 2003
- The expectations for debt rescheduling
- The treasury approach to risk management
- Any extraordinary treasury issue
- Any borrowing requirement under the Prudential Code
- Annual statement on MRP.

### **Policy on Interest Rate Exposure**

The Joint Chief Finance Officer is responsible for incorporating the authorised borrowing limit determined as part of the Commissioner's Prudential Indicators into the annual treasury management strategy, and for ensuring compliance with the limit. Should it prove necessary to amend this limit, a report will be submitted for approval to the Commissioner.

### **Annual Report on Treasury Management Activities**

An annual report will be presented to both the Commissioner and the Joint Audit Committee at the earliest practicable meeting after the end of the financial year. This report will include the following:

- A comprehensive picture for the financial year of all treasury policies, plans, activities and results
- Transactions executed and their revenue (current) effects
- Monitoring of compliance with approved policy, practices and statutory / regulatory requirements
- Monitoring of compliance with delegated powers
- Indication of performance especially for returns against budget, and performance against other like Authorities
- Comment on CIPFA Code requirements.

In addition, a mid-year review will be presented to the Commissioner and regular updates on Treasury Management activities will be presented to the Joint Audit Committee throughout the year.

### **Management Information Reports**

Management information reports will be prepared weekly by the Financial Services Manager (Treasury), and will be presented to the Deputy Chief Finance Officer, Joint Chief Finance Officer and the Director of Corporate Support.

These reports will contain the following:

- An analysis of all investment decisions made during the week and by whom these decisions were made.
- An analysis of all investments currently placed by category.
- The current month's earned interest report, this will also show year to date and forecast budget.
- The current quarter's cashflow analysis.
- Any new borrowings or repayments in the week
- The amount of outstanding borrowings

Control reconciliation reports will be prepared monthly by the Financial Services Trainee/Apprentice, which will be presented to the Financial Services Manager (Treasury).

These reports will contain:

- Balance per the financial systems – this will be obtained after the monthly reconciliation of the bank
- Balance per the investment analysis as above.
- Explanation of any variance.

If for any reason any member of the treasury management team has reason to suspect any type of fraud or misappropriation he or she will this report directly to the Joint Chief Finance Officer or in his/her absence to the Deputy Chief Finance Officer or the Internal Auditor.

## TMP 7 Budgeting, Accounting and Audit Arrangements

### **Accounts**

The cost of the treasury management function amounts, in the main, to the salaries of those involved. If any external costs are to be incurred these will be reported separately during the budget monitoring process.

### **External Auditors**

All records will be made available to both internal and external audit as and when required. As a minimum annual check external audit will gain third party confirmation of all year end balances on deposit.

## TMP 8 Cash and Cash Flow Management

### **Cashflow Statements**

A cashflow statement will be prepared before the beginning of each financial year to include all known elements of income from the revenue budget. The cash flow forecasts during the year will be maintained for a rolling 12 month period. Spending profiles will also be set out based on payroll projections and estimates of other payments. The cashflow statement will also be updated during the year on a daily basis to include major variations as or when they become known. The weekly activity report will also show the current quarter's cashflow projections.

## TMP 9 Money Laundering

### **Policy for Establishing Identity/Authenticity of Lenders**

No borrowing is currently undertaken other than with the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office, an executive agency of HM Treasury. PWLB loans were taken out to replace equivalent debt transferred from Cumbria County Council upon the creation of freestanding police forces in 1995. The Prudential Code now provides a framework for additional borrowing, subject to that borrowing being prudent, sustainable and affordable. Any additional borrowing will properly recognise the potential for money laundering and will only be undertaken from lending instructions of the highest repute.

### **Methodology for Identifying Sources of Deposit**

The Commissioner only lends to organisations that appear on the Financial Services Authority's (FSA's) list of authorised banks and financial institutions, other local authorities and the Governments through treasury bills or the Debt Management Office (DMO).

The Commissioner's Financial Regulations require the Joint Chief Finance Officer to be responsible for ensuring compliance with the Money Laundering Regulations 2007.

The Joint Chief Finance Officer will:

- Implement internal reporting procedures
- Ensure relevant staff receive appropriate training in the subject
- Establish internal procedures with respect to money laundering
- Obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- Report their suspicions.

## TMP 10 Training and Qualifications

### **Statement of Professional Practice (SOPP)**

The Joint Chief Financial Officer is a member of CIPFA, and has a professional responsibility through both personal compliance and by ensuring that relevant staff are appropriately trained.

The Deputy Chief Finance Officer is also a member of CIPFA and as such has the same duty of care in the provision of any financial information. Other staff employed in the treasury management function will be qualified to the level that is appropriate to their post (as per the job description). All staff are required to undertake basic training prior to undertaking day to day treasury business and will, in addition, be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

All CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP) which includes a section in relation to treasury management.

Training courses run by CIPFA and other training providers will form the major basis of ongoing staff training. Records will be kept of all courses and seminars attended by staff in their personal training records file.

The Joint Chief Finance Officer will ensure that members charged with governance in relation to treasury management will receive appropriate training and that records of such training received will be maintained. Training may be provided internally or externally.



## TMP 11 Use of External Service Providers

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times.

The use of any external service providers will, at all times, be subject to the Procurement Regulations / Financial Regulations of the Commissioner. The use of external services is currently restricted to banking services and treasury advice (investments and borrowing).

Advisers - The Commissioner has a formal contract with **Link Asset Services**, to provide a range of technical advice and information covering the treasury business. The contract is awarded following consultation with the Joint Chief Finance Officer.

Banking – Banking services will be reviewed every 5 years to ensure that the level of prices and service delivery reflect efficiency savings achieved by the supplier and current pricing trends.

Brokers - In the main, the Constabulary deals directly with financial institutions, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

## TMP 12 Corporate Governance

The Commissioner is fully committed to the CIPFA Code of Practice in Treasury Management and believes he has secured a framework for demonstrating openness and transparency of his treasury management function.

Free access to all information on our treasury management function will be given to all relevant interested parties.

Clear policies have been devised which outline the separation of roles in the treasury management function and the proper management of relationships both within and outside the Office of the Police and Crime Commissioner. All staff are fully apprised of their individual role and where the segregation of duty lies. Clear reporting lines also exist to report any breaches in procedure. This is further supported by well-defined treasury management responsibilities and job specifications.

The Commissioner seeks to ensure a fair distribution of business between brokers. The Joint Chief Finance Officer receives a weekly report to evidence this.

On an annual basis, a treasury strategy is approved prior to the year, by the Commissioner and a year-end summary of treasury activities is reported to the Joint Audit Committee.

Regular treasury management activity updates are submitted to the Commissioner and the Joint Audit Committee during the year.

The Annual Governance Statements which are published each year and accompany the Statutory Statement of Accounts outlines details of the Commissioner's and Constabulary's governance and risk management processes which are applicable to treasury management activities.

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**TITLE OF REPORT:** Apprenticeships Governance

**DATE OF MEETING:** 20<sup>th</sup> March 2019

**ORIGINATING OFFICER:** Elaine Flowers Apprenticeship Manager and Coordinator

**PART 1 or PART 2 PAPER:** PART 1 (OPEN)

## Executive Summary:

- Due to concerns raised by the ESFA in regards to quality of apprenticeship training, the Government through Ofsted has tightened up the scrutiny on new apprenticeship training providers.
- The ESFA has notified the action it will take following a new provider Ofsted monitoring visit, including the identification of any safeguarding concerns, which has implications for PCSO apprenticeships and subcontracted delivery.
- The ESFA has confirmed the action it will take should an organisation receive an inadequate grade for apprenticeships or overall effectiveness in an Ofsted full inspection and the implications for PCSO apprenticeships and subcontracted delivery.
- The Constabulary is planning to delivery its first PCSO apprenticeship cohort in March 2020 as an employer provider. The attached Initial Self Assessment Report is aligned to this provision and timescale for delivery. It is following the three current judgement criteria used by Ofsted during their first monitoring Visit on the Constabulary's provision, based on the current inspection framework.
- Ofsted will be introducing a revised Inspection Framework from September 2019, which is out for consultation.

## Recommendation:

- To receive and approve the initial Self-assessment Report and Quality Improvement Plan in respect of the Constabulary apprenticeship scheme.
- To receive an update on the implementation of the Quality Improvement Plan in November 2019 and any issues identified which are causing a concern.

## MAIN SECTION

### 1. Introduction and Background

1.1 The Constabulary has entered into an agreement with the Education Skills Funding Agency (ESFA) to be an employer provider for apprenticeship training initially to deliver training for our PCSO apprentices. Submitted within the application to the ESFA is the requirement to have in place quality assurance procedures. Since the regulatory framework is Ofsted, the Initial self Assessment Report and Quality Improvement Plan has been developed to follow the criteria for the Monitoring Visit of the Ofsted Framework .

### 2. Issues for Consideration

#### 2.1 Drivers for Change

- Ofsted is the inspectorate for employer providers who deliver apprenticeship training to their employees through an ESFA Apprenticeship Agreement as identified under the Education and Inspections Act 2006.
- Ofsted use a generic Common Inspection Framework: education, skills and early years<sup>1</sup>. Ofsted will expect external oversight of the leadership and management of our apprenticeship provision, delivered by the Constabulary as an Employer Provider, so for the PCSO, but not for the PCDA apprenticeship.
- As outlined in the Further Education and Skills Inspection Handbook [Further education and skills inspection handbook April 2018](#).
- Ofsted will be implementing a new Ofsted Framework from September 2019, with greater focus on curriculum planning and delivery, students progress in learning, personal development and behaviour, with judgements not relying just on outcomes for learners.

#### 2.2 Ofsted new provider visits

- Ofsted monitoring visit are undertaken for new apprenticeship training providers that are directly funded through the apprenticeship levy. The focus of these visits is currently on the three themes,
  - How much progress have leaders made in ensuring that the provider is meeting all the requirements of successful apprenticeship provision?
  - What progress have leaders and managers made in ensuring that apprentices benefit from high-quality training that leads to positive outcomes for apprentices?
  - How much progress have leaders and managers made in ensuring that effective safeguarding arrangements are in place?
- Should an organisation receive an 'insufficient progress' in any one of these themes, unless exceptional extenuating circumstances, in writing and with immediate effect:
  - must not start any new apprentices
  - can continue to deliver training to existing apprentices but must inform all of the existing employers they are working with, and providers they operate as a sub-contractor to, about the Ofsted monitoring visit report
  - is prevented from working with new apprentices via an existing subcontracting arrangement or entering into a new subcontracting arrangement with another main provider or employer-provider on the register.

ESFA will not remove the affected organisation from the register.

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<sup>1</sup> [Common inspection framework: education, skills and early years from September 2015 - GOV.UK](#)

- Should Ofsted be concerned about safeguarding, ESFA reserves the right to remove an organisation from the register, and stop all current and future delivery.
- An affected organisation is not allowed to recruit any new apprentices (employer provider) until Ofsted has conducted a full inspection, and receives at least 'require improvement' for apprenticeships and overall effectiveness.
- The monitoring visit will normally be carried out within 24 months of the start of the direct funding by ESFA or through the apprenticeship levy. No Police force to date has had a monitoring visit, however North West Ambulance Service have been inspected and we have been able to meet with their apprenticeship manager to discuss how they prepared for Ofsted, the visit and subsequent outcome.
- Such providers will normally receive their first full inspection within 24 months of the publication of the report of that monitoring visit. However, where a provider has received one or more 'insufficient progress' judgements at the monitoring visit, they will normally receive their full inspection within 6 to 12 months of the publication of the monitoring visit report.
- If a provider is judged to have made 'insufficient progress' with respect to safeguarding, they will also normally receive one further monitoring visit to review only their safeguarding arrangements, within four months of the previous monitoring visit.

#### 2.3 Consultation processes conducted or which needs to be conducted

- Consultation was with the PEQF Implementation and Apprenticeship Management Group listed in section 9.2, in November 2018.

#### 2.4 Impact assessments and implications on services delivered

- The Equality Analysis for apprenticeships has been approved by the PEQF Implementation and Apprenticeship Management Group on 13<sup>th</sup> September 2018.

#### 2.4 Timescales for decision required

- The ESFA will complete an Employer Training Provider compliance visit (at a date to be announced) the governance and quality assurance procedures need to be implemented prior to this audit and prior to apprenticeship delivery starting.

#### 2.5 Internal or external communications required

- Internal communication has already started in regards to apprenticeship raising awareness, a Share Point site has been established for apprenticeship under Learning and Development, which contains policies, procedures and guidance documentation. Under the Apprenticeship Management Group a workstream has been established to look at the requirements of the ESFA and Ofsted in regards to our own delivery of apprenticeship provision.

### 3. Financial Implications and Comments

- #### 3.1
- Should the Constabulary not achieve a judgment of 'reasonable progress' or 'significant progress' against the three questions at a monitoring visit. This will not only mean that the Constabulary cannot start any new apprentices as an employer provider but it may not be in a position to receive any funding as a subcontractor for the PCDA provision.

If the Constabulary was removed from the Register of Apprenticeship Training Providers (RoATP) due to a poor Ofsted inspection, then again we will not be in a position to start any new PCSO apprentices as an employer provider. We will not be able to be subcontracted (receive payment for) any PCDA delivery we undertake.

#### 4. Legal Implications and Comments

- 4.1 The apprenticeship governance structure supports compliance with the Employer Provider application the Constabulary made to the ESFA in November 2017 and contributes to the effectiveness of leadership and management Ofsted judgement.

#### 5. Risk Implications

##### 5.1 Risks and Mitigation

| Risk  | Mitigation  |
|---|---|
| <p>Failure to meet the ESFA and Ofsted requirements in becoming an Apprenticeship Employer Training Provider for the PCSO route.</p>  | <p>An implementation plan has been developed to cover the requirements of the ESFA and Ofsted in regards to becoming an apprenticeship employer training provider. Attendance at a number of training sessions is being undertaken, active engagement with FEConnect, the Employer Provider Group on LinkedIn and the PEQF Implementation Group on POLKA all support knowledge development and inform the Implementation Plan, processes and procedures the Constabulary needs to put in place to be compliant.</p> |
| <p>The Constabulary receives a judgement of insufficient progress against any one of the three themed questions at a new provider visit, which could cause reputational damage and subsequent issues in continuing to be approved as an Employer Provider until Ofsted has undertaken a full inspection graded at least at requires improvement. Until that point the employer provider is not eligible to start any new apprentices.</p> | <p>The Constabulary has in place an Ofsted action plan, and is planning the delivery of its own apprenticeships as an employer provider as aligned with the Ofsted Common Inspection framework. Prior to starting delivery of apprenticeship the Constabulary has produced its first self-assessment report and quality improvement plan, which will be reviewed at the Apprenticeship Management meeting, update and progress reported against throughout the duration of apprenticeship delivery.</p>             |
| <p>Should the Constabulary be deemed as inadequate at an Ofsted Inspection, this would result in the Constabulary being removed from the Register of Apprenticeship Training Providers and not able to recruit any new apprentices as an employer provider. It is highly unlikely that the Constabulary would be able to meet the criteria to re-register.</p>  | <p>as above. In addition the Constabulary is considering bringing in an external auditor to 'inspect' apprenticeship provision as part of its auditing activity during 2020. Which will provide an external view on quality assurance against the Ofsted framework and the apprenticeship experience. The Constabulary continue to liaise with other Forces, in regards to apprenticeship delivery and the development and sharing of good practice.</p>  |

#### 6. HR / Equality Implications and Comments

- 6.1 Should the Constabulary receive an insufficient progress grade at the first monitoring visit as an employer provider, we would not be able to any new PCSO apprenticeship starts as an employer provider delivering PCSO training directly.

#### 7. ICT Implications and Comments

- 7.1 N/A

#### 8. Procurement Implications and Comments

- 8.1 N/A

## 9. Supplementary Information

### 9.1 List any relevant documents – current inspection documents

[The common inspection framework education skills and early years](#)

[Further education and skills inspection handbook April 2018](#)

### 9.2 List persons consulted during the preparation of report

Director of Corporate Support (Chair of the PEQF Implementation and Apprenticeship Management Group) (Stephen Kirkpatrick)

Head of People Department (D/Superintendent Sarah Jackson)

Head of Learning and Development (Lyndsey Williams)

Deputy Chief Finance Officer (Michelle Bellis)

HR Manager (Diane Johnson)

Learning Support & Standards Manager (Peter Morey)

Professional Development Unit (Sergeant Peter Morley)

Head of central Services (Ann Dobinson)

Financial services Manager (Keeley Hayton)

HR Assistant (Katy Reed)



## **Appendix 1**

### **Initial Delivery Monitoring Apprenticeship Self Assessment Report**



**Cumbria Constabulary**

**November 2018**

Report prepared by:

Elaine Flowers,

Apprenticeship Manager and Coordinator

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[Theme 1 How much progress have leaders made in ensuring that the provider is meeting all the requirements of successful apprenticeship provision?](#)

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[Theme 3 How much progress have leaders and manager made in ensuring that effective safeguarding arrangements are in place?](#)

[Appendix 1 Ofsted progress judgement](#)

[Appendix 2 Quality Improvement Plan 2018/19 for Apprenticeships](#)

## Cumbria Constabulary

Cumbria Constabulary serves the second largest County in England, which has an average population of 500,000 people over 6,768 km<sup>2</sup>. This population is increased annually with over 18 million tourists visiting the County. The Constabulary has a workforce budget number for Police Officers all ranks at 1145, and budget number of 639.69 for police staff, which includes Police and Community Support Officers (PCSO).



The apprenticeship strategy has been developed to actively enable the Constabulary to ***Keep Cumbria Safe – our plan on a page*** and support the priorities set out in the Police & Crime Commissioner’s ***Police and Crime Plan 2016 – 2020***.

### Introduction

In response to the Government’s introduction of the Apprenticeship Levy in May 2017, along with the opportunity for employers to become more involved in apprenticeship training and delivery, Cumbria Constabulary was successful in becoming a registered Employer Provider for apprenticeship training for the Constabulary with the Education Skills Funding Agency (ESFA).

This coincided with the College of Policing introduction of the Police Education Qualifications Framework (PEQF) a transformative professional framework for the education of police officers and

staff, which includes PCSO Apprenticeship and a Police Constable Degree Apprenticeship for initial entry into the police force.

This initial pre delivery monitoring self-assessment report, is based on the three themed questions covered by Ofsted in the first monitoring visit as a new provider. The report focusses on progress made to date in regards to the introduction of PCSO apprenticeships. With a planned May 2020 start date for the first cohort.

The PCSO is community based role supporting Police Officers in neighbourhood Policing, currently the Constabulary has 85.59 / 95 PCSO members of staff (Nov 2018). The Constabulary plan to deliver PCSO training through the apprenticeship route from May 2020.

**Summary of progress judgement**

| Theme   | Ofsted progress judgement                           |
|---|---|
| How much progress have leaders made in ensuring that the provider is meeting all the requirements of successful apprenticeship provision?                     | not able to grade awaiting apprenticeship starting* |
| What progress have leaders and managers made in ensuring that apprentices benefit from high-quality training that leads to positive outcomes for apprentices? | not able to grade awaiting apprenticeship starting* |
| How much progress have leaders and managers made in ensuring that effective safeguarding arrangements are in place?   | not able to grade awaiting apprenticeship starting* |

\*The report has not been graded, since at this stage with no apprentices, a realistic assessment of a progress grade cannot be made.

**Theme 1 Progress judgement: not able to grade awaiting apprenticeship starting**

**How much progress have leaders made in ensuring that the provider is meeting all the requirements of successful apprenticeship provision?**

**Main Findings**

Senior leaders and managers have been involved in the development of the Apprenticeship Strategy. The strategy is linked to the implementation plan for the Police Education Qualifications Framework (PEQF) to ensure the development of a high quality PCDA and PCSO apprenticeship programme. Whilst promoting apprenticeship opportunities across the workforce to support new staff and existing employees develop skills as required for their role.

Senior leaders have established a governance group for apprenticeships the Constabulary delivers as an employer provider. As an internal advisory body, it will make recommendations to the Chief Constable and the OPCC.

Leaders and managers monitor and report on progress of the PEQF implementation plan formally at regular intervals. To enable the apprenticeships within the PEQF to be developed ready for delivery at a high standard.

Managers have identified the systems, processes and procedures, which need to be in place to monitor the progress apprentices make. This includes looking at an electronic system for initial assessment and literacy and numeracy support.

Police trainers are qualified and have relevant current specialist occupational skills. However, the role of the 'tutor' for apprenticeships needs to be clearly identified with clarity in regards to role and responsibilities. A new process of Strength Based Conversations has recently been introduced as an individual approach to performance management, which enables managers to identify what, is going well and which areas need some focussed work.

Work by the curriculum team has only just started for the PCSO curriculum development. The team is cognisant of the PCSO apprenticeship standard requirements, in regards to the knowledge, skills and behaviours required for the role. Programme development is looking to ensure that the curriculum and training follows a logical order, to assist the apprentice in understanding of theoretical knowledge and putting this into practice, whilst meeting the requirements of off the job training. To support the monitoring of the off the job training a guidance handbook has been produced for managers and the apprentice along with an individual log to record the off the job training activity.

### **What needs to be improved further?**

IA1.1 Access to required data systems to enable the development of ESFA data compliance requirements and an audit framework to be developed.

IA1.2 Set challenging key performance indicators, which will enable managers to monitor the progress learners make throughout the duration of the apprenticeship programme.

IA1.3 A system for individual progress reviews, linked to the initial assessment and the apprentices development of the skills, knowledge and behaviours of the PCDA and PCSO apprenticeship standard, with clear milestones to monitor learners progress needs to be developed.

IA1.4 Development of a continuous professional programme for trainers aligned to the new apprenticeship standard.

IA1.5 The roles and responsibilities associated to the tutor role are defined, along with any training requirements.

IA1.6 Development of the PCSO apprenticeship curriculum, including End Point Assessment Gateway, to meet apprenticeship standard, knowledge, skills and behaviours, the 20% off the job training requirements for an apprenticeship. Gaining SfJ Awards accreditation for the Level 4 Diploma in Community Policing Practice (Police Community Support Officer).

IA1.7 Development of a quality assurance cycle for apprenticeship programmes, which include gaining feedback from the apprentice and key stakeholders.

## **Theme 2                      Progress judgement: not able to grade awaiting apprenticeship starting**

### **What progress have leaders and managers made in ensuring that apprentices benefit from high quality training that leads to positive outcomes for apprentices?**

#### **Main Findings**

Managers have high expectations of what each apprentice will achieve from the apprenticeship training programme. Training managers have only just started to develop the PCSO curriculum. The initial period of block training will enable the apprentice to gain the knowledge required to support them during their first phase of operational learning, tutor supported. The programme will include identified

milestones, e.g. independent patrol status, to monitor the progress of the apprentice, and the EPA Gateway criteria.

Managers need to build on the existing in lesson learning checks, to structured weekly knowledge checks during block learning to ensure the apprentice has gained the skills / knowledge required to progress onto the next part of their training. With additional support provided for those apprentices who have not reached the required level.

Senior managers recognise the need to invest in the development of the PCSO apprenticeship programme, with additional resource identified for a Trainer post to support the development of the PCSO curriculum, and liaison with the HEI for the PCDA degree and curriculum.

The HR manager has established a PEQF Transition team to oversee the recruitment process of the PCSO and PCDA apprentices, along with initial entry routes into the PC role. This group will provide the information, advice and guidance to apprentices, including information on what options are available to an apprentice once they have successfully completed their apprenticeship. Procedures need to be developed to ensure that the proposed apprentice is suitable for the apprenticeship programme.

Managers recognise the need to develop the literacy and numeracy skills of the apprentice during the apprenticeship programme. The purchase of an online initial assessment including the provision of learning resources to able the apprentice to work independently on the development of these skills is being considered.

Line Managers undertake observation of teaching and learning, which informs any future training and development needs of trainers. Through line management Strength Based Conversations, any actions to be improve performance needs to be taken and progress monitored.

### **What needs to be improved further?**

IA2.1 Development of the curriculum to ensure apprentices have the required set of knowledge, skills and behaviours for each of the progress milestones including the EPA Gateway, during the apprenticeship programme.

IA2.2 Structured process to check the knowledge and skills gained by an apprentice during the block training weeks. Linked to a system to track, monitor and record the apprentice's progress, to include: knowledge, skills and behaviours, attendance, safeguarding, Prevent and British values at identified milestones.

IA2.3 Development of a robust apprenticeship recruitment process for PCSO and PCDA apprentices, which provide information, advice and guidance on the apprenticeship and future career guidance. Development of a process, supports appropriate recruitment to the apprenticeship programme, which enables the recognition of any relevant prior learning associated to the intended apprenticeship to inform planning to meet individual learning needs.

IA2.4 Development of an apprenticeship induction, with an accompanying apprentice handbook to cover initial assessment, apprenticeship programme, support available to the apprentice, safeguarding, Prevent, British Values and relevant information in regards to the role and Constabulary.

IA2.5 Development of process and procedures for giving timely and supportive feedback to apprentices, linked to progress reviews. In addition, the development of a 'reflective log', to be completed by the apprentice to support the Level 4 qualification and how the apprentice is developing their knowledge, skills and behaviours required for the apprenticeship.

IA2.6 Development of the Strength Based Conversations to include observation of teaching and learning feedback and monitoring of action undertaken to improve performance.

### **Theme 3**

### **Progress judgement: not able to grade awaiting apprenticeship starting**

#### **How much progress have leaders and manager made in ensuring that effective safeguarding arrangements are in place?**

##### **Main Findings**

Safeguarding is a high priority for the Constabulary, with safeguarding policies and procedures in place for the apprenticeship provision within the Force. Senior managers have appointed a Designated Safeguarding Lead for the apprenticeship provision, which will link to the Constabulary's safeguarding help desk if necessary.

All police officers and police staff and apprentices at recruitment, undertake recruitment vetting which is governed by the College of Policing Vetting Code of Practice, which sets out standards, which all forces are required to meet to ensure all recruits to the police service (Police Officers and Police staff), are of proven integrity. The process of Personal Security Vetting encompasses a range of checks on the applicant, close family members and where appropriate associates. This process is applied to all Police Officers, Police Staff and any third parties working with or on behalf on the Constabulary undertake, Non Police Personnel Level 2 vetting.

There is a requirement that all Police Officers, Police Community Support Officers and Police Staff are subject to a full re-vetting process as a minimum every 10 years. There is also have a process to ensure all misdemeanours are brought to the attention of the relevant parties and are considered as part of an ongoing assessment process to consider peoples suitability to remain in post. This work is undertaken in Professional Standards Department within the Anti-Corruption Unit (Intel and Operations) and our Human Resources Department.

The vetting process of the Constabulary is considered to be as good as a DBS check.

Safeguarding and Prevent training has been identified for Police Trainers, Tutors Learning and Development Police Staff and the Designated Safeguarding Lead and Deputy Safeguarding Lead. The safeguarding training for the Designated and Deputy Safeguarding Leads is due to start January 2019.

PCSO and PCDA apprenticeship curriculum will continue to develop apprentices understanding of safeguarding and Prevent in regards to role and own responsibilities. To ensure they follow safe working practices in their role and in relation to public safety.

There are robust processes and procedures in place to monitor any absence reporting, with management oversight, and trigger points for additional scrutiny.

##### **What needs to be improved further?**

IA3.1 Safeguarding and Prevent training to be undertaken for Police Trainers, tutors and relevant Police staff prior to PCSO apprenticeship commencing, Safeguarding and Prevent Training log to be established.

IA3.2 Apprentice Induction programme to include safeguarding and Prevent training and provide an opportunity for the apprentice to raise any welfare, safeguarding concerns. The apprentice Handbook to include Safeguarding, Prevent and British Values, how to access support, along with what to do if you have a concern.

IA3.3 Apprenticeship recruitment process to be developed to identify early any welfare, learning and safeguarding needs to of apprentices, possibly through the development of a questionnaire.

IA3.4 Within the tutor role allocate planned time to discuss welfare and safeguarding with the apprentice.

IA3.5 Develop within individual progress reviews mandatory questions to ensure that apprentice welfare, safeguarding, Prevent and British values are covered, and acted upon and if necessary raised with the Designated Safeguarding Lead.

IA3.6 Development of a Prevent duty risk assessment / action plan that identifies the risks associated with radicalisation and extremism, that apprentices may come across in their role and in everyday lives.

## **Appendix 2 – Ofsted progress judgement**

Ofsted will normally use the following progress judgements for monitoring visits:

- insufficient progress: progress has been either slow or insubstantial or both, and the demonstrable impact on learners has been negligible
- reasonable progress: action taken by the provider is already having a beneficial impact on learners and improvements are sustainable and are based on the provider's thorough quality assurance procedures
- significant progress: progress has been rapid and is already having considerable beneficial impact on learners.

<https://www.gov.uk/government/publications/further-education-and-skills-inspection-handbook>, No. 15007



## Appendix 3 Quality Improvement Plan 2018/19 for Apprenticeships V0.2 (Revised due to new PCSO start date)



## Quality Improvement Plan 2018 – 19 for Apprenticeships

| Area for Improvement: | <b>Theme 1 How much progress have leaders made in ensuring that the provider is meeting all the requirements of successful apprenticeship provision?</b>   |  |                                 |                                      |                            |            |
|-----------------------|--|--|---------------------------------|--------------------------------------|----------------------------|------------|
| Ref. No               | Specific action to address area for improvement / maintain strength  | Success Measure  | By when                         | Person resp                          | Progress May/September/Nov | RAG rating |
| IA1.1                 | Access to required data systems to enable the development of ESFA data compliance requirements and an audit framework to be developed.   | Timely monthly ILR returns made to the ESFA<br><br>Internal Audit of documentation 100% accurate   | June 2020<br><br>August 2020    | Elaine Flowers<br><br>Elaine Flowers |                            |            |
| IA1.2                 | Set challenging key performance indicators, which will enable managers to monitor the progress learners make throughout the duration of the apprenticeship programme.  | KPIs are established and monitored.<br>Managers are fully aware of how apprentices are progressing on the programme, with timely interventions made to support apprentice success.                     | Sept 2019                       | Peter Morley                         |                            |            |
| IA1.3                 | A system for individual progress reviews, linked to the initial assessment and the apprentices development of the skills, knowledge and behaviours of the PCDA and PCSO apprenticeship standard, with clear milestones to monitor learners progress needs to be developed. | Progress review process is developed for implementation.<br><br>Apprentices and trainers are aware of how they are progressing on the programme, and what areas need support, for progress to be made. | Sept / Nov 2019<br><br>Aug 2020 | Peter Morley<br>Elaine Flowers       |                            |            |
| IA1.4                 | Development of a continuous professional programme for trainers aligned to the new apprenticeship standards.   | TNA for trainers is completed.<br>Individual and joint training programmes are provided.   | Sept 2019                       | Peter Morley                         |                            |            |

|                              |  |   |                       |                                |                                   |                   |
|------------------------------|--|---|-----------------------|--------------------------------|-----------------------------------|-------------------|
| IA1.5                        | The roles and responsibilities associated to the tutor role are defined, along with any training requirements.   | Roles and responsibilities of tutors established and communicated to those involved in apprenticeships. Appropriate training identified and provided.                                       | Sept 2019<br>Nov 2019 | Peter Morley                   |                                   |                   |
| IA1.6                        | Development of the PCSO apprenticeship curriculum, including End Point Assessment Gateway, to meet apprenticeship standard, knowledge, skills and behaviours, the 20% off the job training requirements for an apprenticeship. Gaining SfJ Awards accreditation for the Level 4 Diploma in Community Policing Practice (Police Community Support Officer). | PCSO curriculum developed, resources to delivery identified. Off the job training to be planned within the apprenticeship programme. Off the job training guidance refreshed for PCSO role. | Dec 2019              | Peter Morley                   |                                   |                   |
| IA1.7                        | Development of a quality assurance cycle for apprenticeship programmes, which include gaining feedback from the apprentice and key stakeholders.   | Quality cycle developed and implemented. Schedule for apprentice and stakeholder feedback produced along with questionnaire etc.  | Dec 2019<br>Dec 2019  | Elaine Flowers<br>Peter Morley |                                   |                   |
| <i>Area for Improvement:</i> | <b><i>Theme 2 What progress have leaders and managers made in ensuring that apprentices benefit from high quality training that leads to positive outcomes for apprentices?</i></b>  |   |                       |                                |                                   |                   |
| <i>Ref. No</i>               | <i>Specific action to address area for improvement / maintain strength</i>   | <i>Success Measure</i>  | <i>By when</i>        | <i>Person resp</i>             | <i>Progress May/September/Nov</i> | <i>RAG rating</i> |
| IA2.1                        | Development of the curriculum to ensure apprentices have the required set of knowledge, skills and behaviours for each of the progress milestones including the EPA Gateway, during the apprenticeship programme.  | PCSO curriculum and apprentice journey with milestones developed.   | Nov 2019              | Peter Morley                   |                                   |                   |
| IA2.2                        | Structured process to check the knowledge and skills gained by an apprentice during the  | Process for knowledge , skills and behaviours checks implemented  | PCSO March 2020       | Peter Morley                   |                                   |                   |

|       |   |  |                                      |                                  |  |  |
|-------|---|--|--------------------------------------|----------------------------------|--|--|
|       | block training weeks. Linked to a system to track, monitor and record the apprentice's progress, to include: knowledge, skills and behaviours, attendance, safeguarding, Prevent and British values at identified milestones.   | Assessed through apprentice feedback, the apprentice understands how they are progressing on their apprenticeship programme against targets and what they need to do to progress.  | PCSO June 2020                       | Elaine Flowers                   |  |  |
| IA2.3 | Development of a robust apprenticeship recruitment process for PCSO and PCDA apprentices, which provide information, advice and guidance on the apprenticeship and future career guidance. Development of a process, supports appropriate recruitment to the apprenticeship programme, which enables the recognition of any relevant prior learning associated to the intended apprenticeship to inform planning to meet individual learning needs. | Refreshed apprenticeship recruitment process developed and implemented to meet apprenticeship and ESFA guidance.<br><br>Assessed through apprentice feedback, the apprentice is aware of their career options once they have completed their apprenticeship. | PCSO Sept 2019<br><br>PCSO June 2020 | Di Johnson<br><br>Elaine Flowers |  |  |
| IA2.4 | Development of an apprenticeship induction, with an accompanying apprentice handbook to cover initial assessment, apprenticeship programme, support available to the apprentice, safeguarding, Prevent, British Values and relevant information in regards to the role and Constabulary.  | On boarding infrastructure in place, to ensure apprentice is prepared for their role.  | PCSO Jan 2020                        | Peter Morley / Elaine Flowers    |  |  |
| IA2.5 | Development of process and procedures for giving timely and supportive feedback to apprentices, linked to progress reviews. In addition, the development of a 'reflective log', to be completed by the PCSO apprentice to support the Level 4 qualification and how the apprentice is developing their knowledge, skills and behaviours required for the apprenticeship.  | Apprentices are on target to achieve the apprenticeship by their planned end date.   | PCSO April 2021                      | Peter Morley                     |  |  |

|                              |   |   |                                      |                                  |                                   |                   |
|------------------------------|---|---|--------------------------------------|----------------------------------|-----------------------------------|-------------------|
| IA2.6                        | Development of the Strength Based Conversations to include observation of teaching and learning feedback and monitoring of action undertaken to improve performance.  | Appropriate quality assurance measures have been implemented and the impact of training on apprentices' learning and progress is being monitored.                   | Aug 2020                             | Peter Morley                     |                                   |                   |
| <i>Area for Improvement:</i> | <b>Theme 3 How much progress have leaders and manager made in ensuring that effective safeguarding arrangements are in place?</b>   |   |                                      |                                  |                                   |                   |
| <i>Ref. No</i>               | <i>Specific action to address area for improvement / maintain strength</i>  | <i>Success Measure</i>  | <i>By when</i>                       | <i>Person resp</i>               | <i>Progress May/September/Nov</i> | <i>RAG rating</i> |
| IA3.1                        | Safeguarding and Prevent training to be undertaken for Police Trainers, tutors and relevant Police staff prior to PCSO apprenticeship commencing, Safeguarding and Prevent Training log to be established.  | All staff identified have completed training.<br><br>PCSO Tutors  | Feb 2020<br><br>May 2020             | Peter Morey                      |                                   |                   |
| IA3.2                        | Apprentice Induction programme to include safeguarding and Prevent training and provide an opportunity for the apprentice to raise any welfare, safeguarding concerns. The apprentice Handbook to include Safeguarding, Prevent and British Values, how to access support, along with what to do if you have a concern. | On boarding infrastructure in place, to ensure apprentice is prepared for their role.   | PCSO Jan 2020                        | Peter Morley / Elaine Flowers    |                                   |                   |
| IA3.3                        | Apprenticeship recruitment process to be developed to identify early any welfare, learning and safeguarding needs to of apprentices, possibly through the development of a questionnaire.   | Refreshed apprenticeship recruitment process implemented.<br><br>Assessed through apprentice feedback, the apprentice is aware of themselves and service users safe | PCSO Sept 2019<br><br>PCSO June 2020 | Di Johnson<br><br>Elaine Flowers |                                   |                   |
| IA3.4                        | Within the tutor role allocate planned time to discuss welfare and safeguarding with the apprentice.  | Progress reviews are completed with feedback on welfare and safeguarding.   | Aug 2020                             | Elaine Flowers                   |                                   |                   |

|       |   |  |                          |  |  |  |
|-------|---|--|--------------------------|--|--|--|
|       |   | Assessed through apprentice feedback, the apprentice follows safe working practices in their role  |                          |  |  |  |
| IA3.5 | Develop within individual progress reviews mandatory questions to ensure that apprentice welfare, safeguarding, Prevent and British values are covered, and acted upon and if necessary raised with the Designated Safeguarding Lead. | Audit of progress reviews demonstrate they are completed with feedback on welfare and safeguarding.  | Nov 2020                 | Elaine Flowers                                   |  |  |
| IA3.6 | Development of a Prevent duty risk assessment / action plan that identifies the risks associated with radicalisation and extremism, that apprentices may come across in their role and in everyday lives.                             | A Prevent duty risk assessment / action plan developed and implemented.<br><br>Assessed through apprentice feedback, the apprentice follows safe working practices in their role | Jan 2020<br><br>Aug 2020 | Peter Morley<br>Elaine Flowers<br>Elaine Flowers |  |  |