

**Enquiries to: Mrs I Redpath  
Telephone: 0300 1240113  
ext. 48432**

**Our reference: IR**

**Date: 11 February 2021**

## **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 17<sup>th</sup> March 2021** by **Microsoft Teams**, Police Headquarters, Carleton Hall, Penrith, at **10:30am**.

**Vivian Stafford, Gill Shearer**  
**Chief Executive**

*Please note – There will be a private members development session: Medium Term Financial Forecast, capital strategy, capital programme, change programme & value for money (To be presented by the Joint Chief Finance Officer)*

**Note:** If members of the public wish to participate in this meeting please contact [inge.redpath@cumbria.police.uk](mailto:inge.redpath@cumbria.police.uk) by 15<sup>th</sup> March 2021 for a calendar invitation.

### **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 19<sup>th</sup> November 2020.

**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, OPCC Chief Executive and Joint Chief Finance Officer)*

**7. REDMOND REVIEW**

To receive brief update in respect of the Redmond review and implications for the statutory accounts and audit for financial year 2020/21. *(To be presented by the Deputy Chief Finance Officer)*

**8. INTERNAL AUDIT – PROGRESS REPORT**

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

**9. 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)*

- a. Benefits Delivery Process (Constabulary) - Feb 21

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

- b. Collision Reduction Officers (Constabulary) - Nov 2020
- c. Trauma Risk Incident Management (TRiM) (Constabulary) - Jan 2021

**10. STRATEGIC RISK REGISTER**

To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy. *(To be presented by the OPCC Chief Executive and the Deputy Chief Constable)*

- a. OPCC Risk Management Monitoring Report
- b. OPCC Strategic Risk Register
- c. OPCC Operational Risk Register
- d. Constabulary Strategic Risk Register

**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. CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES**

To review the annual Capital Strategy and Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices. *(To be presented by the Deputy Chief Finance Officer)*

- a. Capital Strategy
- b. Capital Programme
- c. Treasury Management Strategy Statement

**13. 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)*

**14. EXTERNAL AUDIT PLAN**

To receive from the external auditors the Joint Annual External Audit Plan. *(To be presented by the Grant Thornton) **Defer to May meeting, a verbal update will be provided at the March meeting.***

**15. 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 the Grant Thornton)*

**16. ANNUAL AUDIT LETTER**

To receive from the External Auditors the Annual Audit Letter and reports (Deferred from November 2020 meeting). *(To be presented by EL GT)*

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

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. *(To be presented by the Audit Manager)*

- a. 2021 22 IA Plan Cover Report
- b. Draft Internal Audit plan 2021 22
- c. FINAL Cumbria OPCC and Constabulary - Internal Audit Charter 2021-22

**18. 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)*

**19. VALUE FOR MONEY**

To receive an annual report on Value for Money within the Constabulary. *(To be presented by the Superintendent Business Improvement Unit) **Defer to May meeting, a verbal update will be provided at the March meeting.***

**20. ANNUAL REVIEW OF GOVERNANCE**

To review the OPCC and Constabulary arrangements for governance; cyclical review over three years (item deferred from November 2020).

- a. Scheme of Delegation - *Work in Progress (To be presented by the Joint Chief Finance Officer)*
- b. Financial Regulation *(To be presented by Deputy Chief Finance Officer)*
- c. Financial Rules *(To be presented by Deputy Chief Finance Officer)*

**21. TREASURY MANagements ACTIVITIES**

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

**22. POINT FOR CONSIDERATION BY THE COMMISSIONER AND THE CHIEF CONSTABLE****Future JAC Meeting Dates (For Information)**

26<sup>th</sup> May 2021 @ 10.30am – Conference Room 2 (Microsoft Teams)  
 28<sup>th</sup> July 2021 @ 1pm – Conference Room 2 (Microsoft Teams) – (pre-meet 11am-12pm)  
 22<sup>nd</sup> September 2021 @ 10.30am – Conference Room 2 (Microsoft Teams)  
 17<sup>th</sup> November 2021 @ 10.30am – Conference Room 2 (Microsoft Teams)  
 16<sup>th</sup> March 2022 @ 10.30am – Conference Room 2 (Microsoft Teams)

**Future Police & Crime Panel Meeting Dates (For Information)**

18 April 2021 – Microsoft Teams Meeting.

## Agenda Item 4 – Part 1

### CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY

#### JOINT AUDIT COMMITTEE

Minutes of a meeting of the Joint Audit Committee held on Thursday 19th November 2020  
by Microsoft Teams, Police Headquarters, Carleton Hall, Penrith, at 10.30am.

#### **PRESENT**

Mrs Fiona Daley (Chair)

Ms Fiona Moore

Mr Jack Jones

Mr Malcolm Iredale

#### **Also present:**

Police and Crime Commissioner (PCC), (Peter McCall)

Chief Constable (CC), (Michelle Skeer)

Chief Executive (CE), Office of the Police and Crime Commissioner (Vivian Stafford)

Deputy Chief Constable (DCC), (Mark Webster)

Joint Chief Finance Officer (JCFO), (Roger Marshall)

Deputy Chief Finance Officer (DCFO), (Michelle Bellis)

Head of Internal Audit (HIA), Cumbria Shared Internal Audit Service, Cumbria County Council  
(Richard McGahon)

Audit Manager (AM), Cumbria Shared Internal Audit Service, Cumbria County Council (Emma  
Toyne)

Engagement Lead (EL), Grant Thornton LLP (Michael Green)

Engagement Manager (EM), Grant Thornton LLP (Gareth Winstanley)

Head of Commercial (HC), (Barry Leighton)

Financial Services Apprentice (FA) (Inge Redpath)

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

The chair called the meeting to order.

#### **601. APOLOGIES FOR ABSENCE**

Apologies for absence were received from:

Deputy Chief Executive, Office of the Police and Crime Commissioner (Gill Shearer)

#### **602. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC**

There were no items of urgent business or exclusions of the press and public to be considered  
by the committee.

### **603. DISCLOSURE OF PERSONAL INTERESTS**

The Chair declared a personal interest as having continued in her role as Chair of the North West Regional Pensions Board.

There were no other declarations of interest.

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

The committee received and reviewed the minutes of the meeting held 24<sup>th</sup> September 2020.

**RESOLVED**, that the minutes be recorded as a true record of the meeting held on 24<sup>th</sup> September 2020

### **605. ACTION SHEET**

Item 540(e) Constabulary Arrangements for Anti-fraud & Corruption/Whistleblowing. This item is still ongoing due to a change in staffing within PSD.

**ACTION**, FA-to move target date to March 2021.

Item 591 Minutes of Meeting and Matters Arising - To discuss the effect of covid on governance arrangements.

The DCC gave an update to say the ACC Andy Slattery is now working fulltime on Covid which has meant a move round of responsibilities but there have not been any major changes in governance arrangements within the Constabulary.

A member asked about governance with staff working from home and the use of ICT and if this is to become the new normal.

The JCFO explained that new ways of working have been found during this unprecedented time and there have been challenges for the organisation, but these are being met and overcome.

The DCC added that the recovery and renewal group are driving the force forward in a much faster way than would normally be anticipated, the force are looking at ways of dealing with loneliness and isolation issues for staff working from home. None of the key controls within the organisation have really changed they have just adapted to meet the new needs of the Constabulary. There is also a new leadership programme looking at how to use technology better, including how to manage staff through work objectives rather than in person.

The DCC does appreciate however that due to covid, certain elements have been delayed as priority has gone to front line duties and staff, but he is satisfied that the Constabulary is in a good place given the current crisis.

**ACTION**, Item now closed

Item 596 Strategic Risk Registers - To investigate with the risk holder why the score for Risk 2 – delivery of Cumbria Vision 25 has gone down and give update to next meeting.

The JCFO explained that this item had been missed and would be investigated.

The DCC suggested that the risk may have reduced due to the delivery of more of the Vision 25 because of Covid.

**ACTION**, the JCFO to check and update at the next meeting.

## **606. CORPORATE UPDATE**

The DCC gave an update to committee on the ongoing impact of covid on the force, impact of force legitimacy as they have been put into a very different role, for the first time since the 2<sup>nd</sup> World War they are being asked to control the free movement of people.

Due to ongoing overseas travel restrictions Cumbria has seen a huge rise in visitors this year on occasions over the summer it was double the normal visitor numbers.

The force has issued about the same number of fixed penalty's as similar forces like North Yorkshire and Devon & Cornwall, but the headlines refer to fixed penalties per population and not against visitor numbers to the county so it does look like the number is quite large.

The ACC Andy Slattery is working fulltime on the Cumbria Wide Recovery & Renewal Group, which has led to a higher workload on others.

On a very positive note because we are looking at different working models it opens opportunities to more diverse workforce to accommodate those with caring responsibilities or disabilities making us a much more inclusive employer.

The JCFO updated the committee on the financial situation drawing the committee's attention to the following three points:

- The constabulary is in a more favorable position than reported earlier in the year with the possible overspend reducing to £300k at year end, this is due to reduction in fuel, travel and accommodation costs and to the receipt of Government funding to cover the costs of PPE and lost income from enforcement activities such as speed awareness courses which are currently not taking place.
- Regarding future budgets, there is a great deal of uncertainty as to what the grant settlement will be and next week the government will announce a 1-year spending review. The grant settlement is due just before Christmas but there is a possibility it could slip into the new year which is a tight timescale for budget allocation. There are also concerns over council tax collections. There are still no firm figures on how many more officers we are getting through Operation Uplift and how they will be funded all in all, there are tough times ahead.
- The impact on the finance team, we are implementing a new finance and procurement system (Oracle Fusion), the go live was the 1<sup>st</sup> October but there are still issues especially with the commercial elements and this has placed a good deal of pressure on the team in addition to the extended audit deadlines, all these have had an impact on the governance reports we would have liked to have produced for committee but we have to utilise the resources in the best and most productive way to meet the organisation's needs.

The CE updated the committee confirming that the OPCC working arrangements are the same as the constabulary working from home and work is being done to keep in contact with everyone. The Home Office and the Ministry of Justice have given opportunities for the OPCC to bid for more funds to go towards victim care in respect of domestic abuse and sexual violence. In the last six to seven months we have secured around £700k in additional funding for victims.

The Commissioner has held 2 public accountability conferences attended by member of the public, which have been very positive. The Commissioner's post bag has overall been very positive regarding policing the current crisis.

A member asked if there was still going to be a PCC election May 2021.

The CE confirmed that there will be an election in May 2021.

#### **607. STRATEGIC RISK REGISTERS**

The committee noted that as the Risk Registers for the OPCC and Constabulary were fully updated and presented at the meeting on 24th September 2020 it has been agreed that the next update will be provided at the March meeting as there have been no significant changes in the last few weeks.

#### **608. INTERNAL AUDIT PROGRESS REPORT**

The AM presented the report for the period to 5<sup>th</sup> November 2020 and it shows working progress on the 2020/21 audits. Five risk-based audits are currently in progress and this includes one on sickness reporting, which replaces the work done previously scheduled on property stores. At this point in the year we anticipate that there will be sufficient audit work for the Head of Internal Audit to form his opinion at the end of March 2021.

A member asked what work was being done by the Constabulary to review the advisory work done by internal audit.

The HIA explained that he was pulling together the advisory work into a pack for the JCFO to assist with the review and the finding would be brought to committee.

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

#### **609. INTERNAL AUDIT REPORTS**

There were no audit reports brought to committee at this meeting.

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

The JCFO presented the report showing six outstanding recommendations four of which have now been completed leaving the following:

- The Local Focus Hubs, a draft framework has gone out to all parties and this should be agreed early in 2021.



- Creditors and the training for new staff member around Construction Industry Scheme (CIS) this is booked for January 2021.

A member asked given that the next meeting of the committee was in March how would committee be assured that enough work would be carried out to form the opinion.

The HIA assured committee that the plan is reviewed by Internal Audit on a regular basis and any concerns around workloads would be passed to the JCFO, Collaborative Board and the Chair.

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

## **611. ANNUAL REVIEW OF GOVERNANCE**

The JCFO gave a verbal update on the following:

- Role of the Joint CFO  
The role is fully compliant with CIPFA guidance, and we are still awaiting further guidance, but, as nothing has changed, we have no reason to doubt we are not fully compliant.
- Scheme of Delegations (OPCC & CC)  
The scheme of delegation is normally reviewed at the start of the financial year and next year, we are looking at making changes to budget holder responsibilities and empowering budget holders to manage their budget in a way that best serves their needs.
- Financial Rules & Financial Regulations  
There are no significant deficiencies or changes that would present a risk on us meeting the existing regulations. Any major changes would be around the processes for the new financial system and procurement processes and that is a very much work in progress.

The Chair asked for External Audits views on the delays to these reports.

The EL could not see any issues with the delays in updating as long as plans are in place to ensure that they do get addressed.

The chair then sought confirmation that the reports would be presented at the March meeting.

The JCFO confirmed that they would endeavor to deliver for the March meeting.

**ACTION**, For the JCFO and DCFO to streamline these reports as much as possible to help with the updating process.

**ACTION**, The JCFO aim to bring these reports to the March meeting

A member asked if the Scheme of Delegation are normally done that the start of the financial year should we not be looking at the reporting cycle.

**ACTION**, For the DCFO to review the reporting cycle.

The CE updated the committee on the Grant Regulations showing changes made and noted these may very well change further following the PCC elections next year. The grant regulations have been reviewed internally and signed off at executive board in nearly November 2020.

A member queried bullet point 4 on page 11 as it wasn't clear if every grant application went through a finance check.

The CE confirmed that yes, every application was financially checked.

**ACTION**, the CE amend the wording on page 11 bullet point 4 on make clear that every application is financially checked.

A member pointed out that the date on the front cover is to 2020 rather than 2021

**ACTION**, to amend the date on the front cover to 2021

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

The meeting broke for 10 minutes 11:50am

The meeting restarted 12:00pm

The agenda item where moved slightly to accommodate the PCC and CC

## **612. AUDIT FINDINGS REPORT**

The EL presented the report and started by thanking the Finance Team for all the hard work and assistance to External Audit during these difficult times. The audit period this year had been extended from the end of July to the end of November and due to remote working patterns, it has taken the whole of this extension period to complete the audit.

The audit is substantially complete, and Grant Thornton anticipate issuing an unqualified opinion in the coming days and in advance of the end of 30<sup>th</sup> November deadline.

The report shows that the financial statements produced are of a very high standard and there are only two adjustments to note both of which are outside the control of the finance team:

- The McCloud legal case around age discrimination and public sector pension liability. The fund actuaries provided a revised valuation, which management have adjusted for in the accounts.
- A £1.2million adjustment around pension fund assets, the value in the draft statements was done on an early estimate but now has been revised to the actual yearend figures.

A review of Value for Money arrangement was undertaken, assurance has been given enabling an unqualified opinion to be given for value for money.

There is one outstanding item around a discrepancy on m<sup>2</sup> of the valuation against the m<sup>2</sup> held by the Estates team for the land & buildings for Kendal Police Station, the Head of Estates & Fleet has gone back the valuer to seek clarification on m<sup>2</sup> valued.

This is a very positive report and shows a good working relationship between the Finance Team and External Audit.

The chair thanked External Audit and also the hard work of the Finance Team.

The PCC also thanked everyone for their hard work in the production and audit of the accounts.

The CC welcomed the report and thanked everyone again.

A member also echoed the comments showing that the high standards set by both the Finance Team and External Audit have been upheld in these difficult times.

The DCFO commented on the high use of technology in order to work together but from different locations through Teams, screen sharing and the inflow tool for sharing documents, this worked well, and these tools will be used more moving forward.

The chair then gave assurance to the PCC and CC that the committee feel the report agrees with the findings of the committee throughout the year.

**RESOLVED**, the committee note the proposed increase in fees of £4,500 and would support payment of this considering the additional work that has been undertaken.

### **613. ANNUAL AUDIT LETTER**

This report has been delayed to the March 2021 meeting of the committee as the report can only be produced once the audit of the financial statements has been fully finalised.

### **614. ASSURANCE FRAMEWORK STATEMENT OF ACCOUNTS**

The JCFO presented the Assurance Framework Statement of Accounts. The report covers scrutiny on the final accounts, included in the report is the Head on Internal Audits audit opinion, the CFO's opinion on effectiveness of audit, the External Audit opinion and this all links into the valuable work done by the committee contributing to the overall assurance. The JCFO also passed on his thanks to the External Audit team for all their hard work and the professional work of the Finance Team.

The committee are asked to determine whether there are any issues in respect of the governance of the statement of accounts that they wish to report to the Commissioner or Chief Constable?

Then is it for the Commissioner and Chief Constable to sign the accounts and accompanying annual governance statement.

The DCFO explained that External Audit are happy to accept electronic signatures on the accounts this year providing they received an email from the Commissioner, the Chief Constable, the Chief Executive of the OPCC and the Joint Chief Finance officer giving permission for their electronic signature to be used with a copy of the Accounts attached to that email.

A member asked why we were not used the new tools developed for capturing electronic signatures.

The DCFO explained that when the accounts are published on the website all signatures are removed for security reasons and this was the best way to have the accounts signed and held on file.

The EL also confirmed that Grant Thornton were happy with this arrangement.

**RESOLVED**, the chair confirmed that in the committee's opinion the accounts can be signed.

## **615 ANNUAL STATEMENT OF ACCOUNTS**

The Committee are asked to formally consider the statement of accounts and reach a conclusion about whether they are content to recommend the Commissioner and the Chief Constable sign these accounts?

The JCFO explained that the audit findings and wider assurance framework have been discussed and recommended the accounts be signed.

The CC expressed her thanks to the Joint Audit Committee for all their meetings throughout the year to provide the assurance needed and it is very much appreciated.

The PCC says the extra validation from the committee as a result of their rigorous scrutiny is invaluable.

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

Mr McCall (PCC) and Mrs Skeer (CC) left the meeting 12:44pm

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

The JCFO gave a brief update on the annual governance plan for both the constabulary and the OPCC. The is quite an exhaustive list of plans and improvements the majority of these have been completed.

The plan remains quite fluid considering Covid, as officers are being moved to different roles to combat the pandemic and resources must be utilised where most appropriate the meet the needs of the community.

The member queried Item CPB/3 the use of the force intranet more widely, is this being given more attention because of covid?

The DCC responded saying that yes; the force is producing a support package for home workers which will be on the force intranet with signposts to help and advice.

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

## **617. COMMERCIAL ANNUAL REPORT**

The HC presented the annual report and gave a brief overview highlighting how work had been done to improve processes and drive down costs while also supporting front line offers with PPE etc for the covid response.

The Commercial Team have been part of the implementation of the new Oracle Fusion system and this has come with certain challenges, but these are being ironed out and hopefully the commercial side of the system will go live very soon.

The contracts award boards are now a regular thing and are working very well ensuring transparency and accountability.

The team now have access to data so they can compare efficiency saving against other forces as shown on slide 5.

A member asked that the data would be better if it gave the overall spend for each force, then the cashable saving as the saving alone could not be measured against anything.

The HC said he would update the slides to show this in time for next year.

The DCC commended the HC on the extensive work done and better efficiency saving data.

The chair thanked the HC and was pleased to see all the improvements in procurement.

**ACTION**, to update the slide to show cashable savings as a percentage of total spend against other forces

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

Michael Green (EL) left the meeting 12:58pm

## **618. TREASURY MANAGERMENTS ACTIVITIES**

The DCFO summarised the report for the committee and officers covering the Quarter 2 Activity to 30<sup>th</sup> September 2020 and asked for any comments/questions.

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

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

The chair then asked the members if they felt that there were any concerns over the governance arrangements that should be brought to the attention of the Commissioner and the Chief Constable considering covid.

The members all agreed that they had been satisfied throughout the meeting that governance arrangements were satisfactory and therefore there were no points for consideration by the Commissioner and the Chief Constable from this meeting.

**Meeting ended at 13:15**

**Future JAC Meeting Dates (For Information)**

17 March 2021 @ 10:30 am – Conference Room 2

26<sup>th</sup> May 2021 @ 10.30am – Conference Room 2

28<sup>th</sup> July 2021 @ 1pm – Conference Room 2 – (pre-meet 11am-12pm)

**Future Police & Crime Panel Meeting Dates (For Information)**

28 January 2021 – Venue Council Chamber, Allerdale House, Workington, Cumbria. CA14 3YJ

20 April 2021 - Control Room, Cumbria Fire and Rescue HQ, Carleton Avenue, Penrith, CA10 2FA.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

## Joint Audit Committee – Action Update and Plan

| Minute Item and date of Meeting | Action to be taken  | Person Responsible       | Target Date                              | Comments  | Status  |
|---------------------------------|---|--------------------------|--|---|---------|
| 521<br>(19/09/19)               | JAC2 - Support and challenge any new governance arrangements          | The DCC & Internal Audit | <del>Mar 2020</del><br>Moved to Mar 2021 | For Officers and Internal audit to consider how the committee can contribute to the review of governance in the collaborative work around the Local Focus Hubs.<br>Following JAC Meeting 18/3/20 target date to be revised the March 2021<br><br><b>March 2021</b> – A verbal update will be provided at the meeting  | Ongoing |
| 524<br>(19/09/19)               | Internal Audit Report - Local Focus Hubs (Constabulary) – Sep 19      | Deputy Chief Constable   | <del>Nov 2019</del><br>Moved to Mar 2021 | To update committee regarding the compliance on GDPR within the Local Force Hubs to ensure this is being progressed in a timely manner.<br>DCC – 4 out of 6 now completed final 2 given two more weeks to comply, signed documents to be brought to next meeting – Target date amended to Mar 2020<br>Following JAC Meeting 18/3/20 target date to be revised the Mar 2021<br><br><b>March 2021</b> – A verbal update will be provided at the meeting   | Ongoing |
| 540(e)<br>(20/11/19)            | Constabulary Arrangements for Anti-fraud & Corruption /Whistleblowing | DCI PSD                  | <del>Nov 2020</del><br>Moved to Mar 2021 | To check and update definition of Fraud and Corruption on page 7 if appropriate.<br><b>September 2020</b> – There has been a lot of work done on the new policy and procedures around this subject. However, there is still some work to do on these, not least because of the implementation of the Police Conduct and Police Complaints and Misconduct Regulations 2020, which has seen some significant changes to our working procedures.<br>A plan has been developed with the aim of completing this work by November 2020.<br><br><b>November 2020</b> – This work is still ongoing.<br><br><b>March 2021</b> – A verbal update will be provided at the meeting. | Ongoing |

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| 557<br>(18/03/20) | Internal Audit:<br>Consideration of<br>the value and<br>assurance of<br>consultancy work | Constabulary<br>or OPCC | <del>May 2020</del><br>Moved to<br>Mar 2021 | <p>To accept this report and propose the way forward at the next meeting following the delivery of the Fleet Utilisation Report.</p> <p>Due to the COVID-19 outbreak all Internal Audit work was temporarily suspended at management's request. We obtained the additional information we were waiting for and the findings from our work on the vehicle utilisation review was presented to 'Fleet Management' on 4th September 2020. We have requested some additional information so we can reflect current developments and will issue our updated draft findings presentation and summary report to the Director of Corporate Support in week commencing 21st September.</p> <p>Update at Meeting 24/09/20 - Fleet Utilisation now with Director of Corporate Support and Front Counters now with Director of Corporate Improvement</p> <p><b>November 2020</b> – Fleet Utilisation and Front Office Counters work now complete. To assist with the OPCC / Constabulary's assessment of the value and benefit of Internal Audit's advisory work, the Group Audit Manager will provide the Joint Chief Finance Officer with copies of the output and names of key contacts in the Constabulary who were involved in the work.</p> <p><b>March 2021</b> – A verbal update will be provided at the meeting.</p> | Complete |
|-------------------|--|-------------------------|---|---|----------|



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|-------------------|------------------------------------|----------|--|--|----------|
| 583<br>(24/06/20) | JAC Terms of Reference & SO Update | CFO/DCFO | <del>Sep 2020</del><br>Moved to Mar 2021 | <p>Look to increase membership from 4 – 5 and/or the possibility of a shadowing programme for new members to enable them to ‘learn the ropes’.</p> <p><b>November 2020</b> – Increase in numbers approved and recruitment process to be scheduled for spring 2021.</p> <p><b>March 2021</b> – Recruitment campaign currently underway, closing date for applications 12 April with Interviews 27 April.</p>  | Complete |
| 596<br>(24/09/20) | Strategic Risk Registers           | JCFO     | <del>Nov 2020</del><br>Moved to Mar 21   | <p>To investigate with the risk holder why the score for Risk 2 – delivery of Cumbria Vision 25 has gone down and give update to next meeting.</p> <p><b>November 2020</b> – This action has been deferred to March 2021.</p> <p>March 2021 – A verbal update will be provided at the meeting.</p>   | Complete |
| 597<br>(24/09/20) | Monitoring of Audit                | DCFO     | <del>Nov 2020</del><br>Mar 2021          | <p>To look at more options around using MS Teams for the Action Plan and the Monitoring of Key Audit Recommendations through the MS Team Planner while also providing an overview for committee.</p> <p><b>November 2020</b> – Due to time constraints around the meeting dates and the team focusing on the implementation of the new finance system it is requested that the deadline for this action be moved back to the March meeting. In the meantime, work will be undertaken to trial the use of MS Teams Planner to record actions and subsequent updates.</p> <p><b>March 2021</b> – This development work has not yet been completed, request extension to July 2021.</p> | Ongoing  |
| 600<br>(24/09/20) | Any Other Business                 | DCFO     | <del>Nov 2020</del><br>Mar 2021          | <p>To provide a short paper setting out the proposals to defer update of Financial Regulations and Financial Rules to November 2021 and covering any control issues.</p> <p><b>November 2020</b> – A verbal update will be provided as part of the substantive agenda item 11 (iii). It is requested that this deadline be extended to the next meeting in March 2021.</p> <p><b>March 2021</b> – Updated financial rules and financial regulations included on agenda for the meeting (see item 20 b &amp; c).</p>  | Complete |

|                                     |                                |                       |   |  |          |
|-------------------------------------|--------------------------------|-----------------------|---|--|----------|
| 600<br>(24/09/20)                   | Any Other<br>Business          | JCFO                  | <del>Nov 2020</del><br>Moved to<br>Mar 2021 | To investigate the option of force laptops for committee members to support remote working and more efficient use of ICT.<br><b>November 2020</b> – Options are still being considered will be discussed further at the meeting.<br><br><b>March 2021</b> – Options are being considered with the Head of Digital Data & Technology and a verbal update will be provided at the meeting. | Ongoing  |
| 611 (i), (ii) & (iii)<br>(19/11/20) | Annual Review of<br>Governance | JCFO & DCFO           | Mar 2021                                    | To streamline these reports as much as possible to help with the updating process.<br><b>March 2021</b> – Documents reviewed and included on the agenda for the March meeting.   | Complete |
| 611 (i), (ii) & (iii)<br>(19/11/20) | Annual Review of<br>Governance | JCFO                  | Mar 2021                                    | To aim to bring these reports to the March meeting<br><br><b>March 2021</b> – The Draft Scheme of Delegation for the Constabulary has been included on the agenda for this meeting. The OPCC Scheme of Delegation and Consent will be provided to the March 2022 meeting. The reporting cycle for these reports has been amended on the JAC Work Programme.                              | Complete |
| 611 (i), (ii) & (iii)<br>(19/11/20) | Annual Review of<br>Governance | DCFO                  | Mar 2021                                    | To review the reporting cycle for these reports<br><b>March 2021</b> – As per above, the reporting cycle for these reports has been amended on the JAC Work Programme.   | Complete |
| 611 (v)<br>(19/11/20)               | OPCC Grant<br>Regulations      | CE                    | Mar 2021                                    | To amend the wording on page 11 bullet point 4 on make clear that every application is financially checked.<br><b>March 2021</b> – Document has been updated.  | Complete |
| 611 (v)<br>(19/11/20)               | OPCC Grant<br>Regulations      | CE                    | Mar 2021                                    | To amend the date on the front cover to 2021<br><b>March 2021</b> – Document has been updated.   | Complete |
| 617<br>(19/11/20)                   | Commercial<br>Annual Report    | Head of<br>Commercial | Nov 202                                     | To update the slide to show cashable savings as a percentage of total spend against other forces<br><br><b>March 2021</b> – Will be included in the version of the Procurement Annual Report to be presented to JAC in November 2021.  | Ongoing  |

## Joint Audit Committee – Review of Effectiveness Action Plan 2020/21

| Ref  | Improvement Area   | Planned Action   | Owner | Review Date | Status |
|------|--|--|-------|-------------|--------|
| JAC1 | Support and monitor the OPCC and Constabulary plans to address the current funding environment.  | <p>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.</p> <p>JAC members to consider efficiency aspects of any recommendations or reports to Committee.</p> | JAC   | March 21    | JAC1   |
| JAC2 | Support and challenge any new governance arrangements, for example, from restructuring and capacity reviews including Operation Uplift, greater collaboration with other organisations, joint working on delivery of services or external factors such as COVID19. | JAC to encourage clarity in any new arrangements; appropriate documentation and; ensure governance arrangements considered as part of the risk assessment.   | JAC   | March 21    | JAC2   |
| JAC3 | Consider the impact of new or emerging developments, such as, COVID19 on internal and external audit work programmes to ensure that they remain relevant.  | <p>Members to continue maintain awareness of issues through corporate updates and wider reading and seek to understand how this impact on governance arrangements.</p> <p>JAC to consider on an ongoing basis how the work of the Committee and the internal and external audit work programmes remain relevant.</p>                                   | JAC   | March 21    | JAC3   |

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## Redmond Review Update

Joint Audit Committee: 17 March 2021

Originating Officer: Michelle Bellis, Deputy CFO

### 1. Introduction & Purpose of the Report

1.1 This report is intended to provide a brief summary of the outcome of Sir Tony Redmond's "Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting" which was published on 8 September 2020. The Ministry for Housing Communities & Local Government (MHCLG) issued a response to the report on 17 December 2020.

1.2 The Redmond Review highlighted 3 key points:

- **Current local audit arrangements do not meet the policy objectives underpinning the Local Audit and Accountability Act 2014.** In particular, Sir Tony identified weakness in the functioning and value of local audit, the timeliness of its findings and how these are considered and managed by local authorities.
- **Market fragility.** Sir Tony highlighted how local audit is an unattractive market for audit firms and individual auditors to operate within. He indicated that "without prompt action... there is a significant risk that the firms currently holding local audit contracts will withdraw from the market".
- **Absence of system leadership.** The introduction of the localised audit framework in the 2014 Act spread roles and responsibilities for local audit across multiple organisations. Sir Tony argues this has contributed to a lack of coherency and makes resolving the weaknesses in the system challenging.
- In addition, the Redmond Review highlighted that the statutory accounts prepared by local authorities are widely agreed to be 'impenetrable to the public', limiting how effectively taxpayers can judge the performance of their authority.

### 3. Report

- 3.1. Sir Tony Redmond’s “Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting” was published on 8 September 2020. The report can be viewed in full on the Gov.uk website [Redmond Review.pdf \(publishing.service.gov.uk\)](#). The review covered not only principal local authorities but also Police and Crime Commissioners, Chief Constables, Fire and Rescue Authorities, and Parish Councils.
- 3.2. Sir Tony Redmond outlined that his guiding principles in undertaking the review were accountability and transparency. Posing questions such as:
- How are local authorities accountable to service users and taxpayers?
  - How are auditors accountable for the quality of their work?
  - How easy is it for service users and taxpayers to understand how their local authority has performed?
  - What assurance can be taken from external audit work?
- 3.3. The Redmond Review includes 23 recommendations relating to external audit regulation, financial resilience of local authorities, transparency of financial reporting and smaller authorities audit regulation. Some recommendations will require legislation but there is encouragement to progress all recommendations in advance of legislative reform.
- 3.4. The 23 recommendations have been grouped into 5 themes:
- Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)
  - Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)
  - Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18)
  - Improving transparency of local authorities’ accounts to the public (recommendations 19, 20, 21, 22)
  - Action to further consider the functioning of local audit for smaller bodies (recommendations 14, 15, 16, 23)
- 3.5. Of the 23 recommendations, 9 will have a direct impact on the OPCC/Constabulary if they are implemented.

- 3.6. The Ministry of Housing, Communities and Local Government published a response to the Redmond Review and this response can be viewed at [Local authority financial reporting and external audit: government response to the independent review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/response-to-the-independent-review).
- 3.7. **Appendix A** provides a summary of the 23 Redmond recommendations, the MHCLG response in respect of each and an assessment of the relevance to and impact on the OPCC/Constabulary.

#### 4. Recommendations

- 4.1. Members are asked to note the contents of the report and potential implication for the OPCC/Constabulary as a result of the Redmond Review.

Michelle Bellis

Deputy Chief Finance Officer

08 March 2021

Redmond Review Summary of Recommendations

| Rec. Redmond Review Recommendation No.              | MHCLG Response  | Direct Impact on PCC/CC  | Current Arrangements/Implications for OPCC/CC   |
|---|---|--|---|
| <b>Action to support immediate market stability</b> |   |  |   |
| 5   | All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.  | <b>Agree;</b> we will work with key stakeholders to deliver this recommendation  | No<br>This is a matter for external audit firms to address in terms of training and experience, but will potentially to form part of a justification for an increase in external audit fees.  |
| 6   | The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.  | <b>Agree;</b> we will look to revise regulations to enable PSAA to set fees that better reflect the cost to audit firms of undertaking additional work | Yes<br>This will have a financial impact on the OPCC/Constabulary and although this recommendation does not give a percentage increase the report says that audit fees are at least 25% lower than required to fulfil current audit requirements effectively. (Based on current audit fee of £46k, potential impact could be £11k.)   |
| 8   | Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.   | <b>Part agree;</b> we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required               | No<br>This will relate to the current audit firms and those trying to enter the local authority audit market.   |
| 10  | The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.   | <b>Part agree;</b> we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review  | Yes<br>This will impact on the OPCC/CC in terms of the date for publishing the audited accounts. It will also mean that receipt of the audited SoA by JAC will move from the July meeting to September for at least the next two years. This change has been factored into the annual work programme for 2021/22. Initial discussions have taken place with GT regarding potential dates for the audit. |
| 11  | The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work. | <b>Agree</b>   | No<br>This relates to the external audit accounts deadline and will be linked to Recommendation 10. It should be noted that NHS accounts are already produced to a much tighter timescale, and are already audited before local authority accounts.   |



| Rec. No.  | Redmond Review Recommendation   | MHCLG Response   | Direct Impact on PCC/CC | Current Arrangements/Implications for OPCC/CC   |
|---|---|--|-------------------------|---|
| <b>Consideration of system leadership options</b> |   |  |                         |   |
| 1   | <p>A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:</p> <ul style="list-style-type: none"> <li>- procurement of local audit contracts</li> <li>- producing annual reports summarising the state of local audit</li> <li>- management of local audit contracts</li> <li>- monitoring and review of local audit performance</li> <li>- determining the code of local audit practice</li> <li>- regulating the local audit sector</li> </ul> | <p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p> | No                      | <p>This will not have a direct implication on the PCC/CC as it will mainly relate to regulating and overseeing local audit.</p> <p>The only implication for the PCC/CC would be around how its external audit services are procured. Although the PCC/CC can procure its own external audit services, like 98% of local authorities the PCC/CC choose to have PSAA Limited as the body who appoint its auditors.</p>  |
| 2   | <p>The current roles and responsibilities relating to local audit discharged by the:</p> <ul style="list-style-type: none"> <li>- Public Sector Audit Appointments (PSAA)</li> <li>- Institute of Chartered Accountants in England and Wales (ICAEW)</li> <li>- FRC/ARGA</li> <li>- The Comptroller and Auditor General (C&amp;AG) to be transferred to the OLAR</li> </ul>   | <p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p> | No                      | <p>See response to recommendation 1 above.</p>  |
| 3   | <p>A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.</p>  | <p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p> | No                      | <p>No direct impact as such but the output will be useful intelligence of whether the local audit market and audit quality are improving.</p>   |
| 7   | <p>That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.</p>   | <p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p> | No                      | <p>This relates to OLAR (the proposed new body) and the individual audit firms.</p>   |
| 13  | <p>The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.</p>   | <p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p> | No                      | <p>This relates to OLAR (the proposed new body) and the individual audit firms.</p>   |
| 17  | <p>MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.</p>  | <p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p> | Yes                     | <p>This is an action for MHCLG. However the NAO Code of Audit Practice for England 2020/21 onwards has three reporting criteria for the value for money conclusion, Financial Sustainability, Governance and Improving economy, efficiency and effectiveness. This will increase the focus on all three areas and likely to have a significant impact on the evidence required by the external auditor and the impact on officer time. Initial discussions have taken place with external audit around the likely impact on workload and timescales for completion.</p> |

| Rec. No.   | Redmond Review Recommendation   | MHCLG Response   | Direct Impact on PCC/CC | Current Arrangements/Implications for OPCC/CC   |
|--|---|--|-------------------------|---|
| <b>Enhancing the functioning of local audit, and the governance for responding to its findings</b> |   |  |                         |   |
| 4  | <p>The governance arrangements within local authorities be reviewed by local councils with the purpose of:</p> <ul style="list-style-type: none"> <li>- an annual report being submitted to Full Council by the external auditor</li> <li>- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee</li> <li>- formalising the facility for the CEO, Monitoring Officer</li> <li>- Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.</li> </ul> | <p><b>Agree;</b> we will work with the LGA, NAO and CIPFA to deliver this recommendation</p>   | <p>Yes</p>              | <p>The PCC/CC current arrangements are:</p> <p>The annual audit letter (public facing summary of audit work and findings that year) is presented to the JAC at the meeting following (November) the presentation of the audited accounts (September). This annual audit letter is published on the OPCC website as part of the JAC papers.</p> <p>All member JAC are independent and are suitably qualified.</p> <p>The CC and PCC has an annual private meeting with the external auditors. The external auditors have direct access to the CFO and will meet on a number of occasions as part of the audit of accounts process.</p> |
| 9  | <p>External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.</p>   | <p><b>Agree;</b> we will work with the NAO and CIPFA to deliver this recommendation</p>  | <p>Yes</p>              | <p>Currently meetings and exchange of information between internal and external audit are ad-hoc and relate to specific issues as they arise. Both internal and external audit attend all JAC meetings.</p>   |
| 12   | <p>The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.</p>   | <p><b>Agree;</b> we will work with the LGA, NAO and CIPFA and other key stakeholders to deliver this recommendation, including whether changes to statute are required</p> | <p>Yes</p>              | <p>As outlined in response to recommendation 4 above, the annual audit letter (public facing summary of audit work and findings that year) is presented to the JAC at the meeting following (November) the presentation of the audited accounts (September). This annual audit letter is published on the OPCC website as part of the JAC papers.</p>   |
| 18   | <p>Key concerns relating to service and financial viability be shared between local auditors and inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's annual report.</p>   | <p><b>Agree;</b> we will work with other departments and the NAO to deliver this recommendation</p>  | <p>No</p>               | <p>This happens informally and is taken account of in HMICFRS PEEL Inspections, the proposal would simply formalise this arrangement.</p>   |

| Rec. Redmond Review Recommendation No.  | MHCLG Response   | Direct Impact on PCC/CC | Current Arrangements/Implications for OPCC/CC  |
|---|--|-------------------------|--|
| <b>Improving transparency of local authorities' accounts to the public</b>  |  |                         |  |
| 19 A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.   | <b>Agree</b> ; we will look to CIPFA to develop a product through consultation with local government. We will work with CIPFA to deliver this recommendation | Yes                     | This would require summary accounts to be produced by the PCC/CC. The examples provided as part of the Redmond review suggest that these summary accounts would be 10+ pages long. The PCC/CC currently provide the JCFO narrative report as a stand alone summary of the accounts. The documents will need to be reviewed to ensure the requirements are fully met. |
| 20 The standardised statement should be subject to external audit.  | <b>Agree</b> ; we will work with CIPFA, the LGA and the NAO to deliver this recommendation   | Yes                     | This will require additional external audit work potentially and potentially an increase in audit fees. As the current PCC/CC summary statement of accounts is and extract of the full SoA, they are by default already subject to this audit.   |
| 21 The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.   | <b>Agree</b> ; we will work with the LGA and CIPFA to deliver this recommendation  | Yes                     | The PCC/CC would need to decide how best to communicate such information to council taxpayers and service users.   |
| 22 CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary. | <b>Agree</b> ; we will look to CIPFA to deliver this recommendation  | No                      | This is an action for CIPFA/LASAAC. The  |
| <b>Action to further consider the functioning of local audit for smaller bodies</b>   |  |                         |  |
| 14 SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.   | <b>Agree</b> ; we will look to SAAA to deliver this recommendation   | No                      | Not applicable to the PCC/CC.  |
| 15 SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.  | <b>We are considering this recommendation further</b> and will make a full response by spring 2020   | No                      | Not applicable to the PCC/CC.  |
| 16 SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.  | <b>Agree</b> ; we will look to SAAA to deliver this recommendation   | No                      | Not applicable to the PCC/CC.  |
| 23 JPAG be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:   | <b>Agree</b> ; we will work to JPAG to deliver this recommendation   | No                      | Not applicable to the PCC/CC.  |
| - whether "Section 2 – the Accounting Statements" should be moved to the first page of the AGAR so that it is more prominent to readers   |  |                         |  |
| - whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements  |  |                         |  |
| - whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.   |  |                         |  |

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

**Meeting date: 17 March 2020**

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

## **INTERNAL AUDIT: PROGRESS REPORT TO 28<sup>TH</sup> FEBRUARY 2021**

### **1.0 EXECUTIVE SUMMARY**

1.1 This report provides a review of the work of Internal Audit for the period to 28th February 2021.

1.2 Key points are:

- Work is progressing on the re-assessed 2020/21 audit plan. Three audit reviews have been completed in the period.
- Work is in progress on five risk-based audits, two financial system reviews and the governance work and we have issued the draft report for one of the risk based audits.
- There has been one change to the audit plan. The audit of Phase 2 of the Business Transformation Programme – Finance has been removed and carried forward into the 2021/22 plan. This is because of delays in implementing the project.
- At this stage of the year it is anticipated that sufficient coverage will be achieved to enable the Head of Internal Audit to deliver the annual opinions, although this is dependent on the timely provision of information to enable us to undertake our work.
- We continue to closely monitor the impact of the COVID-19 situation on the delivery of the 2020/21 plan and will report any issues as they emerge to Collaborative Board and Joint Audit Committee. We reported to Collaborative Board in early February there had been delays in

progress on some audits as a result of client staff sickness and also awaiting some further information. We had a positive response from Collaborative Board in terms of their support and the relevant Director being tasked to help address this matter.

- The draft plan for 2021/22 has been prepared following consultation with Senior Managers in the OPCC and Constabulary. The proposed plan is a separate agenda item at this meeting.
- The Audit Manager attended a virtual Police Audit Group meeting in February 2021. The focus of the meeting was on 2021/22 audit planning and consideration of the discussions at the meeting have been taken into account as part of the 2021/22 Audit Plan presented to this meeting.

## **OVERVIEW**

- 1.3 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.
- 1.4 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's view of key risk areas.
- 1.5 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.
- 1.6 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 control. Regular reporting to Joint Audit Committee enables emerging issues to be identified during the year.

## **2.0 RECOMMENDATION**

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

## **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 must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the PSIAS or guidance.

- 3.2 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.
- 3.3 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.
- 3.4 The internal audit plan for 2020/21 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 2020/21 draft plan was presented to JAC on 18<sup>th</sup> March 2020. This was prior to a request from the Joint Chief Finance Officer on 23<sup>rd</sup> March to temporarily suspend Internal Audit work so that the Constabulary and OPCC could focus their resources on the COVID-19 response. Given the delay in starting the work in the 2020/21 audit plan, and in the light of the time elapsed and ongoing COVID-19 situation, the plan was reassessed with Collaborative Board. The reassessed plan was presented to JAC on 24<sup>th</sup> June 2020. The original and reassessed audit plans have been prepared to allow the production of the annual internal audit opinions as required by the PSIAS.
- 3.5 This report provides an update on the work of internal audit for the period to 28th February 2021. It reports progress on the delivery of the reassessed 2020/21 audit plan, including 2019/20 work in progress.

#### **Status of internal audit work as at 28th February 2021**

- 3.6 The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2020/21 reassessed audit plan and 2019/20 work in progress. Further detail on this is included at Appendix 2.

| <b>Audit Status</b>   | <b>Number of reviews</b> |
|---|--------------------------|
| <u>Audits completed:</u>  | <b><u>6</u></b>          |
| Financial systems (2019/20 WIP)                                   | 1                        |
| Advisory work (2019/20 WIP)                                       | 1                        |
| Risk based audits   | 2                        |
| Follow up   | 1                        |
| Advisory work   | 1                        |
| <u>Audits in progress:</u>  | <b><u>8</u></b>          |
| Risk based audits   | 5 **                     |
| Financial systems   | 2                        |
| Governance work   | 1                        |
| <u>Audits to be started</u>                                       | <b><u>1</u></b>          |
| Risk based audits   | 1                        |
| Work not started – carried forward to 2021/22 Internal Audit plan | <b><u>1</u></b><br>1     |
| Audits in plan  | <b><u>16</u></b>         |

\*\* This includes the 'Sickness Reporting Procedures' review which replaces the 'Property Stores' audit which has been removed from the 2020/21 audit plan (reported in November 2020)

### Reviews completed in the period to 28th February 2021

3.7 Audits completed in the period since the last progress report on 5 November 2020 to 28 February 2021 comprise Collision Reduction Officers, benefits delivery process and the follow up review of Trauma Reduction incident Management (TRiM). Two of the reports received 'Reasonable' assurance and one 'Partial' assurance. All reports have received a positive response from management.

### Draft Reports issued to 28th February 2021

3.8 The following draft report has been issued in the period. We have a meeting scheduled with management to discuss the report and agree the management actions to the recommendations in the report on 2 March 2021.

| <b>Audit</b>  | <b>Date of issue of draft report</b> | <b>Initial audit assessment</b> |
|---|--------------------------------------|---------------------------------|
| Business Transformation Project – Finance (Phase 1) | 10/02/21                             | Reasonable                      |

### Advisory / consultancy work

- 3.9 Our advisory / consultancy work has already been completed and reported to management. As agreed at the last Committee meeting, the Group Audit Manager has provided the Joint Chief Finance Officer with copies of the advisory / consultancy output, and names of key contacts in the Constabulary who were involved in the work, to allow the OPCC and Constabulary to consider the value received and benefit obtained from this type of internal audit work.

### Matters to be brought to the attention of the Joint Audit Committee

- 3.10 At the Joint Audit Committee meeting in September 2020 it was agreed that we would highlight any matters to be brought to the attention of members in our progress report. We can report that the three reviews finalised in the period (outlined in 3.7) did not identify any issues regarding risk management, governance and internal controls which we need to bring to the attention of the Committee.
- 3.11 We reported to Collaborative Board in early February 2021 there had been delays in progress on some audits as a result of client staff sickness and also awaiting some further information. We recognise the continued impact of COVID-19, and competing demands in the Constabulary, but the provision of the required information is essential to completing our audits so that we can provide of Annual Head of Internal Audit Opinions for 2020/21. We had a positive response from Collaborative Board in terms of their support and the relevant Director being tasked to help address this matter.

### Changes to the audit plan

- 3.12 One change has been made to the plan since our last progress report to 5 November 2020. Unfortunately, it is not feasible to undertake Phase 2 of the Business Transformation Programme – Finance work in 2020/21 as the project implementation was delayed from 5<sup>th</sup> October 2020 to the end of January 2021. Phase 2 of the work will be carried forward to the 2021/22 plan. The balance of days remaining on this piece of work (10 days) will also be carried forward, resulting in the number of audit days in the 2021/22 plan being 291 which is the 281 in the Shared Service agreement plus the 10 days for this piece of work.

### Sufficiency of coverage for 2020/21 Annual Opinions

- 3.13 As reported to Joint Audit Committee in June 2020, Internal Audit work was suspended on 23<sup>rd</sup> March 2020 at the request of the Joint Chief Finance Officer due to the COVID-19 situation. This was considered to be a sensible and pragmatic way forward in the circumstances. Internal Audit work



recommended later in June 2020 and a reassessed Internal Audit plan for 2020/21 was presented to JAC. The reassessed Internal Audit plan provides for 251 days. This is a reduction of 30 days from the original plan presented to JAC on 18<sup>th</sup> March 2020 which contained 281 audit days. As discussed at the time this was a conscious decision to reflect the impact of COVID-19 in terms of resources and time available until the Head of Internal Audit Opinions are required for 2020/21.

- 3.14 At the time of writing this report, work on the 2020/21 audit plan is progressing. As outlined above, we highlighted with Collaborative Board that we are experiencing delays in receiving information for some of our reviews and the impact this was having on our ability to deliver the audit plan. We are continuing to work with management to progress these reviews.
- 3.15 As previously reported to the Committee, we continue to closely monitor the views and guidance from the Chartered Institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of the Head of Internal Audit Opinions for 2020/21. At this point in time, subject to provision of information required to undertake our work, we are confident that sufficient audit work will be completed to provide the Head of Internal Audit opinions for 2020/21.
- 3.16 The Audit Manager attended a Police Audit Group meeting on 2021/22 planning in February and discussion at this meeting were taken into account when putting the 2021/22 plan together.

**Emma Toyne**  
**Audit Manager**  
March 2021

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## **APPENDICES**

- Appendix 1 : Final reports issued to 28th February 2021***
- Appendix 2 : Progress on all risk based audits from the reassessed 2020/21 plan including work in progress from the 2019/20 plan***
- Appendix 3 : Internal audit performance measures to 28th February 2021***

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 5th November 2020

| Assignments                                    | Status  | Assessment |
|--|---|------------|
| Creditors (WIP 2019/20)                        | Report circulated to members of the Joint Audit Committee and included in the 24th September Committee papers for discussion at the meeting if required. Report available on the Commissioner's website.  | Reasonable |
| Front Office Counters (Advisory / Consultancy) | Work completed. Presentation drafted and issued to the Director of Corporate Improvement on 18 September 2020. Findings were due to be presented to Collaborative Board on 5 <sup>th</sup> November 2020 but this meeting was cancelled. We plan to present our findings to the Collaborative Board on 19 <sup>h</sup> November 2020.   | N/A        |
| Vehicle Utilisation (Advisory / Consultancy)   | Work completed. Findings presented to Vehicle Fleet management on 4 September 2020, draft report and presentation issued to the Director of Corporate Support on 23 September 2020. We met with the Director of Corporate Support and Head of Fleet on 22 October 2020 to discuss and agree our findings. We were due to present our findings to Collaborative Board on 5 November 2020 but this meeting was cancelled. We presented our findings to Collaborative Board on 19 November 2020. | N/A        |
| Collision Reduction Officers                   | Report circulated to members of the Joint Audit Committee and available on the Commissioner's website.  | Reasonable |
| TRiM follow up                                 | Report circulated to members of the Joint Audit Committee and available on the Commissioner's website.  | Reasonable |

## Appendix 1 – Final reports issued to 5th November 2020

| Assignments               | Status   | Assessment |
|---------------------------|--|------------|
| Benefits Delivery Process | Report presented to Joint Audit Committee at 17 March 2021 meeting. Report included in Committee papers and available on the Commissioner's website. | Partial    |

## Appendix 2 – Progress on 2020/21 Audit Plan, including 2019/20 work in progress

| OPCC / Constabulary Review | Audit  | Stage   | Feedback form returned                     |
|----------------------------|--|---|--|
| Constabulary / OPCC        | Creditors (WIP 2019/20)                                    | Completed.  | Yes  |
| Constabulary               | Vehicle Utilisation – Advisory / Consultancy (WIP 2019/20) | Completed – presented findings to Director of Corporate Support and Head of Fleet on 22 October 2020. Due to present our findings to Collaborative Board on 19 November 2020.   | N/A  |
| Constabulary / OPCC        | Financial sustainability                                   |   |  |
| Constabulary / OPCC        | Benefits delivery process                                  | Completed.  | Not yet due - Final report issued 12/02/21 |
| Constabulary / OPCC        | Risk management and governance                             | Work in progress to inform the Head of Internal Audit's annual opinions.  | N/A  |
| Constabulary / OPCC        | Contract management  | Work in progress. We have experienced delays in getting information from the Constabulary which has impacted on progressing this review and we are working with management to address this issue. Work on the arrangements within the OPCC is progressing well. | N/A  |

## Appendix 2 – Progress on 2020/21 Audit Plan, including 2019/20 work in progress

| OPCC / Constabulary Review | Audit  | Stage   | Feedback form returned |
|----------------------------|--|---|------------------------|
| Constabulary               | Sickness management  | Work in progress  | N/A                    |
| Constabulary               | Collision Reduction Officers (CROs)                            | Completed   | Yes                    |
| Constabulary               | Professional Standards – Reflective Practice Review Process    | Work in progress  | N/A                    |
| Constabulary               | Sickness Reporting Procedures (replaces Property Stores audit) | Work in progress – report being drafted.  | N/A                    |
| Constabulary               | New Business Transformation Project (BTP) finance – Phase 1    | Draft report issued. Closeout meeting due to be held on 2 March 2021.   | N/A                    |
| Constabulary               | New Business Transformation Project (BTP) finance – Phase 2    | It is not feasible to undertake the Phase 2 work in 2020/21 as the project implementation was delayed from 5 October 2020 to the end of January 2021. Phase 2 of the review has been carried forward into the 2021/22 Internal Audit plan along with 10 days to undertake the work. | N/A                    |
| Constabulary / OPCC        | Financial systems – Main Accounting System                     | Work in progress – fieldwork now completed after delay due to staff absence in the Constabulary. Report is currently being drafted.   | N/A                    |

## Appendix 2 – Progress on 2020/21 Audit Plan, including 2019/20 work in progress

| OPCC / Constabulary Review | Audit   | Stage   | Feedback form returned    |
|----------------------------|---|---|---------------------------|
| Constabulary / OPCC        | Financial systems - Pensions                            | Work in progress.   | N/A                       |
| Constabulary               | Front Office Counters (advisory / consultancy)          | Completed – Findings issued to the Director of Corporate Improvement on 18 September 2020. Due to present our findings to Collaborative Board on 19 November 2020.              | N/A                       |
| Constabulary               | TRIM (Trauma Risk Incident Management) – follow up      | Completed   | N/A – this is a follow up |
| Constabulary / OPCC        | New work resulting from COVID-19                        | No areas identified for Internal Audit review in 2020/21. Time has been allocated in the 2021/22 plan to consider the organisation's response to COVID-19 / Recovery & Renewal. | N/A                       |
|                            | Attendance at Police Audit Training & Development event | Two day (virtual) conference attended by the Internal Audit Manager in November 2020. Further virtual session on audit planning attended by Audit Manager on 10 February 2021.  | N/A                       |
|                            | Internal Audit Management                               | On-going  | N/A                       |

**Appendix 2 – Progress on 2020/21 Audit Plan, including 2019/20 work in progress**

**Key:**

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

| Measure                  | Description  | Target  | Actual | Explanations for variances / remedial action required  |
|--------------------------|--|---|--------|--|
| Completion of audit plan | % of audits completed to final report  | 50%<br><br>95% (annual target)                | 38%    | <p>Target is based on the same period last year.</p> <p>There were ten audits completed at the same point last year although four of these were WIP from the 2018/19 audit plan. As reported at the September 2020 JAC meeting, WIP brought forward from 2019/20 was lower than in previous years due to the progress that was made in year.</p> <p>Internal Audit work was suspended due to COVID-19 between March and June 2020 at the request of the OPCC and Constabulary. As no work was undertaken in the first quarter of 2020/21 this, and delays in obtaining information for some audit reviews, has impacted on the percentage of reports completed to final stage at this point in the year.</p> |
| Completion of audit plan | <p>Number of planned days delivered</p> <p>*251 days plus 3 days to complete the creditors WIP from 2019/20, less 10 days for BTP Finance phase 2 carried forward to 2021/22. (281 per shared service agreement less 30 days removed from the plan due to COVID-19).</p> | <p>240</p> <p>244*</p> <p>(annual target)</p> | 167    | <p>Target based on the same period last year. Internal Audit work delivered has been impacted by the temporary suspension of our work due to COVID-19. Internal Audit work recommenced in late Q1.</p> <p>There is only one piece of work in the plan that is not yet started. Work is in progress on eight reviews, including one at draft report stage. We have experienced delays on some audits due to unexpected client staff sickness and awaiting information to progress our work.</p>   |



| Measure                                 | Description  | Target | Actual | Explanations for variances / remedial action required |
|---|--|--------|--------|---|
| Audit scopes agreed                     | Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.             | 100%   | 100%   |   |
| 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%   |   |

| Measure           | Description  | Target | Actual | Explanations for variances / remedial action required   |
|-------------------|--|--------|--------|---|
| Follow up         | % of high and medium priority audit recommendations implemented by target date | 100%   | 100%   | There was only one follow up audit in the 2020/21 internal audit plan. The TRiM follow up received reasonable assurance which is the highest assurance rating given to follow ups.  |
| Customer Feedback | % of customer satisfaction surveys returned                                    | 100%   | 100%   | Based on three forms returned.  |
| Customer Feedback | % of customer satisfaction survey scoring the service as good.                 | 80%    | 100%   | Based on three forms returned. One form relates to an audit reported in 2019/20.  |
| Chargeable time   | % of available auditor time directly chargeable to audit jobs.                 | 80%    | 69%    | Internal Audit team productivity has been impacted by COVID-19. Internal Audit work on the OPCC and Constabulary's audit plan was suspended at the request of Joint Chief Finance Officer on 23 <sup>rd</sup> March 2020. Work recommenced in late June 2020. |

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**Cumbria Shared Internal Audit Service**  
**Internal Audit report for Cumbria Constabulary**  
**Audit of Benefits Delivery Process**

**Draft Report Issued: 7 January 2021**

**Final Report Issued: 12 February 2021**

## Audit Resources

| Title         | Name            | Email                          | Telephone   |
|---------------|-----------------|--------------------------------|-------------|
| Audit Manager | Richard McGahon | richard.mcgahon@cumbria.gov.uk | 07917837416 |
| Lead Auditor  | Emma Toyne      | emma.toyne@cumbria.gov.uk      | 07810532759 |
|               | Gemma Benson    | gemma.benson@cumbria.gov.uk    | 07775111856 |

## Audit Report Distribution

|                  |   |
|------------------|---|
| For Action:      | Jane Sauntson (Director of Corporate Improvement)<br>Andrew Wilkinson (Superintendent – Business Improvement Unit)  |
| For Information: | Mark Webster (Deputy Chief Constable)<br>Vivian Stafford (Chief Executive OPCC / Head of Partnerships & Commissioning)<br>Gillian Shearer (Chief Executive OPCC / Head of Communications and Business Services) |
| Audit Committee: | The Joint Audit Committee which is due to be held on 17 <sup>th</sup> March 2021 will receive the report.   |

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

# Executive Summary

## Background

This report summarises the findings from the audit of **Benefits Delivery Process**. This was a planned audit assignment which was undertaken in accordance with the 2020/21 Audit Plan.

Benefits delivery is important to the organisation because significant investment is made in projects to achieve organisational benefits linked to the Vision 25 strategy. Without a means to track, monitor and manage the delivery of the anticipated benefits there is a risk that the organisation doesn't realise the intended benefits and that may impact on the achievement the strategic priorities and required financial savings.

Benefit realisation is a valuable tool which the Constabulary can use to demonstrate to stakeholders that it is delivering value for money and consistently improving service delivery. This is important in enhancing public confidence and in consideration of the outcome focussed HMICFRS methodology changes, which are forthcoming.

Benefits realisation has been in the Internal Audit plan in some form since 2018/19. We completed a project support review on the SAAB project in May 2019. At this time work was progressing with the overall benefits realisation strategy and we concluded that further work was required to progress some of the areas which we highlighted in the 'areas for review' section of our feedback. As this work was still in the early stages an audit of benefits realisation was included in the 2019/20 Internal Audit plan.

The 2019/20 review of benefits realisation was scoped in January 2020. It was agreed the audit would focus on the governance, risk management and internal controls around the process in place to originally define and agree anticipated benefits of projects and how these would be monitored. We were informed when the audit was underway that the process in place was being changed as it wasn't working. At this point it was expected that a new process would be in place by March 2020. We ceased the review in January 2020 with an intention to pick it up again once the new process was in place. However, all audit work was temporarily suspended in March 2020 at the request of the OPCC and Constabulary so that the organisations could focus on their COVID-19 response. We had identified the need for a further piece of work on this area as part of our planning for 2020/21 so rolled our work already done on benefits realisation in to the 2020/21 review.

## Audit Approach

### Audit Objectives and Methodology

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. Detailed findings and recommendations are set out within the Management Action Plan.

### 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 Jane Sauntson (Director of Corporate Improvement). The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control around the new benefits delivery process for identifying and reporting delivered benefits and the arrangements for the management of unanticipated benefits and promptly identifying and reporting negative impacts or non-delivery issues.

Audit work undertaken was impaired by the availability of information. The benefits delivery process, as outlined in the benefits realisation strategy is not fully established and embedded. As a result of this we have not been able to carry out sufficient audit testing to provide assurance that the arrangements in place are operating effectively.

## Assurance Opinion

Each audit review is given an assurance opinion, and this provides the Joint Audit Committee and Officers with an independent 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**.

From the areas examined and tested as part of this audit review, we consider the current controls operating within Benefits Delivery Process provide **Partial 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.*

## Summary of Audit Findings and Recommendations

### Controls were operating effectively in the following areas:

- The Benefits Realisation Strategy drafted in August 2018 was reviewed in October 2020 and we are informed that it was presented to COG for approval. This provides a high-level framework for monitoring and assessing benefits realisation and delivery.

### The recommendations arising from this review can be summarised as follows:

| High | Medium | Advisory | Total |
|------|--------|----------|-------|
| 1    | 0      | 0        | 1     |

The three levels of audit recommendation are defined in **Appendix A**.

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

#### High Priority Issues:

- The arrangements to deliver the Benefits Realisation Strategy have not been fully established. The strategy was drafted in August 2018 and progress in this area has been slower than expected. Without effective arrangements in place to agree, record, monitor and manage the delivery of anticipated benefits arising from projects receiving significant financial investment or process re-engineering, there is a risk these benefits may not be realised, value for money will not be achieved and public confidence may be eroded.

Medium Priority Issues: None identified

Advisory issues: None identified



## Deputy Chief Constable Comments

I acknowledge that progress to improve and streamline the process around benefits management is not as advanced as the Constabulary would have hoped by this time. This is not down to a failure to recognise the strong need for this work to be finalised, rather is an unfortunate consequence of the impact of the global coronavirus pandemic on policing, coupled with the limited resource available to a small force. The staff engaged on this project have been necessarily diverted to manage our covid response in order to ensure that we can effectively protect the public. This situation has been truly exceptional.

Adam Sutton has now accelerated the required work and good progress has been made. There is a clear plan to address the remaining issues, and I am content that the timescales are achievable in the current context.

DCC M Webster 12<sup>th</sup> Feb 2021

Contextual information about the timeline of events:

- At the Collaborative Board meeting in January 2020, a discussion took place with Internal Audit about the benefits audit. Since their report in 2019, a significant amount of work had been undertaken, focusing on ICT projects, including workshop and individual sessions with project staff, establishing templates to use and other arrangements required to make the process work effectively.
- This resulted in dozens of benefits being articulated and documented. The volume was too great to manage efficiently without getting mired in bureaucracy, so work was undertaken to streamline, amalgamate and reduce the list and to focus on the key things that the organisation required to improve. This included the start of discussions with senior leads across the organisation to agree realistic deliverables and timelines.
- At that point it was anticipated that this work would be completed by the end of March and so the audit was shifted into 2020/21. However, COVID-19 impacted significantly on our capacity to move this forward. Key Corporate Improvement staff have been diverted - and still are -to a number of different Op Lectern support services that are critical to the effective management of the pandemic in the Constabulary, some key elements of which are:-

- Op Lectern Resourcing Cell - coordinating people and assets, including systems to enable significant homeworking, ensuring Covid-secure workplaces, ensuring shielding of our vulnerable and providing them with facilities for working, and ongoing management of Op Lectern and all its actions (using MS Teams); general responses and research/action required from central government and others; internal track and trace support; development of arrangements for lateral flow testing.
  - Op Lectern Data Cell to respond to central requests, provide real-time data on demand and absences to inform decision making and resource allocation, supporting the county Multiagency Information Cell and Suicide Prevention Group
  - Support to changing internal processes- such as establishment and sickness reporting – to make sure that up to date and accurate information is available for managers
  - delivering demand impact assessments and regular performance products for senior management to ensure focus
  - Op Lectern Information Cell, which triages national communications, guidelines and regulations and which ensures that actions are allocated and managed through GSB, and that the most up to date information is provided to the relevant managers and communicated to all staff, and maintains an archive of all relevant communications concerning Covid19. To date (27 January 09:00 hours), 885 pieces of information have been processed through the Cell
  - an enhanced marketing and communications capability to support internal and external communications, provide communications support to the LRF, SCG, Enforcement Group and other multiagency governance
  - re-purposing and expanding the Change Team's role to included alignment of Change with Recovery and Renewal.
- A further report was provided to COG in early October 2020, to pick up the work again, and the strategy refreshed to include the agreed actions and the change in governance. Capacity was once again affected by lockdowns 2 and 3 and the second wave. Nevertheless, an action plan was developed during January and work has started- being led by Superintendent Wilkinson (BIU) and carried out by Adam Sutton, Change Manager.

# Management Action Plan

## High Priority

| Audit finding   | Management response   |        |             |  |   |   |           |                                      |                 |  |  |   |                            |
|---|---|--------|-------------|--|---|---|-----------|--------------------------------------|-----------------|--|--|---|----------------------------|
| <p><b>Benefits Delivery Framework</b></p> <p><u>Delivery of the strategy.</u></p> <p>The Benefits Realisation Strategy, drafted in August 2018, was reviewed, updated and we are informed that it was presented to COG in October 2020. The strategy sets out the high level framework for monitoring and assessing benefits realisation within the Constabulary.</p> <p>Changes made to the strategy were minimal (wording changed to reflect the changes made to the Vision 25 Board structure and Framework changed to reflect quarterly reporting to COG and the introduction of a Wellbeing and Performance Inspector to gather information about disbenefits / issues from the workforce).</p> <p>Mechanisms to deliver the strategy, since its creation in August 2018, are not fully developed. We were informed when we began a review of this area in January 2020 that the arrangements for benefits realisation were not working and were being changed. Progress in this area has been slow and new arrangements are in their infancy, not fully defined and not embedded. As a result, we are unable to test the arrangements for their adequacy and effectiveness.</p> <p><u>Progress identified at December 2020:</u></p> <ul style="list-style-type: none"> <li>• COG have agreed that benefits will be tracked by Business Improvement Unit (BIU). We are informed that additional clarity on holding benefit holders to account was</li> </ul> | <p>Agreed management action:</p> <table border="1"> <thead> <tr> <th data-bbox="1458 440 1933 504">Action</th> <th data-bbox="1933 440 2145 504">Complete by</th> </tr> </thead> <tbody> <tr> <td data-bbox="1458 504 1933 683">Identify a lead with responsibility for benefits management within BIU</td> <td data-bbox="1933 504 2145 683">Completed<br/>Adam Sutton<br/>Change<br/>Manager</td> </tr> <tr> <td data-bbox="1458 683 1933 903">Create a new procedure – documenting background and process that will be followed moving forward, including guidance on what’s to be included</td> <td data-bbox="1933 683 2145 903">Completed</td> </tr> <tr> <td data-bbox="1458 903 1933 1002">Update COG templates and communicate</td> <td data-bbox="1933 903 2145 1002">5 February 2021</td> </tr> <tr> <td data-bbox="1458 1002 1933 1145">Update Business Case templates (include ICT who have their own template) and communicate</td> <td data-bbox="1933 1002 2145 1145"></td> </tr> <tr> <td data-bbox="1458 1145 1933 1289">Create a training pack for SROs – this will ensure we can demonstrate with have adopted the new process</td> <td data-bbox="1933 1145 2145 1289">5 Feb 2021 – training pack</td> </tr> </tbody> </table> | Action | Complete by | Identify a lead with responsibility for benefits management within BIU | Completed<br>Adam Sutton<br>Change<br>Manager | Create a new procedure – documenting background and process that will be followed moving forward, including guidance on what’s to be included | Completed | Update COG templates and communicate | 5 February 2021 | Update Business Case templates (include ICT who have their own template) and communicate |  | Create a training pack for SROs – this will ensure we can demonstrate with have adopted the new process | 5 Feb 2021 – training pack |
| Action  | Complete by   |        |             |  |   |   |           |                                      |                 |  |  |   |                            |
| Identify a lead with responsibility for benefits management within BIU  | Completed<br>Adam Sutton<br>Change<br>Manager   |        |             |  |   |   |           |                                      |                 |  |  |   |                            |
| Create a new procedure – documenting background and process that will be followed moving forward, including guidance on what’s to be included   | Completed   |        |             |  |   |   |           |                                      |                 |  |  |   |                            |
| Update COG templates and communicate  | 5 February 2021   |        |             |  |   |   |           |                                      |                 |  |  |   |                            |
| Update Business Case templates (include ICT who have their own template) and communicate  |   |        |             |  |   |   |           |                                      |                 |  |  |   |                            |
| Create a training pack for SROs – this will ensure we can demonstrate with have adopted the new process   | 5 Feb 2021 – training pack  |        |             |  |   |   |           |                                      |                 |  |  |   |                            |

required by COG. At the time of our review we were informed that this clarity would be provided to COG in January 2021.

- Quarterly reporting to COG will be established. This will provide a means of holding benefits owners to account. However, it is unclear when this will commence as the mechanisms for reporting are not yet in place (i.e. identification of benefits within business cases, monitoring process within BIU hasn't been fully defined etc).
- It has been agreed that BIU will record and track the proposed benefits on approval of a business case, however, the process for doing this was in development at the time of the audit. We were provided with a copy of the BIU tracker which was being populated in October 2020. At the time of our review not all fields in the tracker were populated. The rating of achievability within the tracker is vague (defined as highly likely / likely / fairly likely).
- Improvement Groups and Wellbeing and Performance Inspectors have been identified in the strategy, as a means to feedback disbenefits / issues identified by frontline officers and the organisation. We are informed that the expectations around benefits delivery within their roles / responsibilities has still to be defined.

Still to be implemented:

- COG papers (business case template) are yet to be updated to include benefits and risks.
- Guidance documents / procedures are still to be written. We are informed that it is intended that these will include instructions for those submitting the new business case template for COG approval and the process for BIU staff to follow.
- Arrangements for notifying BIU of benefits to be added to the benefits tracker are still to be agreed but we understand that this may be via the Chief Officer's PAs.
- Once agreed the process will need to be communicated so that expectations are known and can be met.

|  |                                      |
|--|--------------------------------------|
|  | 12 Feb 2021 – training & discussions |
| Update existing Benefits Realisation document – seek to simplify where possible. This includes existing IT projects. | 12 February 2021                     |
| Create a MI template for quarterly COG updates   | 12 February 2021                     |
| Look back at the decisions made by COG in the past 24 months and ensure these are captured on the BR register        | 12 February 2021                     |
| Look at the proposed benefits listed on the updated V25 roadmap and ensure these are listed on the BR register       | 12 February 2021                     |
| Cross reference with the CCIP to remove duplication / adopt any actions that sit better with the BR register         | 12 February 2021                     |
| Start quarterly reporting to COG/Agreed Gov. Boards  | 1 March 2021                         |

|  |   |
|--|---|
| <p><u>Further considerations:</u></p> <ul style="list-style-type: none"> <li>• Consideration should be given to the number of benefits that will be tracked and monitored (we were informed in January 2020 that one of the drivers for changing the process was that the number of benefits to be monitored was numerous and unwieldy)</li> <li>• We are informed that the arrangements will be put in place for projects / programmes moving forward. Consideration should be given to how / whether benefits delivery of projects already underway will be assessed.</li> </ul> |   |
| <p><u>Recommendation 1:</u><br/>         Arrangements to deliver the benefits realisation strategy should be fully developed and embedded taking into account the points outlined above.</p>   |   |
| <p><u>Risk exposure if not addressed:</u></p> <ul style="list-style-type: none"> <li>• Benefits anticipated from significant financial investments are not achieved.</li> <li>• Strategic priorities are not delivered because the projects / programmes designed to meet strategic priorities don't achieve the desired outcomes.</li> <li>• Lack of accountability.</li> <li>• Value for money is not achieved.</li> <li>• Loss of public confidence.</li> </ul>   | <p>Responsible manager for implementing:<br/>         Superintendent Business Improvement Unit,<br/>         Andy Wilkinson</p> <p>Date to be implemented:<br/>         Aiming for end March 2021</p> |

## Appendix A

### Audit Assurance Opinions

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

| Assurance Level    | Definition   |
|--------------------|--|
| <b>Substantial</b> | Sound frameworks of governance, risk management and internal control are in place and are operating effectively. Recommendations, if any, will typically be no greater than advisory.  |
| <b>Reasonable</b>  | Frameworks of governance, risk management and internal control are generally sound with some opportunities to further develop the frameworks or compliance with them. Recommendations will typically be no greater than medium priority.   |
| <b>Partial</b>     | Weaknesses in the frameworks of governance, risk management and/or internal control have been identified or there are areas of non-compliance with the established control framework which place the achievement of system / service objectives at risk. Recommendations will typically include high and medium priority issues. |
| <b>Limited</b>     | There are significant gaps in the governance, risk management and/or internal control frameworks or there are major lapses in compliance with the control framework that place the achievement of system / service objectives at significant risk. Recommendations will include high priority issues.                            |

### 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:

| Grading         | Definition   |
|-----------------|--|
| <b>High</b>     | A recommendation to address a significant gap in governance, risk management or internal control frameworks or to address significant non-compliance with controls in place. |
| <b>Medium</b>   | A recommendation to address a gap in governance, risk management or internal control frameworks or to address aspects of non-compliance with controls in place.              |
| <b>Advisory</b> | A recommendation to further strengthen governance, risk management or internal control frameworks or to improve compliance with existing controls.                           |

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# Joint Audit Committee



## Title: OPCC Risk Management Monitoring

**Date:** March 2021

**Agenda Item No:** 10

**Originating Officer:** Joanne Head, OPCC Governance Manager

**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 three identified risks, these being:

- R1 - Strategic Finance
- R2 - The Emergency Services Mobile Communications Programme
- R3 – Commissioning Services

2.2 The scoring for R1 has dropped to 9. The 2021/22 grant settlement was more favourable than expected providing appropriate funding for additional officers recruited as part of Operation Uplift; and the continued flexibility to raise council tax. Although the short-term risk has been reduced, 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.



- 2.3 R2 score has remained at 12 following review. There is continued uncertainty on final costs and an indication that forces will have to meet an increased share of the cost. There are firmer indications that the project will go ahead as it is picking up pace and will progress during the year.
- 2.4 A new strategic risk, R3 Commissioning Services has been escalated from the operational risk register due to an element of the overall risk scoring 9. This relates to future funding of SARC services and obtaining providers with the ability to fulfil the provision of services. Further discussions are being held with NHSE&I to confirm the way forward; prioritisation of work to update the contract specification and any other documentation for a procurement exercise.
- 2.5 Risks previously included within the Strategic Risk Registers included:

- R4 – Information Management
- R6 – OPCC Business Disruption
- R7 – Partnerships and Collaboration

Following review these have been removed due to a reduction in their scores. They will remain within the operational risk registers and continue to be monitored.

- i. R4 – Information Management has been removed as work within the Constabulary has become 'Business as Usual' thereby reducing its overall risk. It remains within the OPCC's Operational Risk Register until both organisations are assured they are fully compliant.
  - ii. R6 – OPCC Business Disruption has had its overall scoring reduced to 6 which means that it will no longer appear on the strategic risk register. Further detail on the changes made to this risk can be found later in this report when dealing with the operational risk register.
  - iii. R7 - Partnerships and Collaboration has had its scoring reduced due to secured funding for the SARC in 2021-2022. Work is currently ongoing in collaboration with North East PCC's and NHS England for the commissioning of these services.
- 2.6 The OPCC has also reviewed its operational risk register, rationalising it to 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 risks are managed.
- 2.7 A number of low scoring operational risks remain on the register, these being Risks 3 Financial Governance, Risk 4 Shared Services, and Risk 5 Asset management. They remain to show illustrated monitoring of these areas of business which are important to the OPCC's overall Governance regime.

- 2.8 Risk No 7 - Performance / delivery of the police and crime plan on the operational risk register has now been removed. The likelihood of this risk had reduced to 1 at the last review. There is now additional capacity within the team and all staff have the skills and expertise to carry out their roles proficiently. To support this, staff received in-house CIPFA Contract Management training in June 2020; and both the Partnerships & Performance Manager and the Assistant Policy Officer undertook further CIPA training in relation to Contract Management in January 2021 .
- 2.9 It is proposed to remove Risk No 12 in relation to the Complaint Review process. The requirement for Local Policing Bodies to carry out reviews was introduced on 1 February 2020. A robust and well embedded process is now in place to deal with these.
- 2.10 The UK has now entered a third period of lockdown in attempts to stem the transmission of the COVID-19 virus. The OPCC has utilised its business continuity plan since the first lockdown was imposed on 23 March 2020. Working practices to accommodate lockdown and tier restrictions have now been in place for over 11 months and are working well. The OPCC has been able to fulfil its statutory obligations and continues to look at workable alternatives to some activities which it cannot carry out due to COVID-19 restrictions. Since its initial scoring, Risk No 13 OPCC Business Disruption has reduced its overall score and some elements contained within the risk have been removed altogether. The risk will continue to be actively monitored on the operational risk register.
- 2.11 The OPCC Chief Executive met with the Constabulary's Lead for Risk Management on 4 March 2021. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.
- 2.14 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. 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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## 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<br>Date of next review |
|--------------|--|-------------|-----------------|---|--------------------------------|---|--------------------------------|
|              |  |             | Risk Owner      | Action Owner                                |                                |   |                                |
| R1           | Strategic Finance  | 16<br>9 ↓   | Chief Executive | Joint 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.                                | June 2021                      |
| R2           | The Emergency Services Mobile Communications Programme (ESMCP) | 12 ↔        | Chief Executive | Chief Executive / Constabulary Lead Officer | No                             | Continue to monitor the national position and take appropriate actions to prepare for implementation.   | June 2021                      |
| R3<br>(Op 9) | Commissioning Services   | 9 ↑         | Chief Executive | Partnerships & Strategy Manager             | Yes                            | As this is a joint procurement process the OPCC does not retain autonomy in the awarding of the contracts and funding. Meetings are held with NHSE&I as a priority to agree a way forward | June 2021                      |
|              |  |             |                 |   |                                |   |                                |

| 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  | Assurances  | Future or further actions to be taken  | Action Owner(s)       | Review Date |
|--|--|-------------------|------------|------------|-----------------|------------|------------|---|---|---|--|-----------------------|-------------|
|  |  | Impact            | Likelihood | Risk Score | Impact          | Likelihood | Risk Score |   |   |   |  |                       |             |
| 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 increased precept or savings. This risk has reduced recently due to favourable grant settlements associated with the Operation Uplift Programme. However, longer term financial uncertainty remains in relation to Government funding levels, pensions, national ICT initiatives 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          | 16         | 3               | 3          | 9          | 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. Both the 2020/21 and 2021/22 grant settlements were more favourable than expected providing appropriate funding for additional officers recruited as part of Operation Uplift and continued flexibility to raise council tax. However, this does not fully alleviate the longer-term concerns regarding the sustainability of Government funding. On balance the short-term risk has been reduced, which is reflected in the risk score. Scenario planning to identify potential longer- | 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 | June 2021   |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  | <p>term savings and service re-engineering is on-going in both the OPCC and Constabulary.<br/>The Commissioner has joined the National Rural Crime Network to support rural policing issues.<br/>There is currently no definite plan to review the police funding formula.</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  |  |  |                 | 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) |             |
| 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. Recent cost updates have indicated that forces will have to meet an increased share of the cost, hence an increase in the risk score. | 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         | 4               | 3          | 12         | 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.<br><br>Update Feb 2021<br>Continued uncertainty on final costs. Firmer indications are that the project will go ahead, is picking up pace and will progress. | Chief Executive | June 2021   |

|  |   |  |
|--|---|--|
| <b>Risk Number:</b><br><b>R3<br/>(Op 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 of 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 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 to secure a provider of SARC services through regional commissioning | Resulting in a risk to provision of services within The Bridgeway if no provider is in place from April 2022 and a risk that uncertainty affects partner commitment to the service | 4                 | 5          | 20         | 3               | 3          | 9          | Chief Executive<br><br><b>Reduce</b>                                  | The existing provider will continue provision of services for a further 12 months to March 2021. Meetings are being held as a priority with NHSE&I to agree the way forward. The Commercial Team has been consulted on procurement options. | Executive Team | Further discussions with NHSE&I to confirm the way forward. Prioritisation of work to update the specification and any other documentation for a procurement exercise. Communication with stakeholders when a tender is launched. | Partnerships and Strategy Manager | June 2021   |
|  |  |                   |            |            |                 |            |            |   |   |                |   |                                   |             |
|  |  |                   |            |            |                 |            |            |   |   |                |   |                                   |             |



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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 6 ↓                                | Joint Chief Finance Officer | Deputy CFO                        | No                             | Current forecasts indicate expenditure for 2020/21 is broadly on budget.   | September 2021 |
| 02   | Investment Counterparty Risk  | 3 ↔                                  | Joint Chief Finance Officer | Deputy CFO                        | No                             | None   | May 2021       |
| 03   | Financial Governance          | 2 ↔                                  | Joint Chief Finance Officer | Deputy CFO                        | No                             | None   | April 2021     |
| 04   | Shared Services               | 2 ↔                                  | Chief Executive             | Deputy Chief Executive            | No                             | Governance agreements will be reviewed on an on-going basis.   | April 2021     |
| 05   | Asset Management              | 2 ↔                                  | Chief Executive             | Chief Finance Officer             | No                             | None   | May 2021       |
| 06   | Insurance                     | 4 ↔                                  | Chief Executive             | Chief Finance Officer             | No                             | None   | May 2021       |
| <b>PARTNERSHIPS &amp; COMMISSIONING</b>    |                               |                                      |                             |                                   |                                |  |                |
| 07   | This risk has been removed    |                                      |                             |                                   |                                |  |                |
| 08   | Partnerships & Collaboration  | 9 4 ↓                                | Chief Executive             | Partnerships and Strategy Manager | Yes                            | Funding has been agreed for the 3 years until March 2023. Collaboration with North East PCCs and NHS England continue regarding the future commissioning of SARC services. | September 2021 |
| 09   | Commissioning of Services     | 9 ↑                                  | Chief Executive             | Partnerships and Strategy Manager | Yes                            | Increased contract management; engagement and improvement plan in place. Further discussions with NHSE&I to confirm the way forward for future funding                     | June 2021      |
| <b>COMMUNICATION AND BUSINESS SERVICES</b> |                               |                                      |                             |                                   |                                |  |                |
| 10   | Information Management (GDPR) | 8 6 ↓                                | Chief Executive             | Governance Manager                | No                             | Robust policies and procedures in the processing of data are in place.   | September 2021 |
| 12   | Complaints                    | 2 ↓                                  | Chief Executive             | Governance Manager                | No                             | It is proposed to remove this risk from the register   |                |
| 13   | OPCC Business Disruption      | 9 6 ↓                                | Chief Executive             | Governance Manager                | Yes                            | Appropriate actions will be taken should they be required depending on the stage of the pandemic. Regular monitoring of the situation and staffing levels.                 | September 2021 |

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## Joint Audit Committee

**TITLE OF REPORT:** Constabulary Risk Management Update

**DATE OF MEETING:** 17<sup>th</sup> March 2021

**ORIGINATING OFFICER:** Strategic Development, Insight and Performance

**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.

As part of this process, Strategic Development carried out a quality assurance check of all departmental and operational risk registers, to ensure that risk is effectively managed across the organisation. The Strategic Risk Register was reviewed by COG on 22<sup>nd</sup> February 2021.

At this meeting it was agreed that:

- Risk 28 – Budget – lower the risk score in light of the grant settlement.
- Risk 31 – Technological Advances – risk to be closed due to significant progress that substantially mitigates the risk.
- Risk 37 – Data Protection – risk remitted back to the Information Management Risk Register and managed from there in conjunction with the other risks held on that register.
- Risk 38 – Medical Provision in Custody – performance remains high. Risk remitted to be managed via the Ops Board.
- Risk 42 – Covid – likelihood score reduced.
- Risk 46 – Crime Command Resilience – risk added to the Strategic Risk Register.

### Recommendations:

**That the Joint Audit Committee:**

Note the Constabulary's current strategic risks, and that a review of all risk registers was completed in accordance with the Risk Management Policy in February 2021.

## 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 seven 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. The implications of longer-term reduction in budget and the level of savings required.
2. Significant additional and unbudgeted capital and revenue expenditure may be incurred due to delays in ESMCP transition.
3. Covid-19
4. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme.
5. Crime Command Resilience - NEW
6. ICT demand
7. Failure to deliver Cumbria Vison 25 and its associated efficiency plan.

The table on page three outlines the Constabulary's seven 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' 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 - update   |
|-------------|---|---|-----------|------------|-------------------------|--------------|------------------------------|--|
| 28          | Chief Financial Officer / Director of Corporate Support | <p>There may be a detrimental and significant impact on the available budget and a requirement for substantially increased savings, as a result of:</p> <ul style="list-style-type: none"> <li>• a combination of the inflationary pressures on police budgets particularly pay</li> <li>• the lack of provision for inflation in Government grant allocation</li> <li>• proposed changes to police pension contributions</li> <li>• the impact of national projects and initiatives such as ESN and PEQF, and</li> <li>• potential changes to the police funding formula (including the removal of dampening funding)</li> </ul> <p>This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.</p> | Very High | Very High  | 25                      | 16           | All                          | The Government grant settlement for 2021/22 was favorable with additional resources being provided principally for Op Uplift. In conjunction with the precept increase for 2021/22 and a pay freeze in 2021, this has removed the pressure to deliver immediate savings. However, the medium-term financial pressures such as funding inflation, pensions and ESN remain. Impact and likelihood scores reduced to 4. |
| 32          | Commander - ICT, Business Development and               | 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   | High      | High       | 20                      | 16           | All                          | DCS upgrades to replace CCI Ports have been re-scheduled to a later phase (Q2 2022). This will potentially save a years' worth of additional revenue to SAAB.  |

| 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 - update  |
|-------------|--|--|-----------|------------|-------------------------|--------------|------------------------------|---|
|             | Information Management   | having to extend the life of its airwave infrastructure, and potentially having to pay for both systems for a time.  |           |            |                         |              |                              | Cost model was recently tested in GMP and we are awaiting updated version for use in Constabulary during Feb 21<br>11/19- PCC approved purchase of 62 Sepura radios to replace covert fleet.  |
| 42          | ACC  | The Constabulary is unable to maintain business as usual through the high abstraction of staff; procurement constraints, and change in demand profile, caused by the spread of Covid-19<br>This would result in the Constabulary diverting resources to maintain core functions.   | Very High | High       | 25                      | 15           | All                          | As cases continue to fall, and the number of officers and staff vaccinated increases, the likelihood will reduce, but the potential impact remains high. Increased measures around PPE and social distancing have all helped to reduce the likelihood, but there must not be complacency as other forces continue to experience significant outbreaks. The emergence of new variants of the virus with vaccine resistance have the potential to cause new waves of infection and impact on both the likelihood and seriousness of this risk. To remain on the Strategic Risk Register, at least until widespread vaccination has taken place. |
| 25          | Commander - ICT, Business Development and Information Management | 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. The duration of impact is likely to exceed 2 years. | High      | Medium     | 16                      | 12           | All                          | The Police Service are actively engaging with the Programme over the Core and non-core costs in the Business Case with comprehensive engagement at a National and regional level. A firm plan is expected Q2 2021 taking into account changes brought by ESN Version 1.   |

| 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 - update  |
|-------------|---|---|--------|------------|-------------------------|--------------|------------------------------|---|
| 46          | Det Supt Crime  | Serious Crime within the Constabulary might not be investigated by trained and accredited PIP 2 detectives, caused by an insufficient number, which may result in a poor service to victims, staff welfare concerns, and reputational damage. | High   | Medium     | 12                      |              |                              | <p>Risk has been outlined and managed via TPA/ Crime risk register - with specific activity recorded within that forum. Initiatives have involved:</p> <ul style="list-style-type: none"> <li>• Staff recruitment events to promote the department</li> <li>• CPD and training inputs on courses on varying forums</li> <li>• Survey of cast and TP officers to identify barriers and blockers to recruitment</li> <li>• Merger of PPU and CID to spread demand across department and</li> <li>• Alliance with education in order to follow direct recruitment pathway.</li> </ul>  |
| 44          | Digital Board, Commander - ICT, Business Development and Information Management | As the infrastructure, hardware, software and third party providers underpinning digital, data and technology services becomes ever more complex, the risk in terms of service failure becomes more significant.                              | High   | Low        | 16                      | 8            | All                          | <p>Throughout Covid 19 and during lockdown the Constabulary has developed and expanded its mobile and agile working through the use of mobile devices. These are assured in terms of security in line with the NEP design and encrypted end to end. We have also gone live in the past few months with the 'National Monitoring Centre' who proactively hunt cyber threats to our organisation. Whilst there has been an increase nationally in Cyber-attacks, during the period we have set up and lead a Cyber Local Resilience forum. The CLRF allows the Constabulary to link in with partners in the county, regionally and nationally; sharing intelligence, good practice and learning, which gives further mitigation.</p> <p>The Infrastructure review findings took the context of the environment into account and recommendations were presented to DDAT Commander Chief Supt Blackwell and were discussed with Director of finance</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 - update   |
|-------------|---|---|--------|------------|-------------------------|--------------|------------------------------|--|
|             |   |   |        |            |                         |              |                              | Mr Marshall. It has been agreed that a project team will be put in place to lead the infrastructure project, which will be phased over the next 3 years, with spending plans and strategy being revised accordingly. This will include some capital spend converting to revenue, to facilitate the new infrastructure. Shorter term mitigation being put in place to support resilience of existing infrastructure (servers), over the next 6-18 months. |
| 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                          | The Vision 25 programme area of work is being re-energised as part of the Recovery and Renewal Strategy. Capacity across the organisation will be taken into account as part of this process. This work was reviewed at the Strategy Day on 1st February.  |

**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        |

Joint Audit Committee 17 March 2021 Agenda Item 11

## Monitoring Key Audit Recommendations

### Introduction

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

**Appendix A** provides a table of all internal audit reports finalised in the current year, the level of assurance provided by the audit and the number of audit recommendations by grade of recommendation.

### Report Summary

The table below shows the number of outstanding actions brought forward from the previous update to members and also of new recommendations since the last report.

| Summary of Actions                       | PCC      | CC       | Joint    | Total    |
|--|----------|----------|----------|----------|
| Open actions b/fwd from last report      | 0        | 1        | 1        | 2        |
| New actions since last report            | 0        | 4        | 0        | 4        |
| <b>Total actions this report</b>         | <b>0</b> | <b>5</b> | <b>1</b> | <b>6</b> |
| Actions completed since last report      | 0        | 3        | 1        | 4        |
| <b>Open actions c/fwd to next report</b> | <b>0</b> | <b>2</b> | <b>0</b> | <b>2</b> |

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.

The table below shows the status of all recommendations, **Appendix B** provides a high level summary of the current status of individual actions and **Appendix C** provides narrative updates in respect of individual recommendations.

| Summary of Total Actions by Status    | PCC      | CC       | Joint    | Total    |
|---------------------------------------|----------|----------|----------|----------|
| Completed                             | 0        | 3        | 1        | 4        |
| Ongoing (within original timescale)   | 0        | 1        | 0        | 1        |
| Ongoing (original timescale extended) | 0        | 1        | 0        | 1        |
| Overdue/ timescale exceeded           | 0        | 0        | 0        | 0        |
| Not yet due                           | 0        | 0        | 0        | 0        |
| <b>Total</b>                          | <b>0</b> | <b>5</b> | <b>1</b> | <b>6</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.                                 |

***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                        |

## Monitoring of Individual Audit Reports 2020/21

| Audit Report   | CC/<br>PCC/<br>Joint | Reported<br>Date | Assurance Opinion |            |          |                  | Audit Recommendations (Grade) |          |          |           |
|--|----------------------|------------------|-------------------|------------|----------|------------------|-------------------------------|----------|----------|-----------|
|  |                      |                  | Substantial       | Reasonable | Partial  | Limited<br>/None | High                          | Medium   | Advisory | Total     |
| Firearms   | CC                   | 19/11/19         |                   | ✓          |          |                  | 0                             | 2        | 0        | 2         |
| Blue Light<br>Collaboration                            | PCC                  | 19/12/19         |                   | ✓          |          |                  | 0                             | 4        | 0        | 4         |
| Procurement/<br>Commercial                             | Joint                | 18/12/19         |                   | ✓          |          |                  | 0                             | 2        | 3        | 5         |
| TRiM   | CC                   | 13/02/20         |                   |            | ✓        |                  | 2                             | 1        | 1        | 4         |
| <b>Total to JAC 18/03/20</b>                           |                      |                  | <b>0</b>          | <b>3</b>   | <b>1</b> | <b>0</b>         | <b>2</b>                      | <b>9</b> | <b>4</b> | <b>15</b> |
| Body Worn Video  | CC                   | 10/03/20         |                   | ✓          |          |                  | 0                             | 1        | 1        | 2         |
| Training   | CC                   | 01/04/20         |                   | ✓          |          |                  | 0                             | 1        | 0        | 1         |
| Treasury Management                                    | Joint                | 02/04/20         |                   | ✓          |          |                  | 0                             | 1        | 1        | 2         |
| Financial Sustainability                               | Joint                | 06/05/20         |                   | ✓          |          |                  | 0                             | 0        | 0        | 0         |
| Police & Crime Plan                                    | PCC                  | 04/06/20         | ✓                 |            |          |                  | 0                             | 0        | 2        | 2         |
| <b>Total to JAC 24/06/20</b>                           |                      |                  | <b>1</b>          | <b>4</b>   | <b>0</b> | <b>0</b>         | <b>0</b>                      | <b>3</b> | <b>4</b> | <b>7</b>  |
| Creditors  | Joint                | 10/09/20         |                   | ✓          |          |                  | 0                             | 2        | 0        | 2         |
| <b>Total to JAC 24/09/20</b>                           |                      |                  | <b>0</b>          | <b>1</b>   | <b>0</b> | <b>0</b>         | <b>0</b>                      | <b>2</b> | <b>0</b> | <b>2</b>  |
| None   |                      |                  |                   |            |          |                  |                               |          |          |           |
| <b>Total to JAC 19/11/20</b>                           |                      |                  |                   |            |          |                  |                               |          |          |           |
| Collision Reduction<br>Officers                        | CC                   | 10/11/20         |                   | ✓          |          |                  | 0                             | 3        | 1        | 4         |
| Trauma Risk Incident<br>Management (TRiM)<br>Follow Up | CC                   | 14/01/21         |                   | ✓          |          |                  | 0                             | 0        | 0        | 0         |
| Benefits Delivery<br>Process                           | CC                   | 12/02/21         |                   |            | ✓        |                  | 1                             | 0        | 0        | 1         |
| <b>Total to JAC 17/03/21</b>                           |                      |                  | <b>0</b>          | <b>2</b>   | <b>1</b> | <b>0</b>         | <b>1</b>                      | <b>3</b> | <b>1</b> | <b>5</b>  |



| Audit Report   | Recommendation Summary   | Current Status |                                     |                                       |                            |             | For detail see page |
|--|--|----------------|-------------------------------------|---------------------------------------|----------------------------|-------------|---------------------|
|  |  | Completed      | Ongoing (within original timescale) | Ongoing (original timescale extended) | Overdue/timescale exceeded | Not Yet Due |                     |
| <b>Recommendations B/fwd from Report to JAC 18/03/20</b> |  |                |                                     |                                       |                            |             |                     |
| Local Focus Hubs (CC)                                    | R2) A PMF should be agreed and shared following full countywide consultation that further supports and informs the identification of priorities and targeted interventions.    |                |                                     | ✓                                     |                            |             | 5                   |
| Creditors (Joint)  | R1) Management should ensure that staff involved with the CIS scheme are fully aware of the CIS requirements and the terms are applied consistently in line with the guidance. | ✓              |                                     |                                       |                            | ✓           | 6                   |
| <b>Totals B/Fwd Recommendations</b>                      |  | <b>1</b>       | <b>0</b>                            | <b>1</b>                              | <b>0</b>                   | <b>0</b>    |                     |
| <b>New Recommendation Since Last Report</b>              |  | <b>0</b>       | <b>0</b>                            | <b>0</b>                              | <b>0</b>                   | <b>0</b>    |                     |
| Collision Reduction Officers (CC)                        | R1) An annual review should be taken, in accordance with the Collision Reduction Officer Business Proposal and shared with chief officers and the partnership.                 | ✓              |                                     |                                       |                            |             | 7                   |
| Collision Reduction Officers (CC)                        | R2) CRO responsibilities and governance arrangements should be re-defined and formally communicated to those concerned.  | ✓              |                                     |                                       |                            |             | 8                   |
| Collision Reduction Officers (CC)                        | R3) Management should define their expectations regarding performance management and update arrangements accordingly.  | ✓              |                                     |                                       |                            |             | 9                   |
| Benefits Realisation Process (CC)                        | R1) Arrangements to deliver the benefits realisation strategy should be fully developed and embedded taking into account the points outlined above.                            |                | ✓                                   |                                       |                            |             | 10                  |
| <b>Total New Recommendations</b>                         |  | <b>3</b>       | <b>1</b>                            | <b>0</b>                              | <b>0</b>                   | <b>0</b>    |                     |
| <b>Total All Recommendations</b>                         |  | <b>4</b>       | <b>1</b>                            | <b>1</b>                              | <b>0</b>                   | <b>0</b>    |                     |

| Audit Report: Local Focus Hubs  |   |  |   |          |
|---|---|--|---|----------|
| <b>Date Issued:</b><br>09/09/2019   | <b>Date Considered by JAC:</b><br>19/09/2019                                      | <b>Report of:</b><br>Shared Internal Audit Service | <b>Report for:</b><br>CC  |          |
| <b>Recommendation:</b><br>R2) A PMF should be agreed and shared following full countywide consultation that further supports and informs the identification of priorities and targeted interventions.   |   |  | <b>Grade:</b><br>Medium   |          |
| <b>Agreed Action:</b><br>The Local Focus Unit Performance Framework (PF) was developed in consultation with the existing Units and Corporate Support and distributed in early 2018 to each of the developing Units.<br>There has been a different pace of development across the County which made it challenging to implement it in its entirety in each location.<br>The Constabulary now have the added bonus of Power Business Intelligence and support from Corporate Development, combined with the audit expertise of Emma Thompson as the manager of Allerdale LFU.<br>Emma has reviewed the PF to make it more relevant to partners, and Corporate Development are looking to systemise it to make production of a performance document simpler and more user friendly.<br>The national problem solving team are awaiting an update on this issue as Cumbria Constabulary are very much in the driving seat nationally in terms of the development of a representative performance framework.  |   |  | <b>Due Date:</b><br>31 December 2019                                |          |
|   |   |  | <b>Responsible Person:</b><br>Superintendent South<br>Sarah Jackson |          |
| <b>Subsequent Updates:</b><br><b>November 2019</b> - As detailed within recommendation one, the Constabulary has a desire to develop a public health approach to policing. This renewed model will require extensive consultation with public and third sector agencies to facilitate the joint creation of multiagency integrated local focus hubs. An essential task will be the development of a joint performance framework, as well as the generation of risk management and partnership relationship agreements. It will also demand a review of internal cross command operating procedures.<br>In order to realise the full benefits of a truly collaborative arrangement, the creation of a performance management framework cannot be undertaken by the police in isolation. It is essential that any design of the hubs, supporting policy and procedures must be co-produced with interested agencies, many of which are themselves bound by their own target operating models. The task to deliver on this recommendation is complex and will require significant negotiation with multiple partners, at scale. Whilst the task has already begun, it will be several months before the hubs are operating sufficiently well to evidence the delivery of an embedded PMF.<br>Therefore, a request to extend the delivery against this recommendation is sought.<br><b>February 2020</b> – On 2nd Feb 2020 Chief Officers committed to delivering a child centered and early intervention approach via the NPT Local Focus Hubs.<br>The revised hubs will support the place based Public Health and Contextual Safeguarding agendas of our county, district and wider partnerships.<br>The change programme will require extensive internal remodeling to rationalise workflows across TPA, CJ and Crime Commands, as well as co-production of data sharing agreements, assessment models, and performance management frameworks (not exhaustive) with partners in the public and third sector.<br>Chief Officers have invested two dedicated Inspectors to develop a pilot delivery site in the Barrow Hub, and subject to review and approval, scale the model up across the other five hubs.<br>Governance will be bi-monthly to the management Board with an estimated completion date of February 2021.<br><b>September 2020</b> – Due to this being a piece based entirely on collaboration the action has been impacted by Covid. That said, a draft LFH performance framework is in place, and a draft Child Centred Policing framework has been developed. The ambition is to converge the two separate entities once the CCP teams are established, and their initial referral mechanism has been finalised. The teams only went live on 1/9/20 and so it is too early to finalise.<br><b>November 2020</b> – The CCP policing teams are now established and a draft outcomes framework has been agreed. CCP teams will be linked into LFH work. This will be rolled out imminently across each of the 3 TPAs. The revised draft outcome framework from the LFH has also been established and is being launched across the 6 hubs. All hubs are now migrating onto TEAMS for their case management and referral processes. It is envisaged that this action will be completed in February 2021.<br><b>March 2021</b> - The Safer Neighbourhood Meeting reviewed the position of the PMF at its meeting on the 5th March 2021. An updated version of the framework is out for final consultation (ending April 2021), at which time this action will be completed. |   |  |   |          |
| <b>Status:</b>  | <b>Agreed Changes to Due Date:</b>  | <b>New Date:</b>                                   | <b>Where &amp; When Approved:</b>                                   |          |
| Ongoing (original timescale extended)   | <i>(N.B. any changes to due date must be agreed by COG or a Governance Board)</i> | <del>February 2021</del>                           | COG   |          |
|   |   | May 2021   | 02/02/20  |          |
|   |   |  | COG   | 08/03/21 |

| Audit Report: Creditors  |  |  |  |
|--|--|--|--|
| <b>Date Issued:</b><br>10/09/2020  | <b>Date Considered by JAC:</b><br>24/09/2020   | <b>Report of:</b><br>Shared Internal Audit Service | <b>Report for:</b><br>Joint  |
| <b>Recommendation:</b><br>R1) Management should ensure that staff involved with the CIS scheme are fully aware of the CIS requirements and the terms are applied consistently in line with the guidance.   |  |  | <b>Grade:</b><br>Medium  |
| <b>Agreed Action:</b> A new member of staff has been appointed within the Estates Team and will start in September 2020. They will receive initial training on invoice processing and then will undertake specific HMRC training on CIS regulations (course booked for 20/01/2021), the Senior Estates & Facilities Maintenance Manager will also undertake CIS refresher training.<br><br>The spreadsheet maintained by the Team to record orders has been updated to include a check for CIS compliance at the point of ordering. This is checked by the Senior Estates & Facilities Maintenance Manager before payments are made. |  |  | <b>Due Date:</b><br>31 January 2021<br><br><b>Responsible Person:</b><br>Senior Estates & Facilities Maintenance Manager.<br><br>Eggert Fruchtenicht |
| <b>Subsequent Updates:</b><br><b>November 2020</b> – The new member of staff in the estates team is settling in well and is picking up work in relation to the CIS scheme. A course has been planned for January 2021 but this may depend on availability and covid restrictions at the time. In the meantime, knowledge has been cascaded.<br><b>March 2021</b> – This training was completed on 19/01/21   |  |  |  |
| <b>Status:</b>   | <b>Agreed Changes to Due Date:</b><br>(N.B. any changes to due date must be agreed by COG or a Governance Board) | <b>New Date:</b>                                   | <b>Where &amp; When Approved:</b>  |
| Completed  |  |  |  |

| <b>Audit Report: Collision Reduction Officers</b>   |   |  |  |
|---|---|--|--|
| <b>Date Issued:</b><br>10 November 2021   | <b>Date Considered by JAC:</b><br>17 March 2021   | <b>Report of:</b><br>Shared Internal Audit Service | <b>Report for:</b><br>CC   |
| <b>Recommendation:</b><br>R1) An annual review should be taken, in accordance with the Collision Reduction Officer Business Proposal and shared with chief officers and the partnership.  |   |  | <b>Grade:</b><br>Medium  |
| <b>Agreed Action:</b> The annual review will be undertaken in accordance with the original COG Business Case. It will cover the benefits of the CRO posts, measured qualitatively and quantitatively in line with original business case expectations. It will also include recommendations on the continued viability of the role and costed options considering the impact of a reduction in NDORS recharges on Safety Camera Partnership finances. |   |  | <b>Due Date:</b><br>28 February 2021<br><b>Responsible Person:</b><br>Chief Inspector –<br>Operational Support |
| <b>Subsequent Updates:</b><br><b>February 2021</b> – Annual review has been completed and raised with senior officers via Operations Board and Chief Officer Group.   |   |  |  |
| <b>Status:</b>  | <b>Agreed Changes to Due Date:</b><br><i>(N.B. any changes to due date must be agreed by COG or a Governance Board)</i> | <b>New Date:</b>                                   | <b>Where &amp; When Approved:</b>  |
| Completed   |   |  |  |

| <b>Audit Report: Collision Reduction Officers</b>   |   |  |  |
|---|---|--|--|
| <b>Date Issued:</b><br>10 November 2021   | <b>Date Considered by JAC:</b><br>17 March 2021   | <b>Report of:</b><br>Shared Internal Audit Service | <b>Report for:</b><br>CC   |
| <b>Recommendation:</b><br>R2) CRO responsibilities and governance arrangements should be re-defined and formally communicated to those concerned.   |   |  | <b>Grade:</b><br>Medium  |
| <b>Agreed Action:</b> Following extensive consultation on the initial approved business case there's a need to obtain formal ratification for the informal changes made. This is due to the stakeholders involved and the financial considerations applied to the original case. As the timeliness of recommendation 1 enables recommendation 2 to be incorporated within the overall review, then this is an appropriate means of formalising any change in CRO responsibilities or governance arrangements (in the event of the CRO role continuing). Governance arrangements will be communicated post review. |   |  | <b>Due Date:</b><br>28 February 2021<br><b>Responsible Person:</b><br>Chief Inspector –<br>Operational Support |
| <b>Subsequent Updates:</b><br><b>February 2021</b> – CRO Governance and structural arrangements have been updated and agreed at Operations Board in February 2021 and communicated accordingly.   |   |  |  |
| <b>Status:</b>  | <b>Agreed Changes to Due Date:</b><br><i>(N.B. any changes to due date must be agreed by COG or a Governance Board)</i> | <b>New Date:</b>                                   | <b>Where &amp; When Approved:</b>  |
| Completed   |   |  |  |

| <b>Audit Report: Collision Reduction Officers</b>   |   |  |  |
|---|---|--|--|
| <b>Date Issued:</b><br>10 November 2021   | <b>Date Considered by JAC:</b><br>17 March 2021   | <b>Report of:</b><br>Shared Internal Audit Service | <b>Report for:</b><br>CC   |
| <b>Recommendation:</b><br>R3) Management should define their expectations regarding performance management and update arrangements accordingly.   |   |  | <b>Grade:</b><br>Medium  |
| <p>Agreed Action: The performance contributions of the CRO's, as defined within the KPI document and Business Case will be included as an appendix to the aforementioned recommendation 1 and 2 for the annual review. The review will incorporate: -</p> <ul style="list-style-type: none"> <li>- consideration of performance expectations and reporting requirements, both qualitative and quantitative, with a focus upon service delivery improvements (road safety measured by perception and collision reduction; overall road safety reduction; confidence and satisfaction, dependent upon the reporting frequency post COVID-19).</li> <li>- development of a manageable performance reporting template which focusses upon key activity undertaken, to be provided to an agreed governance meeting (TCG; SLT; Ops).</li> <li>- evaluation of the performance recording requirements of the CRO's (specifically in relation to the usability of the Kelvin App).</li> </ul> |   |  | <p><b>Due Date:</b><br/>28 February 2021</p> <p><b>Responsible Person:</b><br/>Chief Inspector –<br/>Operational Support</p> |
| <p><b>Subsequent Updates:</b><br/> <b>February 2021</b> – KPI recording app is now live and is used by the CROs. The KPI reporting structure and scope has been presented and agreed at Operations Board February 2021. Reporting to Tasking and Co-ordination Group has been reviewed and agreed by the board. All levels of reporting and governance have now been reviewed and agreed at the respective boards and will be relayed to those individuals as required.</p>   |   |  |  |
| <b>Status:</b>  | <b>Agreed Changes to Due Date:</b><br><i>(N.B. any changes to due date must be agreed by COG or a Governance Board)</i> | <b>New Date:</b>                                   | <b>Where &amp; When Approved:</b>  |
| Completed   |   |  |  |

| <b>Audit Report: Benefits Delivery Process</b>   |  |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
|--|--|--|-----------------------------------|--|---------------------------------------|---|-----------|--------------------------------------|-----------------|--|--|---|--|--|------------------|--|------------------|---|------------------|--|------------------|--|------------------|---|--------------|---|--|
| <b>Date Issued:</b><br>12 February 2021  | <b>Date Considered by JAC:</b><br>17 March 2021                            | <b>Report of:</b><br>Shared Internal Audit Service | <b>Report for:</b><br>CC          |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| <b>Recommendation:</b><br>R1) Arrangements to deliver the benefits realisation strategy should be fully developed and embedded taking into account the points outlined above.  |  |  | <b>Grade:</b><br>High             |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| <b>Agreed Actions:</b>   |  |  | <b>Due Date:</b><br>31 March 2021 |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
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| Action   | Complete by  |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Identify a lead with responsibility for benefits management within BIU   | Completed: Adam Sutton Change Manager                                      |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Create a new procedure - documenting background and process that will be followed moving forward, including guidance on what's to be included  | Completed  |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Update COG templates and communicate   | 5 February 2021  |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Update Business Case templates (include ICT who have their own template) and communicate   |  |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Create a training pack for SROs - this will ensure we can demonstrate with have adopted the new process  | 5 Feb 2021 - training pack<br>12 Feb 2021 - training & discussions         |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Update existing Benefits Realisation document - seek to simplify where possible. This includes existing IT projects.   | 12 February 2021   |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Create a MI template for quarterly COG updates   | 12 February 2021   |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Look back at the decisions made by COG in the past 24 months and ensure these are captured on the BR register  | 12 February 2021   |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Look at the proposed benefits listed on the updated V25 roadmap and ensure these are listed on the BR register   | 12 February 2021   |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Cross reference with the CCIP to remove duplication / adopt any actions that sit better with the BR register   | 12 February 2021   |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Start quarterly reporting to COG/Agreed Gov. Boards  | 1 March 2021   |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| <b>Subsequent Updates:</b><br><b>March 2021</b> – New procedure and documentation has been prepared and is awaiting roll out. The COG template has been updated and needs communicated, a process impact assessment has also been included at the request of the DCC. Guidance documents prepared for SROs. A new benefit realisation tracking document has been developed which will capture the hi level financial and productivity benefits, with more detailed information about lower level specific benefits being captured by existing boards. A format for quarterly reporting to COG and Governance Boards will be established and initiated by 31/03/21.   |  |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| <b>Status:</b>   | <b>Agreed Changes to Due Date:</b>   | <b>New Date:</b>                                   | <b>Where &amp; When Approved:</b> |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |
| Ongoing<br>(within original timescale)   | (N.B. any changes to due date must be agreed by COG or a Governance Board) |  |                                   |  |                                       |   |           |                                      |                 |  |  |   |  |  |                  |  |                  |   |                  |  |                  |  |                  |   |              |   |  |



Peter McCall



## Capital Strategy 2021/22





# Office of the Police and Crime Commissioner Report

## Joint Audit Committee 17 March 2021

**Title: Capital Strategy 2021/21**

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

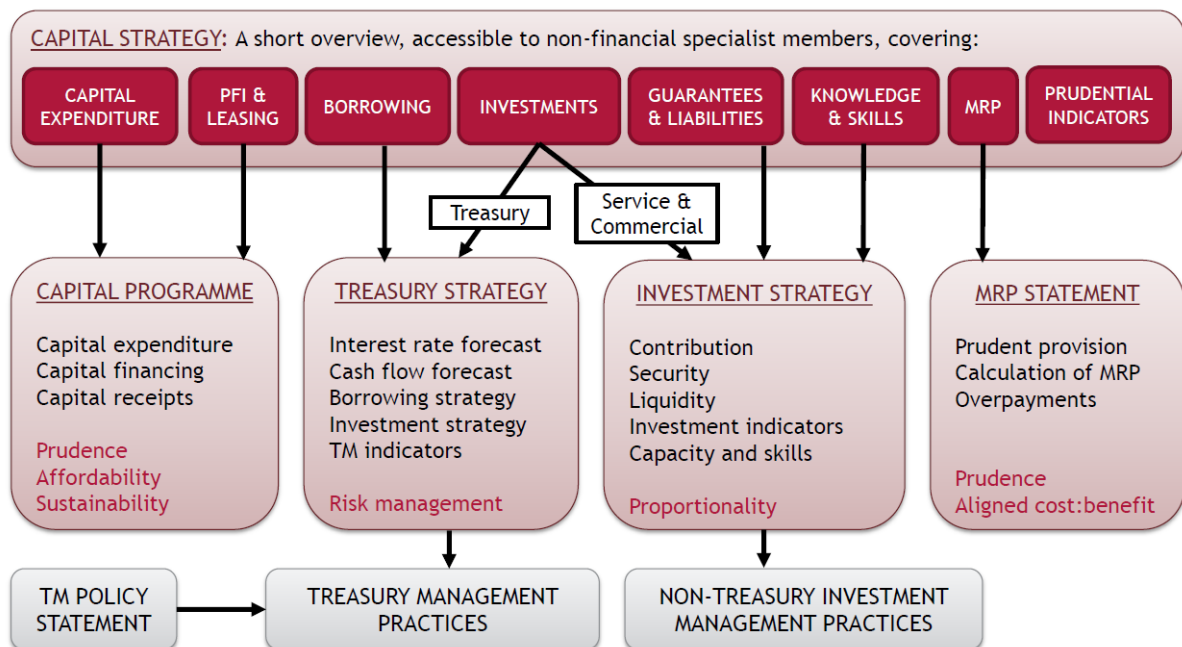
- 1.1. This capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 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 08b & 08c).
- 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.

### 2. Recommendations

- 2.1. The Joint Audit Committee are asked to approve the contents of the report.

### 3. Introduction

- 3.1. The CIPFA Prudential Code (the code) and guidance notes were originally issued in 2002 and were later fully revised in 2009, 2011 and again in 2017. This code requires the Commissioner to look at capital expenditure and investment plans in light of the overall strategy and resources and ensure that the decisions are being made with sufficient regard to the long run implications and potential risks to the Commissioner.
- 3.2. This capital strategy report summarises the purpose and governance over a range of activities associated with capital investment and financing, which are reported on in detail elsewhere on this agenda item. The diagram below provides an overview of the scope of these activities, their inter-dependencies and reporting structures:



\*The MRP Statement, Investment Strategy and the Prudential Indicators of the Commissioner are encompassed into the Treasury Management Strategy.

### 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).

4.2. Capital expenditure plans are under-pinned by asset strategies, which are developed by respective service leads linked to delivery of the Commissioner’s Police and Crime Plan and the Constabulary’s overall Vision 2025. The principal asset strategies and their objectives are:

- The Digital, Data and Technology Strategy, which has six key themes
  - On-going provision of trusted and reliable ICT services. Business as Usual
  - A cost effective and affordable ICT service
  - Actively supporting the delivery of Cumbria Vision 25
  - To implement national ICT systems
  - To meet local demand to renew and replace Core Systems and Applications
  - Collaboration
- The Estates Strategy, which aims to maintain an Estate which is fit for purpose whilst reducing overhead expenditure and maximising and exploiting existing assets.
- The Fleet Strategy, which aims to satisfy the Constabulary’s vehicle needs within a sustainable financial model.

4.3. A workplan is developed annually to support delivery of each strategy. The updated financial implications are distilled early in the financial planning process and subsequently consolidated to produce a ten year capital programme. The overall capital programme is then subject to a process of financial scrutiny in the context of both available capital funding resources and the overall revenue budget position. The financial approval process includes specific challenge at a Capital Star Chamber chaired by the Deputy Chief Constable. The final capital programme and associated asset strategies are subject to approval by both the Constabulary Chief Officer Group and the Commissioner at his Public Accountability Conference.

4.4. The capital expenditure estimates for the current year and four year medium term are shown below:

| Capital Expenditure | 2019/20<br>Actual<br>£m | 2020/21<br>Forecast<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m | 2023/24<br>Estimate<br>£m | 2024/25<br>Estimate<br>£m |
|---------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Capital Expenditure | 6.33                    | 4.91                      | 5.21                      | 16.37                     | 9.64                      | 3.20                      |

4.5. The profile of capital expenditure fluctuates annually. Across the current four year programme, annual average expenditure typically comprises £1.3m to replace fleet vehicles, £1.5m on estate schemes (although by their nature these investments tend to be more lumpy) and around £3.0m for replacement of ICT systems and equipment.

- 4.6. The 2021/22 capital programme includes ICT expenditure, continuing work on the replacement of a number of control room systems with a single integrated solution, development and roll out of mobile technology and smartphones, consideration of options for ICT infrastructure and a move to more cloud based systems. In addition, preparatory work on the national programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN) will continue, in advance of significant expenditure to implement the system in future years. Investment in the on-going replacement of vehicles in accordance with the Fleet Strategy will continue. Expenditure on Estates schemes over the 4 years is dominated by the need to evaluate options and provide a territorial headquarters in the west of the County. Work will also be undertaken to assess the capital investment requirements to equip the additional officers recruited through Operation Uplift and some provision has been made for this in the programme.
- 4.7. 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, meaning that they can be progressed without further scrutiny. Schemes which have been approved in principle but need some detailed work may be 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 Constabulary Chief Officer Group and the Police and Crime Commissioner for final approval.
- 4.8. The capital programme must be financed from a combination of capital grants, capital receipts, reserves, direct support from the revenue budget and, unlike the revenue budget, borrowing is permitted. Whilst it is a statutory requirement that the Commissioner agrees a balanced revenue budget, the Prudential Code requires the capital programme to be demonstrated as 'Affordable, Prudent and Sustainable', it is up to each authority how it determines these criteria. Cumbria defines an 'Affordable, Prudent and Sustainable' programme as being fully funded (from the sources outlined above) for the medium term financial forecast period of 4 years. The revenue budget and MTFP must also fully reflect any revenue implications of the capital programme including servicing costs of borrowing.
- 4.9. The difficulty facing Cumbria is that capital grants have been reduced to a negligible level, the potential to generate future capital receipts is low and capital reserves are likely to be extinguished in the next two years. Whilst some additional capital borrowing is planned to finance long lived estates projects, this is not a viable option for shorter life assets such as vehicles and ICT. Collectively, this means that

the Capital Programme is increasingly reliant on contributions from the revenue budget to fund it. This is reflected in the revenue budget and MTFF where revenue support for capital have increased to an annual figure of £3.7m by the end of the 10 year forecast period.

- 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. Capital financing assumes that all capital receipts will be used to finance new assets rather than reduce existing debt.
- 4.11. Full details of the 10 year programme and associated financing can be found in the separate report 'Capital Programme 2021/22 to 2030/31 (item 08b 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. Treasury Management involves the management of large sums of money and is therefore inherently risky. Accordingly, treasury activities are strictly controlled and managed in accordance with CIPFA's Prudential Code. The Treasury Management Strategy is approved annually by the Commissioner at his Public Accountability Conference, with activities being reported upon a periodic basis through the same meeting. The Joint Audit Committee also provides scrutiny of treasury management activities. Responsibility for treasury activities is delegated to the Joint Chief Finance Officer, who delegates responsibility for day to day management to the Deputy Chief Finance Officer. The Treasury Management Strategy incorporates subsidiary investment and borrowing strategies, which are summarised below.
- 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. The risk that an investment counter-party defaults is very real as illustrated by the BCCI and, more recently, Icelandic Banks scandals, which impacted on public sector bodies. The investment strategy seeks to mitigate this risk by only investing in high quality, trusted counter-parties and spreading the investment portfolio across organisations. 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.

Whilst the Commissioner has historically held significant investments, these balances are being reduced as the Commissioner has undertaken internal borrowing to support the capital programme (see below) and reserves are drawn down to support the revenue budget.

Further details on treasury investment strategy are on pages 10 to 13 of the treasury management strategy (agenda item 08c).

- 5.4. **The Borrowing Strategy** – As indicated the Commissioner currently holds no external debts, other than a PFI arrangement described in section 6 of this report, with all external borrowing with the PWLB (Public Works Loans Board) having been repaid during 2012/13. However, there is an underlying need to borrow, known as the Capital Financing Requirement (CFR), arising from historical decisions to finance capital expenditure from borrowing within prudent limits. To date this has been met from internal borrowing.
- 5.5. 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 CFR for the 31 March 2021 is forecast to be £21.60m.

**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 currently making less than 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.

- 5.6. The main objectives when borrowing is 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 would therefore have to strike a balance between low cost short-term loans (currently available at around 0.1%) and long-term fixed rate loans where the future cost is known but higher (currently 3.0%+). Current forecasts show that a small amount of short term borrowing, probably from other local authorities, may be required at the start of 2021/22 to bridge a shortfall in cash in advance of receipt of the new financial year's revenue grants.

It is unlikely that the Commissioner will actually exercise long term external borrowing until there is a change in the present structure of investments rates compared to the costs of borrowing, as this would result in a significant net interest cost to the revenue account in the short term. Nevertheless, such financing decisions have long term consequences and should be taken in this context. Long term interest rates will therefore be carefully monitored with the aim of deciding the most advantageous time to take on long term liabilities.

**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 Link Asset Services (the Commissioner's treasury 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.

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.

Further details on the borrowing strategy are on pages 8 to 9 of the treasury management strategy (agenda item 08c).

## 6. Other Liabilities

- 6.1. In relation to other external liabilities the Commissioner's balance sheet currently shows debt of £4.585m in relation to a private finance initiative (PFI) scheme for the provision of the Territorial Police HQ in West Cumbria. This debt is scheduled to reduce gradually through annual unitary charge payments met from the revenue account, until 2026 when the primary arrangement comes to an end. At this point a decision on the provision of future policing facilities in West Cumbria will need to be made. Options are currently being evaluated.
- 6.2. The Commissioner's balance sheet also shows long term liabilities totalling £1.266bn 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 £1.017m 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 is no clarity of the scale of the claim and no certainty over who will bear the costs at this time.
- 6.3. The risk of these pension liabilities crystallising and requiring payment is monitored by the Finance Services team. Further details on liabilities and guarantees are on page 92 of the 2019/20 statement of accounts.

## 7. Prudential Indicators

- 7.1. Both capital expenditure plans and treasury management are supported by a range of Prudential Indicators, whose purpose is to act as an early warning system that these activities are falling outside prescribed limits and may no longer be affordable, prudent or sustainable. 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. Details of Prudential indicators are set out on pages 15-21 of the treasury management strategy (agenda item 08c).

## 8. Revenue Budget Implications

8.1. 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.

8.2. The Commissioner is also 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:

| Minimum revenue provision                        | 2019/20<br>Actual<br>£m | 2020/21<br>Forecast<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m | 2023/24<br>Estimate<br>£m | 2024/25<br>Estimate<br>£m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Minimum revenue provision for the financial year | 0.49                    | 0.61                      | 0.63                      | 0.65                      | 0.68                      | 0.89                      |

8.3. The net annual charges to the revenue account are collectively known as financing costs; which are compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants as a key prudential indicator of the affordability, prudence and sustainability of capital expenditure plans see below.

| Ratio of Financing Costs to Net Revenue Stream | 2019/20<br>Actual<br>£m | 2020/21<br>Forecast<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m | 2023/24<br>Estimate<br>£m | 2024/25<br>Estimate<br>£m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Investment income                              | 0.14                    | 0.02                      | 0.01                      | 0.01                      | 0.01                      | 0.01                      |
| MRP  | 0.49                    | 0.61                      | 0.63                      | 0.65                      | 0.68                      | 0.89                      |
| <b>Financing Costs</b>                         | <b>0.35</b>             | <b>0.59</b>               | <b>0.62</b>               | <b>0.64</b>               | <b>0.67</b>               | <b>0.88</b>               |
| Net Revenue Stream                             | 111.14                  | 118.76                    | 120.04                    | 124.44                    | 126.84                    | 126.84                    |
| Ratio  | 0.32%                   | 0.50%                     | 0.52%                     | 0.52%                     | 0.53%                     | 0.70%                     |

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**.

## 9. Knowledge and Skills

- 9.1. 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).
- 9.2. Where employees do not have the knowledge and skills required, use is made of suitably qualified external advisers. The Commissioner currently employs Link Asset Services Limited as treasury management advisers. 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.

## CUMBRIA VISION 25





# Cumbria Office of the Police and Crime Commissioner

## Title: Capital Programme 2021/22 & Beyond

**Joint Audit Committee 17 March 2021**

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 2021/22 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**

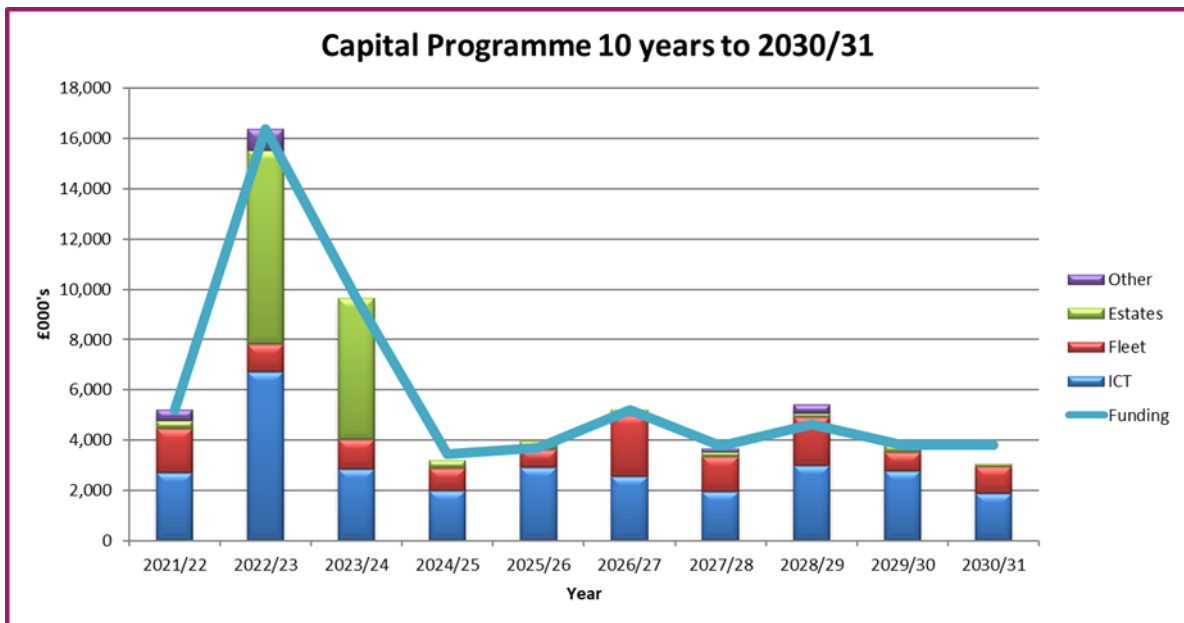
2.1. The Joint Audit Committee is asked to note the capital programme for 2021/22 and beyond as part of the overall budget process for 2021/22.

### 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 include the replacement of the countywide CCTV system and resources set aside to support the additional officers recruited through Operation Uplift.
- 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 (2021/22 to 2024/25).

| Capital Expenditure              | Yr 0<br>2020/21<br>£ | Yr 1<br>2021/22<br>£ | Yr 2<br>2022/23<br>£ | Yr 3<br>2023/24<br>£ | Yr 4<br>2024/25<br>£ |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| ICT Schemes                      | 2,029,816            | 2,692,539            | 6,721,276            | 2,850,369            | 1,987,939            |
| Fleet Schemes                    | 2,096,670            | 1,768,374            | 1,085,280            | 1,185,600            | 897,184              |
| Estates Schemes                  | 311,794              | 300,000              | 7,710,000            | 5,600,000            | 310,000              |
| Other Schemes                    | 468,307              | 450,000              | 850,000              | 0                    | 0                    |
| <b>Total Capital Expenditure</b> | <b>4,906,587</b>     | <b>5,210,913</b>     | <b>16,366,556</b>    | <b>9,635,969</b>     | <b>3,195,123</b>     |
| Capital Receipts                 | 0                    | 0                    | (2,437,945)          | (532,606)            | 0                    |
| Contributions from Revenue       | (2,885,527)          | (3,796,427)          | (3,908,862)          | (3,405,881)          | (3,461,459)          |
| Capital Grants                   | (2,021,060)          | (1,164,486)          | (2,869,749)          | (97,482)             | 0                    |
| Capital Reserves                 | 0                    | (250,000)            | (3,750,000)          | 0                    | 0                    |
| Borrowing                        | 0                    | 0                    | (3,400,000)          | (5,600,000)          | 0                    |
| <b>Total Capital Financing</b>   | <b>(4,906,587)</b>   | <b>(5,210,913)</b>   | <b>(16,366,556)</b>  | <b>(9,635,969)</b>   | <b>(3,461,459)</b>   |
| <b>(Excess)/Shortfall</b>        | <b>0</b>             | <b>(0)</b>           | <b>(0)</b>           | <b>0</b>             | <b>(266,336)</b>     |

3.4. The profile of capital expenditure fluctuates annually. Across the current ten-year programme, annual average expenditure typically comprises £1.3m to replace fleet vehicles and around £3.0m for replacement of ICT systems and equipment. The profile of Estates schemes is more ‘lumpy’, with peaks of expenditure when major buildings are replaced. ICT Expenditure reflects the Constabulary Strategy to invest in digital technology and the national programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN). The diagram below shows the make up of the capital programme over 10 years.



3.5. 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 2024/25. The appendix also shows that in years 5-10 of the programme there are some shortfalls and deficits, but overall the budget is balanced. This has been achieved through an increase in revenue contributions from year 5 (see paragraph 3.8). The estimates for 5-10 years are built on a number of assumptions, which, particularly in rapidly changing sectors such as ICT, are difficult to accurately predict. This means that project costs in the later years of the capital programme become increasingly indicative and should be treated with caution.

3.6. In relation to the financing of the capital programme, the Government’s grant settlements for 2020/21 and 2021/22 both included a reduced level of specific capital grant funding of £97k pa. However, additional funding for the recruitment of 20,000 additional Police Officers, known as Operation Uplift was integral to the settlement. The Policing Minister’s statement, which accompanied the settlement, made it clear that the additional revenue funding for Operation Uplift included a capital element to

support the infrastructure costs required to equip the additional officers in their roles. The money was deliberately directed to the revenue budget to provide forces with maximum flexibility to decide upon the most appropriate balance between officers and equipment to support Operation Uplift. A scheme totaling £800k (£300k 2021/22 and £500k 2022/23) for Operation Uplift has now been included in the programme, funded from the revenue budget. The detailed allocation of this budget will be decided during 2021/22, with a significant proportion likely to be allocated to vehicles.

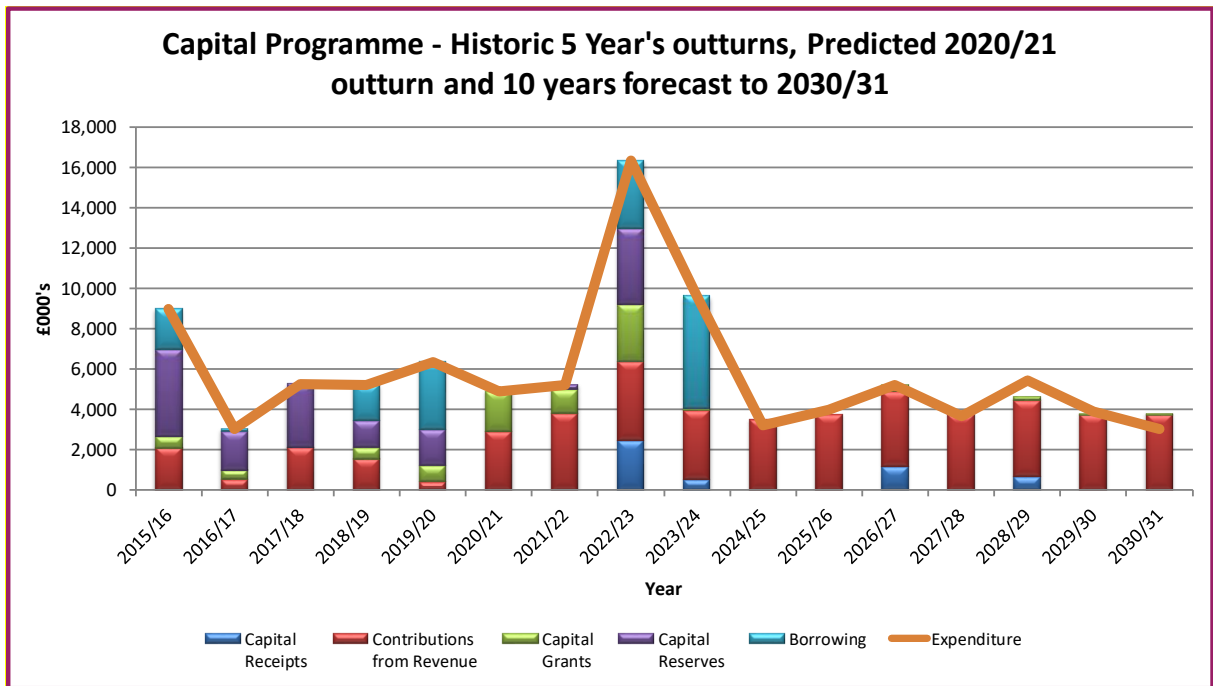
3.7. As a result of the majority of capital expenditure being in relation to relatively short lived assets (e.g. ICT and fleet of up to 10 years' life), choices for financing the capital expenditure are fairly limited. Borrowing for short-lived assets is not a viable consideration due to the requirement to set aside funds from the revenue budget 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.

3.8. By the end of 2022/23 historic capital grant and general capital reserves will have been fully utilised. This, in combination with the reduced level of capital grant, means that the capital programme becomes more reliant on revenue contributions to support capital expenditure. Historically, the annual contribution from the revenue budget was set at £1.2m. The following increases have been approved since then

- PCP Jan 2017 - Increase of £0.48m to £1.68m for 2018/19 and 2019/20
- PCP Jan 2017 – Increase of £1.3m to £2.98m for 2020/21 onwards - as accumulated capital reserves and grant are fully extinguished.
- PCP Jan 2019 – Increase £0.3m to £3.28m from 2020/21.
- PCP Feb 2020 – Increase £0.27m to £3.56m from 2020/21 (to replace lost grant –see above)

As described in paragraph 3.6 revenue support for the capital programme in 2021/22 and 2022/23 has been increased as a result of Operation Uplift. However, in the absence of other funding streams, there is a likelihood that the level of revenue budget support for the underlying capital programme will need to increase still further. The ten-year capital programme in appendix 1 shows revenue support for the capital programme increasing to over £3.7m pa from 2025/26.

The chart below illustrates capital expenditure and funding over a historic five-year period and forecast for ten-year period which illustrates how the capital programme will become almost entirely dependent upon revenue funding in future:



### 3.9. 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 Digital Data and Technology Strategy.

The ICT Capital Programme also makes provision for a large number of national ICT programmes, which include changes of major strategic importance, in particular, the programme 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 £3.0m over the four years of the MTF and £7.4m 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. The timescales for the project are constantly changing and it is likely to be the new financial year before we get any further clarity. These prudent commitments in the strategy place the Commissioner in a good position for any announcements. The replacement Airwave handsets will use different technology to the old radios and the Constabulary's control room infrastructure has been upgraded so it is ready to support the connection to ESN.

The pandemic shifted the focus of ICT resources as they were quickly required to equip the workforce with hardware and a resilient network to allow for agile working at home. Whilst some projects were able to continue, the largest replacement in 2020/21 for the converged infrastructure had to be paused. The pandemic has provided the Constabulary with an opportunity to assess the current agile working and look at how this will affect future working arrangements. This will help determine the ICT infrastructure that is needed to support a more agile future. The Infrastructure is currently a consolidation of server hardware in an on-site data centre. The desire is to move away from this expensive hardware and towards cloud storage. This would be a managed software solution and would therefore be revenue expenditure but until such time that a 'Proof of Concept' provides us with a firm pathway to Cloud, the budget is provisioned for in capital. The budget has been reprofiled from the large server replacement each 4 years to an even budget across all 10 years to reflect more accurately the financing of a managed solution.

If these two large schemes are discounted, the programme shows that the ICT capital programme presented remains broadly flat over the 10 years at an average of £1.4m per annum. This provides for the cyclical replacement and improvement of the full range of ICT services: the networks and security and 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 strategy presented includes 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.

### 3.10. Fleet Schemes

The constabulary fleet replacement programme consists of around 300 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, the Corporate Support Annual Update presented to the Commissioner for approval elsewhere on this agenda, incorporates detail on progress against delivery of the strategy over the last year and work planned for 2021/22. 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 2020/21 85 vehicles were planned for replacement at an estimated cost of £2,847k. Many these vehicles are to replace the 'Single Vehicle platform' that was rolled out in 2014/15. The conclusion was reached that there is no longer a single vehicle that meets all the requirements of the differing teams that use the vehicle and that a mix of cars and vans would be the most appropriate option. Unfortunately, due to the world wide-pandemic, production of vehicles largely ceased for a time, before beginning slowly again. This has meant that the lead time for delivery of some models has increased. Of the 85 vehicles planned for replacement, 79 have been ordered. Of these; 16 have been received, 39 are still expected before the year end and, unfortunately, 24 will now not be received until 2021/22. Following a few minor changes to the plan a total of 28 vehicles with a budget of £966k have been moved forward to 2021/22 to reflect these delays.



The Constabulary now has 7 electric vehicles on the fleet. Five of which are livered and 2 are currently used as unmarked pool vehicles. These vehicles are supported by a network of 14 electric vehicle charging points at HQ and the main deployment centres.

The plan for 2021/22 is to replace 37 vehicles with a budget of £772k. This is made up with a mix of operational vehicles for the Mobile and Pro-active Support Groups, several unmarked Area Drug Team vehicles and a number of pool vehicles. The budget has been created on pricing from current

frameworks but at this point in time the effect of Brexit and trade negotiations is unknown, but the general feeling is that prices will increase.

**Appendix 3** provides a high-level analysis of the fleet capital programme.

### 3.11. 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, the Corporate Support Annual Update presented to the Commissioner for approval elsewhere on this agenda, incorporates detail on progress against delivery of the strategy over the last year and work planned for 2021/22. 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 main focus of the strategy in recent years has been the development of the new Eden Deployment Centre and replacement hostel accommodation on the HQ site at Penrith. In response to the Government announcement of investment in additional Police Officers (Operation

Uplift) the property will be temporarily utilised as a Learning and Development Centre to support the increased level of police officer recruitment.

The emphasis shifts for the coming years to focus on improved premises in the west of the county in response to major flooding incidents in recent years, options for which will be developed over 2021/22. The west scheme accounts for the majority of the estates capital spend, £13m out the £13.9m planned over the medium term, with some smaller items of life cycle replacement making up the difference. Beyond this, in the 10-year plan, the estates capital budget reduces significantly once the west scheme is complete, to leave on average £225k per year for replacement schemes.

**Appendix 4** provides a high-level analysis of the estates capital programme.

### 3.12. Other Schemes

Other schemes include cross cutting or operational programmes of work and include the replacement of Tasers and Firearms and works to expand and replace the Countywide CCTV system.

Also included in the is section is a scheme titled Operation Uplift. This scheme refers to the Governments decision to 'uplift' the number of officers in each Constabulary and as such they have provided additional revenue and capital grants to facilitate this growth. This funding will be required to make changes to the Estate, increase the vehicle Fleet and purchase the additional ICT equipment that each officer will require to undertake their roles. Detailed planning is underway to ascertain exactly where this funding is required but until that is complete it will be held in total as 'other schemes'.

**Appendix 5** provides a high-level analysis of the 'other' schemes.

## 4. Capital Receipts

4.1. **Appendix 7** provides details of property disposals and the proceeds of those sales over recent years. The table shows total receipts of £4.769m. At 31 March 2020 there was a balance of capital receipts unapplied of £2.096m, this means that £2.673m have already been applied to the capital programme. The majority of the sales resulted from an estates rationalisation programme and those sale proceeds were used to finance the South Area Headquarters in Barrow.

4.2. The remainder of the capital receipts will be applied to the capital programme from 2022/23 as reserves and grants are extinguished.

## 5. Supplementary information

### Attachments

|            |  |
|------------|--|
| Appendix 1 | Capital Expenditure and Financing 10 years 2021/22 to 2030/31                      |
| Appendix 2 | ICT Schemes  |
| Appendix 3 | Fleet Schemes  |
| Appendix 4 | Estates Schemes  |
| Appendix 5 | Other Schemes  |
| Appendix 6 | Analysis of the change in Capital Strategy between February 2020 and December 2020 |
| Appendix 7 | Capital Receipts Breakdown 2009/10 to 2020/21                                      |

## Capital Expenditure and Financing 10 years 2021/22 to 2030/31

| Capital Expenditure              | Yr 0<br>2020/21<br>£ | Yr 1<br>2021/22<br>£ | Yr 2<br>2022/23<br>£ | Yr 3<br>2023/24<br>£ | Yr 4<br>2024/25<br>£ | Yr 5<br>2025/26<br>£ | Yr 6<br>2026/27<br>£ | Yr 7<br>2027/28<br>£ | Yr 8<br>2028/29<br>£ | Yr 9<br>2029/30<br>£ | Yr 10<br>2030/31<br>£ | Yr 1-10<br>Total<br>£ |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| ICT Schemes                      | 2,029,816            | 2,692,539            | 6,721,276            | 2,850,369            | 1,987,939            | 2,902,508            | 2,544,082            | 1,957,695            | 3,001,228            | 2,759,106            | 1,872,157             | 29,288,899            |
| Fleet Schemes                    | 2,096,670            | 1,768,374            | 1,085,280            | 1,185,600            | 897,184              | 709,560              | 2,430,890            | 1,386,000            | 1,917,480            | 746,460              | 1,071,440             | 13,198,268            |
| Estates Schemes                  | 311,794              | 300,000              | 7,710,000            | 5,600,000            | 310,000              | 350,000              | 245,000              | 170,000              | 155,000              | 320,000              | 105,000               | 15,265,000            |
| Other Schemes                    | 468,307              | 450,000              | 850,000              | 0                    | 0                    | 0                    | 0                    | 150,000              | 350,000              | 43,000               | 0                     | 1,843,000             |
| <b>Total Capital Expenditure</b> | <b>4,906,587</b>     | <b>5,210,913</b>     | <b>16,366,556</b>    | <b>9,635,969</b>     | <b>3,195,123</b>     | <b>3,962,068</b>     | <b>5,219,972</b>     | <b>3,663,695</b>     | <b>5,423,708</b>     | <b>3,868,566</b>     | <b>3,048,597</b>      | <b>59,595,167</b>     |
| Capital Financing                | Yr 0<br>2020/21<br>£ | Yr 1<br>2021/22<br>£ | Yr 2<br>2022/23<br>£ | Yr 3<br>2023/24<br>£ | Yr 4<br>2024/25<br>£ | Yr 5<br>2025/26<br>£ | Yr 6<br>2026/27<br>£ | Yr 7<br>2027/28<br>£ | Yr 8<br>2028/29<br>£ | Yr 9<br>2029/30<br>£ | Yr 10<br>2030/31<br>£ | Yr 1-10<br>Total<br>£ |
| Capital Receipts                 | 0                    | 0                    | (2,437,945)          | (532,606)            | 0                    | 0                    | (1,161,674)          | 0                    | (649,935)            | 0                    | 0                     | (4,782,160)           |
| Contributions from Revenue       | (2,868,527)          | (3,813,427)          | (3,908,862)          | (3,405,881)          | (3,461,459)          | (3,716,600)          | (3,744,984)          | (3,769,840)          | (3,772,167)          | (3,711,965)          | (3,710,733)           | (37,015,916)          |
| Capital Grants                   | (2,038,060)          | (1,147,486)          | (2,869,749)          | (97,482)             | 0                    | 0                    | (292,446)            | 0                    | (194,964)            | (97,482)             | (97,482)              | (4,797,090)           |
| Capital Reserves                 | 0                    | (250,000)            | (3,750,000)          | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | (4,000,000)           |
| Borrowing                        | 0                    | 0                    | (3,400,000)          | (5,600,000)          | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | (9,000,000)           |
| <b>Total Capital Financing</b>   | <b>(4,906,587)</b>   | <b>(5,210,913)</b>   | <b>(16,366,556)</b>  | <b>(9,635,969)</b>   | <b>(3,461,459)</b>   | <b>(3,716,600)</b>   | <b>(5,199,104)</b>   | <b>(3,769,840)</b>   | <b>(4,617,066)</b>   | <b>(3,809,447)</b>   | <b>(3,808,215)</b>    | <b>(59,595,167)</b>   |
| <b>(Excess)/Shortfall</b>        | <b>0</b>             | <b>(0)</b>           | <b>(0)</b>           | <b>0</b>             | <b>(266,336)</b>     | <b>245,468</b>       | <b>20,868</b>        | <b>(106,144)</b>     | <b>806,642</b>       | <b>59,120</b>        | <b>(759,617)</b>      | <b>0</b>              |

A more detailed analysis of capital expenditure is provided at Appendices 2-5.

## ICT Schemes

| ICT Summary  | Yr 0<br>2020/21<br>£ | Yr 1<br>2021/22<br>£ | Yr 2<br>2022/23<br>£ | Yr 3<br>2023/24<br>£ | Yr 4<br>2024/25<br>£ | Yr 5<br>2025/26<br>£ | Yr 6<br>2026/27<br>£ | Yr 7<br>2027/28<br>£ | Yr 8<br>2028/29<br>£ | Yr 9<br>2029/30<br>£ | Yr 10<br>2030/31<br>£ | Yr 1-10<br>Total<br>£ |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| ICT End User Hardware Replacement (002x)                           | 388,606              | 1,000,068            | 961,666              | 348,084              | 813,579              | 643,628              | 446,621              | 698,538              | 661,125              | 881,714              | 450,871               | 6,905,894             |
| ICT Core Hardware Replacement (003/004x)                           | 496,414              | 2,205,003            | 1,687,400            | 1,868,050            | 964,110              | 1,447,719            | 1,014,347            | 1,380,748            | 2,283,899            | 991,478              | 1,514,254             | 15,357,009            |
| ICT Core Infrastructure Replacement (projects)                     | 933,400              | 280,423              | 2,615,383            | 382,378              | 99,325               | 1,210,336            | 1,416,831            | 106,397              | 308,750              | 1,250,695            | 112,909               | 7,783,428             |
| ICT Infrastructure Solution Replacement (Projects)                 | 211,396              | 207,045              | 456,827              | 251,857              | 110,925              | 113,033              | 115,239              | 117,488              | 277,081              | 122,120              | 124,503               | 1,896,117             |
| Savings Target - 15% Year 5-10 (linked to ICT tech advances)       | 0                    | 0                    | 0                    | 0                    | 0                    | (512,207)            | (448,956)            | (345,476)            | (529,628)            | (486,901)            | (330,381)             | (2,653,549)           |
| General Prudent Slippage (linked to workloads and staffing levels) |                      | (1,000,000)          | 1,000,000            | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| <b>Total ICT Summary</b>   | <b>2,029,816</b>     | <b>2,692,539</b>     | <b>6,721,276</b>     | <b>2,850,369</b>     | <b>1,987,939</b>     | <b>2,902,508</b>     | <b>2,544,082</b>     | <b>1,957,695</b>     | <b>3,001,228</b>     | <b>2,759,106</b>     | <b>1,872,157</b>      | <b>29,288,899</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 2021/22 to 2024/25, covering the period for which the capital programme is fully funded.

## Fleet Schemes

| Fleet Summary Proposed                       | Number of Vehicles in Category | Yr 0<br>2020/21<br>£ | Yr 1<br>2021/22<br>£ | Yr 2<br>2022/23<br>£ | Yr 3<br>2023/24<br>£ | Yr 4<br>2024/25<br>£ | Yr 5<br>2025/26<br>£ | Yr 6<br>2026/27<br>£ | Yr 7<br>2027/28<br>£ | Yr 8<br>2028/29<br>£ | Yr 9<br>2029/30<br>£ | Yr 10<br>2030/31<br>£ | Yr 1-10<br>Total<br>£ |
|--|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| Covert                                       | 14                             | 72,328               | 79,674               | 26,520               | 78,000               | 91,160               | 21,600               | 66,660               | 51,520               | 85,500               | 99,760               | 23,600                | 623,994               |
| Neighbourhood Policing                       | 92                             | 854,781              | 660,000              | 482,460              | 374,400              | 0                    | 64,800               | 1,195,150            | 1,000,160            | 410,400              | 0                    | 0                     | 4,187,370             |
| Specialist Vehicles                          | 28                             | 189,960              | 265,000              | 0                    | 115,440              | 118,720              | 237,600              | 121,660              | 112,000              | 417,240              | 128,760              | 101,480               | 1,617,900             |
| Dog Vehicles                                 | 10                             | 80,661               | 280,000              | 0                    | 0                    | 0                    | 75,600               | 269,500              | 0                    | 0                    | 0                    | 82,600                | 707,700               |
| Motor Cycles                                 | 8                              | 15,000               | 0                    | 0                    | 0                    | 0                    | 152,280              | 0                    | 0                    | 0                    | 0                    | 17,700                | 169,980               |
| Pool Cars                                    | 29                             | 13,260               | 174,200              | 15,300               | 64,480               | 38,584               | 19,440               | 125,070              | 14,560               | 224,580              | 17,400               | 73,160                | 766,774               |
| Protected personnel Carriers                 | 9                              | 183,600              | 0                    | 244,800              | 0                    | 0                    | 0                    | 132,000              | 0                    | 205,200              | 0                    | 283,200               | 865,200               |
| Roads Policing Vehicles                      | 20                             | 618,000              | 174,000              | 40,800               | 312,000              | 434,600              | 79,920               | 374,000              | 112,000              | 353,400              | 433,840              | 165,200               | 2,479,760             |
| Crime Command                                | 39                             | 15,300               | 30,000               | 0                    | 202,800              | 114,480              | 58,320               | 114,400              | 33,600               | 0                    | 0                    | 283,200               | 836,800               |
| Crime Scene Investigators                    | 10                             | 0                    | 20,500               | 275,400              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 23,780               | 0                     | 319,680               |
| Garage                                       | 6                              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 153,900              | 0                    | 0                     | 153,900               |
| Chief Officer Pool                           | 2                              | 0                    | 0                    | 0                    | 38,480               | 37,100               | 0                    | 0                    | 0                    | 0                    | 42,920               | 41,300                | 159,800               |
| Above Strength Vehicles                      | 16                             | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| Partnership Vehicles                         | 15                             | 53,780               | 85,000               | 0                    | 0                    | 62,540               | 0                    | 32,450               | 62,160               | 67,260               | 0                    | 0                     | 309,410               |
| <b>Total Fleet Summary</b>                   | <b>298</b>                     | <b>2,096,670</b>     | <b>1,768,374</b>     | <b>1,085,280</b>     | <b>1,185,600</b>     | <b>897,184</b>       | <b>709,560</b>       | <b>2,430,890</b>     | <b>1,386,000</b>     | <b>1,917,480</b>     | <b>746,460</b>       | <b>1,071,440</b>      | <b>13,198,268</b>     |
| <b>Number of Vehicles Replaced Each Year</b> |                                | <b>70</b>            | <b>65</b>            | <b>32</b>            | <b>45</b>            | <b>33</b>            | <b>27</b>            | <b>84</b>            | <b>44</b>            | <b>57</b>            | <b>18</b>            | <b>40</b>             |                       |

Status - Fleet Replacement - It is recommended that all fleet replacement schemes are approved as firm for 2021/22 only. This provides authority to procure on the basis of the currently approved fleet strategy. The strategy will be reviewed during 2021/22 to inform the status of the capital programme in future years.

## Estates Schemes

| Estates Schemes   |   | Ref | Status | Yr 0           | Yr 1           | Yr 2             | Yr 3             | Yr 4           | Yr 5           | Yr 6           | Yr 7           | Yr 8           | Yr 9           | Yr 10             |
|---|---|-----|--------|----------------|----------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|
|   |   |     |        | 2020/21        | 2021/22        | 2022/23          | 2023/24          | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        | 2029/30        | 2030/31           |
|   |   |     |        | £              | £              | £                | £                | £              | £              | £              | £              | £              | £              | £                 |
| <b>Existing Schemes</b>                                   |   |     |        |                |                |                  |                  |                |                |                |                |                |                |                   |
| <b>Roof Repairs - Various</b>                             |   |     |        |                |                |                  |                  |                |                |                |                |                |                |                   |
|   | Whitehaven Police Station                             |     | Firm   | 37,625         | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 0                 |
|   | Kendal Police Station                                 |     | Firm   | 56,249         | 0              | 0                | 0                | 0              | 0              | 120,000        | 0              | 0              | 25,000         | 145,000           |
|   | Roof Repairs - HQ Dog section                         |     | Firm   | 70,000         | 0              | 0                | 0                | 250,000        | 0              | 0              | 0              | 0              | 0              | 250,000           |
| <b>Heating, Ventilation &amp; Cooling Plant - Various</b> |   |     |        |                |                |                  |                  |                |                |                |                |                |                |                   |
|   | Police Headquarters                                   |     |        | 0              | 0              | 0                | 0                | 0              | 300,000        | 0              | 0              | 0              | 200,000        | 500,000           |
|   | Barrow HVAC   |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 0              | 60,000         | 0              | 0              | 60,000            |
| <b>Other Existing Schemes</b>                             |   |     |        |                |                |                  |                  |                |                |                |                |                |                |                   |
|   | UPS Durranshill                                       |     |        | 0              | 0              | 0                | 0                | 60,000         | 0              | 0              | 0              | 0              | 0              | 60,000            |
|   | UPS HQ  |     | Firm   | 100,000        | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 30,000         | 0              | 30,000            |
|   | UPS Barrow  |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 0              | 60,000         | 0              | 0              | 60,000            |
|   | Garage Provision                                      |     |        | 0              | 0              | 500,000          | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 500,000           |
|   | Durranshill - Replacement CCTV system and cell call   |     |        | 0              | 0              | 0                | 0                | 0              | 50,000         | 0              | 0              | 0              | 0              | 50,000            |
|   | Kendal CCTV and Cell Call                             |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 0              | 50,000         | 0              | 0              | 50,000            |
|   | West Resilience Flood Management                      |     | a      | 0              | 250,000        | 7,150,000        | 5,600,000        | 0              | 0              | 0              | 0              | 0              | 0              | 13,000,000        |
|   | Roof Repairs & Glazing - Durranshill                  |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 75,000         | 0              | 0              | 0              | 75,000            |
|   | HQ Static inverter                                    |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 50,000         | 0              | 50,000            |
|   | HQ window conservation                                |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 50,000         | 0              | 0              | 0              | 50,000            |
|   | Durranshill heat and vent plant                       |     | Firm   | 27,920         | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 0                 |
|   | Gas suppression cylinder replacements                 |     | Firm   | 20,000         | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 25,000         | 25,000            |
|   | Barrow CCTV camera replacement                        |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 35,000         | 0              | 35,000            |
|   | Comms Centre Cooling plant life cycle replacement     |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 70,000         | 70,000            |
|   | Kendal M&E plant                                      |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 20,000         | 0              | 20,000            |
|   | Carlisle M&E plant (area 2)                           |     |        | 0              | 0              | 60,000           | 0                | 0              | 0              | 0              | 0              | 20,000         | 0              | 80,000            |
|   | <b>Sub Total Existing Estates Schemes</b>             |     |        | <b>311,794</b> | <b>250,000</b> | <b>7,710,000</b> | <b>5,600,000</b> | <b>310,000</b> | <b>350,000</b> | <b>245,000</b> | <b>170,000</b> | <b>155,000</b> | <b>320,000</b> | <b>15,110,000</b> |
| <b>New Estates Schemes 2021/22</b>                        |   |     |        |                |                |                  |                  |                |                |                |                |                |                |                   |
|   | Kendal - yr 10 electrical and plant infrastructure    |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 50,000            |
|   | Durranshill curtain walling life cycles               |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 30,000            |
|   | Learning and Development Centre life cycles           |     |        | 0              | 0              | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 25,000            |
|   | Barrow - custody services to support digital roll out |     | b      | 0              | 50,000         | 0                | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 50,000            |
|   | <b>Sub Total New Estates Schemes</b>                  |     |        | <b>0</b>       | <b>50,000</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>105,000</b>    |
| <b>Total Estates Schemes</b>                              |   |     |        | <b>311,794</b> | <b>300,000</b> | <b>7,710,000</b> | <b>5,600,000</b> | <b>310,000</b> | <b>350,000</b> | <b>245,000</b> | <b>170,000</b> | <b>155,000</b> | <b>320,000</b> | <b>15,265,000</b> |

### Estates Scheme Status Recommendations\*

1. It is recommended that schemes (a) and (b) 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 2021/22 and 2024/25 only unless otherwise stated.

## Other Schemes

| Other Schemes<br>2021/22 onwards        | Yr 0<br>2020/21<br>£ | Yr 1<br>2021/22<br>£ | Yr 2<br>2022/23<br>£ | Yr 3<br>2023/24<br>£ | Yr 4<br>2024/25<br>£ | Yr 5<br>2025/26<br>£ | Yr 6<br>2026/27<br>£ | Yr 7<br>2027/28<br>£ | Yr 8<br>2028/29<br>£ | Yr 9<br>2029/30<br>£ | Yr 10<br>2030/31<br>£ | Yr 1-10<br>Total<br>£ |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| CCTV                                    | 23,890               | 150,000              | 350,000              | 0                    | 0                    | 0                    | 0                    | 150,000              | 350,000              | 0                    | 0                     | 1,000,000             |
| New CED migration (currently Taser X26) | 302,055              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| Glock Pistol Replacement                | 45,167               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| Portable Ballistic Protective Equipment | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 43,000               | 0                     | 43,000                |
| Laser Scanning                          | 58,191               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| Business Transformation                 | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| Operation Uplift                        | 14,379               | 300,000              | 500,000              | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 800,000               |
| Operation Lecturn                       | 24,625               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                     | 0                     |
| <b>Total Other Schemes</b>              | <b>468,307</b>       | <b>450,000</b>       | <b>850,000</b>       | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>150,000</b>       | <b>350,000</b>       | <b>43,000</b>        | <b>0</b>              | <b>1,843,000</b>      |

## Other Scheme Status Recommendations\*

1. It is recommended that the wholesale replacement of the CCTV system in 2021/22 and 2022/23 be subject to a business case.
2. It is recommended that the capital aspects of the operation uplift programme in 2021/22 and 2022/23 be subject to a business case.

\*scheme status applies to the financial profile between 2021/22 and 2024/25 only unless otherwise stated.



## Analysis of the change in Capital Programme between February 2020 and the February 2021 proposal.

|  | Yr 0        | Yr 1        | Yr 2       | Yr 3      | Yr 4      | 4 Year     |
|--|-------------|-------------|------------|-----------|-----------|------------|
|  | 2020/21     | 2021/22     | 2022/23    | 2023/24   | 2024/25   | TOTAL      |
|  | £           | £           | £          | £         | £         | £          |
| Capital Strategy - Approved (February 2020)  | 7,552,976   | 8,035,056   | 10,884,805 | 8,358,113 | 3,477,887 | 30,755,861 |
| Capital Strategy - Proposed (December 2020)  | 4,906,587   | 5,210,913   | 16,366,556 | 9,635,969 | 3,195,123 | 34,408,560 |
| Difference (decrease)/Increase               | (2,646,389) | (2,824,143) | 5,481,751  | 1,277,855 | (282,764) | 3,652,699  |
| <b>Difference by Type</b>                    |             |             |            |           |           |            |
| - ICT Schemes                                | (2,238,548) | (1,771,496) | 3,191,161  | 1,063,391 | (144,408) | 2,338,648  |
| - Fleet Schemes                              | (750,150)   | 992,353     | (384,410)  | 214,464   | (138,356) | 684,051    |
| - Estates Schemes                            | 29,169      | (1,775,000) | 1,825,000  | 0         | 0         | 50,000     |
| - Other Schemes                              | 313,140     | (270,000)   | 850,000    | 0         | 0         | 580,000    |
| Difference (decrease)/Increase               | (2,646,389) | (2,824,143) | 5,481,751  | 1,277,855 | (282,764) | 3,652,699  |
| <b>Explanation of the Difference by Type</b> |             |             |            |           |           |            |
| <b>- ICT Schemes</b>                         |             |             |            |           |           |            |
| Realignments Current Year                    | (2,547,894) | 1,380,198   | 1,393,441  |           |           | 2,773,638  |
| Realignments Future Years                    |             |             |            | 448,488   | (600,592) | (152,105)  |
| New Scheme                                   | 104,265     | 0           | 0          | 0         | 0         | 0          |
| Transfer From Revenue                        | 12,269      | 0           | 0          | 0         | 0         | 0          |
| Transfer to Revenue                          | 192,812     | 0           | 0          | 0         | (512,025) | (512,025)  |
| Changes to Infrastructure (smoothing)        | 0           | (1,629,494) | 700,000    | 502,284   | 800,000   | 185,159    |
| Changes to Tablet replacements (smoothing)   | 0           | (522,200)   | 97,720     | 112,620   | 168,209   | (260,850)  |
| New Year                                     |             |             |            |           |           | 0          |
| Prudent Slippage                             |             | (1,000,000) | 1,000,000  |           |           |            |
| <b>- Fleet Schemes</b>                       |             |             |            |           |           |            |
| Price Correction                             | 0           | 0           | 1,500      | 0         | 0         | 1,500      |
| Slippage from 19/20                          | 130,354     | 0           | 0          | 0         | 0         | 0          |
| Previously approved SVG/COG report changes   | (63,300)    | (185,000)   | (100,000)  | 300,000   | 50,000    | 65,000     |
| Motorcycle replacement B/Fwd                 | 15,000      | 0           | 0          | (15,000)  | 0         | (15,000)   |
| Effect of previous Write Offs                | 111,461     | 0           | 0          | 0         | (70,000)  | (70,000)   |
| Mileage Issues B/Fwd                         | 0           | 281,200     | (224,000)  | (44,200)  | 0         | 13,000     |
| Slippage to 2021/22                          | (926,000)   | 926,000     | 0          | 0         | (75,000)  | 867,000    |
| Inflation                                    | (17,665)    | (29,847)    | (61,910)   | (26,336)  | (43,356)  | (161,449)  |
| <b>- Estates Schemes</b>                     |             |             |            |           |           |            |
| Kendal Police Station                        | 1,249       | 0           | 0          | 0         | 0         | 0          |
| Garage Provision                             | 0           | (500,000)   | 500,000    | 0         | 0         | 0          |
| West Resilience Flood Management             | 0           | (1,325,000) | 1,325,000  | 0         | 0         | 0          |
| New Schemes Added in                         | 0           | 50,000      | 0          | 0         | 0         | 50,000     |
| Slippage from 19/20                          | 27,920      | 0           | 0          | 0         | 0         | 0          |
| <b>- Other Schemes</b>                       |             |             |            |           |           |            |
| CCTV   | 23,890      | (350,000)   | 350,000    | 0         | 0         | 0          |
| New CED migration (currently Taser X26)      | 192,055     | (220,000)   | 0          | 0         | 0         | (220,000)  |
| Laser Scanning                               | 58,191      | 0           | 0          | 0         | 0         | 0          |
| Operation Uplift                             | 14,379      | 300,000     | 500,000    | 0         | 0         | 814,379    |
| Operation Lecturn                            | 24,625      | 0           | 0          | 0         | 0         | 24,625     |
| Difference (decrease)/Increase               | (2,646,389) | (2,824,143) | 5,481,751  | 1,277,855 | (282,764) | 3,652,699  |
| <b>Difference left to explain</b>            | <b>0</b>    | <b>0</b>    | <b>0</b>   | <b>0</b>  | <b>0</b>  | <b>0</b>   |

## Property Disposals – Details of Sale Proceeds

| Year  | Premises Sold  | Net Capital Receipts £ |
|---|--|------------------------|
| 2020/21   | At the time of writing this report there had been no funds received for any premises sold. | 0                      |
| 2019/20   | There were no property sales   | 0                      |
| 2018/19   | Police House -39 Liddle Close Carlisle   | 156,454                |
| 2018/19   | Ulverston Police Station   | 490,963                |
| 2017/18   | Cleator Moor Police Station  | 103,061                |
| 2017/18   | Barrow Police Station  | 439,639                |
| 2016/17   | Police House - 21 Thornleigh Road  | 260,630                |
| 2016/17   | Maryport Police Station  | 78,505                 |
| 2015/16   | Police House 11-12 The Green, Penrith  | 57,994                 |
| 2015/16   | Wigton Police Station  | 182,955                |
| 2015/16   | Ambleside Police Station   | 315,369                |
| 2013/14   | Dalton in Furness Police Station   | 118,244                |
| 2013/14   | Keswick Police Station   | 327,000                |
| 2012/13   | Kirkby Stephen Police Station & House  | 149,143                |
| 2012/13   | Police House - 3 Centurians Walk, Carlisle   | 172,673                |
| 2012/13   | Police House - 4 Allan Court, Workington   | 171,400                |
| 2012/13   | Alston Police Station  | 164,877                |
| 2012/13   | Ambleside Police Station   | 139,247                |
| 2012/13   | Cockermouth Police Station   | 238,387                |
| 2012/13   | Millom Police Station  | 43,956                 |
| 2012/13   | Milnthorpe Police Station  | 139,240                |
| 2012/13   | Sedbergh Police Station  | 88,672                 |
| 2011/12   | Police House - Durdar  | 147,930                |
| 2011/12   | Police House - 12 Derwent Drive Kendal   | 181,557                |
| 2011/12   | Police House - 10 Clifton Court, Workington  | 123,680                |
| 2010/11   | Police House - 52 Whitestiles, Seaton  | 113,576                |
| 2010/11   | Police House - 6 Helsington Road, Kendal   | 213,332                |
| 2009/10   | Police House - 3 Derwent Drive, Kendal   | 150,143                |
| Please note there were no property disposals in 2014/15 |  | 0                      |
| <b>Total</b>  |  | <b>4,768,625</b>       |



Public Accountability Conference  
19 February 2021  
Agenda Item No 08c

Joint Audit Committee  
17 March 2021  
Agenda Item No 12c

## Office of the Police and Crime Commissioner Report

**Title: Borrowing, Treasury Management, Investment and MRP Strategies 2021/22 (including Prudential Indicators)**

Report of the Joint Chief Finance Officer

**Originating Officers: Michelle Bellis, Deputy Chief Finance Officer;  
Lorraine Holme, Financial Services Manager**

### Purpose of the Report

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 with 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 2021/22.

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.’*

## Recommendations

The Commissioner is asked to:

1. Approve the Borrowing Strategy for 2021/22 as set out on pages 8-9
2. Approve the Investment Strategy for 2021/22 as set out on pages 10-13
3. Approve the Treasury Management Prudential Indicators as set out on pages 15-16
4. Approve the other Prudential Indicators set out on pages 17 to 21
5. Approve the Minimum Revenue Provision Policy Statement for 2021/22 as set out on page 22
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.
7. Delegate to the Joint Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit Committee.

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.



Peter McCall



## Borrowing, Treasury Management, Investment, and MRP Strategies 2021/22 (Including Prudential Indicators)

# Treasury Management Strategy Statement 2021/22

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## Key Messages

Approval of an Annual Treasury Management Strategy is a statutory requirement of the Commissioner.

This Strategy aims to provide the Commissioner with a low risk, yet suitably flexible, approach to Treasury management.

## General Principles

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.

The Treasury Management Strategy has been prepared in line with the model guidance produced by Link Asset Services 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.

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

Details of the control measures the Commissioner has put in place to manage these risks are contained within the separate Treasury Management Practices (TMPs).

## Key Messages

The Commissioners priority for investments will **always** be ranked in the order of:



## General Principles (Continued)

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**.

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 2021/22 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

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, starting at page 10. Finally, the Commissioner’s current treasury advisor’s Link Asset Services 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.

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.



## Key Messages

Scrutiny of the Commissioners treasury activities is the responsibility of the Joint Audit Committee, including:

- Quarterly Reports
- Year End Report
- Treasury Risk Management
- Review of Assurances

As a minimum a rolling 12-month cash flow forecast is maintained and is audited as part of the statutory accounts to support the principle that the Commissioner is operating as a 'going concern'

## General Principles (Continued)

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).

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.

The Commissioner complies with the provisions of section 32 of the Local Government Finance Act 1992 to set a balanced budget. This report fulfils the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and MHCLG Guidance.

## Treasury Management Cash Flow Forecast

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 on page 8 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.

## Key Messages

Investment returns and borrowing rates are likely to remain low by historical standards during 2020/21 but to be on a gently rising trend over the next few years. However many factors can impact that forecast.

The Commissioner continues to utilise reserves in place of new borrowing to fund the capital programme.

## Treasury Management Cash Flow Forecast (Continued)

The estimated treasury position at 31st March 2021 and for the following financial years are summarised below:

| Estimated Treasury Position | Estimate<br>2021/22<br>£m | Estimate<br>2022/23<br>£m | Estimate<br>2023/24<br>£m | Estimate<br>2024/25<br>£m |
|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| External Borrowing          | 0.00                      | 0.00                      | 0.00                      | 0.00                      |
| Interest Payments           | 0.00                      | 0.00                      | 0.00                      | 0.00                      |
| Investments (average)       | 14.919                    | 9.765                     | 2.494                     | 0.379                     |
| Interest Receipts           | 0.015                     | 0.010                     | 0.010                     | 0.010                     |

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 on page 7 below.

The Commissioner's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), is estimated to be £21.60m at the start of the 2021/22 financial year. This includes £4.40m 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 08b) 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.

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.

The estimate for interest receipts in 2021/22 is £10k (latest forecast for 2020/21 is £15k). The low level of receipts reflects the historically low level of investment returns currently available where the Bank of England base rate stands at 0.10%.

## Key Messages

Economic uncertainty continues as a result of the covid-19 pandemic, keeping interest rates and growth predictions low.

Interest Rates are forecast to remain at 0.10% for the medium term

## Treasury Management Interest Rate Forecast

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it subsequently left the Bank Rate unchanged at its subsequent meetings, including its last meeting on 4th February 2021, although some forecasters had suggested that a cut into negative territory could happen. However, at that last meeting, we were informed that financial institutions were not prepared for implementing negative rates.

The Monetary Policy Committee (MPC), therefore, requested that the Prudential Regulation Authority require financial institutions to prepare for such implementation if, at any time in the future, the MPC may wish to use that as a new monetary policy tool. The MPC made it clear that this did not in any way imply that they were about to use this tool in the near future. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term, as it is unlikely that inflation will rise sustainably above 2% during this period so as to warrant increasing Bank Rate.

| Base Rate Estimates | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---------------------|---------|---------|---------|---------|---------|
| Quarter 1           | 0.10%   | 0.10%   | 0.10%   | 0.10%   | 0.10%   |
| Quarter 2           | 0.10%   | 0.10%   | 0.10%   | 0.10%   | 0.10%   |
| Quarter 3           | 0.10%   | 0.10%   | 0.10%   | 0.10%   | 0.10%   |
| Quarter 4           | 0.10%   | 0.10%   | 0.10%   | 0.10%   | 0.10%   |

As for money market funds (MMFs), yields have fallen near to zero. Some fund managers have resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government – this in turn may benefit the Commissioner if the need to borrow short term occurs in the near future.

## Key Messages

The PCC has an increasing Capital Financing Requirement due to the capital programme, but has modest investments, and will therefore need to borrow in the near future.

## Borrowing Strategy

### 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 2021/22 and beyond.

| Capital Financing                                | 2019/20<br>Actual<br>£m | 2020/21<br>Forecast<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m | 2023/24<br>Estimate<br>£m | 2024/25<br>Estimate<br>£m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Balance B/fwd                                    | 19.35                   | 22.21                     | 21.60                     | 20.97                     | 23.72                     | 28.64                     |
| Plus Capital Expenditure financed from borrowing | 3.35                    | 0.00                      | 0.00                      | 3.40                      | 5.60                      | 0.00                      |
| Less MRP for Debt Redemption                     | -0.49                   | -0.61                     | -0.63                     | -0.65                     | -0.68                     | -0.89                     |
| <b>Balance C/Fwd</b>                             | <b>22.21</b>            | <b>21.60</b>              | <b>20.97</b>              | <b>23.72</b>              | <b>28.64</b>              | <b>27.75</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 elsewhere on the agenda (see item 08b).

## Key Messages

Diversification of investments continues to provide a level of liquid cash that is suitable for the Commissioners expenditure profile whilst total investment balances remain high. This will continue to be monitored as levels of investments fall and if necessary, a minimum level of liquid cash to be maintained will be set.

Short term borrowing from other Local Authorities may be needed in the future to manage short term cash flow shortfalls.

## Borrowing Strategy (Continued)

The Commissioner is not expected to have any external borrowing at the start of 2021/22. Given that the CFR is forecast to be £21.60m this effectively means that the Commissioner will be funding over £17.20m of capital spend from internal resources (CFR £21.60m less £4.40m in relation to the PFI).

Currently, there is a significant differential between investment rates at 0.10% 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, 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.

The Commissioner's predecessors had previously raised all of its long-term borrowing from the PWLB (Public Works Loans Board) but other sources of finance are now available and being investigated, such as local authority loans and bank loans, that may be available at more favourable rates.

### 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.

## Key Messages

The Investment Strategy for 2021/22 remains broadly the same as in previous years as there has been little change in the markets or counterparties.

The updated investment guidance emphasises “Security, Liquidity, Yield in order of importance at all times”.

The appropriate balance between risk and return is sought but with returns so low there is little to be gained from exposing the Commissioner to extra risk.

## Investment Strategy

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 meet 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.

The CIPFA Code requires funds to be invested prudently, and to have regard for:



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.

## Key Messages

In accordance with guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the commissioner applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

The key ratings used to monitor counterparties are the Long Term ratings.

## Investment Strategy (Continued)

The Commissioner holds significant balances of invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2020/21, the Commissioner's investment balance has ranged between £10.73m and £27.39m. The larger sum was due to the receipt in July 2020 of £20.0m pension top up grant from the Home Office, which is drawn down steadily over the remainder of the year. Balances in 2021/22 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 £30m.

**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, 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 (a CDS is a financial derivative or contract that allows an investor to "swap" or offset credit risk with that of another investor)
- 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 2021/22 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. However, given the current economic uncertainty arising from Covid 19 it is unlikely that they will be pursued. A full explanation of each class of asset is provided in **Appendix A** together with a schedule of the limits that will be applied.

## Key Messages

The Joint Chief Finance Officer (subject with consultation with the Commissioner) will be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

No plans to use derivatives – this would require explicit approval.

## Investment Strategy (Continued)

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 triennial renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

### 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 2021/22. 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. A derivative is a financial security with a value that is reliant upon or derived from, an underlying asset or group of assets. The derivative itself is a contract between two or more parties, and the derivative derives its price from fluctuations in the underlying asset.

### 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.



## Key Messages

The cash flow forecast is maintained for a minimum rolling 12 months. This allows assessment of the ability to invest longer term and identifies areas where short term borrowing may be required.

## Investment Strategy (Continued)

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 £2m 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 2021/22 amounts to £10k (£15k 2020/21) 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.

## Key Messages

The 'Treasury Management Practices' statement is updated for each year, scrutinised by the Joint Audit Committee and published on the Commissioner's website alongside this strategy.

## Treasury Risk and Treasury Management Practices

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 sets out in some detail defined treasury risks and how those risks are managed on a day to day basis. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). As outlined 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 cash flow 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.

The PCC currently has no external debt and does therefore not need to set limits on the maturity of debt in each period.

## Treasury Management Prudential Indicators

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.

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:

**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                |

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.

Treasury Management Prudential Indicators (Continued)

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                        | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---------|---------|---------|---------|---------|
| Limit on principal invested beyond one year | £2m     | £2m     | £2m     | £2m     | £2m     |

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 Link Asset Services Ltd 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.

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.

Compliance with the indicators will be presented to the PCC Public Accountability Conference and the Joint Audit Committee in the quarterly Treasury Activities report.

## Other Prudential Indicators 2021/22

As per the 2017 CIPFA Prudential Code for Capital Finance and the accompanying guidance notes the Commissioner is required to produce a number of indicators to assist understanding and to evaluate the prudence and affordability of the capital expenditure plans and the borrowing and investment activities undertaken in support of this.

### Capital Expenditure and Capital Financing

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

| Capital Expenditure | 2019/20<br>Actual<br>£m | 2020/21<br>Forecast<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m | 2023/24<br>Estimate<br>£m | 2024/25<br>Estimate<br>£m |
|---------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Capital Expenditure | 6.33                    | 4.91                      | 5.21                      | 16.37                     | 9.64                      | 3.20                      |

| Capital Financing                  | 2019/20<br>Actual<br>£m | 2020/21<br>Forecast<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m | 2023/24<br>Estimate<br>£m | 2024/25<br>Estimate<br>£m |
|------------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Capital Receipts                   | 0.00                    | 0.00                      | 0.00                      | 2.44                      | 0.53                      | 0.00                      |
| Government Grants                  | 0.82                    | 2.04                      | 1.15                      | 2.87                      | 0.10                      | 0.00                      |
| Revenue Contributions              | 2.16                    | 2.87                      | 4.06                      | 7.66                      | 3.41                      | 3.47                      |
| <b>Total Financing</b>             | <b>2.98</b>             | <b>4.91</b>               | <b>5.21</b>               | <b>12.97</b>              | <b>4.04</b>               | <b>3.47</b>               |
| Borrowing                          | 3.35                    | 0.00                      | 0.00                      | 3.40                      | 5.60                      | 0.00                      |
| <b>Total Funding</b>               | <b>3.35</b>             | <b>0.00</b>               | <b>0.00</b>               | <b>3.40</b>               | <b>5.60</b>               | <b>0.00</b>               |
|                                    |                         |                           |                           |                           |                           |                           |
| <b>Total Financing and Funding</b> | <b>6.33</b>             | <b>4.91</b>               | <b>5.21</b>               | <b>16.37</b>              | <b>9.64</b>               | <b>3.47</b>               |

## Key Messages

Capital Finance Requirement –  
‘The mortgage you are yet to  
take’

Minimum Revenue Provision –  
‘Annual Mortgage repayments’

The Authorised Limit is a  
statutory limit (Local  
Government Act 2003) above  
which the Commissioner has no  
authority to borrow.

## Other Prudential Indicators 2021/22 (Continued)

### Capital Financing Requirement

The Capital Financing Requirement (CFR) shows the difference between the capital expenditure and the revenue or capital resources set aside to finance that spend. The CFR will increase where capital expenditure takes place and will reduce with the Minimum Revenue Provision (MRP) made each year from the revenue budgets.

| Capital Financing                                   | 2019/20<br>Actual<br>£m | 2020/21<br>Forecast<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m | 2023/24<br>Estimate<br>£m | 2024/25<br>Estimate<br>£m |
|---|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Balance B/fwd                                       | 19.35                   | 22.21                     | 21.60                     | 20.97                     | 23.72                     | 28.64                     |
| Plus Capital Expenditure financed<br>from borrowing | 3.35                    | 0.00                      | 0.00                      | 3.40                      | 5.60                      | 0.00                      |
| Less MRP for Debt Redemption                        | -0.49                   | -0.61                     | -0.63                     | -0.65                     | -0.68                     | -0.89                     |
| <b>Balance C/Fwd</b>                                | <b>22.21</b>            | <b>21.60</b>              | <b>20.97</b>              | <b>23.72</b>              | <b>28.64</b>              | <b>27.75</b>              |

### Authorised Limit

The represents a control on the maximum level of external debt. Whilst not desired it could be afforded by the authority in the short term but is not sustainable in the longer term. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary. The Authorised Limit must not be breached.

| Authorised Limit for External Debt | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£m | 2022/23<br>£m | 2023/24<br>£m | 2024/25<br>£m |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| External Borrowing                 | 24.13         | 23.70         | 23.28         | 26.26         | 31.44         | 30.85         |
| Other Long Term Liabilities        | 4.59          | 4.40          | 4.20          | 3.97          | 3.70          | 3.40          |
| <b>Total Authorised Limit</b>      | <b>28.71</b>  | <b>28.10</b>  | <b>27.47</b>  | <b>30.22</b>  | <b>35.14</b>  | <b>34.25</b>  |

## Key Messages

The Operational Boundary limit is not an absolute limit of external debt and may be exceeded temporarily.

Currently the Commissioner has no external borrowing.

## Other Prudential Indicators 2021/22 (Continued)

### Operational Boundary

The Operational Boundary is a limit beyond which external debt is not normally expected to exceed. This limit is not an absolute limit but it reflects the expectations of the level at which external debt is not normally expected to exceed.

Occasionally, the Operational Boundary may be exceeded (but still not breach the Authorised Limit) following variations in cash flow. Such an occurrence would follow controlled treasury management action and may not have a significant impact on the prudential indicators when viewed all together. Consistent with the Authorised Limit, the Joint Chief Financial Officer has delegated authority, within the total Operational Boundary, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long-term Liabilities. Any such changes will be reported to the Commissioner and the Joint Audit Committee meeting following the change.

| Operational Boundary for External De | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£m | 2021/22<br>£m | 2022/23<br>£m | 2024/25<br>£m |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| External Borrowing                   | 22.63         | 22.20         | 21.78         | 24.76         | 29.94         | 29.35         |
| Other Long Term Liabilities          | 4.59          | 4.40          | 4.20          | 3.97          | 3.70          | 3.40          |
| Total Operational Boundary           | 27.21         | 26.60         | 25.97         | 28.72         | 33.64         | 32.75         |

### Actual External Debt

The Commissioner's actual external debt as at 31 March 2021 will be £4.40m, comprising only of other long-term liabilities of £4.40m 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 previous external borrowing with the PWLB (Public Works Loans Board) was repaid during 2012/13.

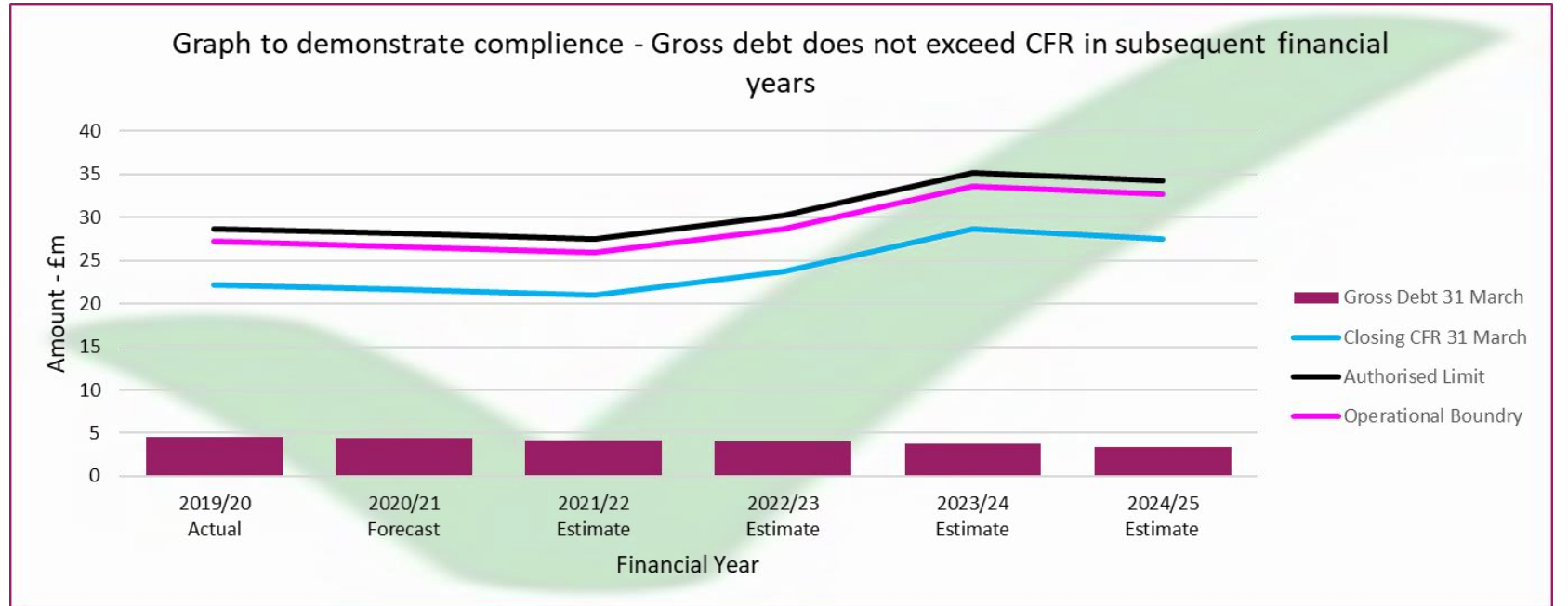
Other Prudential Indicators 2021/22 (Continued)

Gross Debt and the Capital Financing Requirement

The Commissioner should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes. Gross debt, except in the short term, should not exceed CFR in the preceding year plus the estimates for CFR for the three subsequent years.

| Gross Debt and Capital financing requirement | 2019/20<br>Actual<br>£m | 2020/21<br>Forecast<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m | 2023/24<br>Estimate<br>£m | 2024/25<br>Estimate<br>£m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Closing CFR 31 March                         | 22.21                   | 21.60                     | 20.97                     | 23.72                     | 28.64                     | 27.48                     |
| Gross Debt 31 March                          | 4.58                    | 4.40                      | 4.20                      | 3.96                      | 3.70                      | 3.40                      |

Using the figures from the above stated indicators the graph below demonstrates compliance as gross debt remains below CFR, authorised and operational limits for all years presented:





## Other Prudential Indicators 2021/22 (Continued)

### Ratio of financing costs

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

Financing Costs include the amount of interest payable in respect of borrowing or other long-term liabilities and the amount the Commissioner is required to set aside to repay debt, less interest and investments income. The Commissioner's financing costs can be both positive and negative dependent on the relative level of interest receipts and payments.

The actual Net Revenue Stream is the 'amount to be met from government grants and local taxation' taken from the annual Statement of Accounts, budget, budget proposal and medium-term financial forecast. These figures are purely indicative and are in no way meant to indicate planned increases in funding from Council Tax.

| Ratio of Financing Costs to Net Revenue Stream | 2019/20<br>Actual<br>£m | 2020/21<br>Forecast<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m | 2023/24<br>Estimate<br>£m | 2024/25<br>Estimate<br>£m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Investment income                              | 0.14                    | 0.02                      | 0.01                      | 0.01                      | 0.01                      | 0.01                      |
| MRP  | 0.49                    | 0.61                      | 0.63                      | 0.65                      | 0.68                      | 0.89                      |
| <b>Financing Costs</b>                         | <b>0.35</b>             | <b>0.59</b>               | <b>0.62</b>               | <b>0.64</b>               | <b>0.67</b>               | <b>0.88</b>               |
|  |                         |                           |                           |                           |                           |                           |
| Net Revenue Stream                             | 111.14                  | 118.76                    | 120.04                    | 124.44                    | 126.84                    | 126.84                    |
| Ratio  | 0.32%                   | 0.50%                     | 0.52%                     | 0.52%                     | 0.53%                     | 0.70%                     |

## Key Messages

The broad aim of the Minimum Revenue Provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

In relation to the commissioner this would be over 50 years as borrowing is only used to finance Land and Building schemes.

Calculation will be based on Option 1 for pre 2008/9 debt and option 3 thereafter.

The Commissioner is also permitted to make additional voluntary payments if required (voluntary revenue provision VRP) although there are no plans to make any in the medium-term forecasts.

## Annual MRP Statement for 2021/22

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.

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.

It is proposed that The Commissioner’s MRP policy for 2021/22 is unchanged from that of 2020/21 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. 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. 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 2021/22.

## Counterparty Selection Criteria and Approved Counterparties

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 there are no amendments to the criteria used in determining approved investment counterparties for 2021/22 compared to those in operation for 2020/21.

### Counterparty Selection Criteria

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 2021/22 strategy. The investment limits and duration are linked to the credit rating and type of counterparty at the time the investment is made.

The credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Link Asset Services 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. If 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.

The approved investment counterparties for the 2021/22 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                 |

## Key Messages

Whilst these limits also apply to the Commissioners own bankers in the ordinary course of business, if that bank's lowest rating falls below 'A-' balances will be maintained for operational purposes only and minimised on a daily basis. A non-investment limit of £1m will apply in such circumstances

Changes to accounting rules mean that certain financial instruments need to be valued at year end and paper gains/losses at the balance sheet date charged to the Statement of Comprehensive Income and expenditure Account. Such instruments are not currently key to our strategy.

A more detailed explanation of each of these counter party groupings is provided in Schedule B (page 26).

### Counterparty Groupings / Limits

The criteria for approving investment counterparties have been devised, grouped, graded and investment limits attached as detailed in Schedule A (page 25). 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 2021/22 are the same as the limits for 2020/21. 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 cash flow is rewarded by a slightly increased interest rate. Link Asset Services Ltd suggest that these funds are used for longer term investments and the ordinary money market funds to manage cash flow.

### Description of Credit Ratings

As outlined above the credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Link Asset Services Ltd.

## Key Messages

The UK Government is considered the safest place to invest as it has never defaulted and therefore minimum credit ratings do not apply.

The Commissioner has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA.

All investments are Sterling. Therefore, the Commissioner is not exposed to any foreign exchange / currency risk.

## Schedule A – Counterparty Groupings and Associated Limits

| Investment Limits                          |                 |                         |                       |                  |                              |   |
|--|-----------------|-------------------------|-----------------------|------------------|------------------------------|---|
| Credit Rating                              | Maximum         | 1<br>Banks<br>Unsecured | 2<br>Banks<br>Secured | 3<br>Government  | 4<br>Registered<br>Providers | 5<br>Pooled<br>Funds  |
| <u>Category Limit 2020/21</u>              | <i>Amount</i>   | <i>£20m</i>             | <i>£20m</i>           | <i>Unlimited</i> | <i>£10m</i>                  | <i>£20m</i>   |
|  | <i>Duration</i> |                         |                       |                  |                              |   |
| <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<br>(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 2021/22 are based on the potential maximum available for investment during the year of up to £40m. It should also be noted that as outlined on page 23 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 £2m.

## Key Messages

The Commissioners priority for investments will **always** be ranked in the order of



## 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 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.



## Joint Audit Committee Proposed Annual Work Programme 2021/22

Joint Audit Committee: 17 March 2021

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 agenda for the July meeting will cover the standard cyclical reports and will also include the annual report of the committee, following the consideration of the committee's review of effectiveness in May. 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 July. Note, the Audited Statement of Accounts would normally have been considered at the July



meeting but as a result of the temporary extension to the statutory audit dates as part of the Redmond review and the response to the covid-19 pandemic this has now been moved to September.

- The meeting in September 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 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 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, the scheme of delegation, 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>   |  |  |
| 2.1) Review the corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.<br><br>Note - Underlined governance documents are scheduled for review in 2020. | 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)<br><br>March: Risk Management Strategies, Scheme of Delegation/Consent                         | <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 (2021)</u></li> <li>▪ Financial Regulations &amp; Financial Rules: bi-ennial review (2022)</li> <li>▪ Grant Regulations: tri-annual review (2023)</li> <li>▪ <u>Scheme of Delegation/Consent: annual review (2021) - March meeting</u></li> <li>▪ <u>Joint Procurement Regulations: bi-ennial review (2021)</u></li> <li>▪ Risk Management Strategy: tri-ennial review (2023) - March meeting</li> <li>▪ <u>Joint Audit Committee Terms of Reference &amp; Role Profiles: tri-ennial review (2021)</u></li> <li>▪ <u>Arrangements for Anti-Fraud and Corruption /whistleblowing: bi-ennial review (2021)</u></li> </ul> |
| 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                  | May  | <b>ANNUAL GOVERNANCE STATEMENT</b>   |
|   | September (updated governance statement prior to approval and publication). <b>Note this would normally be July but has been moved to September for 2 years)</b> | <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.   |
|  | September (NB moved from July for 2 years) | <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.   |
|  | September (NB moved from July for 2 years) | <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 2023)  |
|  | 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.  |
|  | July, November & March meetings            | <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) 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. | September (NB moved from July for 2 years) | <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. |
| 4.2) 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 a verbal update around the proposed PSAA scale charge for external audit fees.   |
| 4.3) 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   |
| 4.4) 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   |
| 4.5) Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies and relevant bodies  | September (NB moved from July for 2 years) | <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 | September (NB moved from July for 2 years)   | <b>ASSURANCE FRAMWORK: 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. |
|   | September (NB moved from July for 2 years)   | <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   | September and November (final report) (NB moved from July and September for 2 years) | <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 (biennial activity cycle):</b><br>- 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 (Even years)<br>- To conduct a 360' review of committee effectiveness (private meeting between members, DCC, JCFO, CE & DCFO) (Odd Years) |
|   | July   | <b>JAC Annual Report:</b> To receive the annual report of the committee (following the review of effectiveness undertaken in May).  |
| 6.4) Publish an annual report on the work of the committee.   | July   | <b>JAC Annual Report:</b> To publish the annual report of the committee (following approval at the July meeting.).  |
| <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  |

## Joint Audit Committee: Annual Work Programme Assurance Format

| Terms of Reference   | Meeting   | Work Programme Assurance Activity   |
|--|-----------|---|
| Terms of Reference: Apprenticeship Scheme <b>NB. This section is currently on hold until work as an employer provider for PCSO recruitment commences.</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. |
| 8.2) receive regular reports in relation to the annual self-assessment report and quality improvement plan.  | September | <b>Apprenticeship Governance:</b> To receive the mid year update on the Quality Improvement Plan.                         |

## Joint Audit Committee Proposed Annual Work Programme 2021/22

| Wednesday 26 May 2021   | Wednesday 28 July 2021  | Wednesday 22 September 2021   | Wednesday 17 November 2021  | Wednesday 16 March 2022   |
|---|---|---|---|---|
| <p><b>PRIVATE INTERNAL AUDIT MEETING:</b><br/>Confidential meeting of Committee members only and the <b>Internal</b> Auditors. (IA)</p> <p><b>PRIVATE MEETING</b> - JAC Review of Effectiveness (360' Review) - <b>odd years only</b></p> | <p><b>PRIVATE DEVELOPMENT SESSION:</b><br/>1) To be confirmed.</p>  | <p><b>PRIVATE EXTERNAL AUDIT MEETING:</b><br/>Confidential meeting of Committee members only and the <b>external</b> auditors. (GT)</p>   | <p><b>PRIVATE DEVELOPMENT SESSION:</b><br/>1) Treasury Advisor, to provide an update on Treasury Management developments (DCFO).</p>  | <p><b>PRIVATE DEVELOPMENT SESSION:</b> Medium Term Financial Forecast, capital strategy, capital programme, change programme &amp; value for money (Joint CFO)</p>  |
| <b>Regular Reports</b>  |   |   |   |   |
| <p><b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC, CFO &amp; CE)</p>   | <p><b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC, CFO &amp; CE)</p>   | <p><b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC, CFO &amp; CE)</p>   | <p><b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC, CFO &amp; CE)</p>   | <p><b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC, CFO &amp; CE)</p>   |
| <p><b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 4/Annual Report (DCFO)</p>   | N/A   | <p><b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 1 (DCFO)</p>   | <p><b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 2 (DCFO)</p>   | <p><b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 3 (DCFO)</p>   |
| N/A   | <p><b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)</p>  | <p><b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)</p>  | <p><b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)</p>  | <p><b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)</p>  |
| <p><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)</p>   | <p><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)</p>                                   | <p><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)</p>                                   | <p><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)</p>                                   | <p><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)</p>                                   |
| N/A   | <p><b>STRATEGIC RISK REGISTER:</b> To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM &amp; DCC)</p>  | N/A   | <p><b>STRATEGIC RISK REGISTER:</b> To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM &amp; DCC)</p>  | <p><b>STRATEGIC RISK REGISTER:</b> To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM &amp; DCC)</p>  |
| N/A   | <p><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)</p> | <p><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)</p> | <p><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)</p> | <p><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)</p> |

## Joint Audit Committee Proposed Annual Work Programme 2021/22

| Wednesday 26 May 2021  | Wednesday 28 July 2021  | Wednesday 22 September 2021  | Wednesday 17 November 2021   | Wednesday 16 March 2022  |
|--|---|--|--|--|
| <b>Cyclical/Annual Reports</b>   |   |  |  |  |
| <b>EXTERNAL AUDIT FEES:</b> To receive a verbal update around the proposed PSAA scale charge for external audit fees. (GT/Finance)   |   | <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>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) |
|  |   |  | <b>ANNUAL REVIEW OF GOVERNANCE:</b> To review the OPCC and Constabulary arrangements for governance; cyclical review over a three years. Some documents reported in November, some in March (see Appendix C). (Relevant Chief Officers). | <b>ANNUAL REVIEW OF GOVERNANCE:</b> To review the OPCC and Constabulary arrangements for governance; cyclical review over a three years. Some documents reported in November, some in March (see Appendix C). (Relevant Chief Officers).                                   |
| <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>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 2023)  |
| <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 (HoC)  | <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)        |
| Corporate Support / Financial Services / MB  |   |  |  |  |

## Joint Audit Committee Proposed Annual Work Programme 2021/22

| Wednesday 26 May 2021  | Wednesday 28 July 2021  | Wednesday 22 September 2021   | Wednesday 17 November 2021  | Wednesday 16 March 2022   |
|--|---|---|---|---|
| <b>Cyclical/Annual Reports (continued)</b>   |   |   |   |   |
| <b>JOINT AUDIT COMMITTEE - REVIEW OF EFFECTIVENESS (bi-ennial Activity)</b><br>: To receive a report reviewing the effectiveness of the Committee as a contribution to the overall effectiveness of arrangements for governance. (DCFO) -Even Years<br>: To conduct a 360' review of committee effectiveness (private meeting between members, DCC, JCFO, CE & DCFO) - Odd Years   |   |   |   | <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)             |
| <b>ANNUAL GOVERNANCE STATEMENT</b> <ul style="list-style-type: none"> <li>▪ Effectiveness of Governance Arrangements: To receive a report from the Joint CFO on the effectiveness of the PCC's and CC's arrangements for Governance.</li> <li>▪ Code of Corporate Governance: To consider the PCC/CC Code of Corporate Governance</li> <li>▪ Annual Governance Statement: To consider the PCC/CC Annual Governance Statement for the financial year and to the date of this meeting</li> </ul> |   |   |   | <b>VALUE FOR MONEY:</b> To receive an annual report on Value for Money within the 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>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  | March 2019                     | March 2020    | March 2021    | March 2022    | March 2023    | March 2024    |
|--|-------------------------------|---|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| OPCC Risk Management Strategy  | tr-ennial (from 2017 onwards) | Governance Manager<br>Joanne Head   | x                              | ✓             | x             | x             | ✓             | x             |
| Constabulary Risk Management Strategy                                | tr-ennial (from 2017 onwards) | Joint Chief Finance Officer<br>Roger Marshall   | x                              | ✓             | x             | x             | ✓             | x             |
| OPCC Scheme of Delegation/Consent                                    | annual                        | Chief Executive/Communications & Engagement Executive, Gillian Shearer and/or Governance Manager, Joanne Head | ✓                              | ✓             | ✓             | ✓             | ✓             | ✓             |
| Constabulary Scheme of Delegation                                    | annual                        | Director of Legal Services - Andrew Dobson  | added to programme from Nov'19 | ✓             | ✓             | ✓             | ✓             | ✓             |
|  |                               |   | November 2019                  | November 2020 | November 2021 | November 2022 | November 2023 | November 2024 |
| Role of the Joint Chief Finance Officer                              | annual                        | Deputy CFO<br>Michelle Bellis   | ✓                              | ✓             | ✓             | ✓             | ✓             | ✓             |
| Joint Procurement Regulations  | bi-ennial                     | Head of Commercial Solutions<br>Barry Leighton  | ✓                              | x             | ✓             | x             | ✓             | x             |
| OPCC Arrangements for Anti-fraud & Corruption/Whistleblowing         | bi-ennial                     | Chief Executive/Communications & Engagement Executive, Gillian Shearer and/or Governance Manager, Joanne Head | ✓                              | x             | ✓             | x             | ✓             | x             |
| Constabulary Arrangements for Anti-fraud & Corruption/Whistleblowing | bi-ennial                     | Head of People, Supt. Lisa Hogan and/or Head of Professional Standards  | ✓                              | x             | ✓             | x             | ✓             | x             |
| Financial Regulations & Financial Rules                              | bi-ennial                     | Deputy CFO<br>Michelle Bellis   | x                              | ✓             | x             | ✓             | x             | ✓             |
| Joint Audit Committee Terms of Reference and Role Profiles           | tri-ennial                    | Deputy CFO<br>Michelle Bellis   | x                              | x             | ✓             | x             | x             | ✓             |
| OPCC Grant Regulations & Procedures                                  | tri-ennial                    | Chief Executive/Head of Partnerships and Commissioning, Vivian Stafford                                       | x                              | ✓             | x             | x             | ✓             | x             |

# Audit Progress Report and Sector Update

Police and Crime Commissioner for Cumbria and Chief Constable for Cumbria Constabulary  
Year ending 31 March 2021

**March 2021**



# Contents and Introduction

**Michael Green**

**Engagement Lead**

T 0161 953 6382

M 07824 625 589

E [Michael.green@uk.gt.com](mailto:Michael.green@uk.gt.com)

**Gareth Winstanley**

**Engagement Manager**

M 07880 456211

E [gareth.j.winstanley@uk.gt.com](mailto:gareth.j.winstanley@uk.gt.com)

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditor.

The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Audit Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the following link to be directed to the website <https://www.grantthornton.co.uk/>.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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# Progress at February 2021

## 2019/20

We issued an unqualified audit opinion on the Group's financial statements on 26 November 2020.

We included an emphasis of matter within our audit opinion which referred to the disclosures that management had made regarding the material uncertainties for the valuations of property, plant and equipment and pension fund property funds. Our audit opinion was not modified as a result of this emphasis.

## 2020/21

We will now begin to look to the 2020/21 financial year and begin our planning processes for the audit.

Our formal work will begin later in the year and in the meantime we will:

- continue to have regular discussions with management to inform our risk assessment for the 2020/21 financial and value for money audits
- review papers and latest financial and operational performance reports
- consider any reports from regulators regarding

We expect to issue our audit plan summarising our approach to key risks on the audit in April.

## Value for Money

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Further detail on the NAO's revised approach to VFM work can be found here: <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2019/12/AGN-03-Auditors-Work-on-Value-for-Money-Arrangements.pdf>

Due to the change in approach, a fee variation will be needed for 2020-21 and your Engagement Team should be in touch shortly to discuss this.

The new Code of Audit Practice issued by the NAO can be found here: [https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)

## Other areas

### Events

Our annual chief accountants workshops have been taking place over recent weeks and have provided a chance for your finance officers to speak to peers and gain an understanding of the key changes impacting this year's accounts.

# Audit Deliverables

## 2019/20 Deliverables

|  | Planned Date  | Status        |
|--|---------------|---------------|
| <b>Audit Findings Report</b><br>The Audit Findings Report will be reported to the October Audit Committee.                             | October 2020  | November 2020 |
| <b>Auditors Report</b><br>This is the opinion on your financial statement, annual governance statement and value for money conclusion. | November 2020 | November 2020 |
| <b>Annual Audit Letter</b><br>This letter communicates the key issues arising from our work.   | December 2020 | January 2021  |

## 2020/21 Deliverables

|   | Planned Date   | Status      |
|---|----------------|-------------|
| <b>Accounts Audit Plan</b><br>We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the 2020-21 financial statements.   | April 2021     | Not due yet |
| <b>Audit Findings (ISA260) Report</b><br>The Audit Findings Report will be reported to the September Audit Committee.   | September 2021 | Not due yet |
| <b>Auditor's Annual Report</b><br>The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). A draft of the AAR will be taken to the September Audit Committee. The final version of the AAR will be published at the same time as the Auditors Report | September 2021 | Not due yet |
| <b>Auditors Report</b><br>This is the opinion on your financial statements and annual governance statement.   | September 2021 | Not due yet |

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# Sector Update

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Policing services are rapidly changing. Increased demand from the public and more complex crimes require a continuing drive to achieve greater efficiency in the delivery of police services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there is an increased drive for greater collaboration between Forces and wider blue-light services.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider Police service and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from sector specialists](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and police sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font.

Public Sector

A dark purple rectangular button with the text "Police" in white, sans-serif font.

Police

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# Home Office

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## 100,000 apply to join police in first year of recruitment drive

More than 100,000 people have applied to become police officers one year into the Government's recruitment drive.

Provisional data from forces across England and Wales shows they have received almost 101,000 applications between October and August, as part of plans to sign up 20,000 additional officers over the next three years.

Home Secretary Priti Patel said: 'This year we have seen people come together in the face of adversity to serve their communities in response to the pandemic. It is clear the national emergency has inspired people across the country to become part of our brave, selfless police family.'

The full article can be accessed [here](#).

## Home Secretary appoints former Chief Constable to support police recruitment

A former Chief Constable with more than 30 years' experience in front-line policing has been appointed by Home Secretary Priti Patel to challenge and support the Home Office as it recruits 20,000 extra officers, tackles violent crime and restores public confidence in the criminal justice system.

Michael Fuller, who has been appointed as a non-executive director of the Home Office, is also keen to help the department increase diversity in the police and to implement the recommendations of the Wendy Williams Lessons Learned Review following Windrush.

He is one of five new non-executive directors who will work closely with ministers and officials to support the delivery of the department's commitments.

The full article can be accessed [here](#).



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# Other News

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## A force for change: Policing after the pandemic

In July, the Chancellor introduced the first Comprehensive Spending Review since 2015. He did so amid the most challenging fiscal period in the post-war era.

Taking steps to cut crime was originally at the centre of the Government's priorities. The pledged increase of 20,000 officers and a new National Policing Board with an outcomes framework has signalled a genuine shift in approach to law and order. The original spending review planned to invest to drive down today's crime and future proof the response to tomorrow's challenges.

The investment in policing is more important than ever as the service helps the public navigate the pandemic and the significant impact that the deep economic shock is having on communities.

The full article can be accessed [here](#).

The logo for Policinginsight, with 'Policing' in blue and 'insight' in red.

# Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price: quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

# The Redmond Review

## The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

### Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

### The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

### How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

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# Home Office

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## Police to receive more than £15 billion to fight crime and recruit more officers

Policing will receive up to £15.8 billion to support safer communities and cut crime.

The 2021 to 2022 funding package will include over £400 million to recruit 20,000 extra officers by 2023, building on the success of the first year of the recruitment campaign – which has already delivered almost 6,000 additional police officers.

Alongside getting more officers out on the street, the funding settlement will enable policing to tackle serious violence and increase the number of specialist officers tackling terrorism and serious organised crime, including child sexual abuse and drug trafficking.

The 2021 to 2022 funding package means an increase of up to £636 million on last year, should police and crime commissioners (PCCs) take full advantage of police precept flexibility.

The government also recognises that, during the coronavirus pandemic, huge demands have been made of the police.

That is why it has provided additional support throughout, including £30 million of surge funding to help forces step up COVID-19 enforcement activities in 2020 to 2021, and why it reimbursed all additional personal protective equipment (PPE) purchased between March and July.

The full article can be accessed [here](#).





# New NAO Code of Audit Practice for 2020

The NAO issued a new Code of Audit Practice which came into force on 1 April 2020 and applies to audits of 2020-21. The key change is an extension to the framework for VfM work. The NAO has prepared Auditor Guidance Note (AGN 03), which sets out detailed guidance on what VfM work needs to be performed. Public consultation on this ended 2 September.

The new approach to VfM re-focuses the work of local auditors to:

- promote more timely reporting of significant issues to local bodies;
- provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas;
- provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
- provide clearer recommendations to help local bodies improve their arrangements.

Under the previous Code, auditors had only to undertake work on VfM where there was a potential significant risk and reporting was by exception. Whereas against the new Code, auditors are required to undertake work to provide a commentary against three criteria set by the NAO – governance; financial sustainability and improving economy, efficiency and effectiveness.

A new Auditor's Annual Report presented at the same time as the audit opinion is the forum for reporting the outcome of the auditor's work on Value for Money. It is required to contain:



The '**Commentary on arrangements**' will include a summary under each of the three specified reporting criteria and compared to how the results of VfM work were reported in previous years, the commentary will allow auditors to better reflect local context and also to draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself. The commentary will not simply be a description of the arrangements in place, but an evaluation of those arrangements.

**Recommendations:** Where an auditor concludes there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.

**Progress in implementing recommendations:** Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily

**Use of additional powers:** Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this needs to be reported in the auditor's annual report.

**Opinion on the financial statements:** The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements. This is not a replacement for the AFR, or a verbatim repeat of it – it is simply a summary of what the opinion audit found

The new approach is more complex, more involved and will subsequently increase the cost of audit. We will be discussing this with senior managers shortly.

To review the new Code and AGN03 click [here](#)



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# National Audit Office latest reports

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## Overview of the UK government's response to the COVID-19 pandemic

This report provides a summary of the UK government's response to COVID-19 to date. Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government's response is unprecedented in recent history. This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government's response to COVID-19. The report covers the main actions taken by the UK government in England, as well as the funding provided to support responses in the devolved administrations of Northern Ireland, Scotland and Wales. It does not cover the individual responses in the devolved administrations, or the separate responses implemented by local authorities. The report covers the government's response up to 4 May 2020.

Click [here](#) to read more



# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do those charged with governance:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

## Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the entity we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings,
- Depreciation
- Year end provisions and accruals,
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

## Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

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The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

- Where there is material estimation uncertainty, we would expect the financial statement disclosures to disclose:
- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### **How can you help**

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance. For our 2020/21 audit we will be making additional enquires on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquires in due course.

### **Further information**

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

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 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 your business or any 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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# **The Joint Annual Audit Letter**

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

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**Year ended 31 March 2020**

**04 January 2021**



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Your key Grant Thornton team members are:

**Michael Green**

**Key Audit Partner**

T: 07824 625589

E: michael.green@uk.gt.com

**Gareth Winstanley**

**Audit Manager**

T: 07880 456211

E: gareth.j.winstanley@uk.gt.com

**Hebe Dyson**

**Audit In-Charge**

T: 0141 2230738

E: hebe.r.dyson@uk.gt.com

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2. Audit of the Financial Statements
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# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Cumbria Police and Crime Commissioner ('the PCC') and The Chief Constable for Cumbria Constabulary for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the PCC and The Chief Constable for Cumbria Constabulary and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Joint Audit Committee as those charged with governance in our Audit Findings Report on 19th November 2020.

## Our work

|   |  |
|---|--|
| <b>Materiality</b>                        | We determined materiality for the audit of the PCC/Group and The Chief Constable for Cumbria Constabulary's financial statements to be £2,873,000, which is 2% of the PCC's gross operating expenditure for 2018/19 year.  |
| <b>Financial Statements opinion</b>       | We gave an unqualified opinion on the PCC/Group and The Chief Constable's financial statements on 26th November 2020. We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuation of the Police and Crime Commissioner's land and buildings and the group share of the property assets of Cumbria Local Government Pension Fund as a result of the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the group, PCC and Chief Constable's financial position and their income and expenditure for the year. |
| <b>Whole of Government Accounts (WGA)</b> | We completed work on the Group's consolidation return following guidance issued by the NAO.  |
| <b>Use of statutory powers</b>            | We did not identify any matters which required us to exercise our additional statutory powers.   |
| <b>Value for Money arrangements</b>       | We were satisfied that the PCC and The Chief Constable put in place proper arrangements to ensure economy, efficiency and effectiveness in their use of resources. We reflected this in our audit report to the PCC/Group and The Chief Constable on 26 November 2020.   |
| <b>Certificate</b>                        | We certified that we have completed the audit of the financial statements of the PCC/Group and The Chief Constable in accordance with the requirements of the Code of Audit Practice on 26 November 2020.  |

## Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the PCC/Group and The Chief Constable's financial statements (section two)
- assess the PCC/Group and The Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the PCC/Group and The Chief Constable's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.



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# Executive Summary

## **Working with the PCC/Group and The Chief Constable for Cumbria Constabulary**

The Outbreak of COVID-19, the subsequent lockdown after March and the on-going restrictions to enable people to work in a Covid safe manner, has had a significant effect on the PCC's and CC's offices and on the audit. Fortunately, the PCC and CC were able to move quickly to safe remote working for non front-line staff, rolling out IT equipment and solutions while not losing operational control.

We have worked with the PCC and CC management teams, adapting our systems to support remote auditing and while some aspects of the audit have been more time consuming than would normally be the case, we have been able to facilitate virtual audit verification of processes, transactions and balances. We have been able to hold Teams meetings with officer and to attend virtual meetings of the Joint Audit Committee.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Finance staff.

**Grant Thornton UK LLP**  
January 2021

# Audit of the Financial Statements

## Our audit approach

### Materiality

In our audit of the group, PCC and Chief Constable's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group, PCC and Chief Constable's financial statements to be £2,873,000, which is 2% of the group's prior year gross cost of services. We used this benchmark as, in our view, users of the group, PCC and Chief Constable's financial statements are most interested in where the group, PCC and Chief Constable has spent its revenue in the year.

We set a lower threshold of £144,000, above which we reported errors to the Joint Audit Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the group, PCC and Chief Constable and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the PCC and Chief Constable's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the Financial Statements

## Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan  | How we responded to the risk  | Findings and conclusions   |
|---|---|--|
| <p><b>Management override of controls</b></p> <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 have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals;</li> <li>analysed the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> | <p>Our audit work did not identified any evidence of management over-ride of controls.</p> |

# Audit of the Financial Statements

## Significant Audit Risks (continued)

| Risks identified in our audit plan   | How we responded to the risk  | Findings and conclusions   |
|--|---|--|
| <p><b>Covid-19</b></p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> <li>- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;</li> <li>- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates;</li> <li>- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and</li> <li>- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</li> </ul> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 1 July 2020. We also</p> <ul style="list-style-type: none"> <li>• liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the PCC's property valuation expert/ PCC/group's actuary;</li> <li>• evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;</li> <li>• evaluated whether sufficient audit evidence could be obtained through remote technology;</li> <li>• evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and pension fund net liability valuations;</li> <li>• evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and</li> <li>• discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.</li> </ul> | <p>The results of our work concluded that appropriate arrangements had been put in place to manage the COVID 19 situation which included establishing a response command structure with Gold, Silver and Bronze levels which meet daily to discuss and review Covid19 issues.</p> <p>Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuers report (in line with VPGA 10 of the RICS Red Book Global). You disclosed this material uncertainty within the notes to your financial statements. We reflected your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty.</p> <p>Similarly, there was also an impact of Covid-19 on the valuation of the Local Government Pension Fund (LGPS) property assets. Cumbria's LGPS accounts include a material uncertainty around the valuation of property assets and the fund auditor intends to include an emphasis of matter in their auditor's report in this regard. Your financial statements disclosures were updated to reflect this and our audit report also contained an "emphasis of matter" paragraph relating to this matter.</p> |

# Audit of the Financial Statements

## Significant Audit Risks (continued)

| Risks identified in our audit plan   | How we responded to the risk   | Findings and conclusions  |
|--|--|---|
| <p><b>Valuation of land and buildings</b></p> <p>The PCC revalues its land and buildings on a two yearly basis. In the intervening years to ensure the carrying value is not materially different from the current value at the financial statements date, the PCC requests a desktop valuation from its valuation expert to ensure that there is no material difference. The valuation of land and buildings 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.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>• reviewed 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>• evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>• written to the valuer to confirm the basis on which the valuation was carried out in order to ensure that the requirements of the Code are met;</li> <li>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and</li> <li>• tested revaluations made during the year to see if they had been input correctly into the PCC's asset register</li> </ul> | <p>Our review of the calculations performed by the valuer identified a small number of errors including the use of incorrect area figures for one asset (Kendal Police Station). Our calculations show that the cumulative impact of the errors was not material and management chose not to adjust for these.</p> <p>There were no further matters to report to you other than in relation to the impact on property valuation of the Covid-19 pandemic and resultant uncertainties.</p> <p><b>Disclosures regarding material valuation uncertainty</b></p> <p>The outbreak of Covid-19 has caused uncertainty in property markets. As a result, the PCC's valuers included reference to a material uncertainty in their valuation report.</p> <p>The estimation uncertainty was disclosed in notes to the financial statements.</p> <p>We considered the disclosure was sufficiently detailed to meet the requirements of the accounting standards and that it was important to a readers understanding of the financial statements. As such, we drew attention to the uncertainty through the inclusion of an Emphasis of Matter within the audit report.</p> <p>We were satisfied that the value of Property, Plant and Equipment was not materially misstated within the financial statements.</p> |

# Audit of the Financial Statements

## Significant Audit Risks (continued)

| Risks identified in our audit plan   | How we responded to the risk   | Findings and conclusions  |
|--|--|---|
| <p><b>Valuation of pension fund net liability</b></p> <p>The group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, 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 (the 2019/20 pension fund liability is £1.266bn 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 group's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We have</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the PCC and CC's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluated the instructions issued by management to their management experts (actuaries) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuaries who carried out the pension fund valuations;</li> <li>• assessed the accuracy and completeness of the information provided by the PCC and CC to the actuaries;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports; and</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> </ul> | <p>The Cumbria Pension Fund financial statements disclosed a material valuation uncertainty relating to the Fund's real estate portfolio and the Pension Fund Auditor included an emphasis of matter in their audit report drawing attention to a material valuation. Your financial statements were updated to refer to this and we drew attention to the uncertainty through the inclusion of an Emphasis of Matter within our audit report</p> <p>Subsequent to the publication of the draft financial statements, the proposed remedy to the McCloud judgement was published for consultation. Pension fund actuaries notified management that this could have an impact on the calculated net pension fund liability and that the liability was likely to be overstated. Management therefore obtained a revised IAS19 report which quantifies the potential impact as £11.5m reduction in Pension Liability. This represented a non-adjusting post balance sheet event but management adjusted the financial statements to reflect the revised valuation. We discussed this with management and considered their rationale for adjusting. We concluded that the basis for adjusting was reasonable and that proposed disclosures within the financial statements were appropriate.</p> <p>Other than the matters identified above we did not identify any significant issues.</p> |

# Audit of the Financial Statements

## **Audit opinion**

We gave an unqualified opinion on the group, PCC and Chief Constable's financial statements on 26th November 2020.

## **Preparation of the financial statements**

The group, PCC and Chief Constable presented us with draft financial statements in July in accordance with the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the financial statements**

We reported the key issues from our audit to the group, PCC and Chief Constable's Joint Audit Committee on 19th November 2020 and also issued an updated Audit Findings Report on the 26th November to reflect issues since the Joint Audit Committee.

## **Annual Governance Statement and Narrative Report**

We were also required to review the Annual Governance Statements and Narrative Reports. These were published on your website as part of the draft Statement of Accounts inline with the national deadline.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the PCC and Chief Constable and with our knowledge of the PCC and Chief Constable.

## **Whole of Government Accounts (WGA)**

We carried out work in line with instructions provided by the NAO. We issued an assurance statement which confirmed the group was below the audit threshold on 26th November 2020.

## **Certificate of closure of the audit**

We certified that we have completed the audit of the financial statements of the PCC and Chief Constable for Cumbria Constabulary in accordance with the requirements of the Code of Audit Practice on 26th November 2020.

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# Value for Money conclusion

## **Background**

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the 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.*

## **Key findings**

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

## **Overall Value for Money conclusion**

We are satisfied that in all significant respects the PCC and Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.



# Value for Money conclusion

## Value for Money Risks

| Risks identified in our audit plan  | How we responded to the risk  | Findings and conclusions   |
|---|---|--|
| <p><b>Financial Sustainability</b></p> <p>The PCC and Chief Constable, along with many other forces faced increasing financial pressures including the need in the future to delivery savings with £8.9m savings requiring to be achieved by 2023/24. Although the PCC and the CC have a proven track record in managing its finances, the future budget gap represented a serious challenge.</p> <p>We reviewed the arrangements that are in place for the regular monitoring of the in year financial position in 2019/20 and assessed how the future financial challenges including the need to deliver savings are being addressed.</p> | <p>Review of the June 2019 budget monitoring report and the March 2020 outturn report showed that the reports highlight the current forecast net expenditure position compared to the revised budget, with sufficient narrative around the reasons for any under or overspends against budget. Details are also provided in graphical format of the planned intakes of police officers that have been included in the year end forecasts. The quarterly monitoring reports also highlight the key changes in forecast during the current quarter along with an explanation of any potential risk areas.</p> <p>The outturn financial performance for 2019/20 shows that an underspend for the group of £0.327m was delivered based on a Chief Constable underspend of £0.196m and a PCC underspend of £0.131m. The overall level of usable reserves is £29.417m, including £3m General Reserves (which represents approximately 3% of the 2020/21 net recurrent budget after specific grants &amp; fees and charges).</p> <p>A national comparison across forces shows that Cumbria has a healthy level of usable reserves as a percentage of gross expenditure compared to a number of other forces. Cumbria's usable reserves stand at 16.44% of its gross expenditure compared to a national average of 9.19%. This supports the view that Cumbria has a relatively healthy level of usable reserves that it can rely on going forward</p> <p>The overall usable fund balances has remained relatively consistent over the past three years and has fallen only by £0.708m over the last three years. Given the financial climate over this period this is a positive achievement.</p> <p>The Joint Chief Finance Officer in his 2020/21 reserves strategy acknowledges that the medium term financial forecast shows an annual budget deficit of approximately £3m from 2021/22 onwards. Savings plans are being progressed to address the deficit, however, in the event that this is not achieved, reserves will be required to bridge the gap and will result in the level of reserves depleting more quickly than indicated in this strategy. It remains important therefore that going forward reserves are kept under review.</p> <p>The PCC and Chief Constable has risen to the challenge of the Covid-19 pandemic and put in place arrangements to manage it including several daily strategic meetings as well as the implementation of COVID 19 governance arrangements.</p> | <p>We concluded that there are appropriate arrangements in place for the in year reporting and monitoring of the financial position of both the Chief Constable and the Police and Crime commissioner.</p> |

## A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit. There were no fees for the provision of non audit services.

### Reports issued

| Report                        | Date issued                                    |
|-------------------------------|--|
| Audit Plan and addendum       | 22nd April 2020                                |
| Updated Audit Findings Report | 2nd November 2020,<br>updated 26 November 2020 |
| Annual Audit Letter           | January 2021                                   |

### Fees

|                   | Planned<br>£ | Actual fees<br>£ | 2018/19 fees<br>£ |
|-------------------|--------------|------------------|-------------------|
| Statutory audit   |              |                  |                   |
| - PCC             | 27,560       | 27,560           | 23,360            |
| - Chief Constable | 13,850       | 13,850           | 11,500            |
| Additional Fee    |              | 4,500            | 2,000             |
| Total fees        | 41,410       | 45,910           | 36,860            |

### Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group, PCC and Chief Constable. There were no fees for the provision of non-audit services..

### Audit Fee Variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £41,410 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work.

Remote working has taken additional time to explain the audit trail of transactions through remote working rather than discussing processes and procedures in person. There has also been additional work undertaken in response to McCloud and the revised IAS 19 reports and through discussions with the external valuer. We estimate that the impact of remote working this has extended the audit process by 7 days.

Fee variations are subject to PSAA approval



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

**Meeting date: 17<sup>th</sup> March 2021**

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

## **DRAFT INTERNAL AUDIT PLAN 2021/22**

### **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 The plan continues to include time for advisory / consultancy work. We have included one larger 25 day review which equates to 9% of overall resources. This is the same as in 2020/21.
- 1.4 Coverage is considered adequate to provide the annual audit opinions as required under the PSIAS.
- 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. The change to the Charter from 2020/21 relates to the Institute of Internal Auditors (IIA) new 'Three Lines Model'.
- 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 2021/22.***

## 3.0 BACKGROUND

- 3.1 The approach to preparing the audit plan has been based around:
- Review of the 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 The audit plan includes time for advisory / consultancy work. In this year's plan we have considered the lessons learned from our advisory / consultancy work in 2019/20 and included one larger review in 2020/21. Overall 25 days of the plan has been allocated to advisory / consultancy work, equating to 9% of overall resources in the plan. This is the same as in 2020/21.
- 3.4 Planned Internal Audit coverage is considered adequate to provide the annual audit opinions.
- 3.5 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 change to the Charter from 2020/21 relates to Appendix A where the diagram and narrative has been updated to reflect the Institute of Internal Auditors (IIA) new 'Three Lines Model'.
- 3.6 Internal Audit will continue to follow up all audits resulting in 'Partial' or 'Limited' assurance.

**Emma Toyne**  
**Audit Manager**

March 2021

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## **APPENDICES**

***Appendix 1: Draft Internal Audit Plan 2021/22***

***Appendix 2: Internal Audit Charter 2021/22***

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

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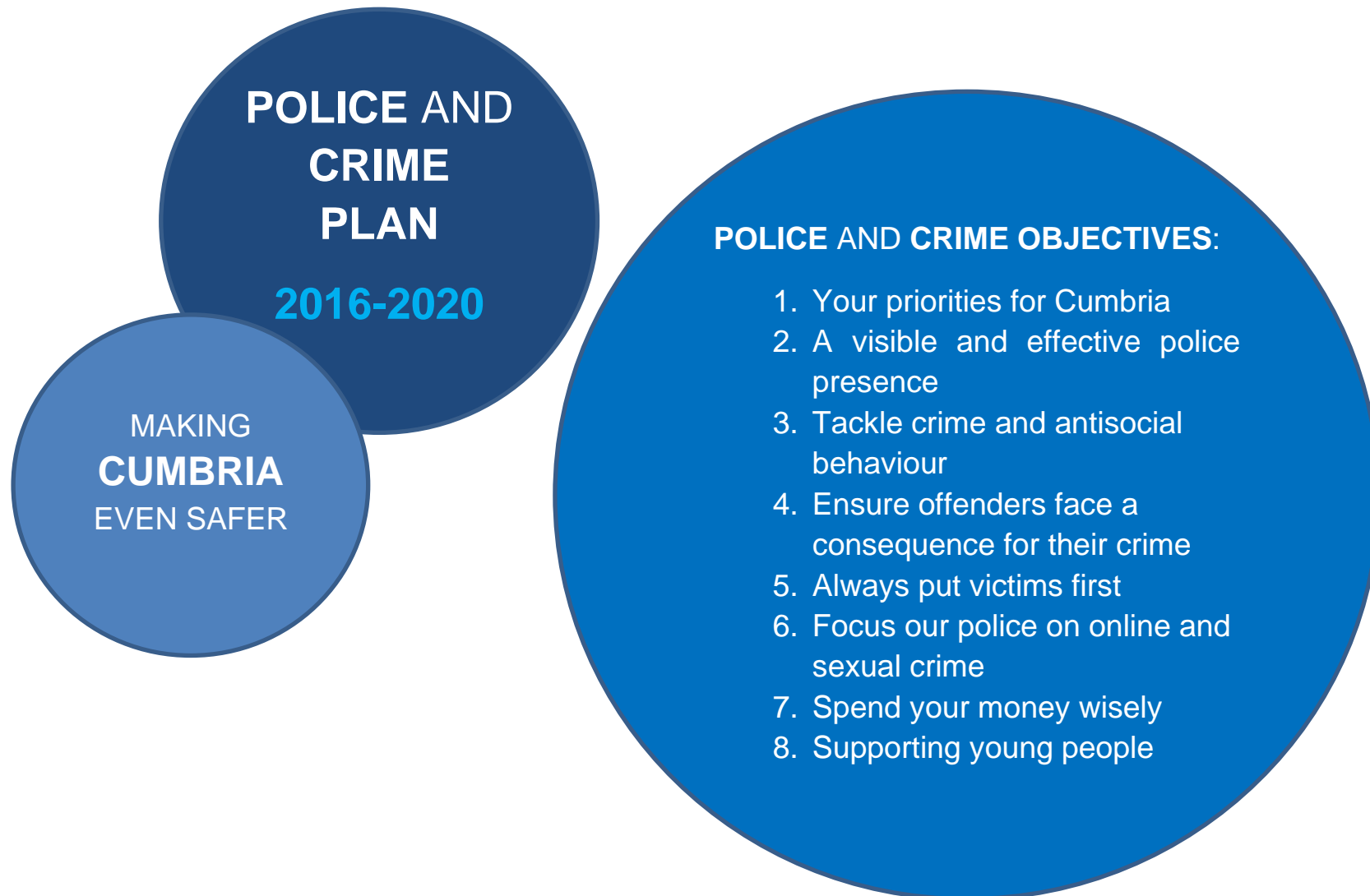
**Cumbria Office of the Police and Crime Commissioner**  
**and**  
**Cumbria Constabulary**

**INTERNAL AUDIT PLAN 2021/22**



## 1. Introduction

1.1 The Internal Audit Plan for 2021/22 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 2020/21 plan, we have sought to align the audit plan with risks documented within the strategic risk registers, where relevant. 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 opinions 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. This year we have 10 days brought forward from 2020/21 to undertake the Phase 2 work on the Business Transformation Project – Finance. The current level of resource is appropriate to deliver the planned number of audit days.

3.2.2 We have continued to include time within the plan for advisory / consultancy style work as part of our development of the internal audit service aimed at providing wider support to the Constabulary and OPCC which was an area highlighted as part of the EQA. In this year's plan we have taken into consideration the lessons learned from undertaking advisory / consultancy work in 2019/20 and

2020/21 and included one larger review of 'Use of Estate moving forward'. Overall 25 days of the plan has been allocated to advisory / consultancy work which equates to 9% of overall resources in the plan, which is the same as in 2020/21.

### **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 (the highest assessment available) and the 'audit methodology contains all the required elements of the standards'.
- 3.3.2 We have already addressed most recommendations arising from the assessment, and where appropriate, arrangements are now well embedded in the preparation of this audit plan.
- 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 2020/21

| Audit Review   | Description   | Days |
|--|---|------|
| Financial sustainability<br>(Constabulary / OPCC)                                      | <p>Financial pressures remain on both the OPCC and Constabulary strategic risk registers. The audit would provide updated assurance over the ongoing arrangements for financial sustainability during this time of financial uncertainty for the OPCC and Constabulary.</p> <p>We anticipate that this will be an annual review for the foreseeable future given the current financial climate.</p>   | 15   |
| Benefits delivery process<br>(Constabulary / OPCC)                                     | <p>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 once the arrangements set in place in late 2020/21 are embedded.</p> <p>Our report in 2021 gave partial assurance. Given that arrangements were still being put in place, we propose to undertake a full audit review in 2021/22 rather than a follow up.</p> | 20   |
| New Business Transformation<br>Project (BTP) Establishment<br>processes (Constabulary) | Identified as a priority by management for the 2020/21 internal audit plan. The review was removed when the 2020/21 audit plan was reassessed in June 2020 but has been included in the 2021/22 plan. The audit will provide independent assurance that the newly developed processes have the correct level of internal controls and that data is timely and accurate.   | 20   |
| New Business Transformation<br>Project (BTP) finance<br>(Constabulary)                 | Identified as a priority by management in the 2020/21 internal audit plan. Our review was to take place in two phases. The project implementation was originally planned for 5th October 2020 but was delayed until the end of January 2021 and, as a result of this, we were only able to undertake phase one in 2020/21. Phase 2 will be a post implementation review and will look at the system in operation in 2021/22.  | 10   |

| Audit Review   | Description  | Days |
|--|--|------|
| New Business Transformation Project (BTP) Duties Management (Constabulary) | The new duties management system was implemented in January 2021. The audit will provide assurance that the controls in place are working effectively.   | 20   |
| Digital leadership Programme (Constabulary)                                | The Constabulary has implemented new ways of digital working over the past few months and has introduced a Digital Leadership Programme. The review will provide assurance that the skills and knowledge relayed through the Digital Leadership Programme are being put into practice in the workplace.  | 20   |
| Agile workforce (Constabulary)<br><br>Agile workforce (OPCC)               | <p>The COVID-19 pandemic has resulted in both organisations' workforce becoming more agile. The review will provide assurance that the Constabulary and OPCC have provided appropriate advice and equipment (including Display Screen Equipment assessments) to allow staff to safely do their job.</p> <p>We will also provide assurance that working practices established in respect of wellbeing, support and supervision are being complied with.</p> <p>As the arrangements for the Constabulary and OPCC may differ we will issue separate reports for each organisation.</p> | 25   |
| Resource allocation / workforce planning.                                  | The review would provide assurance over the Constabulary's annual arrangements to analyse demand and subsequently allocate resources. The review will also consider the consistency of spans of command.   | 20   |
| COVID-19 and the organisation's response to COVID-19 / Recovery & Renewal  | <p>The impact of COVID-19 has fundamentally cut across the whole organisation with over 1,000 actions being undertaken and completed.</p> <p>We will undertake a piece of work in relation to how the Constabulary has responded to COVID. The focus of the work will be agreed at the time of the review to ensure that it provides the most benefit to the organisation.</p>   | 20   |

| Audit Review  | Description  | Days |
|---|--|------|
| OPCC – Complaint reviews                                    | Complaints became the responsibility of the PCC in 2020. The audit will provide independent assurance that the review process in place within the OPCC is robust and is being complied with.   | 15   |
| Preparedness for the McCloud remedy                         | This risk based audit would provide assurance over the arrangements the OPCC / Constabulary have in place to implement the McCloud remedy which impacts on pensions.   | 15   |
| Financial systems – Payroll                                 | Cyclical financial system audit which will focus on compliance with key controls.  | 15   |
| Financial systems - Inventory                               | Cyclical financial system audit which will focus on compliance with key controls.  | 15   |
| Advisory / Consultancy work<br>Use of Estate moving forward | Many people are now working from home and it is anticipated that this will remain the case for some time. The organisation will need to consider how it uses the estate moving forward. Our work will provide assurance that the future direction and use of the Estate aligns to the Estate Strategy. | 25   |
| Risk management and governance (Constabulary / OPCC)        | Work to support the annual opinions.   | 10   |
| 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    |

| Audit Review              | Description   | Days   |
|---------------------------|---|--|
| 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> <p>Attendance at Joint Audit Committee (5 meetings in year)</p> <p>Preparation of progress reports, annual reports and opinions</p> <p>Audit planning</p> <p>Management liaison</p> <p>Effectiveness of internal audit – Compliance with PSIAS</p> | <p>4</p> <p>6</p> <p>9</p> <p>4</p> <p>1</p> |
| <b>Total</b>              |   | <b>291</b>                                   |



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

Internal Audit Charter 20210/221

## 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 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 Group 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 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 Committee and significant deviations must be considered for inclusion within Annual Governance Statements and may [be referred to in](#) ~~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 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 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), [the Cumbria Office of the Police and Crime Commissioner](#) 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 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 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 [theirhis/-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~~ The Group Audit Manager and 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 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 have yes free and unfettered access to the board and the Joint Audit Committee and have yes the right to request a meeting in private with the Commissioner, Chief Constable and/or Chair of the 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 Group Audit Manager and their 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 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 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 Committee
- Monitor implementation of agreed audit recommendations through follow up process and report the outcomes to Senior Management and the 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 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 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 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 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 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' 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 Committee, an annual report containing:
- The overall opinion of the Group 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 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 Committee. All changes to approved audit plans will be reported to the next meeting of the 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 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 Committee can be assured that the annual opinion they are given is independent and objective. Whilst the Group Audit Manager reports operationally to the Joint Chief Finance Officer, there is also a functional reporting line to the board and the Joint Audit

Committee and the Group Audit Manager has direct access to the Commissioner, Chief Constable and the Chair of the 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 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 Group 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 Committee.

6.11 In line with the requirements of the PSIAS and the CIPFA Statement on the Role of the Head of Internal Audit 2019, 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 Group 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 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:

- Ensuring 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

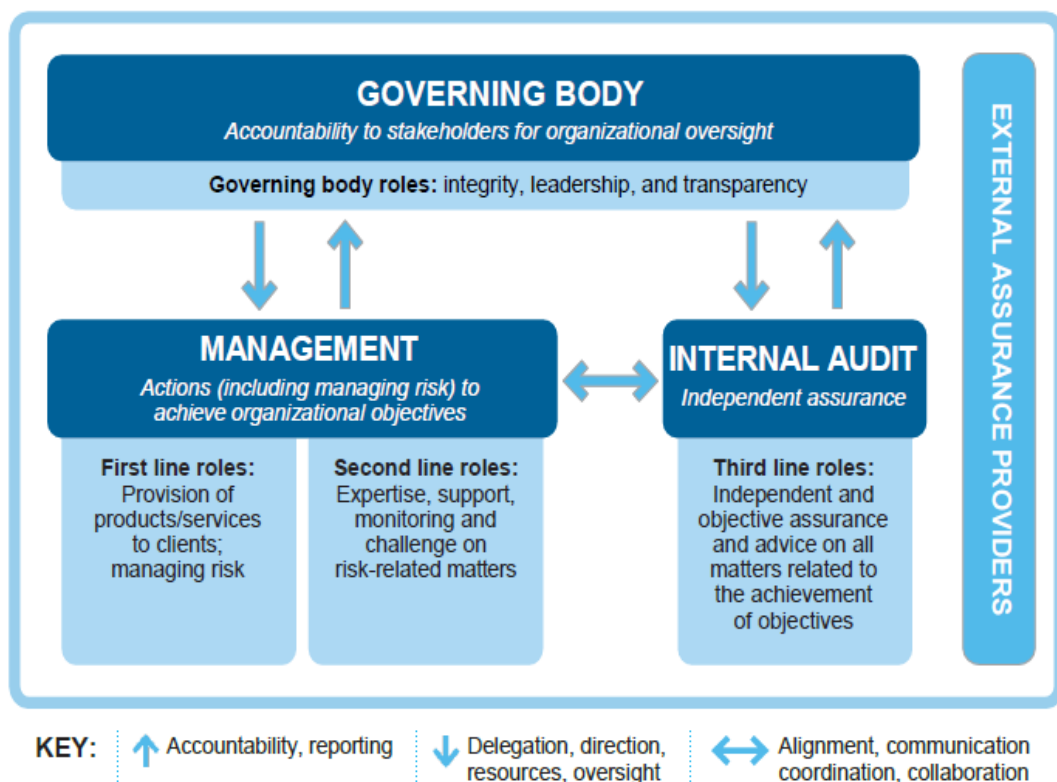
9.1 The charter will be reviewed annually and submitted to Senior Management and the Joint Audit Committee for review prior to approval by the board alongside the annual audit plan.

## Appendix A

### The Three Lines Model

The Institute of Internal Auditors (IIA) updated its Three Lines of Defence model in July 2020. The updated model removes the term 'defence' and provides more focus on the need for regular interaction between Internal Audit and management, including a focus on providing advice whilst retaining independence from the responsibilities of management.

### The IIA's Three Lines Model



The revised model sets out three broad categories or groups of roles critical for governance:

### **Governing Body**

The Governing Body is accountable to stakeholders for oversight of the organisation. It engages with stakeholders to monitor their interests and communicates transparently on the achievement of objectives. It promotes a culture of ethical behaviour and accountability.

The Governing body is responsible for establishing the structures and processes for governance, including supplementary committees as required. It delegates responsibility to management and provides resources to achieve organisational objectives.

Risk appetite and oversight of risk management (including internal control) is determined by the governing body which also maintains oversight of compliance with legal, regulatory and ethical expectations.

The governing body oversees an independent, objective and competent internal audit function.

### **Management**

**First line** management roles lead and direct actions (including managing risk) and application of resources to achieve the organisation's objectives. It maintains continuous dialogue with and reports to the governing body.

First line management is responsible for establishing and maintaining appropriate structures and processes for managing the operations and risk (including internal control). It ensures compliance with legal, regulatory and ethical expectations.

**Second line** management provides expertise, support, monitoring and challenge related to managing risks including the development, implementation and continuous improvement of risk management practices at a processes, systems and entity level. It is responsible for maintaining compliance with laws, regulations, acceptable ethical behaviour, internal control, information and technology security, sustainability and quality assurance.

### **Internal Audit**

Internal Audit is accountable to the governing body and is independent from the responsibilities of management. It provides independent and objective assurance and advice to management and the governing body on the adequacy and effectiveness of governance and risk management (including internal control) to support the achievement of organisational objectives and to promote and facilitate continuous improvement. It reports impairments to independence and objectivity to the governing body and implements safeguards as required.



## 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>Measured monthly<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 deadlines may be impacted by several factors including client availability)<br>Measured monthly<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>Measured monthly.<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.   |
| Follow up                          | % of high and medium priority audit recommendations implemented by target date                                      | 100% Quarterly  | Indicates both that, Internal Audit are adding value to the organisation, and that the organisation is implementing recommendation on a timely basis to improve governance and internal arrangements. |
| Assignment completion              | % individual reviews completed to required standard within target days or prior approved extension by Audit Manager | 75%<br>Measured monthly.<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>Measured monthly   | To ensure compliance with the Public Sector Internal Audit Standards.   |

| KPI  | Measure of Assessment  | Target (and frequency of measurement)  | Why is this important / rationale  |
|--|--|--|--|
|  |  | Reported quarterly   | 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)<br><br>Measured monthly.<br><br>Reported quarterly | Gauge customer satisfaction and continuously improve the audit service.                                      |
| 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.   |

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

**Meeting date: 17<sup>th</sup> March 2021**

**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 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 improvement 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**

March 2021

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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>The audit 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 is 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 Joint Audit Committee 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>• Benchmarking through regional and national level networks including Police Audit Group (national internal auditor group specific to policing)</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. An update is to be presented at the March 2021 JAC.

**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> | <p>No action required.</p> | <p>Complete as reported in March 2019</p> |

| Finding  | Action   | What we have done  | Status   |
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| <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 set time aside in the 2018/19 audit plan to support the OPCC and Constabulary in undertaking an assurance mapping exercise.</p>  | <p>We provided information on assurance mapping to the Constabulary and OPCC. The Constabulary produced a document setting out the ‘Assurance Landscape for Policing’ which was appended to the updated risk management policy approved in May 2019.</p> | Complete |
| <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 included specific commentary on the areas suggested. Work is underway to deliver the 2020/21 opinions.</p> <p>Time has been included in the 2021/22 internal audit plan to report an opinion on risk management.</p>   | Complete |

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| <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/>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>As part of the production of the 2021/22 Internal Audit Plan we have continued to have more discussion at Collaborative Board level. 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>We have continued to hold scoping meeting with relevant Senior Officers. This continues to be an important part of our audit process which allows us to focus on specific risks. Key controls testing takes place on main financial systems.</p> | <p>Complete</p> |



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| and controls are known and established. |  |  |  |
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**Use of resources (Standard 2030 Resource management – partial conformance)**

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| <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><br/>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. During 2019/20 we used working groups to refine our processes further. One outcome from this is an updated follow up audit methodology.</p> <p>We have adapted the audit methodology to respond to changes required to operate the Internal Audit service during COVID-19.</p> | <p>On-going</p> |
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| <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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