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Date:

## **AGENDA**

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

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

A Meeting of the Joint Audit & Standards Committee will take place on **Wednesday 21<sup>st</sup> March 2018** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **10:30am**.

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

**Michelle Bellis**  
**Deputy Chief Finance Officer**

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

Please note – there will be a private members meeting from 9.30am – 10.15am

### **COMMITTEE MEMBERSHIP**

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

## **AGENDA**

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

**1. APOLOGIES FOR ABSENCE**

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

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

**3. DISCLOSURE OF PERSONAL INTERESTS**

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

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

To receive and approve the minutes of the committee meeting held on 22<sup>nd</sup> November 2017.

**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 Temp. Chief Constable and OPCC Chief Executive)*

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

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

**8. EXTERNAL AUDIT PLAN**

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

**9. EXTERNAL AUDIT UPDATE REPORT**

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

**Note – due to the timing of the interim audit visit (26/2/18 – 9/3/18) this paper is to be deferred to the May 2018 meeting.**

**10. VALUE FOR MONEY**

To receive an annual report on value for money based on the HMICFRS VFM profile within the Constabulary and OPCC *(To be presented by the Deputy Chief Finance Officer)*

**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. INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA)**

To receive a report from the Internal Auditors on the proposed External Quality Assessment. *(To be presented by the Audit Manager)*

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

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

**14. 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)*

**15. INTERNAL AUDIT – PROGRESS REPORT**

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

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

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

- (i) OPCC Commissioning
- (ii) Business Improvement Unit
- (iii) Use of Force
- (iv) 15 week reviews and PDRs
- (v) Detailed Procurement Testing (TBC)

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.

- (vi) Firearms Licensing (TBC)

**17. STRATEGIC RISK REGISTER**

- (i) To consider the COPCC strategic risk register as part of the Risk Management Strategy. *(To be presented by the Deputy Chief Executive)*
- (ii) To consider the Constabulary strategic risk register as part of the Risk Management Strategy. *(To be presented by the Joint Chief Finance Officer)*

**18. TREASURY MANAGEMENT ACTIVITIES**

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

**19. TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES**

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

**20. FOLLOW UP TO ANNUAL REVIEW OF GOVERNANCE**

To review the COPCC and Constabulary arrangements for governance; cyclical review over three years, covering:

- (i) Joint Procurement Regulations *(To be presented by the Director of Corporate Support)* **Verbal update to be provided at the meeting.**
- (ii) OPCC Arrangements for Anti-fraud and Corruption / Whistleblowing (To be presented by the Governance Manager)
- (iii) Update report in relation to plans for a Joint Anti-Fraud and Corruption Strategy covering both the Constabulary and OPCC. (To be presented by the Governance Manager and Detective Chief Inspector PSD).

**Future Meeting Dates (For Information)**

24 May 2018 @ 10:30 – Conference Room 2  
19 July 2018 @ 10:30 – Conference Room 2  
12 September 2018 @ 10:30 – Conference Room 2  
22 November 2018 @ 13:00 – Conference Room 2  
20 March 2019 @ 10:00 – Conference Room 2

**CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY**

**JOINT AUDIT & STANDARDS COMMITTEE**

Minutes of a Meeting of the Joint Audit & Standards Committee held on Wednesday 22<sup>nd</sup> November 2017 in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 10.00 am

**PRESENT**

Mrs Fiona Daley (Chair)

Mr Malcolm Iredale

Mr Jack Jones

Ms Fiona Moore

**Also present:**

Financial Services Trainee (Neil Collins)

Acting Head of Procurement (Chris Guest)

Governance Manager, Office of the Police and Crime Commissioner (Joanne Head)

Director of Corporate Support (Stephen Kirkpatrick)

Joint Chief Finance Officer (Roger Marshall)

Senior Manager, Grant Thornton (Richard McGahon)

Detective Chief Inspector, Complaints Investigation (Furzana Nazir)

Head of Communications and Business Services & Deputy Chief Executive, Office of the Police and Crime Commissioner (Gillian Shearer)

Deputy Chief Constable (Michelle Skeer)

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

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

It was agreed that agenda items would be considered in the following order: 1-5, 7ii-7v, 7i, 6, 8-15.

**364. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Robin Baker (Director, Grant Thornton), Jane Sauntson (Director of Corporate Improvement), Michelle Skeer (Deputy Chief Constable) and Vivian Stafford (Temporary Chief Executive, Office of the Police and Crime Commissioner).

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

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

### **366. DISCLOSURE OF PERSONAL INTERESTS**

There were no disclosures of any personal interest relating to any item on the Agenda.

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

The draft minutes of the meeting held on 13<sup>th</sup> September 2017 had been circulated with the agenda. The minutes were first reviewed for factual accuracy and approved as a true record of the meeting by the committee. The following comments were made:

- 359 - It was noted that the HMIC report on Child Protection, published on 18<sup>th</sup> September, rated the Constabulary as 'good'.
- An OPCC Corporate Update will be added as a standing agendum in future.
- 359 – The Committee expressed a desire for further clarifications on responsibilities for ICT security and a concern regarding whether security failings are the result of a systemic fault. The Director of Corporate Support will follow this up and provide an update at a future meeting. A Development Session on information security, including consideration of the impact of upcoming legislative changes, will also be arranged at a future date.

**RESOLVED**, that the minutes of the meeting held on 13<sup>th</sup> September 2017 be approved.

### **368. ACTION SHEET**

The action sheet of the meeting held on 13<sup>th</sup> September 2017 had been circulated with the agenda. The following comments were made:

- A member noted that CIPFA recommendations state that audit committees should not routinely accept 'ongoing' as a status for actions, as this status does not provide sufficient clarity. It was agreed that the 'ongoing' status would be split into two, to reflect actions that were within original timescales and those where the original timescale had been exceeded. A lighter shade of green would be used for the former, with orange being retained for the latter.
- 328 – Ethics and Integrity Panel review of control room - an update will now be provided at March meeting.
- 349 – Command and Control audit report -an update will be provided at the development session but discussion will be needed at the March meeting for minutes purposes.

- 359 – update on Information Security recommendations to be deferred until the March meeting.
- 360 – the CFO advised that the actions to develop the Offender Management Delivery Plan have largely been completed but a full update will be provided at the March meeting.
- The JASC Action Plan will be discussed over lunch and a status update will be provided in advance of the next meeting.

### **369. ANNUAL REVIEW OF GOVERNANCE**

- **Joint Procurement Regulations**

There have been one substantive and three minor changes to this document. The minor changes reflect the move to a Joint CFO for the two organisations, changes to branding and minor typographical changes. The Substantive change is to reduce the quote figure level from £100k to £50k, reflecting best practice across other large public sector organisations. This exercise has been occasioned by staffing changes, in particular the departure of Les Hopcroft and his replacement by Chris Guest.

Members will email detailed comments to the Director of Corporate Support. The Head of Procurement noted the extreme complexity of the document and the Director of Corporate Support advised that it is still very much a work in progress. The Committee expressed a wish to receive a revised version in March, and noted that this should include a covering report to address any potential conflict of interest concerning the Temporary Chief Executive of the OPCC also holding specific responsibilities for procurement.

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

- **The role of the Chief Finance Officer**

An updated, single document has been provided to reflect the merger of the two CFO roles. CIPFA are still updating their police-specific guidance, which could lead to further changes.

The Chair thanked the CFO for preparing this document and concluded that report provides a higher degree of assurance and clarity about the arrangements.

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

- **OPCC Scheme of Delegation / Consent**

An updated version of this document has been provided, to reflect the move to a Joint CFO and the appointment of a new Chief Executive.

It was agreed that page 16 needed to be updated to cover arrangements for dealing with any potential unlawful activity by the PCC.

Further clarity was requested regarding the arrangements for dealing with any conflict of interest that might arise from the Chief Executive and Deputy both holding other roles as Head of Partnerships and Commissioning and Head of Communications respectively.

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

- **OPCC Arrangements for Anti-fraud and Corruption / Whistleblowing**

Members observed that there were notable differences between this document and the Constabulary document, including the use of an older definition of fraud in the former, differences in the thresholds for gifts and hospitality applicable to the two, and the omission of abuse of power for sexual gain from the OPCC document. Additional clarity required regarding procedures and disciplinary processes was also requested.

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

- **Constabulary Arrangements for Anti-fraud and Corruption / Whistleblowing**

The Detective Chief Inspector (DCI) (Complaints Investigation) advised the committee that the document had been updated to reflect current national priorities e.g. abuse of authority for sexual gain. The Code of Ethics has also been incorporated into the document along with other minor changes and updates.

It was agreed that members will email detailed comments in. It was again noted that significant differences exist between this document and the OPCC document. It was agreed that the DCI and Governance Manager would meet to consider the possibility of a joint Constabulary / OPCC document. The DCI will also check with Procurement to ensure that contractors are required to adhere to the same standards. It was also agreed that a progress report will be provided at the next JASC meeting.

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

### **370. CORPORATE UPDATE**

The CFO advised that no further update had been received regarding the funding formula. The relaxation of the public sector pay cap is seen as a major game changer and a two per cent pay increase has been included in forecasts on an ongoing basis. Reserves will be used to fund this, but will be used up very quickly.

The Constabulary is being required to invest heavily in ICT but questions arise as to whether this can generate cash efficiencies. Staffing efficiencies will therefore be required to offset the cost of this investment.

Vision 2025 is progressing well. Proposals have recently been made to align the main decision making bodies more closely with the five strands of the strategy. It is hoped that this will reduce the number of meetings taking place. This proposal has been approved in principle and will be implemented from April 2018 if fully approved.



101 remains a high priority; further information is to be made available in the Development Session.

The Deputy Chief Executive advised that the OPCC is currently undertaking a public consultation on the Council Tax Precept for 2018/9. Early indications show a 70/30 split in favour of an increase in the precept level of over two per cent.

A deal to purchase an additional four acres of land adjacent to the existing HQ building has recently been finalised. Contracts have been also been exchanged for the sale of the old Barrow Police Station and completion is expected in the near future. The new Eden Deployment Centre will be added on the existing HQ site. There is also a plan to purchase a piece of land at Workington to allow expansion there.

A business case has been approved for a new integrated Command and Control system. This will be added to the risk register.

The options appraisal on blue light collaboration has been circulated to interested parties, with feedback having now been received from the Chief Fire Officer, County Council and Police and Crime Panel. The PCC is expected to make decision in the near future.

It was reported that the new governance arrangements are working well, although there is a capacity issue at the lower levels e.g. around volume of Quality of Service enquiries received.

A member asked what processes had been put in place to deal with any reputational issues that might arise as a result of the Poppi Workington inquest. This is due to begin on Monday 27<sup>th</sup> November and run until 15<sup>th</sup> December, although the verdict will not be received until 15<sup>th</sup> January 2017. The Deputy Chief Executive advised that a QC to represent the OPCC / Constabulary had been appointed and that a media strategy was in place.

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

Approximately one third of actions for the Constabulary have been completed, one third are ongoing and one third are outside of the original specified timescale. Half of actions for the OPCC have been completed. Nevertheless, progress is being made in all areas. The exceeded timescales in section D relate mostly to tactical work in respect of blue light collaboration, which should take on a greater impetus following the appointment of a Blue Light Collaboration Coordinator.

It was noted that there is a need to look at how the Social Value Policy will be implemented. This work has been delayed due to the change of Head of Procurement.

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

### **372. ANNUAL AUDIT LETTER**

The Senior Manager introduced that Annual Audit Letter and advised that it contained very positive conclusions regarding both the financial statements and value for money. There were no significant matters requiring action to bring to the attention of the Committee.

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

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

The CFO informed the committee that this combined Constabulary / OPCC report showed that approximately one third of actions were complete, around a third were ongoing, and around a third were not yet due. Specific updates were provided as follows:

- Digital case file preparation – a report has gone to COG, and has largely been agreed and implemented.
- Stingers – all actions have now been completed.
- Information security – discussed elsewhere.
- Offender management – minor issues have been encountered regarding the timescale of agreed actions.

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

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

The Audit Manager reported that work is progressing as planned, with all audits identified for the first three quarters of 2017/18 now being underway. Planning meetings with senior management at both organisations have also taken place since the report was written.

Concerns were raised by a member regarding the timescales for the External Quality Assessment, specifically whether March 2018 is soon enough for the outcome to be reported. The Audit Manager replied that although the report will not go before JASC until then, it will be discussed with the Constabulary, OPCC and external audit beforehand. The draft report has assessed the Shared Internal Audit Service as generally conforming.

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

### **375. INTERNAL AUDIT REPORTS**

- **Finances Funding Formula**

In response to recommendation 5.2a, concern was expressed that it was not explicit enough with regard to the split of responsibilities between the CFO and Deputy CFO. This has now been addressed by The Role of the Chief Finance Officer discussed at minute item 369 above.

- **Fleet**

This report again raised concerns over ICT security, but these were discussed elsewhere in the meeting (minute 368 refers).

The Internal Audit report on Treasury Management had been reviewed by Members and there were no points which Members wished to discuss at the meeting.

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

### **376. STRATEGIC RISK REGISTER**

- **COPCC Strategic Risk Register**

The Deputy Chief Executive advised that this document had been updated to include an additional risk relating to OPCC capacity, following comments made at previous committee meetings.

- **Constabulary Strategic Risk Register**

The CFO explained that this document represented a continuation of the previous register, recognising the longevity of the risks. It was again noted that the financial position remains challenging. One risk (regarding integrity) has been removed from the register.

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

### **377. TREASURY MANAGEMENT ACTIVITIES**

The Deputy CFO introduced the report by stating that during quarter two, there had been little change in the economic situation; however the Bank of England base rate has now increased. This was felt to be a positive development from the perspective of the PCC's investments. It was further noted that investment performance exceeds the Bank of England base rate.

It was also noted that the PCC's bank account was overdrawn for a period of three days, due to user error. A procedure to mitigate against potential future similar occurrences has now been implemented. The final page of the report provides assurance that prudential indicators have been complied with throughout the year.

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

The dates of the next meetings were confirmed as follows:

- 21 March 2018 @ 1000 – Conference Room 2
- 24 May 2018 @ 1000 – Conference Room 2
- 19 July 2018 @ 1000 – Conference Room 2
- 12 September 2018 @ 1000 – Conference Room 2
- 22 November 2018 @ 1000 – Conference Room 2

**Meeting ended at 1 pm.**

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

**Date:**

# Joint Audit & Standards Committee – Action Update and Plan

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
<b>DATE OF MEETING: 15<sup>th</sup> March 2017</b>					
302	Item 6 – Corporate Update Review of new Joint CFO arrangements	Roger Marshall / Michelle Bellis	<del>November 2017</del> / <del>March 2018</del> May 2018	<p>A review of the CFO arrangements will be provided in March 2018, once arrangements have settled in. Verbal update provided at November 2017 meeting.</p> <p>The Joint CFO will provide a verbal update to the meeting in March, it is requested that the formalised report providing an update is deferred to the May 2018 meeting, at this point the new arrangements will have been in place for a full year and as such the full cycle of financial activities will have been completed.</p>	Ongoing (original timescale exceeded)
<b>DATE OF MEETING: 24<sup>th</sup> May 2017</b>					
328	Item 12 – Ethics and Integrity Governance Members to receive an update on what the Ethics and Integrity Panel thought about the control room review.	Joanne Head	<del>September 2017</del> <del>November 2017</del> March 2018	<p>Paper to be submitted to the meeting in September.</p> <p>The Ethics and Integrity Panel meeting for August has been delayed until 21/09/17 and as such the report on the Control Room Review will now come to JASC at the November meeting.</p> <p>The annual report of the E&amp;I panel has been attached for members information at Item 5i, the report includes a summary of their work in consideration of the control room review.</p>	Complete
<b>DATE OF MEETING: 21<sup>st</sup> July 2017</b>					
349	Item 8 – Command and Control More detailed response to audit report to be provided	Michelle Skeer	<del>September 2017</del> November 2017 / March 2018	<p>An update will be provided as part of the development session at the November meeting. Discussion will follow at the March 2018 meeting for minutes purposes.</p> <p>Development session in November 2017 included a detailed briefing around the control room and 101 performance.</p>	Complete

<b>DATE OF MEETING: 13<sup>th</sup> September 2017</b>					
359	Item 6 – Monitoring of Audit, Internal Audit and Other Recommendations and Action Plans Further clarity regarding responsibilities for information security to be provided.	Michelle Skeer	<del>November 2017</del> March 2018	Deferred to March 2018.	Ongoing (original timescale exceeded)
360	Item 9 – Offender Management Delivery plan to be developed and evidence for completed actions to be provided	Michelle Skeer	<del>November 2017</del> March 2018	Brief update provided at November meeting. Full update to be provided at March 2018 meeting.	Ongoing (original timescale exceeded)
<b>DATE OF MEETING: 22<sup>nd</sup> November 2017</b>					
367	Item 4 Matters Arising– OPCC Corporate Update to be added as standing agendum for future meetings.	Neil Collins	March 2018	This is now included as a substantive agenda item alongside the Constabulary Corporate Update (item 6)	Complete
367	Item 4 Matters Arising (re minute 359) – Further clarity regarding responsibility for ICT security to be provided.	Stephen Kirkpatrick	March 2018	A verbal updated will be provided at the 21 March 2018 meeting with a development session being planned for 22 November 2018 11:00-12:00.	Ongoing (within original timescale)
367	Item 4 Matters Arising (re minute 359) – Development session on ICT security to be arranged.	Roger Marshall	November 2018	Development session arranged for 22 November 2018 11:00-12:00. Members are asked to clarify what they would like to be included.	Ongoing (within original timescale)
369	Item 7(ii) – Revised version of Joint Procurement Regulations to be provided, incorporating covering report addressing any potential conflict of interest issues.	Stephen Kirkpatrick /Chris Guest	March 2018	The Joint Procurement Regulations update have been added as an agenda item for the meeting on 21 March 2018 at item 19 (i).	Ongoing (within original timescale)
369	Item 7(v) (OPCC Arrangements for Anti Fraud & Corruption) – Updated version of document to be provided, to cover arrangements for dealing with unlawful activity by PCC and conflict of interest issues.	Gill Shearer	March 2018	The OPCC Arrangements for Anti-Fraud and Corruption have been added as an agenda item for the meeting on 21 March 2018 at item 19 (ii).	Ongoing (within original timescale)

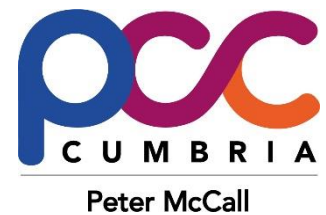
369	Items 7(i) Constabulary Arrangements of Anti-Fraud and Corruption and (v) OPCC Arrangements for Anti Fraud & Corruption – Meeting to take place to discuss possibility of joint OPCC / Constabulary document. Document(s) to be updated to take account of member comments. Progress report to be provided at next meeting.	Joanne Head / Furzana Nazir	March 2018 (progress report only)	The progress report has been added as an agenda item for the meeting on 21 March 2018 at item 19 (iii).	Ongoing (within original timescale)
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# Joint Audit & Standards Committee – Review of Effectiveness

## Improvement Action Plan 2017/18

Ref	Improvement Area	Planned Action	Action Owner	Target Date	Status
JASC1	Helping to improve the focus on outcomes so that delivery can be measured more effectively.	Consider the arrangements for monitoring delivery of the Police and Crime Plan. Review the OPCC Annual Report and consider the qualitative outcomes.	JASC	March 2018	Amber
JASC2	Exploring ways to strengthen partnership working with the Police and Crime Panel and the Ethics and Integrity Panel where appropriate.	Increase awareness of the issues and concerns of the Police and Crime Panel to the extent that they might inform the work of the Joint Audit and Standards Committee.  JASC members to attend PCP meetings by rotation.	JASC	March 2018	Green
JASC3	Support and monitor the OPCC and Constabulary plans to address the increasingly stringent funding environment.	Attend training session and consider as appropriate the arrangements flowing from significant changes in funding levels. JASC to ensure efficiency considered as part of aspects of any recommendations.	JASC	March 2018	Green
JASC4	Support and challenge any new governance arrangements, for example, from restructuring, greater collaboration with other organisations or joint working on delivery of services.	Consider the arrangements for the Joint Chief Finance Officer and the rotating appointment of Monitoring Officer and CEO. JASC to encourage clarity in new arrangements; appropriate documentation; ensure governance arrangements considered as part of the risk assessment.	JASC	March 2018	Green





# Joint Audit & Standards Committee

## Title: Ethics and Integrity Annual Report

**Date: March 2018**

**Agenda Item No: 5i**

**Originating Officer: Joanne Head**

**CC:**

### **Executive Summary:**

The Police and Crime Commissioner and the Chief Constable of Cumbria Constabulary have a joint Ethics and Integrity Panel to promote and influence high standards of professional ethics within both organisations and provides strategic advice, challenge and support in relation to such issues.

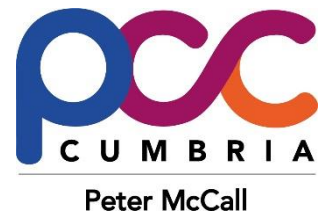
### **Recommendation:**

That, the committee notes the work carried out by the Ethics and Integrity Panel during 2017 and the beginning of 2018.

### **1. Issues for Consideration**

- 1.1 At the Joint Audit & Standards Committee meeting in December 2017 the members asked if they could be updated on work to be carried out by the Panel in relation to the Constabulary's Communication Centre.
- 1.2 As part of the Ethics and Integrity panel's annual work programme they have two thematic sessions scheduled. The topics for these are agreed when the work programme is finalised and if necessary amended to include areas of work, which are cause for concern.
- 1.3 One of these sessions in 2016 related to the Communication Centre's use of the Professional Development Framework. Following this work the Panel agreed to revisit this area of business to gain assurance on how the framework had been embedded into the Comms Centre and that it was being used appropriately.
- 1.4 At section six of the Panel's Annual Report, which is prepared for the Commissioner at the end of each year, is a section relating to the Thematic Sessions. Contained within this section is a summary of the Panel's findings in relation to the Professional Development Framework.

# Ethics and Integrity Panel



## Title: Annual Report

**Date:**

**Agenda Item No: xx**

**Originating Officer: Chair of the Ethics & Integrity Panel**

**CC:**

### 1. Introduction & Background

- 1.1 The purpose of the Ethics and Integrity Panel is to promote and influence high standards of professional ethics in all aspects of policing and to challenge; encourage and support the Commissioner and the Chief Constable in their work in monitoring and dealing with issues of ethics and integrity in their organizations. The Panel's role is to identify issues and monitor change where required. The Panel has no decision making powers, although it is able to make recommendations to the Commissioner and the Chief Constable. It considers questions of ethics and integrity within both organisations and provides strategic advice, challenge and support in relation to such issues.
- 1.2 This report provides an overview of the work that the panel has carried out during 2017.
- 1.3 The Panel meets on a quarterly basis in private but its agenda and reports are published on the Commissioner's website following each meeting, with only sensitive or confidential information being excluded. Reports are provided by the Panel to the Commissioner's public meeting to provide information about the Constabulary's performance in areas that relate to ethics and integrity. The purpose of this is to promote public confidence.
- 1.4 An annual work programme is agreed to enable it to fulfil its terms of reference and scrutiny role. The programme fixes the tasks to be undertaken by the Panel at each of its scheduled meetings and has been set to ensure whenever possible that meetings are balanced in terms of the volume of work. The work of the Panel has continued to develop during 2017 and the 2018 work programme revised to reflect such changes. Again there are to be two thematic sessions held during the year. A copy of the Panel's current work programme can be found at [Appendix 1](#).
- 1.5 Membership of the Panel currently stands as:
  - Ms Lesley Horton
  - Mr Alan Rankin
  - Mr Michael Duff
  - Mr Alex Rocke

## 2. Public Complaints and Quality of Service

- 2.1 During 2017 the Panel noted that the standard of the Constabulary's public complaint files had been maintained throughout the year following previous recommendations made by the Panel. The Panel continued to review complaint files on a six monthly basis to ensure that standards were retained.
- 2.2 Over the reporting period the Panel reviewed 33 complaint files. At each dip sample any recommendations or comments are collated within an action sheet, some of which include:
- More extensive use of Body Worn Video by officers would be able to support or negate complaints made by members of the public. The Panel proposed that an example of good practice be circulated within the Constabulary bulletins.

The action plans are monitored by the Panel at their next dip sample session to ensure that these are completed and where appropriate implemented in a timely manner.

- 2.3 The Panel has also been asked by the Police and Crime Commissioner to look at a number of specific complaint files following communication to him from members of the public. The Panel undertook reviews and concluded that on each occasion the complaint had been dealt with fairly, proportionately and in line with statutory guidance.
- 2.4 At their quarterly meetings the Panel receive performance data from the Constabulary on the number of complaints they have received and how these have been subsequently managed, including whether this was in line with required timescales.
- 2.5 A new 'There and Then' system had been introduced whereby complaint calls were taken by experienced investigators, and if there were no criminal allegations being made, they would try and resolve the matter on that day where possible. This provided a quicker service for some of the more low level complaints with positive feedback being received from members of the public. The Panel had dip samples some of the initial cases and would continue to include these to ensure fairness and consistency.
- 2.5 Work undertaken by the Office of the Police & Crime Commissioner in relation to complaints and quality of service was also reviewed by the Panel. Members of the public write to the Commissioner regarding policing matters and issues. The OPCC through raising the issues with the Chief Constable's staff office facilitated individuals to receive a written response answering their questions or queries.

## 3. Police Officer and Police Staff Misconduct

- 3.1 As part of their work programme the Panel have reviewed police officer and police staff misconduct files prior to both their May and November 2017 meetings. The Panel have noted a continued improvement in the way the files have been dealt with and the information recorded therein.
- 3.2 During their sessions the Panel reviewed all files, providing views and recommendations for any improvement in the way information was provided or public perception of the handling of such cases. They were pleased to note that the quality of the files had improved and that following their comments a template had been created to assist managers in recording their findings and

detailing what actions have taken place or training to be completed.

- 3.3 The Panel receive on a quarterly basis information relating to police officer misconduct from the Constabulary's Anti-Fraud and Corruption Unit and information relating to police staff misconduct on a six monthly basis. This enables the Panel to monitor performance in relation to these areas of business and consider any patterns or trends.
- 3.4 Having reviewed such files, the Panel have gained assurance that the Constabulary are dealing with misconduct and complaints in a professional manner. At no time did the Panel disagree with the outcome of any of the files. Where they provided advice or recommendations, this was to improve the service provided or the process being undertaken.

#### 4. Code of Ethics and Code of Conduct

- 4.1 As part of the Panel's role it seeks to ensure that both the Constabulary and the Police and Crime Commissioner have embedded within their organisations the **Code of Ethics** and **Code of Conduct** respectively.
- 4.2 During their various dip sample sessions the Panel saw first-hand that policies and procedures within the Constabulary had the ethos of the Code of Ethics embedded within them. When carrying out reviews of performance, the Panel were provided with evidence of the methods used by the Constabulary to promote the Codes of Ethics since its inception. These included new training sessions which all officers and staff were required to undertake, information on noticeboards, newsletters and Chief Officer road shows.
- 4.3 Similarly the Commissioner upon taking office in May 2016 swore an oath to act with integrity and signed a Code of Conduct. A Code of Ethics developed by the Association of Police and Crime Commissioners (APCC) has also been adopted by the Commissioner. It sets out how The Commissioner has agreed to abide by the seven standards of conduct recognised as the Nolan Principles. This Ethical Framework allows transparency in all areas of work of the Police and Crime Commissioner. These principles encompass the Commissioner's work locally and whilst representing Cumbria in national forums. The Panel did not identify any complaints received from either members of staff or the Commissioner during 2017.
- 4.4 The Panel have been provided with assurance whilst carrying out their role that both organisations take the ethos of the Code of Ethics and Code of Conduct extremely seriously and this has been evident in the reviews and dip samples they have undertaken in other areas of business.

#### 5. Grievances and Civil Claims

- 5.1 On a six monthly basis the Panel have reviewed **Grievances** being processed by the Constabulary during agreed reporting periods. Although the numbers were very low, the Panel gained assurance that the Constabulary were proactively encouraging officers and staff to raise such matters. It was noted that many issues were raised and dealt with on an informal basis which those concerned felt was more beneficial.
- 5.2 The Panel were advised that the staff union, Unison, were pleased that issues were resolved at an early stage and saw this as a positive step by the Constabulary. Although this may be good for the

individuals involved the Panel felt that it did not allow the matters to be recorded and enable the organisation to learn for the future or make appropriate changes.

- 5.3 On behalf of the Police and Crime Commissioner the Panel also monitor **Civil Claims** being processed by the Constabulary's Legal Department. They received information about the types of claims being made, the stage the proceedings had reached and about the claims that had been resolved. As part of this oversight the Panel seek assurance that any trends are being identified and how the organisation learnt from particular cases disseminating information throughout the organisation to avoid future risks and claims.
- 5.4 To date the Panel have not identified any issues or concerns in either area of business. On a national and local level the Constabulary, along with other forces, are in the process of dealing with employment tribunals in relation to police pensions. Currently there were 114 claims with more being added following the Constabulary implementation the national pension regulations. The claims were being co-ordinated nationally by Hertfordshire Constabulary.

## 6. Thematic Inspections

- 6.1 The Panel have reviewed two areas of thematic work during 2017 and one in February 2018. The first being **Special Constabulary Recruitment** during a session in February 2017. The Panel discussed the recruitment, training and onward retention of volunteers within the Special Constabulary; including the the types of volunteers that the Constabulary wished to recruit and the reasons behind individuals wishing to join.
- 6.2 Due to the various roles that the Constabulary would like them to perform it was proposed that the Constabulary consider how they carried out their recruitment and whether it should be at times tailored to enable them to recruit volunteers with specialist or community skills. They also considered that if the Constabulary would like to have volunteers with specialist skills to assist particular departments then was it necessary for them to be enrolled within the Special Constabulary or could they be enrolled as a police volunteer. From this work the Constabulary subsequently looked at the broader scope of citizens in policing.
- 6.3 The Panel were keen to ensure that systems would be in place for ongoing support to volunteers once they were recruited; what supervision they would have, ongoing training and monitoring of their wellbeing needs. Further updates and discussions were provided to the Panel at their May meeting.
- 6.4 Prior to their May meeting the Panel undertook a dip sample of **Stop and Search** forms to ensure that the completion of the forms had been maintained. Of the 42 forms reviewed on 3 were felt to be non-compliant and 7 which required some improvement. The Panel had noted significant improvements in the completion of the forms; and although the overall number of searches was reducing the percentage of positive outcomes was increasing. Members suggested that an increase in the wearing of Body Worn Video by officers, would either support or negate any subsequent complaints following the stop and search process.
- 6.5 At their September thematic session the Panel undertook a review of **Body Worn Video (BWV)**. This had successfully been introduced for front-line officers in 2010, with 238 devices being purchased of which approximately 160 were operationally deployed.

- 6.6 The Panel sought assurance that images were being captured and stored in line with Data Protection Regulations. Statutory guidance was in place which mandated when recording was permitted and the Panel noted that Cumbria had mandated recording at incidents of Domestic Violence.
- 6.7 Members had sought clarification as to why continuous recording was not permitted and noted that there had to be a rationale for recording people proportionately, taking images indirectly of individuals not involved in the incident, and retention of the footage for a period of time also had to be taken into account. Standard Operating Procedures (SOP's) for Body Worn Video have not really changed since BWV was first introduced. A piece of work is going to be undertaken to update the SOP's, and it was agreed that the Ethics & Integrity Panel would be included in the consultation process.
- 6.8 Ethical considerations were discussed such as the impact on police and public relations; the impact on prosecutions/court hearings; impact on victims and the storage and deletion of recordings. The Panel were keen to be assured about the downloading, storage and disposal of the images recorded. Work was being carried out by the Constabulary to improve both of these facilities from current arrangements with a project team looking at a cloud based system to manage all of the requirements and be auditable. A digital evidence repository would need to be able to handle Constabulary footage as well as evidence that members of the public may also send in and may include drone footage, dash-cam footage, I-phone footage etc. Footage would be checked for potential viruses, and would also be able to shared with other agencies (e.g. CPS).
- 6.9 At their thematic session in August 2018 the Panel would be revisiting this area of business to review its progress.
- 6.10 During the February thematic session the Panel had visited the Constabulary's Communications Centre to ascertain how the **Professional Discretionary Framework** had been implemented and was being utilised by officers and staff. The members spent over an hour listening in to telephone calls received and how they were handled by officers and staff. There had been a mixture of the types of calls received but it was noted that there was a recurring theme of mental health issues and vulnerability. Officers were very good at handling them, polite and firm with the non-999 calls, identifying any vulnerability for future records.
- 6.11 17% of the calls received related to crimes, with the rest being mostly public safety issues. It has been a step-change for the Constabulary to put officers into the Comms Centre, however early identification of vulnerability had been commented upon by HMIC. The officers provided instant problem solving for the caller with 30% less deployment for front line officers; leaving them free to deal with more complex jobs.
- 6.12 The Panel had taken the opportunity to dip sample cases dealt with under the discretionary framework to ensure that the framework had been applied correctly. They identified that in one instance the framework had not been used when it could have been applied. This had been in relation to a theft from a shop in a very rural location. The benefit to the community of having an officer go and speak with the owner far outweighed that of using the framework. Generally they found that the recording of the use of the framework was detailed, appropriate, at the right level and volume.
- 6.13 Some of the matters they had reviewed related to safeguarding of vulnerable people. Utilising safeguarding resources now within the Comms Centre, enabled matters to be dealt with quickly, taking pressure off the hubs and assisting officers at ground level. DCC Skeer advised that the

Constabulary had received £3m transformation funding to enable inter-agency working. This had proved very successful in providing officers with support and advice to deal with matters. A large amount of training had been given to officers and staff on the difference elements of the mental health spectrum, which was providing a great insight to be able to deal with individuals. It was noted that during the previous year demand relating to mental health matters had increased by 177%. It was important multi-agency solutions were sought. Hubs across the county have partners co-located which look at how issues can be problem solved.

- 6.14 During their morning session and with the aid of the performance report, the Panel reiterated their assurance that the professional discretion framework was working well within the Comms Centre and was being appropriately applied.

## **7. Conclusion**

- 7.1 The Panel continues to develop their role, expanding into other areas of business to assist not only the Constabulary but enable the Police and Crime Commissioner to have further and more detailed oversight of the work of the Constabulary.
- 7.2 Recommendations and guidance have been welcomed not only by the Constabulary but also the OPCC, resulting in a number of changes and developments to processes and procedures. The future work of the Panel will continue to be reviewed and developed to ensure that the Panel remain an independent body in their oversight of the Constabulary and OPCC.

## **8. Recommendations**

The Commissioner is asked to:

- (i) receive and note the report on the work undertaken by the Ethics and Integrity Panel during the past year; and
- (ii) note the positive changes to processes and practices as a direct result of work and recommendations made by the Panel.

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## Joint Audit and Standards Committee Proposed Annual Work Programme 2018/19

### 1. Introduction & Purpose of the Report

- 1.1. On an annual basis the Joint Audit and Standards 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 terms of reference for the committee were approved at the meeting of 25 February 2014, 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:
  - 2.2. 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.

2.3. 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.

2.4. The meeting in July will consider the Audited Statement of Accounts and the Audit Findings Report of the External Auditor, setting out their opinion on the financial statements and their value for money conclusion. The financial statements are presented with an assurance document. This provides members with advice on the wider financial governance arrangements supporting the production of financial statements. The committee will receive the annual report of the committee, following the consideration of the committee's review of effectiveness in March. The annual report of the committee will then be presented to the Police and Crime Panel meeting in October by the chair. The committee will also receive the updated annual governance statement prior to publication with the

financial statements. The meeting will provide an opportunity for members to meet privately with the external auditors.

- 2.5. The agenda for the September meeting will cover the standard cyclical reports. Due to the likely lower level of business requirements for this agenda, the timetable proposes that members undertake one of the planned development sessions in September.
- 2.6. 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.
- 2.7. The meeting in March will consider relevant annual strategies and plans for the following financial year. This includes the proposed internal audit plan, charter and quality assurance programme; the external audit plan and the risk management and treasury management strategies. Members will also receive an annual report on value for money within the Constabulary and within the OPCC 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.
- 2.8. 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.
- 2.9. 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.

2.10. A minimum of two development sessions will be held annually with members. Arlingclose LTD, the Commissioner's treasury management advisors will meet with members at a minimum annually to provide an update on treasury strategy and developments.

2.11. Before every meeting members hold a pre-meeting where they discuss and monitor progress against the JASC 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 and Standards Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
Terms of Reference: Governance, Risk and Control		
Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.  Note - Underlined governance documents are scheduled for review in 2018.	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)	<b>ANNUAL REVIEW OF GOVERNANCE:</b> To review the COPCC and Constabulary arrangements for governance; cyclical review over a three years covering: <ul style="list-style-type: none"> <li>▪ <u>Role of the Chief Finance Officer: annual review (2018)</u></li> <li>▪ <u>Financial Regulations &amp; Financial Rules: bi-ennial review (2018)</u></li> <li>▪ Grant Regulations: tri-annual review (2019)</li> <li>▪ <u>Scheme of Delegation/Consent: annual review (2018)</u></li> <li>▪ Joint Procurement Regulations: bi-ennial review (2019)</li> <li>▪ Risk Management Strategy: tri-ennial review (2020)</li> <li>▪ Arrangements for Anti-Fraud and Corruption /whistleblowing: bi-ennial review (2019)</li> </ul>
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>
	July (updated governance statement prior to approval and publication)	<ul style="list-style-type: none"> <li>▪ <b>Report of the Internal Auditor: Annual Governance Statement:</b> To consider a report from the Internal Auditor reviewing the Annual Governance Statement for the financial year and to the date of this meeting</li> <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> To receive an update on progress against the development and improvement plan within the annual governance statement.

## Joint Audit and Standards Committee: Annual Work Programme Assurance Format

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

Terms of Reference	Meeting	Work Programme Assurance Activity
<b>Terms of Reference: Governance, Risk and Control (Continued)</b>		
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.
<b>Terms of Reference: Internal Audit</b>		
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.
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.
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
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.
	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 and Standards Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
<b>Terms of Reference: Internal Audit (Continued)</b>		
Consider 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.
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.
<b>Terms of Reference: External Audit/External Inspection</b>		
Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money	March	<b>EXTERNAL AUDIT PLAN:</b> To receive from the external auditors the Annual External Audit Plan
	May	<b>EXTERNAL AUDIT FEES:</b> To receive from the external auditors the proposal in respect of audit fees.
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
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
Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies and relevant bodies	July	<b>PRIVATE EXTERNAL AUDIT MEETING:</b> Confidential meeting of Committee members only and the external auditors



## Joint Audit and Standards Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
<b>Terms of Reference: Financial Reporting</b>		
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 that need to be brought to the attention of the Commissioner and/or the Chief Constable	July	<b>ASSURANCE FRAMEWORK: STATEMENT OF ACCOUNTS:</b> To receive a report from the joint CFO in respect of the PCC's framework of assurance; To receive a report from the Deputy Chief Constable/CC in respect of the CC's framework of assurance.
	July	<b>ANNUAL STATEMENT OF ACCOUNTS:</b> To receive the audited Statement of Accounts for the Commissioner and Chief Constable and Group Accounts and consider a copy of a summarised non-statutory version of the accounts
Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements	July and September (final report)	<b>AUDIT FINDINGS REPORT:</b> To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion.
<b>Terms of Reference: Accountability Arrangements</b>		
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.
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.
Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the Commissioner and the Chief Constable	May	<b>JASC Review of Effectiveness:</b> To receive a report reviewing the effectiveness of the committee against the CIPFA framework as a contribution to the overall effectiveness of arrangements for governance
	July	<b>JASC Annual Report:</b> To receive the annual report of the committee (following the review of effectiveness undertaken in May). Following approval, the Annual Report will be presented to the Police and Crime Panel meeting in October by the chair of JASC.

## Joint Audit and Standards Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
<b>Terms of Reference: Treasury Management</b>		
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.
Review the Treasury risk profile and adequacy of treasury risk management processes		
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.
Review assurances on Treasury Management	Every meeting excluding May (where applicable)	<b>INTERNAL AUDIT REPORTS:</b> To receive reports from Internal Audit Unit in respect of specific audits conducted since the last meeting of the Committee
<b>Terms of Reference: Standards Activity</b>		
To hear and determine appeals in relation to the OPCC's personnel policies and decisions of the Chief Executive where appropriate	n/a	As and when required, to act as an "Appeal Board"
To hear and determine appeals by Independent Custody Visitors and Independent Members of Police Misconduct Panels from decisions of the Chief Executive	n/a	As and when required, to act as an "Appeal Board"

## Joint Audit &amp; Standards Proposed Annual Work Programme 2018/19

Thursday 24 May 18	Thursday 19 July 18	Wednesday 12 September 18	Thursday 22 November 18	Wednesday 20 March 19
<b>PRIVATE INTERNAL AUDIT MEETING:</b> Confidential meeting of Committee members only and the <b>Internal</b> Auditors. (IA)	<b>PRIVATE EXTERNAL AUDIT MEETING:</b> Confidential meeting of Committee members only and the <b>external</b> auditors. (GT)	<b>PRIVATE DEVELOPMENT SESSION:</b> JASC Action Plan	<b>PRIVATE DEVELOPMENT SESSION:</b> , Part 1 - Arlingclose LTD, to provide an update on Treasury Management developments (DCFO). Part 2 - ICT and PSD to provide a briefing on ICT Security.	<b>PRIVATE DEVELOPMENT SESSION:</b> Medium Term Financial Forecast, change programme & value for money (CFO)
<b>Regular Reports</b>				
<b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC)	<b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC)	<b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC)	<b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC)	<b>CORPORATE UPDATE:</b> To receive a briefing on matters relevant to the remit of the Committee (DCC)
<b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 4/Annual Report (DCFO)	N/A	<b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 1 (DCFO)	<b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 2 (DCFO)	<b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity - Quarter 3 (DCFO)
N/A	<b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)	<b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)	<b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)	<b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)
<b>INTERNAL AUDIT REPORT(S):</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)	<b>INTERNAL AUDIT REPORT(S):</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)	<b>INTERNAL AUDIT REPORT(S):</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)	<b>INTERNAL AUDIT REPORT(S):</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)	<b>INTERNAL AUDIT REPORT(S):</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)
N/A	<b>STRATEGIC RISK REGISTER:</b> To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE/GM & DCC)	<b>STRATEGIC RISK REGISTER:</b> To consider the OPCC strategic risk register as part of the Risk Management Strategy. (CE/GM)	<b>STRATEGIC RISK REGISTER:</b> To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)	<b>STRATEGIC RISK REGISTER:</b> To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE/GM & DCC)
N/A	<b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CFO)	<b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CFO)	<b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CFO)	<b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CFO)
<b>Cyclical/Annual Reports</b>				
<b>EXTERNAL AUDIT FEES:</b> To receive from the external auditors the proposal in respect of audit fees. (GT)	<b>AUDIT FINDINGS REPORT:</b> To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion. (GT)	<b>ANNUAL AUDIT LETTER:</b> To receive from the External Auditors the Annual Audit Letter and reports (GT).	<b>ANNUAL REVIEW OF GOVERNANCE:</b> To review the OPCC and Constabulary arrangements for governance; cyclical review over a three years. (Relevant Chief Officers)	<b>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. (DCFO)

## Joint Audit &amp; Standards Proposed Annual Work Programme 2018/19

Thursday 24 May 18	Thursday 19 July 18	Wednesday 12 September 18	Thursday 22 November 18	Wednesday 20 March 19
<b>Cyclical/Annual Reports (continued)</b>				
<b>RISK MANAGEMENT MONITORING:</b> To receive an annual report from the Chief Executive on Risk Management Activity including the Commissioner's arrangements for holding the CC to account for Constabulary Risk Management. (CE/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 annual review of the COPCC (CE/GM) and Constabulary (DCC) Risk Management Strategies.
<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>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>EXTERNAL AUDIT PLAN:</b> To receive from the external auditors the Joint Annual External Audit Plan. (GT)
<b>INTERNAL AUDIT –ANNUAL REPORT:</b> To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion.(IA)				<b>EXTERNAL AUDIT UPDATE REPORT:</b> To receive from the external auditors an update report in respect of progress on the external audit plan. (GT)
<b>EFFECTIVENESS OF INTERNAL AUDIT:</b> To receive a report from the Joint Chief Finance Officer in respect of the effectiveness of internal audit. (DCFO)				<b>PROPOSED INTERNAL AUDIT PLAN/ INTERNAL AUDIT CHARTER:</b> To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions. To receive a copy of the internal audit charter from the Internal Auditors.(IA)
<b>JOINT AUDIT AND STANDARDS COMMITTEE - REVIEW OF EFFECTIVENESS:</b> To receive a report reviewing the effectiveness of the Committee as a contribution to the overall effectiveness of arrangements for governance.(DCFO)	<b>JOINT AUDIT AND STANDARDS COMMITTEE - ANNUAL REPORT:</b> To receive an annual report of the Committee. Once approved this annual report will be presented to the Police and Crime Panel by the chair of JASC.(DCFO)			<b>QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME:</b> To receive from the Internal Auditors a report setting out the arrangements for quality assurance and improvement. (IA)

## Joint Audit &amp; Standards Proposed Annual Work Programme 2018/19

Thursday 24 May 18	Thursday 19 July 18	Wednesday 12 September 18	Thursday 22 November 18	Wednesday 20 March 19
<b>Cyclical/Annual Reports (continued)</b>				
<p><b>ANNUAL GOVERNANCE STATEMENT</b></p> <ul style="list-style-type: none"> <li>▪ <b>Report of the Internal Auditor: Annual Governance Statement:</b> To consider a report from the Internal Auditor reviewing the Annual Governance Statement for the financial year and to the date of this meeting. (IA)</li> <li>▪ <b>Effectiveness of Governance Arrangements:</b> To receive a report from the Joint CFO on the effectiveness of the PCC's and CC's arrangements for Governance.</li> <li>▪ <b>Code of Corporate Governance:</b> To consider the PCC/CC Code of Corporate Governance</li> <li>▪ <b>Annual Governance Statement:</b> To consider the PCC/CC Annual Governance Statement for the financial year and to the date of this meeting</li> </ul>				<p><b>VALUE FOR MONEY:</b> To receive an annual report on Value for Money within the OPCC and Constabulary. (DCI)</p>
<p><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)</p>				
<b>Ad Hoc Reports</b>				
<p><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</p>	<p><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</p>	<p><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</p>	<p><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</p>	<p><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</p>

## Governance Documents Cyclical Review Schedule

Documents	Review Cycle	Lead Officer	December 2015	November 2016	November 2017	March 2018	March 2019	March 2020	March 2021
OPCC Risk Management Strategy	tri-ennial (from 2017 onwards)	Governance Manager Joanne Head	✓	✓	✓	✗	✗	✓	✗
Constabulary Risk Management Strategy	tri-ennial (from 2017 onwards)	Director of Corporate Improvement Jane Sauntson	✓	✓	✓	✗	✗	✓	✗
			December 2015	November 2016	November 2017	November 2018	November 2019	November 2020	November 2021
Role of the Joint Chief Finance Officer	annual	Deputy CFO Michelle Bellis	✓	✓	✓	✓	✓	✓	✓
Joint Procurement Regulations	bi-ennial	Head of Procurement Chris Guest	✓	✗	✓	✗	✓	✗	✓
Scheme of Delegation/Consent	annual	Chief Executive Gillian Shearer and/or Governance Manager Joanne Head	✓	✓	✓	✓	✓	✓	✓
OPCC Arrangements for Anti-fraud & Corruption/Whistleblowing	bi-ennial	Chief Executive Gillian Shearer and/or Governance Manager Joanne Head	✓	✗	✓	✗	✓	✗	✓
Constabulary Arrangements for Anti-fraud & Corruption/Whistleblowing	bi-ennial	Head of People Supt. Sarah Jackson and/or Head of Professional Standards	-	-	✓	✗	✓	✗	✓
Financial Regulations & Financial Rules	bi-ennial	Deputy CFO Michelle Bellis	✗	✓	✗	✓	✗	✓	✗
Grant Regulations	tri-ennial	Head of Partnerships and Commissioning Vivian Stafford	✗	✓	✗	✗	✓	✗	✗

Corporate Support / Financial Services / MB



# Joint External Audit Plan

*Year ending 31 March 2018*

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

March 2018



# Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PCC or the Chief Constable or 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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# Introduction & headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our audit

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

- financial statements of the PCC, the Chief Constable and the Group (including the Annual Governance Statements for both entities) that have been prepared by management with the oversight of those charged with governance (the PCC and the Chief Constable); and
- Value for Money arrangements in place at the each body for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management, the PCC or the Chief Constable of your responsibilities. It is the responsibility of the bodies to ensure that proper arrangements are in place for the conduct of their business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and the Chief Constable are fulfilling these responsibilities.

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

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<b>Significant risks</b>	<p>Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none"><li>• management over-ride of controls;</li><li>• valuation of property, plant and equipment;</li><li>• valuation on pension fund net liability.</li></ul> <p>We will communicate significant findings on these areas, and any other significant matters arising from the audit to you in our Joint Audit Findings (ISA 260) Report.</p>
<b>Materiality</b>	<p>We have determined planning materiality to be £2.662m (PY £2.75m), which equates to 2% of your gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. 'Clearly trivial' has been set at £0.133m (PY £0.137m).</p>
<b>Value for Money arrangements</b>	<p>Our risk assessment across both entities regarding your arrangements to secure value for money has identified the following VFM significant risk:</p> <ul style="list-style-type: none"><li>• financial sustainability</li></ul>
<b>Audit logistics</b>	<p>Our interim visit will take place in February 2018 and our final accounts visit will take place in June / July 2018. Our key deliverables are this Joint Audit Plan and our Joint Audit Findings Report.</p> <p>Our fee for the audit will be £30,338 (PY: £30,338) for the PCC and £15,000 (PY: £15,000) for the Chief Constable.</p>
<b>Independence</b>	<p>We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express objective opinions on the financial statements for both entities and the Group.</p>

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# Business understanding

Changes to service delivery	Changes to financial reporting requirements	Key challenges			
<p><b>Blue light collaboration</b></p> <p>The provisions of the Policing and Crime Act 2017 came into effect on 3 April 2017. These provisions included:</p> <ul style="list-style-type: none"> <li>introducing the duty to collaborate on all three emergency services;</li> <li>enabling PCCs to take on FRA functions where a local case is made;</li> <li>enabling PCCs to create a single employer for police and fire staff; and</li> <li>where PCCs do not become responsible for fire and rescue, enabling representation on the FRA with voting rights where the FRA agrees</li> </ul> <p>These provisions are expected to change the structure and legal status of many police bodies and fire and rescue authorities.</p>	<p><b>Transformation plans</b></p> <p>A number of PCCs and Forces across the country are undergoing service transformations of varying degrees.</p> <p>Cumbria Constabulary has in place a long established 'Change Strategy'. This has helped deliver £24 million of savings since 2010.</p> <p>The Constabulary's Vision 2025 Strategy is a plan to deliver innovative and modern policing for Cumbria.</p> <p>As part of the need to deliver future savings the Vision 2025 Strategy will help explore the potential for adjusting the workforce mix, consolidating functions to make them more resilient, greater collaboration and maximising the benefits from investing in new technology.</p>	<p><b>Accounts and Audit Regulations 2015 (the Regulations)</b></p> <p>A review of the Regulations is currently being undertaken by the Ministry for Housing, Communities and Local Government (MHCLG), meaning that they may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Should any changes be made to the Regulations which would impact on the 2017/18 financial year, we will discuss the potential effects of these with you as soon as possible.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by Thursday 31 July 2018.</p>	<p><b>Changes to the 2017/18 CIPFA Code of Practice on Local Authority Accounting</b></p> <p>CIPFA have introduced minor changes to the 2017/18 Code which:</p> <ul style="list-style-type: none"> <li>introduce key reporting principles for the Narrative Report;</li> <li>clarify the reporting requirements for accounting policies and going concern reporting; and</li> <li>update the relevant sections regarding reporting requirements for Leases, Service Concession arrangements and Financial Instruments.</li> </ul>	<p><b>Future funding uncertainties</b></p> <p>At the beginning of 2016, the implementation of the revised police funding formula in England and Wales was delayed.</p> <p>Proposed changes to the police funding formula will be revisited at the next Spending Review. However, when implemented, for some forces, this may represent a significant reduction in annual funding, having an impact on forward planning.</p> <p>The funding settlement for the 2018/19 financial year was announced in December 2017. This gave a 'flat cash' funding settlement for police forces and empowered PCC's to raise funds by up to £270m nationally through increases in council tax.</p>	<p><b>Financial position</b></p> <p>The Police and Crime Commissioner (PCC) has set a balanced budget for 2018/19. The PCC has also managed to balance the 2019/20 budget with a proposed 5.14% increase in council tax. However, there is still a need to find around £3.7 million of savings between 2020/21 and 2021/22. At the end of December 2017 the Constabulary was projecting an overspend for 2017/18 of £1.008 million. Delivering further savings of £3.7 million, and ensuring that the Constabulary can continue to deliver policing services within budget represents a significant challenge.</p>

## Our response

- We will consider your arrangements at each entity for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusions.
- We will consider whether your individual and group financial positions lead to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinions on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	PCC or Chief Constable?	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions</b>	Both	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the PCC, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited;</li> <li>• the culture and ethical frameworks of local authorities, including the PCC for Cumbria, mean that all forms of fraud are seen as unacceptable</li> </ul> <p><b>Therefore we do not consider this to be a significant risk for the PCC.</b></p> <p>For the Chief Constable, revenue is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the Chief Constable's financial statements as a transfer of resources from the PCC to the Chief Constable for the cost of policing services. Income for the Chief Constable is received entirely from the PCC.</p> <p><b>Therefore we have determined that the risk of fraud arising from revenue recognition is not a significant risk for the Chief Constable.</b></p>
<b>Management over-ride of controls</b>	Both	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face external scrutiny of their spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;</li> <li>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness;</li> <li>• evaluate the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	PCC or Chief Constable?	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of property, plant and equipment</b>	PCC	<p>The PCC revalues land and buildings on a rolling basis over a five year period to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• review of 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>• consider the competence, expertise and objectivity of any management experts used;</li> <li>• discuss with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions;</li> <li>• review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding;</li> <li>• testing of revaluations made during the year to ensure they are input correctly into the PCC's asset register;</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>
<b>Valuation of pension fund net liability</b>	Both	<p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Police Officer Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;</li> <li>• evaluate the competence, expertise and objectivity of the actuaries who carried out your pension fund valuations. We will gain an understanding of the basis on which the valuations are carried out;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made;</li> <li>• check the consistency of the pension fund asset (LGPS only) and liability and disclosures in notes to the financial statements with the actuarial reports from your actuaries.</li> </ul>

# Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	PCC or Chief Constable?	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Employee remuneration</b>	Both	<p>Payroll expenditure represents a significant percentage of the Chief Constable's (and therefore the group's) operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the PCC's and Chief Constable's accounting policies for recognition of payroll expenditure for appropriateness;</li> <li>• gain an understanding of the PCC's and Chief Constable's systems for accounting for payroll expenditure and evaluate the design of the associated controls;</li> <li>• test the reconciliation of payroll expenditure to ensure the amount in the accounts can be reconciled to the general ledger and through to payroll reports. Investigate any significant adjusting items;</li> <li>• agree payroll related accruals (e.g. unpaid leave accrual) to supporting documents and review any estimates for reasonableness;</li> <li>• perform a monthly analytical review on payroll costs.</li> </ul>
<b>Operating expenses</b>	Both	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Chief Constable's (and therefore the group's) operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the PCC's and Chief Constable's accounting policies for recognition of non-pay expenditure for appropriateness;</li> <li>• gain an understanding of the PCC's and Chief Constable's systems for accounting for non-pay expenditure and evaluate the design of the associated controls;</li> <li>• obtain a listing of non-pay payments made in April, take a sample, and ensure that they have been charged to the appropriate year;</li> <li>• review the year-end AP reconciliation, and investigate any significant reconciling items.</li> </ul>

# Reasonably possible risks identified

Risk	PCC or Chief Constable?	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Police pension schemes benefits payable</b>	Chief Constable (and group)	<p>The Chief Constable administers three police pension schemes, with the Police Pension Fund Account being included in the Chief Constable's and therefore the group's financial statements.</p> <p>We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• gain an understanding of the Chief Constable's systems for calculating, accounting for and monitoring pension benefit payments and evaluate the design of the associated controls;</li> <li>• reconcile the pension payroll to the figures in the accounts;</li> <li>• undertake an analytical review of pensions paid with reference to changes in pensioner numbers and increases applied in the year together with a comparison of pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained;</li> <li>• substantive testing of a sample of monthly pension benefit payments made in the year;</li> <li>• substantive testing of a sample of lump sum pension benefit payments made in the year.</li> </ul>

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# Other matters

## Other work

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

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statements are in line with the guidance issued and consistent with our knowledge of both the PCC and the Chief Constable.
- We will read your Narrative Statements and check that they are consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the PCC or the Chief Constable, copied to the Secretary of State.
- We certify completion of our audit.

## Other material balances and transactions

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

## Going concern

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

# Materiality

## The concept of materiality

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

## Materiality for planning purposes

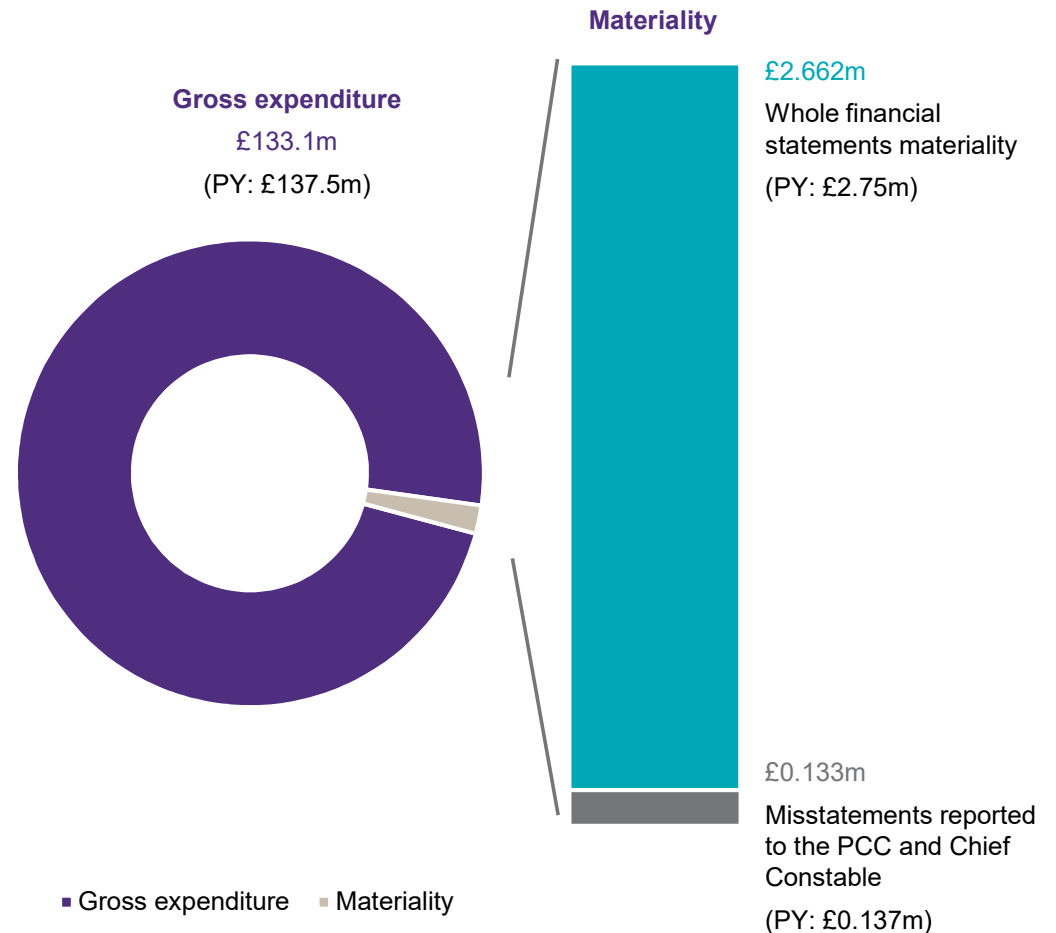
We propose to calculate financial statement materiality based on a proportion of gross expenditure for the financial year. We will use the lowest of the gross expenditures of the PCC, the Chief Constable and the group for this calculation. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £2.662 million (PY £2.75 million), which equates to 2% of your gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

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

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

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

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





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# Group audit scope and risk assessment

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

Component	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Police and Crime Commissioner (parent)	Yes	Comprehensive	See pages 5 to 9	Full scope UK statutory audit performed by Grant Thornton UK LLP
Chief Constable (subsidiary)	Yes	Comprehensive	See pages 5 to 9	Full scope UK statutory audit performed by Grant Thornton UK LLP

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## Audit scope:

**Comprehensive** – the component is of such significance to the group as a whole that an audit of the components financial statements is required

**Targeted** – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

**Analytical** – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

# Value for Money arrangements

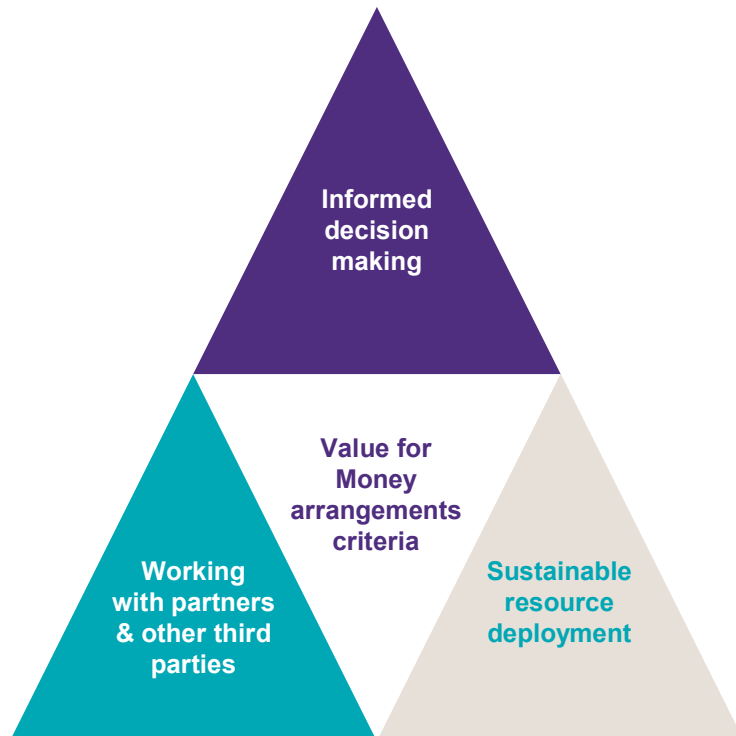
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for police bodies, auditors are required to give a conclusion on whether each of the PCC and the Chief Constable have proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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



## Significant VFM risks

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

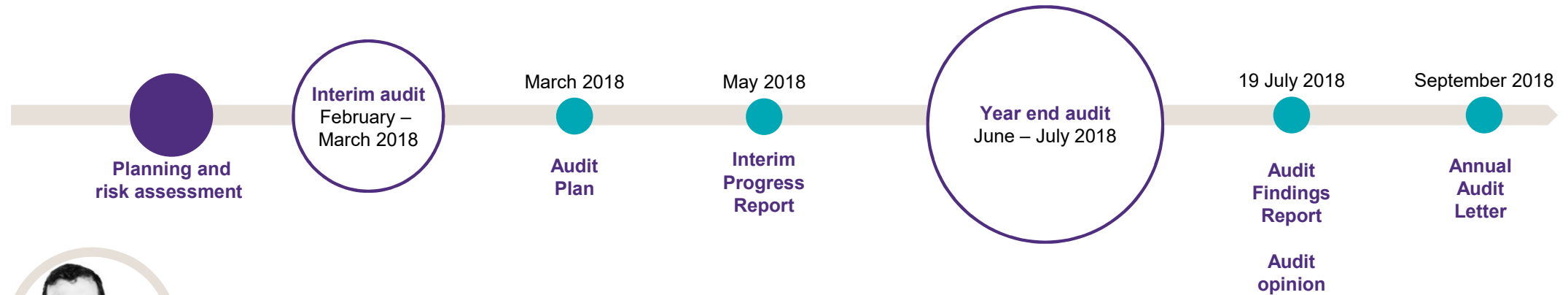


### Financial sustainability

The Police and Crime Commissioner (PCC) has set a balanced budget for 2018/19 and has also managed to balance the 2019/20 budget. However, there is still a need to find around £3.7 million of savings between 2020/21 and 2021/22. At the end of December 2017 the Constabulary was projecting an overspend for 2017/18 of £1.008 million. Even though Cumbria Police has delivered £24 million of savings through its 'Change Strategy' since 2010, delivering further savings of £3.7 million, and ensuring that the Constabulary can continue to delivery policing services within budget represents a significant challenge.

We will update of assessment of the PCC's and Chief Constable's arrangements for revising, agreeing and monitoring its financial plans including the assumptions within them. We will also consider the arrangements in place to monitor the delivery of the Change Strategy and how the Constabulary plans to ensure it can stay within budget in future years.

# Audit logistics, team & audit fees



**Robin Baker, Engagement Lead**



**Richard McGahon, Engagement Manager**



**Ashling Conway, Audit In-charge**

## Audit fees

The planned audit fees are £30,338 PY: £30,338) for the financial statements and vfm audits for the PCC, and £15,000 (PY: £15,000) for the financial statements and vfm audits for the Chief Constable.

In setting your fee, we have assumed that the scope of the audit, and the PCC and the Chief Constable and their activities, do not significantly change.

## Our requirements

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

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# Early close

## Meeting the early close timeframe

Bringing forward the statutory date for publication of audited police accounts to 31 July this year, across the whole sector, is a significant challenge for audited bodies and auditors alike. For audited bodies, the time available to prepare the accounts and secure an audit opinion is curtailed.

Successful delivery of early close depends on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible
- working with you to agree detailed plans, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audits in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time. We will therefore conduct audits in line with the timetable set out in the audit plan. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we may not be able to maintain a team on site. Similarly, where additional audit time is needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after, the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

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

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

In return, we will ensure that:

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

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# Independence & non-audit services

## Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the PCC or the Chief Constable.

## Non-audit services

No non-audit services were identified.

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

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# Appendix

## A. Revised ISAs

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# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

<b>Section of the auditor's report</b>	<b>Description of the requirements</b>
<b>Conclusions relating to going concern</b>	We will be required to conclude and report whether: <ul style="list-style-type: none"><li>• The directors use of the going concern basis of accounting is appropriate</li><li>• The directors have disclosed identified material uncertainties that may cast significant doubt about either the PCC's or the Chief Constable's ability to continue as going concerns.</li></ul>
<b>Material uncertainty related to going concern</b>	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the PCC's or the Chief Constable's ability to continue as going concerns when a material uncertainty has been identified and adequately disclosed in the financial statements.  Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
<b>Other information</b>	We will be required to include a section on other information which includes: <ul style="list-style-type: none"><li>• Responsibilities of management and auditors regarding other information</li><li>• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation</li><li>• Reporting inconsistencies or misstatements where identified</li></ul>
<b>Additional responsibilities for directors and the auditor</b>	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
<b>Format of the report</b>	The opinion section appears first followed by the basis of opinion section.

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## The Police and Crime Commissioner for Cumbria and Cumbria Constabulary

Report to: The Police and Crime Panel 23 January 2018 - Agenda Item 7a

The Joint Audit and Standards Committee 21 March 2018 – Agenda Item 10

### Report of the Deputy Chief Finance Officer

## Review of Value for Money

### 1. Introduction

- 1.1. This report provides a high level analysis of the HMICFRS VfM profile for 2017 published on 16th November 2017. The profiles compare the forces within Cumbria's Most Similar Group (MSG) and these are: Lincolnshire, Norfolk and North Wales. The aim of the profiles is to compare performance and the costs of achieving that performance.

In previous years the OPCC and Constabulary have produced separate reports in relation to the published HMIC Value for Money (VfM) profiles. In 2017, the HMIC was replaced by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Police and Crime Commissioners do not fall under the inspection remit of the HMICFRS and as such the page which previously compared Net Revenue Expenditure (NRE) on PCC/local policing bodies, an upon which the OPCC report was based, has been removed from the publication. The full report can be accessed using the following link: <https://www.justiceinspectors.gov.uk/hmicfrs/publications/cumbria-2017-value-for-money-profile/>

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

and do - budget in different ways and there may be an element of subjectivity with regard to allocating costs.

- 1.3. The high level analysis only covers areas of service where Cumbria has been identified as an outlier compared with its peer group - that is, either:
  - providing better value for money or,
  - performing less well and services are, or appear to be, more expensive based on the criteria used in the profiles.

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

- 1.4. The 2017 VfM profile identifies 22 areas where Cumbria is shown to be an outlier, this compares to 23 in the 2016 report. The profiles show that the areas identified as being significantly above the all forces or MSG average cost are broadly the same this year as they have been in previous years and this has been highlighted in the table where this has consistently been the case across the period since value for money profiles were first introduced.
- 1.5. The terms of reference of the Joint Audit and Standards Committee include the consideration of arrangements to secure value for money and reviewing assurances and assessments on the effectiveness of those arrangements. The external auditors provide an annual value for money conclusion that provides an opinion on value for money as part of their annual audit opinion. This was received by members at their July 2017 meeting, where the overall conclusion was positive in respect of both the Commissioner's and Chief Constable's arrangements for value for money.

## 2. General points about the VfM profiles

- 2.1. Cumbria is a demographic outlier when comparing it to its MSG and this will continue to be the case, regardless of any VfM comparators. Cumbria's geography, topography and socio-economic environment are unique and there are fixed costs associated with this regardless of other comparisons.
- 2.2. Population is the main determinant used in the profiles for assessing value for money – that is, cost per head. This significantly disadvantages Cumbria, which has the lowest population of 42 forces (excluding City of London), is the fourth largest covering 2,613 square miles, is sparsely populated, is classified as 98% rural and is geographically isolated. The additional cost of delivering services in this physical geography is not taken into account.

- 2.3. The sparsity of the population, the rural nature of the county and the isolated geographic location of the county in England, results in higher costs to deliver police services compared to other forces and, limits opportunities for cost effective collaborations with other forces for specialist operational services or private companies to provide services. As a result, Cumbria Constabulary requires more people and more equipment to deliver a police service to a small population distributed over a large area.
- 2.4. All of the above result in additional fixed costs irrespective of how and by whom police services are provided and regardless of policy or strategy decisions made by senior management.

### 3. Recommendations

- 3.1. Members are asked to consider the value for money benchmark information and the conclusions from that review, determining whether they wish to provide any advice to the Commissioner.

Michelle Bellis

4 January 2018

VfM Category	Report Page No	Spend £m	Per head £	Diff All £m	Diff MSG £m	Context and/or Explanation
<b>OVERALL COSTS</b>						
Non-staff costs	9	28.3	56.9	5.7	0.3	Cumbria is 4 <sup>th</sup> highest spend in relation to non-staff costs when measured per head of population. As outlined in section 1.2 above, there are limitations in the analysis when per head of population is used as a comparator. In addition, the large amount of fixed costs incurred whatever the size of the organisation will also disadvantage the smaller forces.
<b>Net Revenue Expenditure by Function</b>						
<b>NRE by Objective Group</b>						
Roads policing	18	3.7	7.3	1.8	1.8	See detailed response below in relation to road policing.
Public protection	18	3.4	6.8	-1.6	-1.4	See detailed response below in relation to public protection.
Support functions	18	26.2	52.5	7.4	4.7	See detailed response below in relation to support functions.
<b>Local Policing</b>						
Neighbourhood policing	19	28.1	56.4	16.6	15.3	Cumbria is 8 <sup>th</sup> highest in the country. Patrol Officers within Cumbria also undertake neighbourhood policing team work as the two are linked. This has been the model for some time within Cumbria. For this reason Cumbria appears high in respect of the neighbourhood policing category but shows no cost in the Incident (response) Management category (for which it has not been identified as an outlier).
Command team & support	19	0.0	0.1	-0.8	-0.7	Cumbria is the lowest in the country. Centralisation has reduced requirements for command levels and support.
<b>Dealing with the public</b>						
Central Communications Unit	21	6.1	12.2	1.1	1.1	Cumbria is the 4 <sup>th</sup> highest in the country and top of its MSG. This reflects the changes made in Command and Control which shifted its focus from handling calls to resolving callers' problems at the earliest opportunity.

VfM Category	Report Page No	Spend £m	Per head £	Diff All £m	Diff MSG £m	Context and/or Explanation
<b>Criminal justice</b>						
Total custody	23	4.7	9.5	1.7	0.8	Cumbria is the 4 <sup>th</sup> highest in the country in relation to total custody, within this category, Cumbria has the highest cost of police doctors/nurses and surgeons in the country. The contract for medical support in custody facilities is a competitive contract and the fee reflects the geographical dispersed county and shortages of appropriately skilled staff.
<b>Road Policing</b>						
Traffic units	25	3.6	7.2	1.6	1.6	Cumbria has been an outlier in this category since VfM profiles were first created in 2011. Although these costs are the 2 <sup>nd</sup> highest in the country please note that the comparison is not like for like. Cumbria Roads Policing includes the Armed Response Vehicle, because officers are multi-skilled and perform a dual role. Other forces have these as separate units and firearms are categorised as Operational Support. For Cumbria, Operational Support Unit Firearms is the cheapest in the country and is an outlier.
Road policing	25	3.7	7.3	1.8	1.8	
<b>Operational Support</b>						
Firearms unit	27	0.4	0.8	-1.4	-1.1	As mentioned in relation to road policing above, for Cumbria firearms is the cheapest in the country and as such is reported as being an outlier. This is as a result of armed response officers being multi-skilled and performing a dual role with road policing/traffic units.
Advanced public order	27	1.2	2.5	0.7	0.7	Cumbria is 4 <sup>th</sup> highest in the country. However, within Cumbria the advanced public order work is provided by the pro-active support group. These teams are trained in advanced public order but also carry out a number of other roles including firearms, search and other specialist roles such as body recovery.
<b>Public Protection</b>						
Public protection	31	3.4	6.8	-1.6	-1.4	Cumbria is 3 <sup>rd</sup> lowest in the country. Cumbria appears to have low numbers in this specialist field, there are however a number of resources for example working on digital media that are not classified as public protection in the VfM profiles. This is however an area where demand is significantly increasing, to address this, work is ongoing to move resources into "crime hubs" which will merge CID and PPU, providing additional capability in this area.

VfM Category	Report Page No	Spend £m	Per head £	Diff All £m	Diff MSG £m	Context and/or Explanation
<b>Investigations</b>						
Major investigations unit	33	0.7	1.4	-0.7	-0.5	Cumbria is 2 <sup>nd</sup> lowest in the country. Cumbria has a smaller number of major investigations than other forces and as such has taken a modular approach with a small number of core staff. During any incident they are supported by detectives from area based teams and other resources depending on the requirement. The Cumbria model is felt to be appropriate to the demand in this area.
Investigations	33	2.3	4.6	-1.5	-0.9	
<b>Support Functions</b>						
ICT	37	8.5	17.1	3.7	2.2	Cumbria has been an outlier in this category since VfM profiles were first created in 2011. In 2017 Cumbria is the highest in the country for ICT costs (Cumbria was joint highest in 2016). Some of our ICT fixed costs will be higher than other forces, for example the cost of secure ICT connectivity between police estate and the requirement for additional mobile masts to ensure radio communications coverage compared to less mountainous areas (Cumbria requires 99 masts to cover its geography, compared to Warwickshire's 66 masts – also a large rural county with the closest population and crime levels to Cumbria).
Fleet services	37	2.4	4.8	0.9	0.4	Cumbria has been an outlier in this category since VfM profiles were first created in 2011. The cost of fleet provision and associated transport costs are high in Cumbria due to the size, geography and topography of the county. Cumbria is 2 <sup>nd</sup> highest in the country and is the highest of the MSG. The Estates and Fleet Manager is currently undertaking some more detailed benchmarking analysis in relation to fleet related expenditure. Cumbria is the second largest county in the country and the Constabulary deploys from 6 main deployment stations, this operating model for deployment has increased the transportation costs but has facilitated savings from estate rationalisation and reduced other costs.
Training	37	2.6	5.2	0.8	0.7	Cumbria has the 3 <sup>rd</sup> highest cost of training in the country and the highest of our MSG. The training costs in the main reflect the cost of training in respect of new recruits, Cumbria experiences a high level of turnover, approximately 90 FTE police officers are recruited and trained each year.

VfM Category	Report Page No	Spend £m	Per head £	Diff All £m	Diff MSG £m	Context and/or Explanation
Performance review	37	1.8	3.6	0.6	0.4	Increased performance review costs reflect the investment in the business improvement unit and additional change team. It also includes additional IMS staff which was approved to meet increasing demands for management information, HMICFRS returns and Freedom of Information requests.
Support functions	37	26.2	52.5	7.4	4.7	<p>Cumbria has been an outlier in this category since VfM profiles were first created in 2011. In 2017 Cumbria has the highest support function costs in the country. In 2016 support functions were highest compared with MSG and 2<sup>nd</sup> highest in the country. The areas that make Cumbria more expensive per head of population are ICT (+£3.7m, highest in the country), fleet services (+£0.9m, 2<sup>nd</sup> highest in the country), Training (+£0.8m, 3<sup>rd</sup> highest in the country) and performance review (+0.6m, 3<sup>rd</sup> highest in the country).</p> <p>It should be remembered that the All and MSG averages are not comparing like for like. For example Lincolnshire has outsourced its business support and operational support functions.</p>
Pay – Cost per FTE		£000/FTE	Avg £000/FTE			
Police officers	11	49.4	52.9	-3.7	-2.2	Cumbria has the 2 <sup>nd</sup> lowest cost per FTE for police officers in the country and is the lowest of the MSG group.
NON STAFF COSTS		Spend £m	% staff cost			
Capital financing	13	5.3	6.7%	3.0	0.4	This is to finance the constabulary's current capital expenditure programme which includes significant investment in ICT. Other forces may account for this differently.

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## Monitoring Key Audit Recommendations

### Introduction

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

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

### Report Summary

Summary of Actions	PCC	CC	Joint	Total
Open actions b/fwd from last report	0	14	0	14
New actions since last report	2	10	0	12
<b>Total actions this report</b>	<b>2</b>	<b>24</b>	<b>0</b>	<b>26</b>
Actions completed since last report	0	7	0	7
<b>Open actions c/fwd to next report</b>	<b>2</b>	<b>17</b>	<b>0</b>	<b>19</b>

Summary of Total Actions by Status	PCC	CC	Joint	Total
Completed	0	7	0	7
Ongoing (within original timescale)	0	2	0	2
Ongoing (original timescale extended)	0	5	0	5
Overdue/ timescale exceeded	0	0	0	0
Not yet due	2	10	0	12
<b>Total</b>	<b>2</b>	<b>24</b>	<b>0</b>	<b>26</b>

### Key to Grade:

#### *Cumbria Shared Internal Audit Service*

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

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

#### *External Audit – Grant Thornton*

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

Audit Report	Report Date	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Cumbria's Multi-Agency Safeguarding Hub (CC)	04/11/2016	R1 Hub resources should be fully considered in terms of the skills, qualifications and experience required to fulfil defined responsibilities, operate the Hub effectively and deliver improvements. The agreed requirements and individual partner contributions should be formally reflected in a signed funding agreement that is properly communicated, including to individual partner leadership boards.	Medium	Chair of the Programme Board  DI Dan StQuintin	<p>The Programme Board, which met on 27th October, established a Task and Finish Group which met on 27th October 2016 and will ensure that the updated MOU is in place by 5th January 2017 and is agreed / endorsed by the Board. The MOU will capture the issue regarding multi-agency resourcing.</p> <p>February 2017 - Issues of Hub governance are dealt with by the programme board. the MOU is currently under discussion. This is not yet complete because health are a statutory partner and are currently undergoing significant restructure under the strengthening families programme of which their contribution to the hub is part.</p> <p>June 2017 - The partnership has commissioned an external review of the hub process and model which is currently under way, the company doing the review are Ad Esse and their report is expected to be available around mid-July.</p> <p>August 2017 - Ad Esse have completed their assessment and we are awaiting the full report back from them. However, they have shared list of recommendations for the safeguarding hub. These recommendations are wide ranging and have triggered significant discussion by LSCB partners. These discussions will move forwards over the next few months at various LSCB programme board meetings. Once decisions on these recommendations have been made. Decisions on resourcing can be made once the future role and structure of the hub has been agreed. A 3 month extension to the deadline has been requested.</p> <p>October 2017 - Discussions around the Ad Esse recommendations continue at a senior level within Cumbria Constabulary. The discussions continue at a senior level within the LSCB. Request a further 3 month extension to allow decisions to be made and action to be start</p> <p>February 2018 - The Hub MOU is currently being re-written by the LSCB. All partner agencies have been invited to contribute. The revised MOU is being presented at the next Hub Programme Board meeting which has yet to be arranged but will be in March or April 2018. It is anticipated that the MOU will be agreed and signed off at that meeting.</p>	31/01/2017	31/08/2017 31/10/2017 31/01/2018 30/04/2018	Ongoing (original timescale exceeded)
Digital Case File Preparation (CC)	08/05/2017	R1 Arrangements to ensure the robustness of digital case files at an earlier stage should be strengthened taking into consideration the outcomes of the Strategic Development Unit's review.	High	Temp Supt CJU/Partnerships  Gordon Rutherford	<p>The Chief Officer commissioned review will report to COG in May 17.</p> <p>The evidence-gathering phase took place from January to March, with the team now considering data analysis and findings. Once recommendations as to future structure of CJU and the file checking function are considered and approved by Chief Officers, then they will be implemented before September 30th 2017.</p> <p>June 2017 - The primary causes of file quality issues was identified as a training/knowledge gap, together with a number of national developments. To address this gap, Chief Officers approved a number of measures, increased in staffing within CJ, introduced Area Compliance Teams and a CJ trainer post. The trainer has worked to deliver a comprehensive package of training for all front line officers. This training is informed by issues raised in the file quality process. A recent example, raised by CPS, relates to lack of understanding about disclosure of undermining material. The trainer has developed a package of learning material on the subject that is being rolled out now. Further to that there will be a day's file quality training given to all officers from September 2017.</p> <p>August 2017 - No change since June update apart from the review paper will be taken to COG on September 4th.</p> <p>October 2017 - Due to staffing changes within Strategic Development the CJU review has not been completed. Chief Officers extended the period for the review to be completed until December 31st 2017. A further temporary extension was also approved for the CJU and Compliance Team staffing.</p> <p>February 2018 - Chief Officers considered the paper put forward by Strategic Development and agreed to maintain the 6.5FTE within the CJU that were temporary for the next 4 years. Work</p>	June 2017 to 30 Sept 2017	31/12/2017	Ongoing (original timescale exceeded)
Digital Case File Preparation (CC)	08/05/2017	R3 (1) Management should ensure that digital case file training is rolled out to all appropriate officers across the force.	Medium	Temp Supt CJU/Partnerships  Gordon Rutherford	<p>The Constabulary Training Panel has approved the file quality training proposal and this will be delivered Sept to Nov 17 to all staff. In the meantime, the CJU trainer is continuing to deliver training across the force utilising Area Training Days.</p> <p>June 2017 - The trainer has worked to deliver a comprehensive package of training for all front line officers. This training is informed by issues raised in the file quality process. The trainer has developed a package of learning material on the subject that is being rolled out now. Further to that there will be a day's file quality training given to all officers from September 2017.</p> <p>August 2017 - No change to June review.</p> <p>October 2017 - Chief Officers extended the CJ Trainers role for a further 6 months at Septembers COG. A days's classroom based training for all front line officers commenced at the end of September 2017. This training is being delivered Monday-Thursday each week until 18th December 2017. The expectation is that all officers who submit files will receive this input. Areas of focus within the training include writing skills in terms of MG5 (summary's), a legal input on the rules of disclosure, an update on new legislation and general file quality hints and tips.</p> <p>February 2018 - The training was delivered to 600 front line officers. Chief Officers approved the CJ Trainers post for a 4 year period to align to the MTF.</p>	30/09/2017	31/12/2017	Complete

Audit Report	Report Date	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Information Security (CC)	13/04/2017	R1 The responsibility of managers to adjust the access permissions of staff who change jobs in the constabulary should be clearly defined and communicated.	Medium	The Head of People (incl Professional Standards) Supt. Sarah Jackson	<p>The responsibility of managers to adjust the access permissions of staff who change jobs within the constabulary will be defined within the Information Security Policy.</p> <p>June 2017 - These responsibilities are not currently included in Policy, and are dealt with on behalf of the business only sporadically in that the removal of access is largely reliant on ICT Dept picking up requirements for changes where they are able:</p> <p>(a) ICT Dept have created a weekly task to identify and amend permissions for leavers / role-changers for some systems, or as part of service requests relating to other matters. However, the only core systems currently covered by this are: PoliceWorks, SLEUTH, STORM, Duties Management System</p> <p>(b) Caroline Patterson is now formalising these processes such that ICT Dept will continue to act as a back-stop for these systems, but this is a supplementary process and does not replace the need for effective management of change by the business.</p> <p>Actions Taken</p> <p>1. Responsibilities will be documented in Section 4.3 of Information Management Strategy at next revision in Nov 2017, reflecting the following improvements to current processes: Make clear that managing access permissions is an IAO (i.e. business) responsibility, not ICT Dept or HR.</p> <p>2. Revised processes have been introduced for supervisors within the business to own responsibility for managing access permissions for all personnel under their command, and to ensure that permissions for role-changers and leavers are revoked where no longer needed, in a timely fashion. Specifically:</p> <p>(a) Internal staff and officer moves into new roles or new departments happen frequently. Managers inform the HR Department of moves by submitting an establishment change form. A section has been added on to this form requiring current managers to check the permissions of their officers / staff and remove any which are not relevant to their new role. Where appropriate, requests to remove permissions are to then be submitted by the manager direct to the ICT Service Desk portal.</p> <p>(b) Any internal staff recruitment into new roles will be captured by CSD Employee Services who will send an email to new line managers requiring them to review permissions and check if previously held permissions are required in their new role. This will specifically include reviewing: i. Access to group e-mail accounts, ii. Access to shared Sharepoint folders, iii. Access to G (Group) drives</p> <p>August 2017 - The changes to the responsibilities will be incorporated at the next revision in November 2017. The new process for the Records and Security Information Manager role to review personnel access permissions to core systems managed by IAOs is now under way. The CSD processes have been updated, forms revised and changes communicated.</p> <p>October 2017 - The Constabulary is currently in the process of updating the Information Management Strategy to reflect the changes to internal procedures governing access permissions. This will be ratified at the November Information Security Board meeting. This should conclude the action and allow closure</p> <p>February 2018 - The information management strategy was approved at the December meeting of the Information Security Board.</p>	31/05/2017	31/12/2017	Complete
Command and Control (CC)	26/06/2017	R2 Management should ensure that expectations regarding frequency and focus of quality assurance checks within the Command and Control room are clearly defined and communicated.	Medium	Chief Inspector Control Room Ben Swinson	<p>A piece of work is being undertaken in the Command and Control Room to bring all its quality assurance arrangements together. This includes formalising the process for quality assurance checks and updating the guidance manual and other relevant documents accordingly.</p> <p>August 2017 - This action has now been tasked and work is ongoing as part of the dedicated training team to review and consolidate all areas of QA work.</p> <p>October 2017 - QA guidelines have been reviewed and a standardised process has been drawn up. This will now progress through the formal governance process (Operations Board 16/11) to be agreed over the coming months ready to be implemented in the room.</p> <p>February 2018 - Document has been produced and agreed at Ops Board 16/11/17 and has been implemented in the CCR, as such the action is completed.</p>	31/10/2017	31/12/2017	Complete
Offender Management (CC)	01/08/2017	R1 Management should ensure that the actions and outcomes to assess and manage the delivery of the IOM aims and priorities are clearly defined. Arrangements should include regularly monitoring and reporting progress on these.	High	Detective Chief Inspector – Public Protection Dave Pattinson	<p>Annual IOM Strategy to be drawn up and agreed. It will include the actions and outcomes to assess and manage the delivery of the aims and priorities detailed in the 2016-2020 IOM Strategy.</p> <p>Detective Chief Inspector will obtain assurance that the progress on actions and outcomes are regularly monitored and reported.</p> <p>October 2017 - A first draft document has been reviewed and some further work has been requested to improve the document. An extension period of a further 4 weeks is requested to complete the task.</p> <p>Please could I request an extension of 4 weeks to ensure its' completion</p> <p>February 2018 - The IOM strategy was completed in January and a detailed IOM delivery plan is in existence with a rolling log of actions etc.</p>	30/09/2017	30/11/2017	Complete
Offender Management (CC)	04/08/2017	R4 A timescale should be set for the review and updated of the Police Staff Offender Manager's job description including its approval.	Medium	Detective Inspector – MOSOVO Helen Harkins	<p>Job description currently being reviewed and expected to be complete by 09/2017.</p> <p>August 2017 - The job description is currently being reviewed by DS Andy Myers.</p> <p>October 2017 - The role profile has been reviewed by DS Myers, liaison with occ health and training re Personal safety training took place but the advice was to continue doing a RA on a case by case basis and no need for PST. This has gone to HR (2.11.17) to ensure no change re Hay profile (police staff) then it will require decision re designation certificate at CC level. Please extend to Jan 2018.</p> <p>February 2018 - Target date extension required, Hay panel has not yet met to consider the post.</p>	30/09/2017	31/01/2018 30/04/2018	Ongoing (original timescale exceeded)

Audit Report	Report Date	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Offender Management (CC)	06/08/2017	R6 Arrangements should be in place for regularly reviewing and updating the Constabulary's responsibilities and accountabilities detailed in the MOU to ensure that they accurately reflect its current working arrangements and to fulfil its statutory requirements for sharing information.	Medium	Detective Inspector – MOSOVO  Helen Harkins	MAPPA Coordinator to ensure that the Constabulary's responsibilities and accountabilities detailed in the MOU are reviewed as part of their core role. This will be done annually in line with the review of the MOU  The Chief Superintendent PPU will obtain assurance that MOU is annual reviewed.  August 2017 - The MAPPA coordinator has had a long term absence she is due back to work on 14th August, this is her priority piece of work please extend target date to end Dec 2017  October 2017 - The MOU update is ongoing, unfortunately MAPPA coordinator has gone off long term sick again so I will need to reassign this work please can you extend again to Jan 2018.  February 2018 - Target date extension required.	30/06/2017	<del>31/12/2017</del> <del>31/01/2018</del> 30/04/2018	Ongoing (original timescale exceeded)
Fleet (CC)	03/11/2017	R1 Management should ensure there is sufficient resilience in the team in respect of Tranman report production.	Medium	Head of Estates & Fleet  Phil Robinson	We accept that resilience is a risk due to the size of the team. We will introduce some work shadowing to reduce the risk but some residual risk will remain which we accept.  February 2018 - the fleet insurance clerk has been working with the fleet admin manager to gain a greater understanding of the Tranman system. Whilst the action is complete it should be noted that the insurance clerk will not gain the level of understanding that the admin manager has on Tranman, it is considered the level of expertise will be sufficient for day to day working. The risk reflects the size of the team and the specialist roles performed. It is not considered the level of this risk is unacceptable to either the team or wider constabulary.	Immediate & ongoing		Complete
Fleet (CC)	03/11/2017	R2 Arrangements should be in place for: • The Tranman system administrator to be notified of staff changes affecting access permissions. • Management to periodically confirm access permissions within the Tranman system.	Medium	Head of Estates & Fleet  Phil Robinson	We will implement a process map to ensure that staff changes are notified to the team.  February 2018 - work ongoing	31/05/2018		Ongoing (within original timescale)
Fleet (CC)	03/11/2017	R3 The Strategic Vehicle Group should define its expectations regarding the nature and frequency of fleet benchmarking data required to support decision making.	Medium	Head of Estates & Fleet  Phil Robinson	We are currently completing the National Association of Police Fleet Managers (NAPFM) benchmarking exercise in tandem with all forces. This is being undertaken through CIPFA and the results will be shared with senior officers and the OPCC. This will be the first full benchmark exercise undertaken by NAPFM for a number of years, and the first whilst the fleet portfolio has sat within estates. We have not therefore been able to share such information.  February 2018 - agenda item for consideration and discussion at the Strategic Vehicle group on 30th April 2018. Target completion May 2018.	01/06/2018		Ongoing (within original timescale)
Finances Funding Formula (CC)	06/11/2017	R1 Arrangements should be put in place to demonstrate Extended COG's discussions, decisions taken and action arising from the review and approval of annual budgets including financial forecasts.	Medium	Joint Chief Finance Officer	Extensive evidence of senior management review of budget proposals were provided during the course of the audit, much of which takes place in Budget Star Chambers. Nevertheless, it is recognised that the required documentation to evidence Chief Officer Group review of the final consolidated budget was inadequate although this did take place and was formally signed off by the Chief Constable. The need for more transparency with regard to COG decision making has been generally recognised, prompting the publication of a COG decision log. Specific attention will be paid in future to ensure that COG review and approval of the Constabulary's budget proposal is fully recorded.  February 2018 - The 2018/19 Budget and MTFF to 2021/22 were presented to the informal COG meeting on the 18th December 2017 and the extended COG meetings in January and February. Minutes of the main points raised and subsequent discussions and decision were recorded.	31/12/2017		Complete
Finances Funding Formula (CC)	06/11/2017	R2 Arrangements should be put in place to demonstrate how the informal COG's discussions, decisions taken and actions arising are part of the governance arrangements and formal decision making process.	Medium	Joint Chief Finance Officer  Roger Marshall	Over recent years the role of informal COG as a decision making body has evolved organically, principally as a result of the need for speedier decisions. The membership of both informal and extended COG are very similar. The Constabulary's governance arrangements are currently being reviewed including in its committee and decision making structures. This audit recommendation will be considered as part of the review to ensure that the decision making structure and role of Informal COG within it are clarified. An update on the new structure will be provided to future meetings of JASC.  February 2018 - The implementation of the Constabulary's revised governance arrangements is scheduled for April 2018. Arrangements for the role of extended and informal COG are still under discussion.	31/12/2017	30/04/2018	Ongoing (original timescale exceeded)
Finances Funding Formula (CC)	06/11/2017	R3 Arrangements should be made to ensure the Financial Regulations and Financial Rules accurately reflect the Joint CFO's responsibilities.	Medium	Joint Chief Finance Officer  Roger Marshall	Agreed management action: As an interim measure, until the Joint Chief Finance Officer role is fully embedded, an insertion has been included in the financial regulations and rules to recognise the new arrangements as follows:- 'Please note – In May 2017 the Police and Crime Commissioner and Chief Constable decided that the role of Chief Finance Officer would be shared between the two organisations and the position of Joint Chief Finance Officer was created. The arrangement is subject to further review at the end of 2017/18. The Financial Rules and Regulations contain references to the PCC CFO and CC CFO, at the current time such references should be assumed to mean the Joint Chief Finance Officer, although some responsibilities will fall to the Deputy Chief Finance Officer. Once the review of the arrangements for a shared CFO have been completed the Financial Rules and Regulations will be updated.' It is proposed that the financial regulations and rules will be fully amended as required at their next scheduled review in November 2018.  February 2018 - an insert has been made in the Financial Regulations and Rules to reflect the new Joint CFO arrangements. The Financial Regulations and Rules will be updated to fully reflect the Joint CFO arrangements at their next scheduled update in November 2018.	30/11/2017 (Interim Measure)  30/11/2018 (Full Update)		Complete

Audit Report	Report Date	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Commissioning (PCC)	15/01/2018	R1 Local procedures covering all grant funding processes should be documented, approved, maintained and informed to staff, with training being provided where required. Management should then ensure they have a mechanism in place to confirm the procedures are complied with.	Medium	Head of Partnerships and Commissioning  Vivian Stafford	A process map of the general grant funding process has been documented and a checklist will be prepared for each funding stream to go alongside this.	30/09/2018		Not yet due
Commissioning (PCC)	15/01/2018	R2 Management should ensure that the evaluation of grant applications clearly supports the decision of whether to approve them.	Medium	Head of Partnerships and Commissioning  Vivian Stafford	The evaluation process will be reviewed and amended to ensure that decisions are clearly documented.	31/03/2018		Not yet due
Business Improvement Unit (CC)	18/01/2018	R1 The risks associated with not documenting meetings should be assessed and actions taken to mitigate those risks if they are above the Constabulary's acceptable risk tolerance level.	Medium	N/A	The Head of Business Improvement Unit has discussed this with the Deputy Chief Constable and a solution will be progressed as part of the Constabulary's current Governance Review to ensure the Constabulary can demonstrate senior management oversight through governance.	N/A		N/A
Use of Force (CC)	12/02/2018	R1 Management should ensure that appropriate mechanisms are in place to ensure the accuracy and completeness of the use of force data being recorded and that the reporting requirements of the groups / boards receiving the data are defined.	Medium	Ch. Supt. Territorial Policing  Andy Towler	Discussions will be held with the Business Improvement Unit and arrangements to ensure the accuracy and completeness of the use of force data will be built in to the Cumbria Improvement Plan.	30/04/2018		Not Yet Due
Use of Force (CC)	12/02/2018	R2 Management should define and document the methodology for ensuring compliance with the use of force recording requirements.	Medium	Ch. Supt. Territorial Policing  Andy Towler	This will be actioned through the Use of Force Board who will ensure the delivery of improvements and compliance with the ADR.	30/09/2018		Not Yet Due
Use of Force (CC)	12/02/2018	R3 Management should have arrangements in place to ensure that the mandatory safety training for officers is taking place on a timely basis.	Medium	Director of Corporate Support  Stephen Kirkpatrick	A task and finish process is now in place to look at training.  The Use of Force Board will ensure the quality of the management information received and Commanders will be responsible for ensuring that Officers have attended the relevant training.	30/06/2018		Not Yet Due
15 Week Reviews & PDRs (CC)	13/02/2018	R1 The new PDR process and associated guidance should make clear links between strategic priorities and employee performance objectives and help employees to fully understand their individual contributions.	Medium	Head of People  Supt. Sarah Jackson	The PDR and 15 week reviews are currently under review. The Constabulary's intention is to streamline both documents so that the style and formatting are identical. The question set will be altered to align to CumbriaVision2025 and the CVF, so that staff are able to identify their role in the context of the organisational goals. The People Department launched its revised strategy in April 2016 which committed to adopting a strengths based and person centred approach to the way we support our staff. There is an evidence base that demonstrates that a strength-based organisation can create employees who are emotionally engaged in their work, resulting in better productivity, employee retention, and an increased sense of well-being. The question set in the new PDR will underpin this renewed approach and support the progression of staff in to the Cumbria "Your Career, Your Future" Talent programme.	30/09/2018		Not Yet Due
15 Week Reviews & PDRs (CC)	13/02/2018	R2 The project plan should be further developed to incorporate management's expectations around ongoing employee performance management and monitoring and reporting arrangements. Consideration should be given to the following:- • Roles and responsibilities. • Mechanisms for capturing and recording details of 15 Week Reviews. • Frequency and nature of monitoring. • Follow up action for non-compliance. • Reporting requirements.	Medium	Head of People  Supt. Sarah Jackson	Continue with the project plan to deliver the renewed cloud based Kallidus system, which will facilitate enhanced management reporting. The renewed Constabulary Governance arrangements that will take effect in April 2018 will allow for PDR completion monitoring at both local (weekly) and force level (monthly), with key lead officers appointed to ensure compliance. These arrangements will ensure the Constabulary can monitor and rectify any areas of non-compliance.	30/09/2018		Not Yet Due
15 Week Reviews & PDRs (CC)	13/02/2018	R3 Management should ensure that the new PDR process and associated guidance clarifies performance management requirements.	Medium	Head of People  Supt. Sarah Jackson	Agreed management action:  The PDR and Cumbria 2025 "Your career, Your Future" will launch with the revised PDR in 2018 (April/May). This will be supported by a widespread Marketing and Communication campaign.  It will be a Constabulary wide initiative with clear expectations regarding the mandatory requirement to participate in the PDR process.  The Kallidus system upgrade will provide 15 week/annual prompts to ensure compliance is met with the expected frequency for completion.  Guidance notes and training will be provided to employees prior to launch to ensure clarity of requirements	30/09/2018		Not Yet Due

Audit Report	Report Date	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Firearms Licencing (CC)	26/02/2018	R1 Action and improvement plans should be fully aligned to service and organisational priorities and contain SMART objectives to ensure clear and direct linkage. Arrangements should be in place for regular monitoring and reporting on plan progress.	Medium	Chief Inspector (Operational Support) Andy Wilkinson  Firearms Licencing Manager Karen Morland	We will link the firearms licensing unit action plan to the business plan. Monitoring and reporting on plan progress will be addressed through our 15 week review process.	31/03/2018		Not Yet Due
Firearms Licencing (CC)	26/02/2018	R2 Management should define their requirements for prioritising firearms licensing applications, incorporate these requirements into an approved procedure note / process map and develop a mechanism for monitoring progress in this area.	Medium	Firearms Licencing Manager Karen Morland	We will put a procedure into place to prioritise firearms license applications. We will undertake dip sampling to ensure the procedure is followed.	31/03/2018		Not Yet Due
Firearms Licencing (CC)	26/02/2018	R3a Management should clearly set out and communicate their expectations for granting and renewing firearm and shotgun licences	Medium	Chief Inspector (Operational Support) Andy Wilkinson	We will document our aspiration to process firearms applications in line with the national targets (renewals within 8 weeks and new licenses within 12 weeks).	31/05/2018		Not Yet Due
Firearms Licencing (CC)	26/02/2018	R3b The Firearms Licencing Department review should be presented to Senior Management for consideration.	Medium	Chief Inspector (Operational Support) Andy Wilkinson	Further work is being undertaken in this area looking at resilience within the firearms licensing team. A paper will be presented to the appropriate organisational governance body to consider.	31/05/2018		Not Yet Due

<b>CUMBRIA POLICE &amp; CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT AND STANDARDS COMMITTEE</b>
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<b>Meeting date: 21 March 2018</b>
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<b>From: Group Audit Manager (Cumbria Shared Internal Audit Service)</b>
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## **EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 ***Under the Public Sector Internal Audit Standards (PSIAS), all Internal Audit functions working in the public sector must receive an externally accredited assessment every five years. The PSIAS were introduced in April 2013 meaning that the first mandatory assessments must be completed by 31 March 2018.***
- 1.2 ***The Shared Internal Audit Service commissioned its assessment from the Institute of Internal Auditors (CIIA) having sought quotations from two leading professional bodies in the field of Internal Audit.***
- 1.3 ***The assessment was undertaken during October 2017 and the draft report issued in November. As reported to Joint Audit and Standards Committee in November 2017, the overall assessment is that the Shared Internal Audit service 'generally conforms' to the standards; this is the highest of three possible outcomes.***
- 1.4 ***The action plan contains seven recommendations; four directly relating to the systems and processes within Internal Audit and three relating to wider arrangements in respect of Risk Registers, Assurance mapping and management monitoring and reporting on implementation of agreed actions.***
- 1.5 ***The full report and action plan from the CIIA is attached for information and for members of the committee to monitor progress with the implementation of the agreed actions.***

### **2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS**

- 2.1 ***Internal Audit's work is designed to provide assurance to management and members that effective systems of governance, risk management***

***and internal control are in place in support of the delivery of OPCC and Constabulary's priorities.***

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

**2.3** ***The Accounts and Audit Regulations (2015) require the police and Crime Commissioner 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 auditing standards or guidance. These standards are the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) to the Standards.***

**2.4** ***Regular reporting to Joint Audit and Standards Committee enables emerging issues to be identified during the year.***

### **3.0 RECOMMENDATION**

**3.1** ***Members are asked to note the EQA report and agreed action plan.***

### **4.0 BACKGROUND**

**4.1** Under the Public Sector Internal Audit Standards (PSIAS), all internal audit functions working in the public sector are required to undertake an externally accredited assessment of their internal audit arrangements.

**4.2** The review at Cumbria Office of the Police and Crime Commissioner and Constabulary was commissioned from the Chartered Institute of Internal Auditors after a procurement exercise in line with the County Council's Contract Procedure Rules (as host authority for the Shared Internal Audit Service).

**4.3** The assessment was carried out in October 2017 by two of the Institute's experienced assessors and we received their report in November.

**4.4** The overall assessment from the report is that the OPCC and Constabulary's arrangements for Internal Audit 'generally conforms' to the PSIAS. This is the highest possible outcome. Other available outcomes were; 'partially conforms' and 'does not conform' so this is a positive outcome with some areas in the report for further strengthening the arrangements.

**4.5** The report contains seven recommendations; four relating to the systems and processes within Internal Audit and three relating to the OPCC and Constabulary's wider arrangements for risk management, assurance mapping and tracking of agreed actions from internal audit work.



- 4.6 The action plan contains the response to the recommendations together with target dates for implementation. Further updates will be brought to Joint Audit & Standards Committee to provide assurance over the implementation and effectiveness of the new arrangements.
- 4.7 The recommendations are summarised below:
- 4.7.1 Risk registers to contain detailed identification of the controls in place and the monitoring arrangements designed to mitigate the risks to an acceptable level. This is a prerequisite for assessing how JASC is being assured against all significant risks and for internal audit to be able to produce a fully risk based audit plan.
- 4.7.2 Management to identify the various sources of assurance in place or still required against each of the OPCC / Constabulary's identified strategic risks.
- 4.7.3 Annual Internal Audit opinion to include assessment of risk culture and maturity, application of corporate risk management arrangements, including implementation of processes, management of emerging risks, and the effectiveness of training, operational risk management arrangements and progress on assurance mapping.
- 4.7.4 Further interaction between Group Audit Manager and audit committee on the implementation of the actions within the EQA report.
- 4.7.5 Internal audit reviews to be more closely aligned to specific risks identified through audit planning and the introduction of shorter, key-control audits.
- 4.7.6 Streamlining of the audit process and a reduction in supervision stages with each audit.
- 4.7.7 Management monitoring and reporting on the implementation of agreed actions from internal audit reviews.
- 4.8 Management responses are included within the action plan.

**Niki Parker, Group Audit Manager**

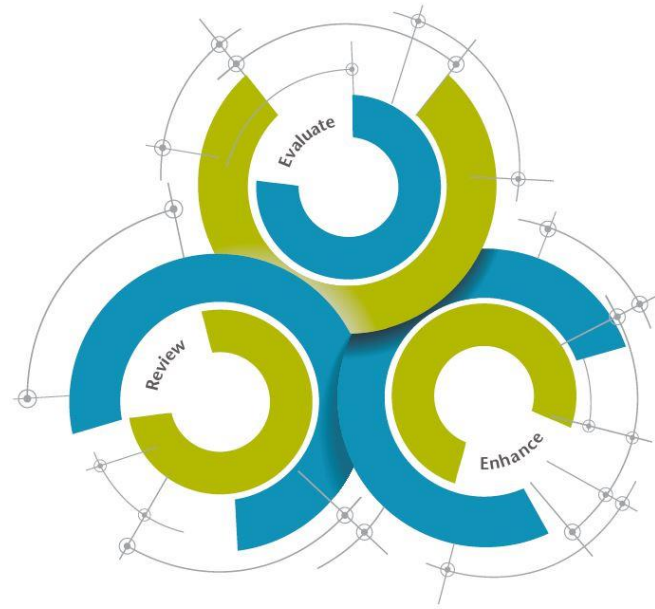
*16 February 2018*

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## **APPENDICES**

***Appendix 1: External Quality Assessment of Internal Audit (full report from the Chartered Institute of Internal Auditors).***

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## **EXTERNAL QUALITY ASSESSMENT (EQA) REPORT FOR**

**Cumbria Shared Internal Audit Service**  
**Prepared by Chris Baker & Claire Ashby**

**The Chartered Institute of Internal Auditors**

**1<sup>st</sup> November 2017**

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*Disclaimer: The EQA Review was concluded in October 2017 and provides management and the Joint Audit & Standards Committee with information about Internal Audit as of that date. Future changes in environmental factors and actions taken to address recommendations, may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate. Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of Chartered IIA*

## EXECUTIVE SUMMARY

### Background

This external quality assessment (EQA) is a routine 5 yearly review of the Cumbria Shared Internal Audit service who provide an internal audit service to Cumbria Constabulary.

### Conformance to the International Professional Practice Framework (IPPF)

The Institute of Internal Audit's (IIA's) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Code of Ethics and *International Standards*. There are 64 fundamental principles to achieve with 118 points of recommended practice. Having performed a detailed assessment it is our view that the Cumbria Shared Internal Audit Service generally conforms to 47 of the standards with 6 currently not applicable. This means there is 1 non-conformance and 10 partially conformances. The overall situation is summarised in the table below.

Summary of IIA Conformance	Standards	Generally Conforms	Partially Conforms	Does not Conform	
Definition of IA and Code of Ethics	Rules of conduct	12			<b>12</b>
Purpose	1000 - 1130	7	1		<b>8</b>
Proficiency and Due Professional Care (People)	1200 - 1230	4			<b>4</b>
Quality Assurance and Improvement Programme	1300 - 1322	5 (+2 n/a)			<b>7</b>
Managing the Internal Audit Activity	2000 - 2130	6 (+1 n/a)	4	1	<b>12</b>
Engagement Planning	2200 - 2600	13(+3 n/a)	5		<b>21</b>
<b>Total</b>		<b>53</b>	<b>10</b>	<b>1</b>	<b>64</b>

The assessment places the service in the middle ground of all the internal audit functions we have seen (approximately 90) and is typical for a function that has experienced considerable restructuring and change. The results show the foundations of a sound internal audit function are in place and with continued improvement a higher standard and increased effectiveness can be achieved. Most importantly there is scope to develop an Assurance map and an internal audit plan format that demonstrates an explicit link to the controls and monitoring arrangements that mitigate strategic risks. These measures will facilitate coordination of assurance and support the annual assurance statement provided by the OPCC and Constabulary. In addition, there is scope to enhance the efficiency of the service through a leaner more agile audit methodology, which will reduce administration, help to keep audits on track and free audit manager time to undertake more complex audit reviews. However, we stress the internal audit function generally conforms and the existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a generally conforms rating.

## Key Achievements

Like many public services the internal audit function is required to do more with less. During a period of unprecedented financial constraint, they have implemented the core features of a risk based approach that live up to and in the main deliver professional internal audit practice. The service is operated by an experienced and well qualified team who recognise customer service and with support from senior management and audit committee members.

## Scope for Further Development

The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with chief audit executives. We then interpret our findings into scope for further development based upon the wide range of guidance published by the Chartered Institute. It is our aim to offer advice and a degree of challenge to help internal audit functions continue their journey towards best practice and excellence. In the following pages we present this advice in three formats.

- An analysis to recognise the accomplishments of the team and to highlight potential threats and opportunities for development (SWOT).
- A matrix describing the key criteria of effective internal audit, highlighting the level Cumbria Shared Internal Audit service has achieved and hence the potential for further development.
- A series of recommendations for further development which internal audit team could use as a basis for an action plan.

For us the main areas for further improvement are around:

- Internal audit planning and coordination with other assurance providers, which includes the links and flow between strategic risks, risk mitigation and the extent of audit coverage; and
- The internal audit methodology.

**SWOT Analysis.**

What works well (Strengths)	What could be done better (Weaknesses)
<ul style="list-style-type: none"> <li>• Support and positive feedback from stakeholders.</li> <li>• Detailed and comprehensive IA Charter.</li> <li>• Experienced and qualified internal auditors.</li> <li>• Commitment to a risk based internal audit approach with a defined methodology.</li> <li>• A risk orientated planning approach that engages with stakeholders to ensure there is overall agreement upon priorities.</li> <li>• Commitment to continuous improvement and training.</li> <li>• Recognition of IIA's and public sector internal audit standards.</li> </ul>	<ul style="list-style-type: none"> <li>• More interaction with audit committee members, especially around audit plans and priorities.</li> <li>• Clarity around the assurance expectations required of IA in relation to strategic risk management.</li> <li>• Explicit links to strategic risks and mitigation in the audit plan.</li> <li>• Coordination with other assurance providers to maximise assurance.</li> <li>• More detailed consideration of skills gaps and how to fill them.</li> <li>• Succession planning.</li> <li>• A leaner, more agile audit process that places the focus upon outcomes.</li> </ul>
What could deliver further value (Opportunities)	What could stand in your way (Threats)
<ul style="list-style-type: none"> <li>• Working with Risk Managers to identify who is required to provide assurance that strategic risks are being managed in an adequate and effective way (Assurance map).</li> <li>• Refined presentation of the internal audit plan to facilitate discussion about the extent of strategic risk coverage and the overall balance between audit types.</li> <li>• The Group Audit Manager to give an annual opinion upon the maturity, application and development of risk management, including progress upon control identification, management of emerging risks and the overall reliability of 1<sup>st</sup> &amp; 2<sup>nd</sup> line assurance.</li> <li>• Giving an opinion upon whether 2<sup>nd</sup> lines of assurance can be relied upon in specific '2<sup>nd</sup> line Assurance' audit reports.</li> <li>• Introduction of some shorter, 3 to 5 day, key control audits.</li> </ul>	<ul style="list-style-type: none"> <li>• A failure to illustrate more clearly how internal audit time is focused on the risks and issues that matter.</li> <li>• Any misunderstanding, trepidation or reluctance from within the OPCC / Constabulary to further develop a risk focused approach.</li> <li>• The organisation(s) not fully understanding the nature of risks within their services, including the key controls and monitoring arrangements that mitigate risks.</li> <li>• Not assigning the most experienced and qualified team member to the most challenging audit assignments.</li> </ul>



<ul style="list-style-type: none"><li>• Effective use of outsourced expertise, particularly for IT audits.</li><li>• IA providing internal consultancy advice upon control as part of ongoing projects.</li><li>• Forward looking quality assurance and improvement plan – timetable.</li></ul>	<ul style="list-style-type: none"><li>• Audits that are too large and time consuming to complete that miss the opportunity to make an impact.</li></ul>
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## Internal Audit Maturity Matrix: Audit Team's Effectiveness highlighted



Assessment	IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
<b>Excellent</b>	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally conforms in all areas.	IA alignment to the organisation's objectives risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as a 3 <sup>rd</sup> line of defence. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with and approved by AC.
<b>Good</b>	The IIA Standards are fully integrated into the methodology – mainly generally conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value added dimension.	Coordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagement are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	<b>Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC</b>
<b>Satisfactory</b>	<b>Most of the IIA Standards are found in the methodology with scope to increase conformance from partially to generally conform in some areas.</b>	<b>Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change but criteria and role require clarity.</b>	The 3 lines of defence is model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising
<b>Needs improvement</b>	Gaps in the methodology with a combination of non-conformances and partial conformances to the IIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	<b>The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.</b>	<b>An established methodology is in place but it is elaborate and bureaucratic. Engagements go beyond deadline and a number are deferred</b>	QC not consistently embedded across the function. QA is limited / late or does not address root causes
<b>Poor</b>	No reference to the IIA Standards with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are adhoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

### Recommendations for Further Development





<b>Nature of internal auditing</b> <b>(Standard 2100 Nature of internal audit work)</b>	<b>Response &amp; action date</b>
<p><b><u>Finding 1</u></b></p> <p>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><b><u>Action 1 – OPCC and Constabulary action</u></b></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 focussing solely on strategic risks.</p> <p><b>Responsible Officer – N/A</b></p> <p><b>Target date – N/A</b></p>
<p><b>Coordination and reliance</b></p> <p><b>(Standard 2010 Planning – non-conformance)</b></p>	<p><b>Response &amp; action date</b></p>
<p><b><u>Finding 2</u></b></p> <p>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><b><u>Action 2 – OPCC, Constabulary and Internal Audit action</u></b></p> <p>Internal Audit has set time aside in the 2018/19 audit plan to support the OPCC and Constabulary in undertaking an assurance mapping exercise.</p> <p><b>Responsible Officer</b></p> <p><b>Target date – December 2018</b></p>



<b>Responsibilities regarding governance and risk management</b>  <b>(Standard 2110 Governance and Standard 2120 Risk management – partial conformances)</b>	<b>Response &amp; action date</b>
<b><u>Finding 3</u></b>  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: -  a) The development of an effective risk culture and risk maturity through specific governance audits and risk management audits.  b) The application of corporate risk management arrangements, including implementation of processes, management of emerging risks, and the effectiveness of training.  c) The development of operational risk management based upon specific assessment of risk processes in individual audits.  d) Progress towards assurance mapping and the coordination of assurance arising from specific assurance audits.	<b><u>Action 3 – Internal Audit action</u></b>  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.  <b>Responsible Officer: Audit Manager</b>  <b>Target Date: Included in the 2018/19 audit plan – completed.</b>  <b>Annual opinion for 2017/18 will take account of the wider risk management actions undertaken during the year as described in the recommendation.</b>
<b>Direct interaction with the Joint Audit &amp; Standards Committee</b>  <b>(Standard 1111 – partial conformance)</b>	<b>Response &amp; action date</b>
<b><u>Finding 4</u></b>  The recommendations above regarding coordination and planning will be challenging and we feel further interaction with the Joint Audit & Standards Committee, along with senior management consultation, is needed to explore	<b><u>Action 4 – Internal Audit action</u></b>  This action plan together with a longer term plan for the Internal Audit service will be reported to Joint Audit & Standards Committee on a regular basis to give clear oversight of the actions planned to further

<p>how they will be delivered and monitored, particularly with regard to annual priorities.</p>	<p>develop the service.</p> <p><b>Responsible Officer: Group Audit Manager</b></p> <p><b>Target date: 31 May for development of 2-year action plan</b></p>
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One of the key measures of success for internal audit is outcomes, the level of assurance that can be gained combined with positive change upon the organisation. While the internal audit methodology contains all the required elements set out in the standards, there is scope to make the audit process more efficient so results are presented to management and the committee in a timely manner to achieve the greatest impact. Refinements will help to enable better use of resources and as such we offer the following recommendations.

<p><b>Overall planning of audit assignments</b></p> <p><b>(Standard 2200 Engagement planning, Standard 2201 Planning considerations, Standard 2210 Engagement objectives, Standard 2220 Engagement scope – partial conformances)</b></p>	<p><b>Response &amp; action date</b></p>
<p><b><u>Finding 5</u></b></p> <p>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.</p> <p>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</p>	<p><b><u>Action 5 – Internal Audit action</u></b></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><b>Responsible Officer: Group Audit Manager / Audit Manager</b></p>

<p>achievement of such targets.</p> <p>We also recommend the introduction of shorter 3 – 5 day specific reviews that focus on key controls within systems and procedures where risks and controls are known and established.</p>	<p><b>Target date: 30 April for development of approach to key control audits</b></p>
<p><b>Use of resources</b></p> <p><b>(Standard 2030 Resource management – partial conformance)</b></p>	<p><b>Response &amp; action date</b></p>
<p><b><u>Finding 6</u></b></p> <p>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.</p> <p>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><b><u>Action 6 – Internal Audit action</u></b></p> <p>The risk based approach was a significant change in audit approach and a detailed methodology was appropriate at the time. Joint Audit &amp; Standards Committee were briefed at the time about the changes and the challenges the new approach presented.</p> <p>Over runs are not considered to be an issue in delivery of our work for the Constabulary and OPCC. Our approach to overruns has been addressed though the Shared Service host authority’s EQA report and action plan.</p> <p>We will review our audit approach during 2018/19 to identify efficiencies in the process, including where appropriate the management and supervision stages.</p> <p>Audits are assigned according to skills, experience, development needs and availability of team members.</p> <p><b>Responsible Officer: Group Audit Manager / Audit Manager</b></p> <p><b>Target date: 31 August for review of process and supervision once key control audits are underway</b></p>
<p><b>Tracking audit recommendations</b></p>	<p><b>Response &amp; action date</b></p>

<p><b>(Standard 2500 Monitoring progress – partial conformance)</b></p>	
<p><b><u>Finding 7</u></b></p> <p>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><b><u>Action 7</u></b></p> <p>Internal Audit considers that this is already in place at the OPCC / Constabulary. All audit recommendations are reported to and monitored by JASC at each meeting until they are implemented.</p> <p><b>Responsible Officer: N/A</b></p> <p><b>Target date: N/A</b></p>

**Other recommendations for consideration (not related to partial conformances)**

The preparation of a skills gap analysis matching current expertise and experience within the service to requirements to recognise what may be needed and to initiate discussion about the options that may exist within and outside the organisation. IT auditing skills is area that is typically identified through such a process. The preparation of a timetable setting out the 5 year quality assurance and improvement programme with key reporting dates to the Joint Audit & Standards Committee.

**Internal audit response:**

Skills gaps will be identified alongside preparation of audit plans. An Improvement Programme will be prepared to coincide with the timescales for the shared service agreement, the first will be up to 2020.

**IIA Grading definitions**  
**Appendix 1**

The following rating scale has been used in this report.

<b>Overall Audit Grading</b>	
<b>Generally Conforms (GC)</b>	The assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.
<b>Partially Conforms (PC)</b>	The assessor has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.
<b>Does Not Conform (DNC)</b>	The assessor has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The assessor must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating.

## Appendix 2

### Stakeholder Interviews and Feedback

Interviewees	Title/Position
Niki Parker	Group Audit Manager
Emma Toyne	Audit Manager
Peter Usher	Audit Manager
Paul Forster Steven Archibald Sarah Fitzpatrick Pauline Connolly	Principal and Senior Auditors
Fiona Daley	Independent chair of Joint Audit & Standards Committee
Michelle Skeer	Deputy Chief Constable
Roger Marshall	Chief Financial Officer Cumbria Constabulary

Stakeholder feedback has been positive. While interviews have highlighted restructuring and downsizing as particularly challenging along with transformation to a risk based internal audit approach there is recognition that the service has improved in recent years to one that focuses more closely upon issues of importance and greatest risk. There is confidence in the leadership of the service and the overall qualifications and experience of the team, although it is stressed that developing skills and spending more time to understand the finer aspects of specific priorities and processes in departments is important, especially in setting the terms of reference of individual audit assignments. In addition the service is deemed to have the necessary independence and objectivity to perform its role and will be forthright and stand by its opinions when challenged.

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

**Meeting date: 21 March 2018**

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

**INTERNAL AUDIT: DRAFT INTERNAL AUDIT PLAN 2018/19**

**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 Audit Manager prepares an annual risk based audit plan for review by Senior Management and Joint Audit & Standards Committee and approval by the Board.
- 1.3 The attached draft plan has been prepared in accordance with the planning methodology agreed by the Shared Internal Audit Services Board. The approach included:
- Review of Constabulary and OPCC strategic and operational 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.
- 1.4 The recommendations from the 2017 External Quality Assessment of Internal Audit have been incorporated where appropriate. In addition to closer alignment to risk registers the plan includes a number of shorter, key control audits aimed at providing assurance over the controls in place to address core risks within a system or area.
- 1.5 The plan is designed to ensure adequate coverage to provide an annual audit opinion as required under the PSIAS. There is provision for advice and consultancy work.

**2.0 RECOMMENDATION**

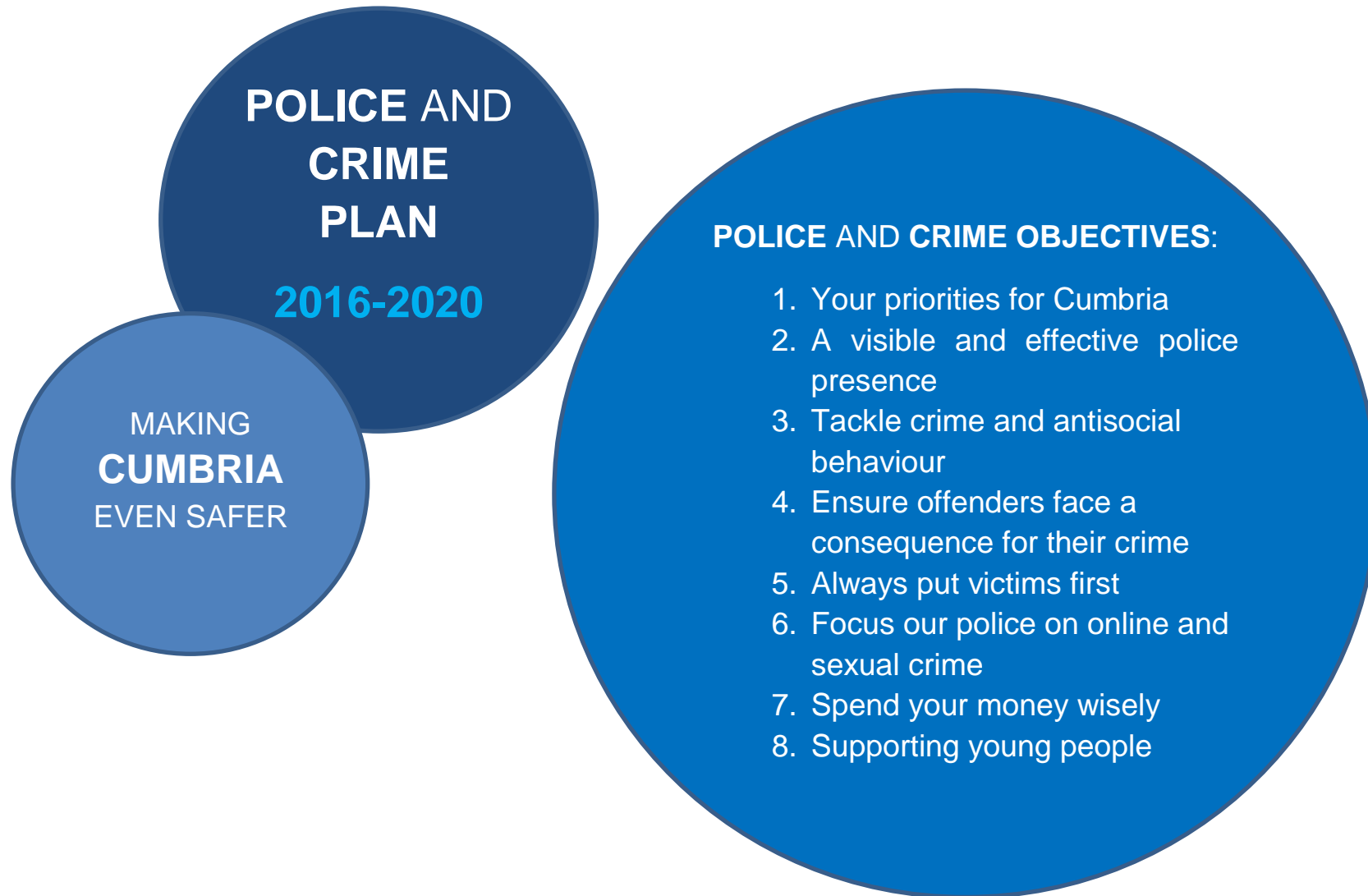
**2.1 *Members are asked to note the draft internal audit plan for 2018/19.***



# Internal Audit Plan 2018/19

## 1. Introduction

1.1 The Internal Audit Plan for 2018/19 has been prepared based on analysis of the strategic and operational 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 and operational risk registers have been used as the starting point for the development of the audit plan (see Appendix 1 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 opinion.

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 the External Quality Assessment of Internal Audit (EQA) undertaken in October 2017, we have sought to align the audit plan more closely with risks documented within strategic and operational risk registers. The plan also addresses the EQA recommendation to include some shorter key control audits. These audits will focus in on the key risks and controls within a system or service as opposed to

the full risk based audits which cover a broader range of management, regulatory, information, security and value objectives (as required by PSIAS).

2.4 Risks have also been identified thorough professional networks, review of other OPCC and Constabulary audit plans and attendance at training and development events. These have been considered within our risk assessment process and included within the plan as appropriate.

### 3. The Internal Audit Service

#### 3.1 Mission

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

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

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

#### 3.2 Resourcing

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

3.2.2 Capacity has been made available within the plan for project support and advice work. This is in accordance with the mission statement and with the EQA report which identified an opportunity for internal audit to provide internal consultancy advice on controls as part of ongoing projects. This time has been made available as a result of reducing budgets on some key control / compliance audits.

### **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 must be completed by 31 March 2018. The EQA of the Shared Internal Audit Service was undertaken in October 2017. The review concluded that the service 'generally conforms' with the standards and the 'audit methodology contains all the required elements of the standards'.
- 3.3.2 Arrangements are in place to address the recommendations arising from the assessment, and where appropriate, recommendations have been addressed in the preparation of this audit plan, eg closer linkages with risk registers, introduction of key control audits and the re-introduction of proactive project / advice work.
- 3.3.3 We have a rigorous Quality Assurance and Improvement Programme to ensure a high quality of service is maintained.

## Appendix 1 – Draft Internal Audit plan 2018/19

Audit Review	Description	Days
Risk Management (Constabulary)	Assurance to be provided over aspects of risk management as recommended within the 2017/18 External Quality Assessment of Internal Audit	20
Risk Management (OPCC)		
Emergency Services Mobile Communications Programme (ESMCP) and Emergency Services Network (ESN) (Constabulary)	<p>This has been the highest risk on the Constabulary’s strategic risk register for some time but the risk has been downgraded in the most recent review of the risk register. This is a national project and as such many of the risks and timescales are beyond the control of the Constabulary.</p> <p>JASC is asked to consider whether they are assured that the risk is effectively mitigated and whether Internal Audit assurance is required in this area.</p>	15
Governance Structure (Constabulary)	<p>New governance arrangements is a mitigating action against two of the risks in the Constabulary’s strategic risk register.</p> <p>The review will provide assurance that the arrangements as documented are operating effectively.</p>	10
General Data Protection Regulation (Constabulary)	<p>This area is a risk on the “People” operational risk register.</p> <p>The audit will provide assurance over the implementation of the new regulation.</p>	25
General Data Protection Regulation (OPCC)		
Specified Information Order (OPCC)	The audit will provide assurance over compliance with the statutory requirements of the Elected Local Policing Bodies (Specified Information) Order 2011.	10



Audit Review	Description	Days
Digital Media Investigation Unit	<p>This audit has been brought forward from the 2017/18 plan at the request of management and as reported to JASC in September 2017.</p> <p>The Unit was created in 2016/17 and has not yet been subject to an internal audit review.</p>	15
Command and Control Room and 101	Identified as a priority for internal audit review through audit planning discussions with management and will include the vulnerability / safeguarding pilot being run in CCR. Scoping of the audit with management may result in two separate pieces of work in this key area.	30
Neighbourhood Policing Hubs	Identified as a priority for internal audit review through audit planning discussions with management.	20
Overtime Spend	Identified as a priority for internal audit review through audit planning discussions with management.	10
Workforce Planning	Identified as a priority for internal audit review through audit planning discussions with management.	15
Force Tasking and Co-ordination	Audit to provide assurances around the alignment of Tasking in Territorial Policing Areas with HQ Tasking, following changes implemented.	20
Victims Code of Practice	This audit links to the objective in the Police and Crime Plan; to always put victims first. The audit will provide assurance over the arrangements in place to ensure compliance with the Ministry of Justice's Code of Practice for Victims of Crime.	15
Main accounting system	Cyclical financial system audit which will focus on compliance with key controls.	10
Debtors	Cyclical financial system audit which will focus on compliance with key controls.	5
Payroll	Cyclical financial system audit which will focus on compliance with key controls.	10

Audit Review	Description	Days
Pensions	Cyclical financial system audit which will focus on compliance with key controls. Agree financial elements	10
Project Support / consultancy <ul style="list-style-type: none"> <li>• SAAB project</li> <li>• Blue Light</li> <li>• Governance structure</li> <li>• Assurance mapping</li> </ul>	Following the EQA, we have incorporated some project support / consultancy work within the audit programme. This will not impact on our core assurance work.	10
Follow Ups <ul style="list-style-type: none"> <li>• Offender Management</li> <li>• Criminal Justice Unit</li> <li>• Stingers</li> <li>• Receipt Handling &amp; Storage of drugs</li> </ul>	In accordance with our internal audit methodology, all audits resulting in Partial or Limited assurance are followed up. We will provide confirmation of the actions management have reported as implemented in the quarterly monitoring report to JASC.	20
Attendance at Police Audit Training & Development event	This is an important part of the development of the internal audit service to the OPCC / Constabulary and provides insights into current issues, risks and audit matters relevant to our police audit work.	2
Internal audit management	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: Attendance at Audit & Standards committee (5 meetings in year) Preparation of progress reports, annual reports and opinions Audit planning Management liaison Effectiveness of internal audit – Compliance with PSIAS	4 6 9 4 1

<b>Audit Review</b>	<b>Description</b>	<b>Days</b>
<b>Total</b>		<b>296*</b>

\*Total audit days includes 281 as included within the Shared Service Agreement and 15 days carried forward from 2017/18 at management's request.

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

Internal Audit Charter

## Introduction

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

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

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

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

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

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

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

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

For the purposes of this charter the ‘board’ refers to the Police and Crime Commissioner and / or the Chief Constable. The Joint Audit and Standards Committee 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 Commissioner’s](#) Chief Finance Officer on behalf of the Commissioner and Chief Constable through the Cumbria shared Internal Audit Service.
- 2.2 The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 2.3 The Cumbria Shared Internal Audit Service (“Internal Audit”) provides an Internal Audit function for Cumbria County Council (the host authority) and Cumbria Constabulary and the Cumbria Office of the Police and Crime Commissioner
- 2.4 The services provided by Internal Audit are designed to assist the Commissioner and Chief Constable to continually improve the effectiveness of their respective risk management, control and governance framework and processes and to allow an independent, annual opinion to be provided on the adequacy of these arrangements.
- 2.5 Internal Audit activities in support of this include:

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

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

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

## Purpose, Authority, Responsibility and Objectives

### Purpose

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



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

## Authority

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

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

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

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

3.11 The charter establishes that the Group Audit Manager and Audit Manager of the Shared Internal Audit Service has free and unfettered access to the board and the Joint Audit and Standards Committee and has the right to request a meeting in private with the Commissioner, Chief Constable and/or Chair of the Joint Audit and Standards Committee should it become necessary.

## Responsibilities and Objectives

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

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

### Planning

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

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

### **Implementation**

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

### **Reporting**

- Any significant issues arising during audit fieldwork will be discussed with management as they are identified
- Draft audit reports will be produced on a timely basis following all audit reviews and these will be discussed with management prior to finalising, to ensure the factual accuracy of the report and incorporate management responses
- Quarterly progress reports will be prepared and reported formally to the Joint Audit and Standards Committee
- Internal Audit has a responsibility to report to the board any areas where there is considered that management have accepted a level of risk that may be unacceptable to the organisation
- Internal Audit has a duty to bring to the attention of the board and the Joint Audit and Standards Committee 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 organisation or for authorising transactions
- Internal Audit is not responsible for implementing its recommendations or for ensuring that these are implemented

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

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

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

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

## Scope of Internal Audit Work

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

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

## Position and Reporting Lines for Internal Audit

- 5.1 Internal Audit reports operationally to the JointPCC's Chief Finance Officer (S151 Officer). Functional reporting is to the Joint Audit and Standards 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 JointPCC's Chief Finance Officer ~~and the Chief Constable's Chief Finance Officer~~ who ~~are~~ is charged with ensuring each organisation has put in place effective arrangements for Internal Audit of the control environment and systems of internal control as required by professional standards.
- 5.3 Internal Audit reports the outcomes of its work to the Joint Audit and Standards Committee 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/none' or 'partial' assurance or recommendations graded 'High', indicating significant risk exposure identified arising from a fundamental weakness in the system of internal control, reports will be escalated by the Joint Chief Finance Officer to the board.
- 5.4 On an annual basis, Internal Audit will prepare and present to the board and Joint Audit and Standards Committee, an annual report containing:
- The overall opinion of the responsible Audit Manager
  - A summary of the work undertaken to support the opinion; and
  - A statement of conformance with the Public Sector Internal Audit Standards
- 5.5 Should significant matters arise in relation to the work of Internal Audit; these will be escalated through the management hierarchy to the Commissioner, Chief Constable and/or to the Chair of the Joint Audit and Standards Committee 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 JointPCC's Chief Finance Officer and reported to the board and Joint Audit and Standards Committee. All

changes to approved audit plans will be reported to the next meeting of the Joint Audit and Standards 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 will be requested to sign up to the Code on an annual basis. Auditors within the shared service are also required to comply with the code of ethics of their professional bodies.

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

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

### Independence

- 6.5 Internal Audit is independent of all of the activities it is required to audit which ensures that the board and Joint Audit and Standards Committee can be assured that the annual opinion they

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

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

6.7 Internal auditors will report annually to the board and Joint Audit and Standards Committee to confirm that the independence of Internal Audit is being maintained.

### Resourcing, Proficiency and Due Professional Care

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

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

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

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

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

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

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

### Advice / Consultancy work

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

- The work requested can be accommodated within the agreed audit days and Internal Audit has the skills to deliver the work
- The assignment will contribute to strengthening the control framework
- 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 Officers](#) and ultimately to the board if necessary.



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

## Quality Assurance

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

### Internal assessments

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

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

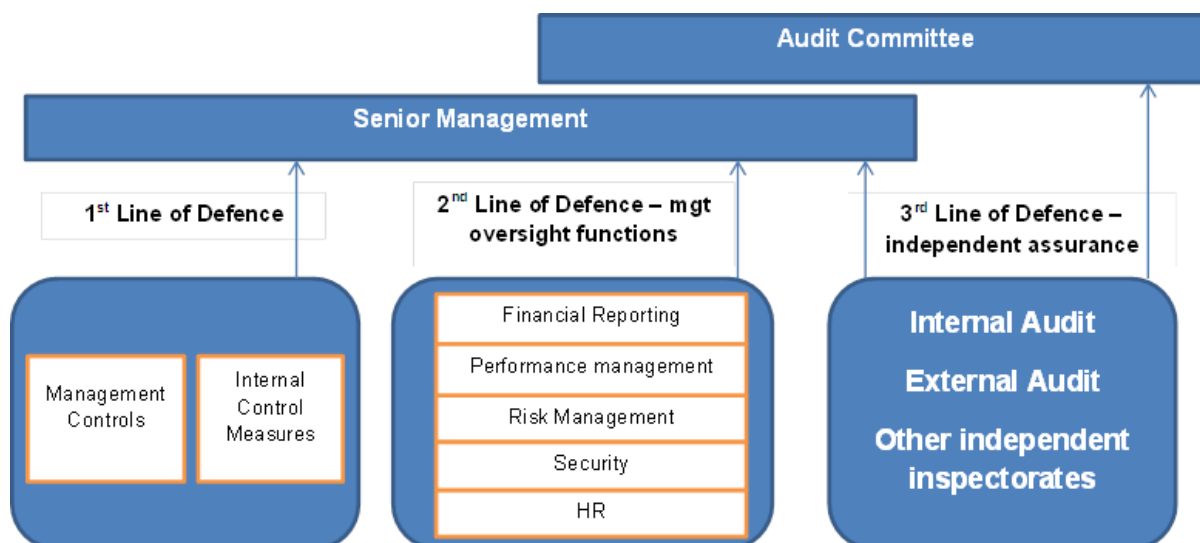
### External assessments

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

## Review of Audit Charter

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

## Internal Audit – The Third Line of Defence



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

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

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

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

## Internal Audit Performance Measures

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
Annual Measures to be reported in the Annual Report			
Output Measures			
Compliance with Public Sector Internal Audit Standards	Quality Assurance and Improvement Programme & checklist for assessing conformance with the PSIAS	100%. On-going and annual review to demonstrate conformance with the definition of Internal auditing, code of ethics and standards.	The internal audit service is required to comply with the PSIAS
Preparation of audit plan	Preparation of risk based audit plan to meet client timetables	100%. Measured annually	Annual agreed audit plan is required to enable delivery for the client.
People Measures			
CPD / Training	Average number of days for skills training per auditor	6 days per person.  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%  Measured monthly  Reported quarterly	To ensure the audit is targeted to key risks, has management buy in and adds value.
Draft reports issued by agreed deadline	% of draft internal audit reports issued by the agreed deadline or formally approved revised deadline agreed by Audit Manager and client.	80% (target is a reflection that this is a new way of working and deadlines may be impacted by several factors including client availability)  Measured monthly  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)  Measured monthly.	Timely reports add impact.

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
		Reported quarterly	
Recommendations agreed	% of recommendations accepted by management	95% quarterly benchmark (the benchmark reflects that it is management's responsibility to assess their risks and take final decision on whether risk may be accepted)	Measures the quality and effectiveness of internal audit recommendations
Follow up	% of high priority audit recommendations implemented by target date	100% Quarterly	Indicates that Internal Audit are adding value to the organisation.
Assignment completion	% individual reviews completed to required standard within target days or prior approved extension by Audit Manager	75% (target reflects that this is a new way of working for the audit service and systems for monitoring time spent on assignments may need to be further developed)  Measured monthly.  Reported quarterly.	To ensure that all audit plans across the shared service can be delivered.
Quality Assurance checks completed	% QA checks completed	100%.  Measured monthly  Reported quarterly	To ensure compliance with the Public Sector Internal Audit Standards.  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	% of customer satisfaction surveys scoring the service as	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	Gauge customer satisfaction and continuously improve the audit service.

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
feedback	'good'	and responsibilities, may not always elicit positive feedback)  Measured monthly.  Reported quarterly	
People Measures			
Efficiency	% chargeable time	80% (target takes account of non-chargeable activities such as staff holidays, service development projects and team meetings).  Measured monthly.  Reported quarterly	Measure of productivity.

<p><b>CUMBRIA POLICE &amp; CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT AND STANDARDS COMMITTEE</b></p>
<p><b>Meeting date: 21 March 2018</b></p>
<p><b>From: Audit Manager (Cumbria Shared Internal Audit Service)</b></p>

## **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 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS**

- 2.1 Internal Audit's work is designed to provide assurance to management and members that effective systems of governance, risk management and internal control are in place in support of the delivery of the PCC and Constabulary's priorities.
- 2.2 The Accounts and Audit Regulations 2015 impose certain obligations on the PCC and Chief Constable including a requirement that they undertake an adequate and effective internal audit of their accounting records and of their systems of internal control in accordance with proper practices in relation to internal control. From 1<sup>st</sup> April 2013, proper practices are defined as the Public sector Internal Audit Standards.

### 3.0 RECOMMENDATION

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

### 4.0 BACKGROUND

4.1 The PCC and Chief Constable must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable 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.

4.2 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.

4.3 Specific requirements of the PSIAS are that it:

- Monitors the Internal Audit activity to ensure it operates in an effective and efficient manner (1300)
- Assures compliance with the *Standards*, Definition of Internal Auditing and Code of Ethics (1300)
- Helps the Internal Audit activity add value and improve organisational operations (1300)
- Includes both periodic and ongoing internal assessments (1311)
- Includes an external assessment at least once every five years (1312)
- Reporting on the results of the QAIP and any improvements plans in the annual report (1320)
- Disclosure of non conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards (1322)

4.4 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.



4.5 The QAIP is documented in Appendix A.

**Emma Toyne**  
**Audit Manager**  
*February 2018*

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## **APPENDICES**

### ***Appendix A - Quality Assurance and Improvement Programme***

Contact: Emma Toyne, 01228 226261, [emma.toyne@cumbria.gov.uk](mailto:emma.toyne@cumbria.gov.uk)

## Appendix A – 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 practical recommendations made</li> <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</li> </ul>

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

Periodic reviews conducted through	Elements
Annual risk assessments for the purposes of annual audit planning	<ul style="list-style-type: none"> <li>• Annual risk assessment of each organisation's audit universe as part of the planning process</li> </ul>
Annual assessment of Internal Audit's conformance with its Charter, PSIAS with an improvement plan produced to address any areas of non-conformance identified	<ul style="list-style-type: none"> <li>• Review of Charter for conformance</li> <li>• Annual completion of CIPFA checklist for assessing conformance with the PSIAS</li> <li>• Improvement plan produced to address areas of non-conformance.</li> <li>• Service development plan identifying actions for service improvement.</li> </ul>
Benchmarking with other Internal Audit service providers	<ul style="list-style-type: none"> <li>• CIPFA benchmarking</li> <li>• Networking at Police Audit Group Conference (national event)</li> </ul>
Quarterly reports to audit committees on progress with delivery of the audit plan	<ul style="list-style-type: none"> <li>• Preparation of progress report for each Joint Audit and Standards Committee and attendance at JASC 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:1310)**

External Assessments will be carried out in accordance with the requirements of the PSIAS and reported to Joint Audit and Standards 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 and Standards Committee on an annual basis;

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

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

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<b>CUMBRIA POLICE &amp; CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT AND STANDARDS COMMITTEE</b>
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<b>Meeting date: 21 March 2018</b>
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<b>From: Audit Manager (Cumbria Shared Internal Audit Service)</b>
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## **INTERNAL AUDIT: PROGRESS REPORT TO 2<sup>ND</sup> MARCH 2018**

### **1.0 EXECUTIVE SUMMARY**

1.1 *This report provides a review of the work of Internal Audit for the period to 2<sup>nd</sup> March 2018.*

1.2 *Key points are:*

- *Progress with the audit plan is on schedule with 75% of planned days delivered (compared to 72% in a similar period in 2016/17) and 60% of audits completed to final report (compared to 55% at the same point last year). All audits in the plan are either complete or underway.*
- *The level of risk based audits receiving Reasonable or higher assurance is currently 89% (based on final audit reports issued). This is an increase on the same period last year when the figure was 75%.*
- *The draft plan for 2018/19 has been prepared following consultation with Senior Managers in the OPCC and Constabulary. The proposed plan is presented at this meeting.*

### **2.0 OVERVIEW**

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

- 2.2 ***The Audit Plan aims to deliver a programme of internal audit reviews designed to target the areas of highest risk as identified through the corporate risk registers together with management and internal audit view of key risk areas.***
- 2.3 ***The Accounts and Audit Regulations March 2015 impose certain obligations on the PCC and Chief Constable, including a requirement for a review at least once in a year of the effectiveness of their systems of internal control.***
- 2.4 ***Internal Audit must conform to the Public Sector Internal Audit Standards 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 and Standards Committee enables emerging issues to be identified during the year.***

### **3.0 RECOMMENDATION**

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



## 3.2 BACKGROUND

- 3.3 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 public sector internal auditing standards or guidance.
- 3.4 Internal audit is responsible for providing independent assurance to the PCC and Chief Constable's senior management and to the Joint Audit and Standards Committee on the systems of governance, risk management and internal control.
- 3.5 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.
- 3.6 The internal audit plan for 2017/18 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage is focused on the areas of highest risk to both organisations. The plan has been prepared to allow the production of the annual internal audit opinion as required by the PSIAS.
- 3.7 This report provides an update on the work of internal audit for the period to the end of February 2018. It reports progress on the delivery of the 2017/18 audit plan in the period and includes a summary of the outcomes of audit reviews completed in the period.

### **Status of internal audit work as at 2<sup>nd</sup> March 2018**

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2017/18 audit plan. Further detail on this is included at Appendix 2.

<b>Audit plan year</b>	<b>Audit Status</b>	<b>Number of reviews</b>
2017/18	<u>Audits completed:</u>	<b><u>12</u></b>
	Risk based audits (2016/17 WIP)	2
	Risk based audits	7
	Compliance audit	1
	Governance work	1
	Financial systems	1
	Follow up	0

	<u>Audits in progress:</u>	<b><u>8</u></b>
	Risk based audits (2016/17 WIP)	0
	Risk based audits	4
	Financial systems	2
	Follow up	2
	<u>Audits to be started</u>	<b><u>0</u></b>
	Risk based audits	0
	Financial systems	0
	Follow up	0
	Audits in plan	<b><u>20*</u></b>

\* The number of audits in the plan has been revised to 20 as the detailed procurement testing covers both the OPCC and Constabulary and one report covering both organisations has been issued.

### **Outcomes from Final Audit Reports to 2nd March**

3.8 Audits completed to 2 March comprise nine risk based audits, one financial system audit, one compliance audit and the review of the PCC's Annual Governance Statement.

3.9 The detailed outcomes from each finalised audit are shown in Appendix A.

### **Draft Reports Issued to 2<sup>nd</sup> March**

3.10 This section provides an early indication of the outcomes of internal audit reviews. Should additional information or evidence be received through the close out process, the initial assessment may be revised prior to finalisation of the report.

<b>Audit</b>	<b>Date of issue of draft report</b>	<b>Initial audit assessment</b>
Vulnerability (hate crime)	27/02/18	Reasonable

**Emma Toyne**  
**Audit Manager**  
2<sup>nd</sup> March 2018

## **APPENDICES**

***Appendix 1: Final reports issued to 2<sup>nd</sup> March 2018***

***Appendix 2: Progress on all risk based audits from the 2017/18 plan***

***Appendix 3: Internal audit performance measures to 2<sup>nd</sup> March 2018***

Contact: Emma Toyne, 01228 226261, [emma.toyne@cumbria.gov.uk](mailto:emma.toyne@cumbria.gov.uk)

## Appendix 1 – Final reports issued to 2 February 2018

Assignments	Status	Assessment
Command and Control (2016/17 WIP)	Report presented to Joint Audit and Standards Committee at the 21 <sup>st</sup> July 2017 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable
OPCC Annual Governance Statement	Report presented to Joint Audit and Standards Committee at the 21 <sup>st</sup> July 2017 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable
Offender Management (2016/17 WIP)	Report presented to Joint Audit and Standards Committee at the 13 <sup>th</sup> September meeting. Report included in Committee papers and available on the Commissioner's website.	Partial
Treasury Management	Report circulated to JASC members and available on the Commissioner's website.	Substantial
Fleet	Report circulated to JASC members and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website.	Reasonable
Funding formula	Report circulated to JASC members and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website.	Reasonable
Firearms licencing	Report circulated to JASC members and available on the Commissioner's website.	Reasonable
Use of force	Report presented to Joint Audit and Standards Committee at the 21 <sup>st</sup> March 2018 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable
Commissioning (OPCC)	Report presented to Joint Audit and Standards Committee at the 21 <sup>st</sup> March 2018 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable
Fifteen week reviews / Professional Development Reviews	Report presented to Joint Audit and Standards Committee at the 21 <sup>st</sup> March 2018 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable

## Appendix 1 – Final reports issued to 2 February 2018

Business improvement unit	Report presented to Joint Audit and Standards Committee at the 21 <sup>st</sup> March 2018 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable
Procurement detailed testing	Report presented to Joint Audit and Standards Committee at the 21 <sup>st</sup> March 2018 meeting. Report included in Committee papers and available on the Commissioner's website.	N/A
<p>In addition to the above, a member of the Internal Audit team attended the Police Audit Group Conference in July 2017. The event provided an opportunity to network with other Internal Auditors in the Policing sector and provided an overview of a number of areas including:</p> <ul style="list-style-type: none"> <li>• The policing landscape (a Chief Executive's perspective on key strategic developments in policing and the challenges and opportunities ahead)</li> <li>• Update from the College of Policing</li> <li>• Topical sector developments (including assurance frameworks and collaborative reviews)</li> <li>• Promoting Internal Audit and raising standards (IIA)</li> <li>• Cyber security</li> <li>• Police and crime plan reviews</li> <li>• Developments in Internal Audit and Governance (CIPFA)</li> </ul> <p>We will incorporate learning from the event into both current audit work and in preparing the 2018/19 Internal Audit plan.</p> <p>The Group Audit Manager and Audit Manager attended a finance team training session and the Corporate Support Senior Management Team in August to present key points arising from national governance reports. This was well received and prompted discussion on wider governance issues.</p>		
<p>Internal Audit planning meetings for 2018/19 are underway. Our meetings with Senior Managers at the OPCC and Constabulary will inform the audit universe for both organisations. We will consult with the OPCC and Constabulary in January 2018 to consider the areas to be included in the plan which will be approved by Management. The plan will be presented to Joint Audit and Standards Committee in March 2018.</p>		
<p>We have prepared and consulted on the 2018/19 draft Internal Audit plan with the Constabulary and OPCC. The draft plan is presented to the JASC for information as a separate agenda item.</p>		

## Appendix 2 – Progress on 2017/18 Audit Plan

<b>OPCC / Constabulary Review</b>	<b>Audit</b>	<b>Stage</b>	<b>Feedback form returned</b>
Constabulary (WIP from 2016/17)	Command and Control	Complete	Yes
Constabulary (WIP from 2016/17)	Offender Management	Complete	Yes
Constabulary	Finances (Funding formula)	Complete	Yes
Constabulary	Vulnerability (Hate crime)	Draft report issued	N/A
Constabulary	Firearms Licencing	Complete	Not yet due - Issued 26/02/18
Constabulary	Use of Force	Complete	Yes
OPCC	Commissioning	Complete	Yes
Constabulary	Five and fifteen week reviews / Professional Development Reviews (PDRs)	Complete	Not yet due – issued 13/02/18
Constabulary	Resourcing – Duty Management	Fieldwork underway	N/A
Constabulary	IT capacity	Fieldwork underway	N/A
Constabulary	Fleet	Complete	Yes
Constabulary	Digital media investigation unit	Deferred to 2018/19	N/A
Constabulary	Business Improvement Unit	Complete	Yes
OPCC	Information security	Fieldwork underway	N/A
OPCC	Annual Governance Statement	Complete	N/A
OPCC/Constabulary	Creditors	Fieldwork underway	N/A

## Appendix 2 – Progress on 2017/18 Audit Plan

OPCC / Constabulary Review	Audit	Stage	Feedback form returned
OPCC/Constabulary	Treasury Management	Complete	Yes
OPCC/Constabulary	Cash receipting	Fieldwork underway	N/A
OPCC/Constabulary	Procurement – detailed testing	Complete	N/A
Constabulary	Procurement follow up	Fieldwork underway	N/A
Constabulary	Safeguarding hub follow up	Management update statement issued.	N/A

### Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Completion of audit plan	% of audits completed to final report	55% 95% (annual target)	60%	Target is taken from the actual figure for the same period in 2016/17.  All audit work in the plan is either complete or in progress and we are confident that sufficient audit work will be delivered to inform the annual opinion.
	Number of planned days delivered	198 281 (annual target)	213	Target is taken from the actual figure for the same period in 2016/17. The percentage of days delivered at this point is comparable (75%) with last year where 72% of planned days had been delivered.
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%	



### Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Recommendations agreed	% of recommendations accepted by management	95%	100%	
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	100%	
Quality assurance checks completed	% of QA checks completed	100%	100%	
Customer Feedback	% of customer satisfaction surveys returned	100%	100%	Eight forms returned. Five relate to audits reported in the 16/17 annual report and three reported in 17/18.
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	100%	Based on the eight forms returned.
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	80%	Chargeable time for the team is on track.

**Appendix 3 – Internal audit performance measures**

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## Cumbria Shared Internal Audit Service

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



## Audit of Commissioning

Draft Report Issued: **29<sup>th</sup> November 2017**

Final Report Issued: **15<sup>th</sup> January 2018**

## Audit Resources

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

## Audit Report Distribution

For Action:	Vivian Stafford, Head of Partnerships and Commissioning.
For Information:	Gill Shearer, Deputy Chief Executive / Head of Communications and Business Services
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 21 <sup>st</sup> March 2018, will receive the report.

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

### Cumbria Shared Internal Audit Service

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



## 1. Background

- 1.1. This report summarises the findings from the audit of **Commissioning**. This was a planned audit assignment which was undertaken in accordance with the 2017/18 Audit Plan.
- 1.2. Commissioning is important to the Office of the Police and Crime Commissioner because it allows the Commissioner to work with other organisations, the community and the voluntary sector to help deliver initiatives aimed at supporting the objectives in the Police and Crime Plan.
- 1.3. The Commissioner has a number of funds which organisations can apply to for funding. These include the Property Fund, whose balance results from the disposal of property coming into the possession of the police, which can be awarded up to the value of £2,500, the Community Fund (awarded up to £10,000) and the Innovation Fund (awarded up to £100,000).
- 1.4. The processes for awarding and managing OPCC grants is currently under review, with a report including recommendations for change to be presented to the Executive Team and the Police and Crime Commissioner in early 2018.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

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

### 2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Head of Partnerships and Commissioning. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
  - The arrangements for the distribution of grants from the property, community, and innovation funds.
- 2.2.2. Our assurance level is based on the controls currently in place, some of which have only recently been introduced, and as such assurance is not

being provided on previous arrangements that were in place for earlier grants issued.

### 3. Assurance Opinion

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

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

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

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

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

5. Value - effectiveness and efficiency of operations and programmes	-	-	-
<b>Total Number of Recommendations</b>	0	2	2

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

- Legal department has been involved in the preparation and review of revised grant agreements for all three of the funds.
- Funding is not paid to successful applicants until a signed grant agreement has been received, this good practice will be built into the property fund arrangements going forward.
- Each fund has criteria that must be met in order to be considered for a grant and information on these is included in application packs.

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

4.4.1. *High priority issues:*

- No high priority issues were noted.

4.4.2. *Medium priority issues:*

- There are currently no local level procedures covering the grant funding process and clearly setting out managements requirements in relation to this including; the processes to be undertaken, information to be retained, checks to be performed, and documentation / evidence requirements.
- Decisions to approve some Property Fund grant applications were not clearly supported by the documented evaluation process.

4.4.3. *Advisory issues:*

- No evidence could be provided to confirm that the Commissioner was aware that the 2016/17 budget for the Innovation fund would be exceeded if he decided to approve further applications in full.
- Whilst the OPCC promotes transparency, the website was not up to date with successful grant applicants or the OPCC staff register of gifts and hospitalities.

**Comment from the Deputy Chief Executive**

*We agree with the actions that have been identified and have put plans in place to address where required. G Shearer*

## 5. Matters Arising / Agreed Action Plan

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

● **Medium priority**

Audit finding	Management response
<p><b>(a) Grant Funding Processes and Procedures</b></p> <p>The Cumbria Office of the Police and Crime Commissioner Grant Regulations 2017-2020 provide some guidance for staff on the administration of grant funding. However, there are no formal local procedures setting out management’s specific requirements and detailing, for example, the processes to be undertaken, information to be retained, checks to be performed, and documentation requirements.</p> <p>Our audit work identified that a key aspect of the Innovation and Community Funds (that applications have to obtain at least fifty percent of the available marks when they are initially evaluated to proceed to the next stage) is not documented as a requirement in any guidance.</p> <p>Sample testing showed that it was not always clear what checks and monitoring had been performed on information received from grant recipients and the outcome of these. It was also seen that forms included in the annexes of Innovation Fund agreements are not always completed and provided by grant recipients and we were informed that they would not necessarily be followed up to provide these. It was also stated that different officers may have their own way of monitoring projects and recording this.</p> <p>Procedures / guidance on monitoring would be useful to aid consistency; provide clarity on what should be monitored; any exceptions to this, and how monitoring should be evidenced. This would also help to provide resilience within the OPCC should there be a need to cover monitoring responsibilities within the team and to clearly demonstrate that key deliverables are being satisfactorily progressed and terms complied with before further payments are made to grant recipients.</p>	<p><b>Agreed management action:</b></p> <p>A process map of the general grant funding process has been documented and a checklist will be prepared for each funding stream to go alongside this.</p>



<p>The grant funding process is currently under review and we were informed that these issues and the arrangements that Property Fund monitoring will take are being considered as part of the review. New forms (grant agreement monitoring form), grant agreements, processes (e.g. use of Geographic Area of Responsibility Inspectors and PCSO's, scanning and retaining copies of approved Property Fund applications) are being introduced as part of the current review and it is possible that further changes will be made to processes. It is therefore an opportune time to formally document the agreed processes.</p>	
<p><b>Recommendation 1:</b> Local procedures covering all grant funding processes should be documented, approved, maintained and informed to staff, with training being provided where required. Management should then ensure they have a mechanism in place to confirm the procedures are complied with.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Objectives are not achieved due to lack of clarity on roles, responsibilities and processes;</li> <li>• Objectives are not achieved as management have not clearly defined their requirements;</li> <li>• Grant funding work ceases in the absence of key staff members;</li> <li>• Grant funding is used inappropriately / ineffectively;</li> <li>• No evidence to support that objectives are being achieved;</li> <li>• Funding payments made where satisfactory progress against key deliverables / outputs is unclear.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Head of Partnerships and Commissioning</b> <b>Date to be implemented:</b> <b>09/2018</b></p>

• **Medium priority**

<b>Audit finding</b>	<b>Management response</b>
<p><b>(b) Evaluation of Grant Applications</b> Whilst the funds have been running for a number of years, the evaluation of grant applications has only recently started to be documented for the Community Fund (since April 2017) and Property Fund (since September 2017).</p>	<p><b>Agreed management action:</b> The evaluation process will be reviewed and amended to ensure that decisions are clearly documented.</p>

<p>Documentation of application evaluations is one of several recent improvements in the grant process. However, it was noted that some comments on the property fund evaluation did not clearly support the approval of applications and suggested that further information was required despite approvals being made.</p>	
<p><b>Recommendation 2:</b> Management should ensure that the evaluation of grant applications clearly supports the decision of whether to approve them.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Reputational damage if evaluation decisions are questioned;</li> <li>• Grant funding is used inappropriately / ineffectively due to a lack of robust evaluation process.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Head of Partnerships and Commissioning</b></p> <p><b>Date to be implemented:</b> <b>03/2018</b></p>

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

● **Advisory issue**

<b>Audit finding</b>	<b>Management response</b>
<p><b>(a) Fund Budgets</b></p> <p>In 2016/17 the £100,000 budget for the Innovation Fund was exceeded by £7,644. Whilst budget responsibility lies with the Head of Partnerships and Commissioning, she stated that where the full approval of grant funding applications would result in the allocated budget being exceeded in a particular year, the Police and Crime Commissioner would be made aware of this before the final funding decision was made.</p> <p>Nothing could be provided to demonstrate that the Commissioner had been informed that the budget would be exceeded in this case.</p>	<p><b>Agreed management action:</b> We will document these decisions as part of the grant funding process going forward.</p>
<p><b>Recommendation 3:</b> It should be clear that funding decisions are taken with full knowledge of any budget implications.</p>	

<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> <li>• Decisions taken based on incomplete information;</li> <li>• Capacity in other areas reduced to cover exceeded budget.</li> </ul>	<p>Responsible manager for implementing:  <b>Head of Partnerships and Commissioning</b></p> <p>Date to be implemented:  <b>03/2018</b></p>
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● **Advisory issue**

Audit finding	Management response
<p><b>(b) Updating the OPCC Website</b></p> <p>To aid and promote transparency the OPCC publishes successful grant applicants and registers of gifts and hospitality on its website. However, recent information on applicants and the staff gifts and hospitality register had not been published.</p> <p>Discussions confirmed that responsibility for updating the website had not been allocated to an individual and that timescales for publishing information had not been given. During the course of our audit updates to this information were made.</p>	<p>Agreed management action:                      We will identify a member of staff to have ownership of updating the website.</p>
<p><b>Recommendation 4:</b></p> <p>A mechanism should be in place to ensure that the website is updated with relevant information on a timely basis and that responsibilities and timescales for this are clear.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> <li>• Reputational damage resulting from timely information not being provided to the public;</li> <li>• Promotion of transparency undermined.</li> </ul>	<p>Responsible manager for implementing:  <b>Head of Partnerships and Commissioning</b></p> <p>Date to be implemented:  <b>05/2018</b></p>

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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

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



### Audit of the Business Improvement Unit

Draft Report Issued: **28<sup>th</sup> November 2017**

Final Report Issued: **18<sup>th</sup> January 2018**

## Audit Resources

Title	Name	Email	Telephone
Audit Manager	Emma Toyne	emma.toyne@cumbria.gov.uk	01228 226261
Lead Auditor(s)	Sarah Fitzpatrick	sarah.fitzpatrick@cumbria.gov.uk	01228 226255

## Audit Report Distribution

For Action:	Carl Patrick (Head of Business Improvement Unit)
For Information:	Michelle Skeer (Deputy Chief Constable) Jane Sauntson (Director of Corporate Improvement)
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 21 March 2018, will receive the report.

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

### Cumbria Shared Internal Audit Service

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





## 1. Background

- 1.1. This report summarises the findings from an audit of the Business Improvement Unit. This was a planned audit assignment which was undertaken in accordance with the 2017/18 Audit Plan.
- 1.2. The Business Improvement Unit (BIU) is important to the organisation because it is a key element of the Delivering Excellence Strategy. The BIU supports senior managers in the Constabulary to deliver organisational change, achieve high levels of service, maximise the efficiency and effectiveness of frontline policing and contribute to the successful achievement of policing objectives.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

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

### 2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the 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 in the following areas:

- Unit Objectives
- Plan
- Performance

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

### 3. Assurance Opinion

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

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

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

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There are **2** audit recommendation arising from this audit review and they are summarised as follows:

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. <b>Management</b> - achievement of the organisation's strategic objectives (see section 5.1)	-	-	-
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	-	-
3. <b>Information</b> - reliability and integrity of financial and operational information	-	-	-
4. <b>Security</b> - safeguarding of assets	-	-	-
5. <b>Value</b> - effectiveness and efficiency of operations and programmes (see section 5.3)	-	1	1
<b>Total Number of Recommendations</b>	-	<b>1</b>	<b>1</b>

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

- Senior management are visibly committed to delivering quality and excellence in policing and this is demonstrated through the establishment of the Business Improvement Unit.
- Business Improvement Unit objectives link directly to strategic policing priorities.
- A sound governance structure is in place for delivery of business improvement activity. A 'Delivering Excellence' strategy is in place, there are clear terms of reference for the BIU, reporting arrangements are described and roles and responsibilities are clearly defined.
- A Business Improvement Unit Plan of inspection and audit activity is in place. The plan received approval from Force Strategic Development Board (FDSB).
- An element of flexibility has been built into the plan to accommodate ad-hoc reviews in response to issues arising e.g. inspection announcements.
- There is senior management oversight of BIU activity through regular reporting to FDSB, Operations Programme Board and Programme Leads and occasional reporting to Chief Officer Group (COG).
- Reports on BIU activity highlight the improvements being delivered following BIU intervention and support. This contribution is also acknowledged in HMIC inspection reports.

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

4.4.1. *High priority issues:* None identified

4.4.2. *Medium priority issues:*

- The constabulary cannot effectively demonstrate the degree of senior management oversight and scrutiny as part of good governance arrangements.

4.4.3. *Advisory issues:*

- Arrangements are not in place for periodic review and update of the Delivering Excellence Strategy, including BIU terms of reference.

**Comment from the Deputy Chief Constable:**

**I welcome this report from Internal Audit concerning the Business Improvement Unit. I am pleased to note that Internal Audit identified a number of strengths through the audit into the workings of BIU. The introduction of the BIU was a significant investment**

by the Chief Officer Group and I am satisfied that it is helping to drive excellence within the Organisation. I have noted the recommendations and will ensure they are recognised as part of our current Governance Review. This will ensure we adequately demonstrate senior management oversight through governance. As part of this process, I will also ensure we build in periodic reviews of the Delivering Excellence Strategy and the terms of reference for the BIU.

**Michelle Skeer**  
**DCC**

## 5. Matters Arising / Agreed Action Plan

5.1. **Value** - effectiveness and efficiency of operations and programmes.

● **Medium priority**

Audit finding	Management response
<p><b>(a) Senior Management Oversight</b></p> <p>Force Strategic Delivery Board (FSDB) meetings are a key platform for those tasked with overseeing business improvement to discuss and challenge Business Improvement Unit (BIU) activity as part of the decision making process. Similarly Operations Programme Board has a role to play in managing improvement plans. The Head of BIU reports to both of these groups on a regular basis.</p> <p>Formal minutes of FSDB and Operations Programme Board meetings are not prepared so the constabulary cannot effectively demonstrate the degree of senior management oversight, scrutiny and challenge as part of good governance arrangements.</p> <p>BIU activity and progress delivering the BIU plan and objectives is regularly reviewed and discussed with the Head of BIU during 1:1 meetings with the Director of Corporate Improvement and Assistant Chief Constable and on occasions with the Chief Constable. The meetings are diarised but discussions held, decisions taken and actions arising that relate to BIU activity are not formally documented.</p>	<p><b>Agreed management action:</b></p> <p>The Head of Business Improvement Unit has discussed this with the Deputy Chief Constable and a solution will be progressed as part of the Constabulary's current Governance Review to ensure the Constabulary can demonstrate senior management oversight through governance.</p>
<p><b>Recommendation 1:</b></p> <p>The risks associated with not documenting meetings should be assessed and actions taken to mitigate those risks if they are above the Constabulary's acceptable risk tolerance level.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Inability to demonstrate senior management oversight, scrutiny and challenge.</li> <li>• Reduced ability to respond to challenge.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>N/A</b></p> <p><b>Date to be implemented:</b> <b>N/A</b></p>

- Reputational damage.

● **Advisory Issue**

## Audit finding

### (b) Delivering Excellence

'Delivering Excellence' is a strategy to deliver business improvement throughout the constabulary. The strategy, dated April 2016, sets out the terms of reference for the Business Improvement Unit, incorporating unit objectives, how the objectives will be delivered and governance arrangements including roles and responsibilities and reporting structure.

Arrangements are not currently in place to periodically re-visit and update the Delivering Excellence Strategy and terms of reference for the BIU to ensure continued relevance in a fast changing environment. It was noted that some elements of the Delivering Excellence Strategy are now out of date.

#### Recommendation 2:

Arrangements should be in place for periodic review and update of the Delivering Excellence Strategy, including BIU terms of reference to ensure that they accurately reflect current working arrangements and remain relevant.

#### Risk exposure if not addressed:

- Strategic policing priorities are not achieved because BIU objectives are not aligned to organisational objective.
- Failure to continuously adapt, learn and improve.
- Reputational damage.

## Management response

### Agreed management action:

The Delivering Excellence Strategy will be reviewed and updated by April 2018 to ensure it remains relevant and reflects changes such as revised governance arrangements and expanded BIU responsibilities. It will be reviewed on a regular basis thereafter.

### Responsible manager for implementing:

**Head of BIU**

Date to be implemented: **04/2018**

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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





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



### Audit of Use of Force

Draft Report Issued: **1 December 2017**

Final Report Issued: **12 February 2018**

## Audit Resources

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

## Audit Report Distribution

For Action:	Andy Towler - Chief Superintendent, Territorial Policing.
For Information:	Stephen Kirkpatrick - Director of Corporate Support. Mark Webster – Assistant Chief Constable.
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 21 March 2018, will receive this report.

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

### Cumbria Shared Internal Audit Service

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



## 1. Background

- 1.1. This report summarises the findings from the audit of Use of Force. This was a planned audit assignment which was undertaken in accordance with the 2017/18 Audit Plan.
- 1.2. The primary responsibility for using force rests with individual officers, who are answerable to the law.
- 1.3. New transparency measures were announced by the Home Office in March 2017, in that from April 2017 police forces are required to collect and publish detailed data on all their use of force. Forces are required to publish the information locally on a quarterly basis, and provide an annual snap-shot of the key information collected to the Home Office as part of the Annual Data Requirement for 2017/18.
- 1.4. The Constabulary's arrangements for recording, collating, analysing and reporting of the use of force data is still in the early stages and as such the processes and procedures are not yet fully developed. The Use of Force Board has acknowledged that further developments are required in this area.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

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

### 2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Chief Superintendent, Territorial Policing. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
  - Arrangements for recording, collating, analysis and reporting Use of Force data in line with the Constabulary and Home Office requirements

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

### 3. Assurance Opinion

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

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

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

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

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

5. Value - effectiveness and efficiency of operations and programmes	-	-	-
<b>Total Number of Recommendations</b>	-	3	-

- 4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:
- Senior management commitment to provide organisational direction for Use of Force. A use of Force Board, chaired by the Chief Superintendent Territorial Policing, has been established and meets quarterly.
  - Terms of Reference have been approved for the Use of Force Board.
  - Use of Force recording guidance is available to Officers on the Force Intranet pages.
  - The first quarter’s data was published on the Constabulary website on a timely basis in accordance with Home Office guidance.

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

4.4.1. *High priority issues:*

- None Identified

4.4.2. *Medium priority issues:*

- The mechanisms for ensuring that the data is accurate, complete, and appropriately reported have not yet been fully developed.
- Management have not defined and documented the methodology for ensuring compliance with the use of force recording requirements.
- Arrangements were not in place to ensure that annual mandatory safety training was being carried out.

4.4.3. *Advisory issues:*

- None Identified

**Comment from the Assistant Chief Constable**

*I acknowledge the findings of the audit and note the recommendations. I am content that the recommendations are being progressed through the Use of Force Board and the Cumbria Constabulary Improvement Plan as detailed. I have personally engaged with a number of the Use of Force reporting issues and have scheduled progress checks at Operations Board to ensure that progress against these recommendations and*

*other relevant areas are progresses.*

*M Webster  
Assistant Chief Constable  
9.2.18*

## 5. Matters Arising / Agreed Action Plan

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

● **Medium priority**

Audit finding	Management response
<p>(a) <b>Areas for Development</b></p> <p>Audit testing confirmed that the Constabulary had introduced systems for the recording, collating, analysis and reporting Use of Force data. However, the mechanisms for ensuring that the data is accurate, complete, and appropriately reported are not fully developed. Examples include:</p> <ul style="list-style-type: none"> <li>● The Use of Force Board Terms of Reference sets out who the Board should report to. But the specific report requirements of the groups (e.g. Operations Board) have not been defined.</li> <li>● procedure notes have not been prepared to                             <ul style="list-style-type: none"> <li>○ show how the Annual Data Requirement (ADR) is to be completed.</li> <li>○ set out the arrangements for checking the accuracy and completeness of the ADR,</li> <li>○ set out the arrangements for approving the reports prior to being published locally / or prior to submission of the year-end ADR.</li> </ul> </li> </ul>	<p>Agreed management action:</p> <p>Discussions will be held with the Business Improvement Unit and arrangements to ensure the accuracy and completeness of the use of force data will be built in to the Cumbria Improvement Plan.</p>
<p><b>Recommendation 1:</b></p> <p>Management should ensure that appropriate mechanisms are in place to ensure the accuracy and completeness of the use of force data being recorded and that the reporting requirements of the groups / boards receiving the data are defined.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>● Inappropriate / inadequate / undefined use of force data is reported on</li> <li>● Data does not provide management with the information they require</li> </ul>	<p>Responsible manager for implementing: <b>Chief Superintendent, Territorial Policing</b></p> <p>Date to be implemented: <b>04/2018</b></p>

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

● **Medium priority**

Audit finding	Management response
<p><b>(a) Monitoring of Compliance</b></p> <p>National guidance places responsibility on individual Officers to record their own use of force as soon as possible following any use of force and the Pronto App has been designed for Officers to do this on a timely basis.</p> <p>We are advised that supervisors are able to view the status of Officers forms using Pronto Manager, but there is no formally defined requirements for them to carry out this check and there are no reports currently produced that would identify whether there were any incomplete forms in the system.</p> <p>Without clearly defined expectations, management cannot be assured that all use of force is being recorded and that checks are being undertaken consistently and as intended.</p>	<p>Agreed management action:</p> <p>This will be actioned through the Use of Force Board who will ensure the delivery of improvements and compliance with the ADR.</p>
<p><b>Recommendation 2:</b></p> <p>Management should define and document the methodology for ensuring compliance with the use of force recording requirements.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Reputational damage resulting from non-compliance with national guidance</li> <li>• Objectives are not achieved or management expectations are not realised,</li> <li>• Required checks undertaken are not consistently applied.</li> </ul>	<p>Responsible manager for implementing:  <b>Chief Superintendent, Territorial Policing</b></p> <p>Date to be implemented:  <b>09/2018</b></p>



- **Medium priority**

Audit finding	Management response
<p><b>(b) Annual Safety Training</b></p> <p>A report to the Use of Force Board in August 2017 included reference to when officers involved in using force had last received their mandatory annual safety training. The report identified that there were officers involved in using force who had not received the refresher training for over 12 months.</p> <p>An action was raised at the meeting for this to be followed up, to ensure that gaps in Officer safety training were addressed.</p> <p>Evidence to demonstrate that this action had been taken was not provided during the audit.</p>	<p><b>Agreed management action:</b></p> <p>A task and finish process is now in place to look at training.</p> <p>The Use of Force Board will ensure the quality of the management information received and Commanders will be responsible for ensuring that Officers have attended the relevant training.</p>
<p><b>Recommendation 3:</b></p> <p>Management should have arrangements in place to ensure that the mandatory safety training for officers is taking place on a timely basis.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Reputational damage resulting from non-compliance with national guidance</li> <li>• Failure to protect the public due to a skills gap because suitably trained officers are not on duty as required.</li> </ul>	<p><b>Responsible manager for implementing:</b>  <b>Director of Corporate Support</b></p> <p><b>Date to be implemented:</b>  <b>06/2018</b></p>

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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

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



### Audit of 15 Week & Performance Development Reviews

Draft Report Issued: **30th January 2018**

Final Report Issued: **13th February 2018**

## Audit Resources

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## Audit Report Distribution

For Action:	Sarah Jackson (Superintendent People Department)
For Information:	Stephen Kirkpatrick (Director of Corporate Support)
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 21 <sup>st</sup> March 2018, will receive the report.

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

### Cumbria Shared Internal Audit Service



## 1. Background

- 1.1. This report summarises the findings from the audit of 15 Week and Performance Development Reviews (PDRs). This was a planned audit assignment which was undertaken in accordance with the 2017/18 Audit Plan.
- 1.2. Performance review is important to the organisation because it contributes to overall constabulary performance. It facilitates monitoring, evaluation and encouragement of employee commitment to individual and team performance thereby leading to the efficient and effective delivery of frontline policing to the people of Cumbria and the achievement of strategic objectives.
- 1.3. At the time of the audit review a project was underway to migrate and upgrade the Kallidus Learning Management / Performance System to cloud technology. The system will be used to deliver a new PDR process in April 2018 that reflects the Competency and Values Framework (CVF) introduced by the College of Policing.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

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

### 2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Director of Corporate Support. The agreed scope of the audit was to provide assurance over management's arrangements for ensuring effective governance, risk management and internal control in the following areas:
  - Objective setting and employee performance.
  - Monitoring and reporting on scheme compliance.
  - Monitoring of outcomes.
- 2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating around 15 Week and Performance Development Reviews provide **reasonable** assurance.

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

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

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There are **4** audit recommendations arising from this audit review and they are summarised as follows:

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. <b>Management</b> - achievement of the organisation’s strategic objectives (see section 5.1)	-	1	-
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts	-	2	-
3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.2)	-	-	-
4. <b>Security</b> - safeguarding of assets	-	-	-
5. <b>Value</b> - effectiveness and efficiency of operations and programmes (see section 5.3)	-	-	1



<b>Total Number of Recommendations</b>	-	<b>3</b>	<b>1</b>
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4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- Strategic responsibility for employee performance management has been formally allocated to a nominated Superintendent.
- Senior management demonstrate clear and visible commitment to employee performance management through their approach, participation in the process and investment in supporting systems.
- People management risks are regularly considered as part of the established risk management process.
- Arrangements are in place to ensure the employee performance management process reflects national guidance, regulations and best practice.
- Opportunities are taken to liaise with other forces and fully consult staff across the force through focus groups to better inform the development of the PDR process.

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

4.4.1. *High priority issues:* - none identified.

4.4.2. *Medium priority issues:*

- Linkage between strategic priorities and individual employee performance objectives has not been fully developed within the constabulary.
- Arrangements for monitoring and reporting on compliance with the employee performance management scheme are not fully developed.
- Clear, comprehensive procedures and guidance material around the 15 week review and PDR process are not in place.

4.4.3. *Advisory issues:* - none identified.

- The benefits of full participation in the employee performance management process have not been effectively communicated to employees.

**Comment from the Director Corporate Support :**

I am pleased that this audit of 15 Week & Performance Development Reviews has provided Reasonable assurance with a limited number of

medium and advisory recommendations being made.

I am very pleased that the audit has identified several strengths including the clear and visible organisational commitment to performance management together with the clarity of strategic ownership by the People Department.

That said, I am conscious that we are in the process of reviewing and updating our approach to performance management. We acknowledge and fully accept the four recommendations, which will all be progressed as part of our ongoing people strategy action plan.

I am keen to highlight that the action plan, in support of the people strategy and ultimately the Cumbria Vision 2025, will result in the launch of the “Your career, Your Future” initiative in April/May 2018 with a revised PDR process.

## 5. Matters Arising / Agreed Action Plan

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

● **Medium priority**

#### Audit finding

##### (a) Performance Objectives

Clear and detailed performance objectives that align with strategic priorities are fundamental to assisting organisations to achieve their goals and to helping individual employees understand how they contribute to corporate objectives. Performance objectives play a key role in defining management’s expectations and challenging employees to achieve maximum performance.

Linkage between strategic priorities and individual employee performance objectives has not been fully developed within the constabulary through the 15 Week Review and PDR process:-

- The 15 Week Review templates include sections for recording discussions around ongoing activities that contribute to the Plan on a Page Big 6 priorities. However there is no specific guidance material to support the 15 Week Review Process and reinforce the need for employees to contribute to strategic priorities and understand this contribution.
- Current performance development review (PDR) arrangements do not include the requirement for individual objectives / targets to align with strategic priorities. PDR procedures do not require individual performance objectives to be agreed for employees, connections are not made between employee performance and organisational goals and there is no requirement for managers to help employees to understand and recognise their individual contribution.

We were informed through discussions that there is an intention to address these issues through the development of the new PDR process.

#### Recommendation 1:

The new PDR process and associated guidance should make clear links between strategic

#### Management response

Agreed management action:

The PDR and 15 week reviews are currently under review. The Constabulary’s intention is to streamline both documents so that the style and formatting are identical.

The question set will be altered to align to CumbriaVision2025 and the CVF, so that staff are able to identify their role in the context of the organisational goals.

The People Department launched its revised strategy in April 2016 which committed to adopting a strengths based and person centred approach to the way we support our staff. There is an evidence base that demonstrates that a strength-based organisation can create employees who are emotionally engaged in their work, resulting in better productivity, employee retention, and an increased sense of well-being. The question set in the new PDR will underpin this renewed approach and support the progression of staff in to the Cumbria “Your Career, Your Future” Talent programme

<p>priorities and employee performance objectives and help employees to fully understand their individual contributions.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Strategic priorities are not achieved.</li> <li>• Wasted resources.</li> <li>• Low morale.</li> </ul>	<p>Responsible manager for implementing: Head of People</p> <p>Date to be implemented: <b>Sept 2018</b></p>

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

• **Medium priority**

Audit finding	Management response
<p><b>(a) Monitoring Information</b></p> <p>The People Department undertake routine monitoring and follow up of PDR completion via the Kallidus system, with monthly reporting to Business Board. This arrangement gives assurance to management that the process is being complied with.</p> <p>Management reporting on completion of 15 Week Reviews is infrequent (once during 2017). The data is held by individual managers (digitally or paper based) on an inconsistent basis and is more difficult and time consuming to collate. Reporting to Business Board in April 2017 indicated that 89% of employees had undergone a 15 Week Review in the 15 weeks prior to the request for information. There is no evidence of follow up action where reviews haven't been undertaken on a regular basis. The report noted that when employees transfer between sections / departments their reviews are not always transferred to their new line manager and this impacts on the quality of results. The current arrangements for recording and storing 15 Week Review information raise further quality issues because restrictions on accessing the information are limited.</p>	<p><b>Agreed management action:</b></p> <p>Continue with the project plan to deliver the renewed cloud based Kallidus system, which will facilitate enhanced management reporting.</p> <p>The renewed Constabulary Governance arrangements that will take effect in April 2018 will allow for PDR completion monitoring at both local (weekly) and force level (monthly), with key lead officers appointed to ensure compliance.</p> <p>These arrangements will ensure the Constabulary can monitor and rectify any areas of non-compliance.</p>

<p>The report to Business Board in April 2017 did not provide management with confirmation of ongoing employee performance management arrangements through 15 Week Reviews. Arrangements are not currently in place to provide management with assurance on a regular basis, there is no follow up action for non-compliance, the quality of the source data for reporting is uncertain, and assurance that ongoing performance / progress information is readily available to inform annual PDRs isn't provided.</p> <p>In October 2017 Chief Officer Group (COG) gave approval for a project to migrate and upgrade the current Kallidus Learning Management / Performance System to cloud based technology by February 2018, with a project plan to deliver a full PDR scheme by April 2018. It is understood that the 15 Week Review process will be built into this software and this will facilitate regular monitoring and reporting.</p>	
<p><b>Recommendation 2:</b></p> <p>The project plan should be further developed to incorporate management's expectations around ongoing employee performance management and monitoring and reporting arrangements. Consideration should be given to the following:-</p> <ul style="list-style-type: none"> <li>• Roles and responsibilities.</li> <li>• Mechanisms for capturing and recording details of 15 Week Reviews.</li> <li>• Frequency and nature of monitoring.</li> <li>• Follow up action for non-compliance.</li> <li>• Reporting requirements.</li> </ul>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Poor quality management information.</li> <li>• Ineffective decision making.</li> <li>• Inconsistent practices.</li> </ul>	<p>Responsible manager for implementing: Head of People Date to be implemented: Sept 2018</p>

● **Medium priority**

Audit finding	Management response
<p><b>(b) Procedures / Guidance Material</b></p> <p>It is not explicit within existing procedures and guidance material that all employees are required to participate in performance management routines, on at least a 15 week basis. It is clear that all employees are subject to an annual PDR.</p> <p>There is no specific guidance material in respect of the 15 week review process and the interim PDR guidance lacks clarity regarding existing requirements. The guidance initially refers to ‘a need to develop a 5/15 week system to incorporate a year end summary PDR’ and later suggests that ‘an annual PDR should be incorporated into the 5/15 week PDR cycle and provide an opportunity to summarise the previous 12 months activity’.</p> <p>Clear procedures and guidance material around the 15 week review and PDR process are needed to formally document the mandatory requirement for all employees to participate in performance management routines, on at least a 15 week basis. This would give management assurance that staff are clear about performance management arrangements and their individual responsibilities.</p>	<p>Agreed management action:</p> <p>The PDR and Cumbria 2025 “Your career, Your Future” will launch with the revised PDR in 2018 (April/May). This will be supported by a widespread Marketing and Communication campaign.</p> <p>It will be a Constabulary wide initiative with clear expectations regarding the mandatory requirement to participate in the PDR process.</p> <p>The Kallidus system upgrade will provide 15 week/annual prompts to ensure compliance is met with the expected frequency for completion.</p>
<p><b>Recommendation 3:</b></p> <p>Management should ensure that the new PDR process and associated guidance clarifies performance management requirements.</p>	<p>Guidance notes and training will be provided to employees prior to launch to ensure clarity of requirements</p>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Strategic priorities are not achieved.</li> <li>• Inconsistent practices.</li> </ul>	<p>Responsible manager for implementing: Head of People</p> <p>Date to be implemented: Sept 2018</p>

5.3 Value - effectiveness and efficiency of operations and programmes.

● Advisory Issue

Audit finding	Management response
<p><b>(a) Communication of Benefits</b></p> <p>Arrangements were made to raise staff awareness of the current PDR process through force wide communications. However the communications did not include promotion of the benefits to employees of full participation in the process.</p> <p>The project plan in respect of the new PDR process that is under development includes a task around benefits and the project team have outlined what they are. Arrangements to effectively communicate these benefits to employees as part of the launch of the new PDR process would give management assurance of greater buy in and understanding.</p>	<p><b>Agreed management action:</b></p> <p>Significant investment in supervisor training will be made (pre-implementation) to ensure the benefits of the programme can be sold directly to employees prior to, and post roll out.</p> <p>The PDR will be linked directly into the Constabulary Talent Management programme, and will become the critical checkpoint for progression in terms of access to training, promotion and lateral transfers. This will assist in ensuring the PDR is recognised as a meaningful process that supports development of staff.</p>
<p><b>Recommendation 4:</b></p> <p>Arrangements should be put in place to ensure the benefits defined as part of the current project are fully communicated to staff to encourage employee buy in, with full and meaningful participation in the PDR process.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Poor staff engagement.</li> <li>• Strategic objectives not achieved.</li> <li>• Failure to identify and action improvements.</li> </ul>	<p><b>Responsible manager for implementing:</b> Head of People</p> <p><b>Date to be implemented:</b> Sept 2018</p>

## Audit Assurance Opinions

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

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



## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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

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



### Detailed procurement testing

Draft Report Issued: **7<sup>th</sup> February 2018**

Final Report Issued: **27<sup>th</sup> February 2018**

## Audit Resources

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## Audit Report Distribution

For Action:	Chris Guest (Head of Procurement)
For Information:	Stephen Kirkpatrick (Director of Corporate Support)
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 21 March 2018 will receive the report

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

### Cumbria Shared Internal Audit Service

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



## 1. Background

- 1.1. This report summarises the findings from the audit of detailed procurement testing. This was a planned audit assignment which was undertaken in accordance with the 2017/18 Audit Plan.
- 1.2. Detailed procurement testing was originally included in the 2016/17 internal audit plan but was deferred because a risk based audit of compliance with the Joint procurement regulations provided partial assurance. It was therefore considered that performing detailed testing at this time would not add value as it would only re-confirm the broader findings from our risk based review.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

- 2.1.1. This piece of internal audit work is a compliance audit rather than a risk based review. As a result we have not assigned an assurance rating over the area.

### 2.2. Audit Scope

- 2.2.1. The scope of this audit was to undertake detailed transaction testing to confirm that the procurement routes, as set out in the joint procurement regulations, are adhered to.

### 2.3. Sample Selection

- 2.3.1 Internal Audit sought assistance from the Joint Chief Finance Officer and Deputy Chief Finance Officer when selecting the random sample of transactions to ensure that a cross section of procurement routes was selected across functions / services and covering both Constabulary and OPCC. Whilst the JCFO and DCFO assisted us they did not select our sample.

## 3. Findings

- 3.1. The table below sets out the procurement routes included in our sample and the number of issues identified during testing:

Route	Sample size	Number in sample with issues	No. of issues identified
C – Existing framework	7	0	0
E1 - <£20K	7	2	6
E2 - >£20K but < £100k	2	2	4
F - >£100k but < OJEU	1	1	2

G -> OJEU	1	1	1
Unclear - may be existing framework	1	1	1
	19	7	14

## 4. Conclusion

4.1. Our testing indicates that there is inconsistent application of the procurement regulations.

Number of procurements tested	19
Number of procurements where at least one instance of potential non-compliance with procurement regulations was found	5 (26%)
Information not provided so Internal Audit can't conclude on whether procurement regulations have been complied with	2 (10%)

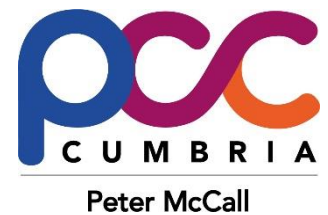
4.2. We have discussed the results of each transaction tested with the Director of Corporate Support and Head of Procurement who are working to address the issues going forwards. The outcome of our follow up audit of procurement, which is currently underway, will feed in to an action plan.

### Comment from the Director of Corporate Support

*The detailed procurement testing raises a number of concerns with seven of the nineteen sample cases exhibiting one or more issues.*

*Based on detailed discussions with the audit team, I am comfortable that there have been no fraudulent activities, however I am concerned that that the joint procurement regulations are not being adhered to consistently across all aspects of procurement.*

*The findings of this testing are being taken very seriously and steps are being taken to increase the levels of procurement expertise, to vacancies within the structure and to introduce more consistent working practices across all procurement activities.*



# Joint Audit & Standards Committee

## Title: OPCC Risk Management Monitoring

**Date:** 21 March 2018

**Agenda Item No:** 17i

**Originating Officer:** Joanne Head

**CC:**

### **Executive Summary:**

The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. This takes place in a constantly changing and challenging environment and the OPCC must ensure that it has robust systems and processes in place to monitor and react appropriately to risk.

### **Recommendation:**

That, the committee notes the changes regarding the OPCC's strategic risk register, the oversight undertaken of the Constabulary's risk management; and the front sheet of the OPCC's operational risk register.

## **1. Introduction & Background**

1.1 The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. To enable it to carry out this function effectively it must monitor and react appropriately to risks. The Joint Audit and Standards Committee as part of their role, ensures that the OPCC is actively managing strategic risks and one member of the committee has been appointed as the lead member for risk.

## **2. Issues for Consideration**

2.1 Appended to this report at [Appendix 1](#) is the OPCC's strategic risk register which has been reviewed and updated since the last meeting of the Committee. There are four identified risk which are:

- R1 - Strategic Finance
- R2 - The Emergency Services Mobile Communications Programme
- R3 - OPCC Capacity

- R4 - Information Management (GDPR compliance)
- 2.2 The OPCC has also reviewed its operational risk register, rationalising it to appropriately reflect the operational risks it faces. The front sheet of the operational risk register is presented to the Committee to provide assurance that other areas of risk are being considered and regularly monitored. A copy of the front sheet is attached at [Appendix 2](#).
- 2.3 The front sheet illustrates whether the scores for the individual risks have risen, remained the same or decreased. This is to assist the Committee to understand how the risk is being managed.
- 2.4 As can be seen from the Strategic Risk Register the scoring for R1 and R2 have both reduced since their last reviews. This is due to:
- R1 Strategic Finance – the score has reduced from a total score of 16 down to 12. In December 2017 the Government’s Grant Settlement announced that the funding formula would be deferred to the next spending review from 2012/22. It also provided the ability for PCC’s to raise income through council tax which may help to mitigate increased inflationary pressure.
  - R2 Emergency Services Mobile Communications Programme – the score has reduced from a total score of 12 down to 9. The overall project has been delayed until 2020/21. Cumbria is leading on work regarding the coverage in the NW region and therefore fully aware of the project as it develops.
- 2.5 One of the Operational Risks, Information Management, has been escalated to the Strategic Risk Register due to its total score being 9. Where any operational risk which scores 8 or above, consideration is given as to placing it upon the strategic risk register until such time as the score reduces or the risk is removed.
- 2.6 The OPCC Chief Executive met with the Constabulary’s Lead for Risk Management on Thursday 8 March 2018. This was as part of the OPCC’s quarterly oversight of the Constabulary’s strategic risks.
- 2.7 Discussions took place in relation to the two separate risk registers, the risks identified therein and any risks which 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 had reduced the total score in relation to Strategic Finance and ESMCP risks, due to the reasons outlined above.
- 2.8 With regard to the OPCC risk in relation to Information Management, it was recognised that the risk of not complying with the forthcoming General Data Protection Regulations, was something that would affect both organisations. The Constabulary will report further on their strategic risk register at the meeting.
- 2.9 Included within the papers is a copy of the front sheet of the OPCC’s operational risk register. 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.

- 2.10 As previously mentioned, any operational risk which attains a score of 8 or more, and therefore requiring a quarterly review, can if necessary be escalated onto the strategic risk register. It will then be monitored by the Executive Team until such time that the risk is negated or mitigated to such an extent that the score falls below 8.
- 2.11 It is agreed with the Joint Audit and Standards Committee that a copy of the front sheet of the operational risk register is presented to them in conjunction with the OPCC's strategic risk register. This then affords the committee with the opportunity to have an overview of all of the OPCC's risk.

### **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.

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

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

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

Risk No.	Risk Title	Total Score	Risk Owner		Any outstanding actions YES/NO	Actions to be completed	Reviews
			Risk Owner	Action Owner			Date of next review
<b>R1</b>	Strategic Finance	12 ↓	Chief Executive	Chief Finance Officer	No	Continued review of the MTFF as part of the budgeting process. Further development and refinement of savings options.	February 2018
<b>R2</b>	The Emergency Services Mobile Communications Programme (ESMCP)	9 ↓	Chief Executive	Chief Executive	No	Continue to monitor the national position and take appropriate actions to prepare for implementation.	March 2018
<b>R3</b>	OPCC Capacity	8 ↔	Chief Executive	Deputy Chief Executive/ Head of Comms and Business Services	No	Joint CFO role will be reviewed at the end of the 2017/18 financial year and reported upon to JASC. The Chief Executive arrangements will be reviewed and reported to the Police & Crime Panel in 2018. The Executive Team will be working with all staff to identify the areas where additional capacity is required	September 2018
<b>R4 (10)</b>	Information Management (GDPR Compliance)	9	Head of Comms & Business Services	Governance Manager	Yes	National guidance and information to be provided by APCC and APACE. Continued joint working with Lancashire OPCC and access to specialised legal guidance Action plan developed and being implemented. Updating OPCC policies and strategies, developing new where appropriate. Programme of data mapping/ cleansing to remove old or unnecessary data. Joint Data Protection Officer with Cumbria Constabulary. Training programme for all OPCC staff	May 2018

Scores:

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

<b>Risk No:</b> R1	<b>Risk Title:</b> <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.
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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? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (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 savings. This risk is accentuated by both the relaxation of the public sector pay cap, Brexit and a potential review of the Police Funding Formula.	This risk may lead to a reduction in the level of police services and/or result in Cumbria Constabulary not being viable as an independent force. Alternative options for delivering a police service in Cumbria may have to be considered. This may impact on the extent to which services respond to local needs in Cumbria. During the period of change there may be reductions in public assurance/confidence.	4	4	16	4	3	12	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. Scenario planning to identify potential longer term savings and service re-engineering is on-going in both the OPCC and Constabulary. The Commissioner has joined the National Rural Crime Network to support rural policing issues. In the December 2017 grant settlement the Government announced that the review of the funding formula would be deferred to the next spending review from 2021/22. The settlement was better than anticipated, although there was no increase in grant PCC's were granted additional ability to raise income through council tax	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. 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	May 2018

									which will help mitigate increased inflationary pressure. Whilst savings are still required in the medium term the risk likelihood has been reduced in light of the more favourable funding position				
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<b>Risk No:</b> <b>R2</b>	<b>Risk Title:</b> <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.
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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? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (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.	This risk may result in significant additional costs and coverage issues may impact upon the Commissioner's ability to ensure Cumbria has an efficient and effective policing service, which could lead to reputational risk.	4	3	12	3	3	9	Chief Executive (Reduce)	The Commissioner is working regionally with other North West Commissioners and nationally through the APCC to highlight concerns. The Chief Constable is a member of the national reference group and Cumbria has seconded a staff member to the regional implementation team. Appropriate staffing resources have been identified within the ICT team to deliver the project and prudent estimates of costs have been included in the capital programme and medium term financial forecast.	Work being undertaken regionally and nationally provides some assurance. The critical nature of this national project and delays in national implementation mean it will be a significant risk for a protracted time period.	Continue to monitor the national position and take appropriate actions to prepare for implementation.	Chief Executive	May 2018

<b>Risk No:</b> <b>R3</b>	<b>Risk Title:</b> <b>OPCC CAPACITY</b>	The Police and Crime Commissioner is statutorily required to have a Chief Executive and a Chief Finance Officer post (Section 151 officers). Retirement of previous officers has resulted in temporary appointments being made from within the OPCC for the Chief Executive role and the appointment of a Joint Finance Officer in conjunction with the Constabulary. As a result of these changes there is a risk that there will be a reduction in knowledge and capacity within the Office of the Police and Crime Commissioner which may impact on delivery of the Police and Crime Plan.
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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
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What is the cause of the risk? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Actions			Action Owner(s)	Review Date
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score			Assurances	Future or further actions to be taken			
Reduction of governance expertise and capacity at a senior level within the OPCC following the retirement of both of the OPCC's statutory officers on 31 August.	A governance failure in a significant area of non-financial governance leading to potential reputational damage or flawed decision making that doesn't take account of relevant information, procedures and/ or inherent risks resulting in unexpected consequences/poor decision making or judicial challenge. It could also result in risks materialising and the potential for fraud, error or irregularity.	4	3	12	4	2	8	Chief Executive (Reduce)	Both the incoming Chief Executive and Deputy Chief Executive have considerable experience in public sector bodies. Both have enrolled on a CIPFA governance course to finish in March 2018. The Governance Manager has many years' experience and will continue to fulfil the role of Deputy Monitoring Officer. The Joint CFO (Section 151 officer) also brings considerable governance expertise at a senior level to the OPCC team. APACCE have appointed a "buddy" to provide external support to the incoming Chief Executive. The CFO is supported by a protocol and external support in the event of a conflict of interest. There are appointed deputies for the roles of Chief Executive, Chief Finance Officer and Monitoring Officer.	JASC. Internal Audit. Ethics and Integrity Panel. The Police and Crime Panel have scrutinised and approved both of the arrangements as under statute.	Joint CFO role will be reviewed at the end of the 2017/18 financial year and reported upon to JASC. The Chief Executive arrangements will be reviewed and reported to the Police & Crime Panel in July 2018. The Executive Team are working with all staff to identify the areas where additional capacity is required.	Deputy Chief Executive/ Head of Communications and Business Services	September 18	

<b>Risk Number:</b> R4 (Op 10)	<b>Risk Title:</b> <b>Information Management</b>	The OPCC has a duty to process information in a fair and transparent manner in line with current legislation.
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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
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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? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Actions			Action Owner(s)	Review Date
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score			Assurances	Future or further actions to be taken			
The General Data Protection Regulations will come into force on 25 May 2019. The OPCC has a responsibility to ensure it processes information in line with legislation.	Should the OPCC fail to comply with the new legislation or have a data breach could result in substantive financial penalties up to 2m Euros. Any significant loss of data could lead to reputational damage.	4	3	12	3	3	9	Head of Communications and Business Services	OPCC Lead officer to identify required changes and progress implementation. The OPCC has linked in with Lancashire OPCC who have commissioned the services of expert solicitors to provide advice and support. Monthly progress update to OPCC Exec Team on implementation. Joint working with the Constabulary's Data Protection Officer is ongoing.	Executive Team oversight, provided with regular reports. Staff awareness training and mentoring. Risk session from Insurers. APACE & APCC guidance.	National guidance and information to be provided by APCC and APACE. Continued joint working with Lancashire OPCC and access to specialised legal guidance. Action plan developed and being implemented. Updating OPCC policies and strategies, developing new where appropriate. Programme of data mapping/ cleansing to remove old or unnecessary data. Joint Data Protection Officer with Cumbria Constabulary. Training programme for all OPCC staff	Governance Manager	May 2018	
Failure to process, store or handle data correctly could lead to a data breach and information being lost or stolen.	This could result in sensitive information being seen by authorised people, resulting in financial penalties and reputational damage to the organisation.	4	3	12	3	2	6	Head of Communications and Business Services	Staff, volunteers and panel members are made aware of information security requirements at their induction.	Staff, volunteer and members awareness training.		Governance Manager	August 2018	

									Reminders are sent out to all upon any changes or when a breach has been encountered. Each situation is assessed and any learning disseminated appropriately	Reminders regarding information security			
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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 (direction of travel)	Risk Owner	Action Owner	Any outstanding actions YES/NO	Actions and dates to be completed	Date of review
<b>FINANCE</b>							
01	Budget Management	9 ↔	Joint Chief Finance Officer	Deputy CFO	No	The Constabulary budget proposal includes funding the 16-17 overspend within the overall funding envelope for 2017-18.	Jan 18
02	Investment Counterparty Risk	4 ↔	Joint Chief Finance Officer	Deputy CFO	No	None	May 18
03	Financial Governance	2 ↔	Joint Chief Finance Officer	Deputy CFO	No	Internal Audit commencing in Nov of Code of Corporate Governance	Oct 18
04	Shared Services	2 ↔	Chief Executive	Deputy Chief Executive	No	The shared services agreement for internal audit will be reviewed between November and March to ensure it meets on-going requirements.	Apr 18
05	Asset Management	2 ↔	Chief Executive	Chief Finance Officer	No	None	Oct 18
06	Insurance	4 ↔	Chief Executive	Chief Finance Officer	No	None	Apr 18
<b>PARTNERSHIPS &amp; COMMISSIONING</b>							
07	Performance / delivery of the police and crime plan	4 ↔	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No	Maintain current staffing levels.	May 2018
08	Partnerships & Collaboration	6 ↔	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No	Maintain an integrated partnership working approach	May 2018
09	Commissioning of Services	6 ↔	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	Yes	Increase contract management and engagement	May 2018
<b>COMMUNICATION AND BUSINESS SERVICES</b>							
10	Information Management (GDPR)	9	Head of Communications & Business Services	Governance Manager	Yes	Ensure OPCC is compliant with GDPR prior to 25 May 2018	May 2018
11	Reputation	4 ↔	Head of Communications & Business Services	Engagement Officer	No	Next steps dependent on outcome of inquest in Nov 2017	Dec 17 /Jan 18
12	Complaints	6 ↔	Head of Communications & Business Services	Governance Manager	Yes	Guidance, training and development of systems. Delayed implementation until 1.1.19	August 2018
13	Diversity	2 ↓	Head of Communications & Business Services	Governance Manager	No	Inclusion within County Strategy	February 2019
14	Independent Custody Visiting Scheme & Animal Welfare Scheme	2 ↓	Head of Communications & Business Services	Governance Manager	No	Recruitment process completed and new ICV's in place	February 2019

CHIEF EXECUTIVE / MONITORING OFFICER							
16	Non-Financial Governance	3 	Chief Executive	Head of Communications & Business Services	No		Oct 18
17	Efficient and Effective Policing	6 	Chief Executive	Chief Executive	No	Continued monitoring of the Constabulary by the PCC; use of VfM data and PEEL inspection reports from HMIC; continued independent scrutiny by the PCP and JASC.	April 18



## Joint Audit and Standards Committee

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

**DATE OF MEETING:** 21<sup>st</sup> March 2018

**ORIGINATING OFFICER:** Strategic Development, Corporate Improvement

**PART 1 or PART 2 PAPER:** PART 1 (OPEN)

### Executive Summary:

The purpose of this paper is to provide the Joint Audit and Standards Committee with an update on the Constabulary's risk management arrangements, including a review of the current strategic risk register.

Corporate Improvement has carried out a quality assurance check of all the departmental and operational risk registers to ensure that risk is effectively managed across the organisation. The Strategic Risk Register was presented and approved by the Extended Chief Officer Group on 6<sup>th</sup> March 2018.

Extended COG agreed to:

Reduce the risk score for:

- Risk number 25 – due to the delay nationally in implementing ESMCP
- Risk number 28 – due to changes to the police funding formula being deferred until the next spending review.

Add the following risks:

- Risk number 29 - reduced confidence in Cumbria Police caused by delays in answering non-emergency and 999 calls.
- Risk number 30 – the threat of a terrorist attack.
- Risk number 31 – technological advances in digital crime.

### Recommendations:

**That the Audit and Standards Committee:**

Note the Constabulary's current strategic risks, and that a quarterly review of all risk registers was completed in accordance with the Risk Management Policy in February 2018.

## 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.

The Chief Constable in their 'Annual Statement of Corporate Governance' determined the strategic direction for the Constabulary which is 'Keeping Cumbria Safe'. The Constabulary's key objectives are:

- Engaging with communities and working with partners.
- Preventing crime, road casualties and ASB.
- Managing offenders.
- Managing calls for service.
- Protecting vulnerable people and communities.
- Investigating crime, caring for victims and bringing offenders to justice.

The strategic risks identified by the Constabulary are concerned with:

1. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme.
2. The implications of longer-term reduction in budget and the level of savings required.
3. Failure to deliver Cumbria Vison 25 and its associated efficiency plan.
4. The impact of change on Constabulary performance.
5. Reduced public confidence due to delays in answering non-emergency and 999 calls.
6. Threat of a terrorist attack.
7. Failure to keep up with technological advances to fight digital crime.

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 Constabulary objectives the risks link to.

## Strategic Risk Register

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
28	The Chief Constable & Chief Financial Officers	<p>As a result of the potential changes to police funding formula, and the potential removal of the public sector pay cap, there may be a detrimental and significant impact on the available budget and a requirement for substantially increased savings. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.</p> <p>If this risk occurs, the Constabulary may have to focus on responsive reactive policing and maintaining public protection functions, but reducing investigative capacity to focus on serious crime only; any volume crime where there is no public safety risk will only be investigated if there is spare capacity.</p>	High	High	20	15	All	<p>The Government announced in the grant settlement in Dec 2017 that changes to the funding formula would be deferred until the next spending review, which will apply from 2020/21. The funding formula element of the risk therefore remains, but is now in the medium term, so the risk score reduced.</p> <p>In relation to funding of pay awards, the Government has provided no additional funding, although flat cash grants in 2018/19 and 2019/20 is better than anticipated. Greater flexibility has also been afforded to PCCs to raise additional council tax in the short term. Whilst there is still likely to be an on-going need to deliver savings to balance the budget in the medium term irrespective of the ultimate outcome of the funding formula, as a result of the announcements outlined above the scale of savings has reduced. The situation continues to be closely monitored.</p>
25	ACC	Commitment to the Emergency Services Mobile Communications Programme (ESMCP) and subsequent use of the Emergency Services Network (ESN) has the potential to breach the	High	Medium	25	12	All	<p>The Constabulary is working in partnership with other forces and emergency services to deliver ESMCP together as a region.</p> <p>A full business case and options analysis was approved by the ESMCP Board on 29th June 2016 and was presented by the Director of Corporate Support for discussion at Extended COG on</p>

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
		<p>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.</p> <p>The duration of impact is likely to exceed 2 years.</p>						<p>4<sup>th</sup> October 2016. It was highlighted that there would be significant financial implications for next year's budget. It was agreed that stringent governance around the project would be essential due to its high risk status and the Chief Finance Officer of the Constabulary was asked to discuss the budget requirements with the Chief Finance Officer of the OPCC.</p> <p>It was expected that the new system would go live in late 2017 however the National Programme announced a time slippage. The programme expected to begin transition after June 2018 meaning that Cumbria Constabulary was likely to transition in late 2018/ early 2019.</p> <p>The risk owner has transferred over to the Director of Corporate Support. Cumbria continues to be an active participant in the regional group and is leading coverage aspects on behalf of the region.</p> <p>It is now predicted that go live will be delayed nationally and the risk score has been reduced temporarily as a result.</p>
31	ACC	Advances in digital crime may result in the Constabulary being unable to keep up with technological change. This could result in a loss of confidence, both internally and with the wider public.	Medium	Medium	12	12	All	Staff growth in this area has been approved, and all student officers receive cyber crime training.
30	ACC	There is a risk that Cumbria could face an act of terrorism caused by recent national events, resulting in	High	Medium	15	10	All	The risk has been formulated as the current threat level to the UK from a terrorist attack is severe. The Joint Terrorism Analysis Centre (JTAC) Assessment also recognises that every force needs to

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
		the Constabulary, along with partners, having to ensure the right levels of protective security are in place.						consider how to protect the public in crowded places. Work is currently being progressed by the Constabulary's Counter Terrorism Unit and Operational Support and is supported by the North West Regional Firearms Collaboration activity.
29	Chief Supt TPA	Failure to answer 999 and non-emergency calls within a reasonable time and deal with them proficiently, could result in a loss of public confidence and prevent people reporting future crime / incidents to the Constabulary.	High	Medium	16	9	All	A Plan has been developed containing 75 actions for improvement within the CCR. The actions cover; training; learning and development; managing calls for service; work force planning; review of CCR processes and procedures; demand management; business continuity and performance. The Constabulary has also launched a number of media campaigns to support this activity.
11	Assistant Chief Constable and Director of Corporate Improvement	The Constabulary's performance may be adversely affected due to the significant level of change across the Constabulary as a whole. This may result in adverse publicity and reputational damage, and potential direct intervention from Her Majesty's Inspectorate of Constabulary Fire and Rescue Service (HMICFRS).	High	Low	20	8	All	<ul style="list-style-type: none"> <li>The Change Programme coordinates all change activities and manages risk at programme level and review level.</li> <li>There is a comprehensive Communications Strategy for the Change Programme to improve awareness and engagement, internally and externally.</li> <li>Unison and the Federation are fully engaged in the change management processes.</li> <li>There is robust evaluation of review outcomes to identify areas that may be problematic, with action plans to address the issues.</li> <li>Performance Development Conferences are focused on delivery and wellbeing and the 15 week review process supports delivery and wellbeing at individual level.</li> <li>The Delivering Excellence Strategy is being delivered, the Business Improvement Unit has been established and the Quality Counts initiative is underway across the operational portfolio to improve standards and performance.</li> </ul>

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
					10	8		<ul style="list-style-type: none"> <li>Monthly tasking and performance meetings, plus PVP and local performance meetings take place to monitor performance levels.</li> <li>Resource allocation to demand for financial year 2017/2018 has been completed.</li> <li>Risk reflects latest position regarding governance and management arrangements for performance.</li> </ul>
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	<ul style="list-style-type: none"> <li>Governance arrangements for monitoring the progress of delivery and outcomes are via regular and frequent FSDB meetings which coordinates all business change strategies.</li> <li>A dedicated lead has been appointed to support delivery of Cumbria Vision 2025 and a delivery plan is being developed.</li> <li>Revised governance arrangements are being developed to ensure effective prioritisation and co-ordinate delivery.</li> <li>High level plan for Vision 25 complete with delivery plan still in development. Changes to technical infrastructure to improve effectiveness of tasking and benefits on track to support governance changes.</li> </ul>

**Risk Tolerance Levels**

<p><b>Risk Score 1-4</b> Acceptable. No action is required but continue monitoring.</p>	<p><b>Risk Score 5-12</b> 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> Unacceptable. Urgent attention is required. Investigate and take steps to mitigate or avoid within a specified short term.</p>
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## 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
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8.2 List persons consulted during the preparation of report

- All Departmental risk owners.
- Territorial Policing and Crime Command risk owners.
- Extended Chief Officer Group.

**Risk Scoring Matrix**

Impact Score	Description					
		IMPACT ON SERVICE PROVISION	FINANCIAL IMPACT	IMPACT ON PEOPLE	DURATION OF IMPACT	IMPACT ON REPUTATION
5	Very High	Unable to function, inability to fulfil obligations	Severe financial loss > £3M	Multiple fatalities	In excess of 2 years	Highly damaging, severe loss of public confidence or being declared a failing Force
4	High	Significant impact on service provision	Major financial loss £1M to £3M	Fatality	Between 1 year - 2 years	National publicity, major loss of confidence or serious IPCC complaint upheld
3	Medium	Service provision is disrupted	Significant financial loss £500k to £1M	Serious injury, RIDDOR reportable	Between six months to 1 year	Some adverse local publicity, legal implications, some loss of confidence
2	Low	Slight impact on service provision	Moderate financial loss £100k to £500k	Slight medical treatment required	2 to 6 months	Some public embarrassment, or more than 1 complaint
1	Very Low	Insignificant impact, no service disruption	Insignificant financial loss < £100k	First Aid treatment only No obvious harm/injury	Minimal - up to 2 months to recover	No interest to the press, internal only

Likelihood Score	Tolerance Levels – Likelihood Assessment	
5	Very High	A risk has a very high score if there is a 90% or more chance of it happening every year. This means that it is almost certain to happen regularly.
4	High	A risk has a high score if there is a 65% to 90% likelihood of it happening at some point over the next 3 years. Basically, it probably will happen but it won't be too often.
3	Medium	A risk has a medium score if the likelihood of it happening is between 20% and 65% over the next 10 years. This means it may happen occasionally.
2	Low	A risk has a low score if the likelihood of it happening is between 5% and 25% at some point in the next 25years. This means it is not expected to happen but it is possible.
1	Very Low	A risk has a very low score if the likelihood of it happening is less than 5% over 100 years. Basically, it could happen but it is most likely that this would never happen.

		Impact	Impact	Impact	Impact	Impact
		Very Low (1)	Low (2)	Medium (3)	High(4)	Very High (5)
Likelihood	Very High (5)	5	10	15	20	25
Likelihood	High (4)	4	8	12	16	20
Likelihood	Medium (3)	3	6	9	12	15
Likelihood	Low (2)	2	4	6	8	10
Likelihood	Very Low(1)	1	2	3	4	5
		Impact	Impact	Impact	Impact	Impact



Peter McCall

# Treasury Management Activities 2017/18

## Quarter 3 (October to December 2018)

PAC Budget Setting Meeting 14 February 2018 and JASC Meeting 21 March 2018

### Purpose of the Report

The purpose of this paper is to report on the Treasury Management Activities (TMA), which have taken place during the period October to December 2017, in accordance with the requirements of CIPFA's Code of Practice on Treasury Management.

TMA are undertaken in accordance with the Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) approved by the Commissioner in February each year.

### Recommendations

The Commissioner is asked to note the contents of this report.

JASC Members are asked to note the contents of this report. The report is provided as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy.

### Economic Background

During quarter 3, the most significant economic event was the increase in the bank base rate from 0.25% to 0.50% on 1 November. This represents the first increase in the base rate since July 2007. The increase reflects the MPC's concern that rising inflation had finally outweighed the risks to growth. The MPC has reiterated that it expects any future increases to interest rates to be at a gradual pace and limited in extent.

Inflation has continued to rise with UK consumer price inflation (CPI) at December of 3.0%, slightly lower than 3.1% reported for November, which itself was the highest level since March 2012. This high inflation reflects the fall in the value of sterling following the June 2016 referendum result which continued to feed through into higher import prices.

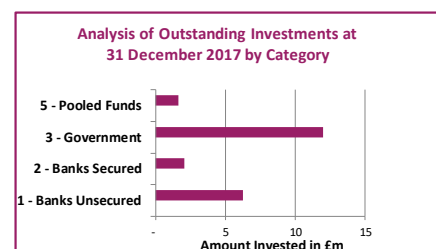
The number of unemployed in the economy continued to decrease, although the unemployment rate remains at 4.3%. Wages continue to

shrink in real terms with average earnings growth at 2.5%, a good deal below the rate of inflation.

### TM Operations and Performance Measures

The Commissioners day to day TMA are undertaken in accordance with the TMSS. The TMSS establishes an investment strategy with limits for particular categories of investment and individual counterparty limits within the categories.

**Outstanding Investments:** As at 31 December 2017 the total value of investments was **£21.938m** and all were within TMSS limits. The chart below shows the outstanding investments at 31 December by category.



A full list of the investments that make up the balance of £21.938m is provided at **Appendix A**.

**Investment Activity:** During quarter 3 a number of investments were made within TM categories 1-3 (banks unsecured, banks secured and Government) primarily as a result of the Pension grant that is received July, in advance of spend.

Month	Number of Investments	Total Value of Investments £m
October 2017	0	0.0
November 2017	0	0.0
December 2017	2	4.0

In addition to the above there are regular smaller investments made via money market funds (category 5 pooled funds).

**Non-specified investments:** The TMSS sets a limit for investments with a duration of greater than 364 days at the time the investment is made (known as non-specified investments), this limit is £5m. At 31 December, the Commissioner had only one investment that met this description. This investment now has an outstanding duration of under 364 days. The investment in this category is:

- Leeds Building Society £2.2m 887 days (13/07/16 to 17/12/18)

**Investment Income:** The budget for investment interest receivable in 2017/18 is £75k. The current

forecast against this target is that the actual will be on budget. Factors such as future interest rates available and investment balances will impact on the final outturn against this budget.

The average return on investment at the end of quarter 3 is 0.34%. As a measure of investment performance the rate achieved on maturing investments of over 3 months in duration is compared with the average BOE base rate. The table below illustrates the rate achieved on the two maturing investments of over three months duration in quarter 3 compared with the average base rate for the duration of the investment.

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Landesbank Hessen-Thuringen	£2m	4.7	0.27%	0.30%
Nationwide BS	£2m	5.5	0.29%	0.33%

**Cash Balances:** The aim of the TMSS is to invest surplus funds and minimise the level of un-invested cash balances. The actual un-invested cash balances for the period October to December are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	89	16,190	417,825
Days Overdrawn	3	(414)	(414)

The bank account had large un-invested balances on two occasions.

The largest un-invested balance occurred on the 27 November (£418k) when a capital receipt in respect of the sale of the former police station at Barrow was received without notification. The second occasion occurred on the weekend of 27-29 October (£227k) where a BACS deposit was received late on the Friday afternoon in relation to the final settlement of the insurance claim in relation to the December 2015 flooding. The largest/only overdrawn balance occurred on the weekend of 29-31 December (£415) and was as a result of the quarterly bank charges being applied to the account being omitted from the cash flow forecast.

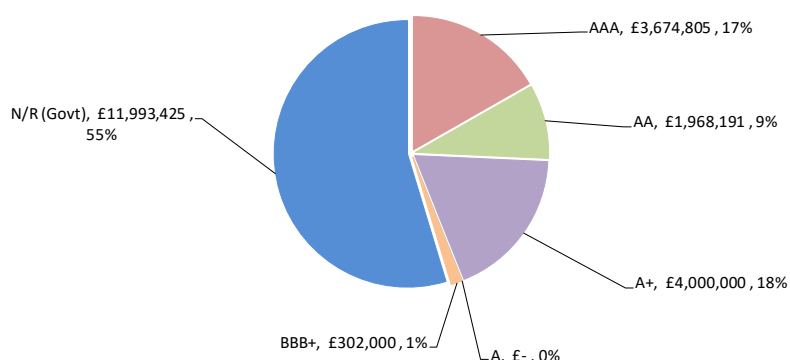
### Prudential Indicators

In accordance with the Prudential Code, the TMSS includes a number of measures known as Prudential Indicators which determine if the TMSS meets the requirements of the Prudential Code in terms of **Affordability, Sustainability and Prudence**. An analysis of the current position with regard to those prudential indicators for the financial year 2017/18 is provided at **Appendix B**. The analysis confirms that the Prudential Indicators set for 2017/18 are all being complied with.

## Appendix A Investment Balance at 31 December 2017

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
<b>Category 1 - Banks Unsecured (Includes Banks &amp; Building Societies)</b>							
Nationwide Building Society	A+	22/12/2017	29/03/2018	88	0.37%	2,000,000	2,000,000
Landesbank Hessen-Thuringen (Helaba)	A+	07/12/2017	31/05/2018	151	0.45%	2,000,000	2,000,000
Svenska (Deposit Account)	AA	Various	On Demand	N/A	0.30%	1,968,191	1,968,191
NatWest (Liquidity Select Account)	BBB+	31/12/2017	01/01/2018	O/N	0.10%	302,000	302,000
						<b>6,270,191</b>	<b>6,270,191</b>
<b>Category 2 - Banks Secured (Includes Banks &amp; Building Societies)</b>							
Leeds Building Society (Bond)	AAA	13/07/2016	17/12/2018	351	0.68%	2,070,884	2,070,884
						<b>2,070,884</b>	<b>2,070,884</b>
<b>Category 3 - Government (Includes HM Treasury and Other Local Authorities)</b>							
East Dunbartonshire Council	NR	07/03/2017	06/03/2018	65	0.50%	2,000,000	2,000,000
The Moray Council	NR	27/09/2017	31/01/2018	31	0.28%	2,000,000	2,000,000
Lancashire County Council	NR	18/04/2017	17/04/2018	107	0.60%	2,000,000	2,000,000
Treasury Bills	NR	10/07/2017	08/01/2018	8	0.23%	3,995,418	3,995,418
Treasury Bills	NR	17/07/2017	15/01/2018	15	0.20%	1,998,007	5,993,425
						<b>11,993,425</b>	<b>11,993,425</b>
<b>Category 4 - Registered Providers (Includes Providers of Social Housing)</b>							
None						0	0
						<b>0</b>	<b>0</b>
<b>Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)</b>							
Fidelity	AAA	Various	On demand	O/N	0.31%	3,921	3,921
Standard Life (Formally Ignis)	AAA	Various	On demand	O/N	0.35%	1,600,000	1,600,000
						<b>1,603,921</b>	<b>1,603,921</b>
<b>Total</b>						<b>21,938,421</b>	<b>21,938,421</b>

### Analysis of Outstanding Investments by Credit Rating of Counterparty at 31 December 2017 (Minimum Criteria per TMSS A-)



Note – The credit ratings in the table and chart relate to the standing as at 31 December 2017, these ratings are constantly subject to change.

# Appendix B

## Prudential Indicators 2017/18

Prudential Indicator - With Targets To Review		Approved Indicators TMSS £m	Current Value £m	Within Target	
1	<b>The Authorised Limit</b> <i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section 3(1) of the local government Act 2003</i>	Total Authorised Limit	24.480	4.887	✓
2	<b>The Operational Boundary</b> <i>The operational boundary represents and estimate of the most likely but not worse case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i>	Total Operational Boundary	22.978	4.887	✓
3/4	<b>Interest Rate Exposure</b> <i>The purpose of this indicator is to contain the Commissioners exposure to unfavourable movements in future interest rates. This represents the position that all of the Commissioner's authorised external borrowing may be at a fixed rate at any one time.</i>	Net Principal sums Outstanding at Fixed Rates	24.480	4.887	✓
		Net Principal sums Outstanding at Variable Rates	1.500	0.000	✓
5	<b>Upper Limit for total principal sums invested for over 364 Days</b> <i>The purpose of this indicator is to ensure that the commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.</i>	Non Specified Investments with a maturity greater than 364 days	5.000	2.200	✓
Prudential Indicator - To Note					
6	<b>Net Borrowing and the Capital Financing Requirement</b> <i>This indicator is to ensure that net borrowing will only be for capital purposes. The commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.</i>	Net Debt (section 12 below provides analysis)	(15.280)	(17.051)	
		Capital Financing Requirement as at 31 March	17.978	17.980	
		Net external Borrowing	0.000	0.000	
7	<b>Capital Expenditure and Capital financing</b> <i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2017/18</i>	Expenditure	6.521	6.019	
		Financing and Funding	0.000	0.000	
8	<b>Ratio of Financing Costs to Net Revenue Stream</b> <i>This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs</i>	Financing Costs	0.348	0.348	
		Net Revenue Stream	96.178	96.178	
		Ratio	0.36%	0.36%	
9	<b>Capital Financing Requirement</b> <i>The CFR is a measure of the extent to which the commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i>	CFR including PFI & other long term liabilities	17.978	17.980	
		CFR excluding PFI & other long term liabilities	13.091	13.093	
10	<b>Actual External Debt</b> <i>It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing</i>	External Debt including PFI & other long term liabilities	4.887	4.887	
		External Debt excluding PFI & other long term liabilities	0.000	0.000	
11	<b>Impact of capital investment decisions on the Council Tax</b> <i>This indicates the incremental impact of the capital investment decisions funded from prudential borrowing proposed for the period 2017/18 based on a Band D property in line with the proposed council tax level.</i>	Capital Expenditure funded from revenue	1.584	1.584	
		Incremental Impact on Band D Council Tax	9.485	9.484	
12	<b>Gross and Net Debt</b> <i>The purpose of this indicator is highlight a situation where the Commissioner is planning to borrow in advance of need.</i>	Outstanding Borrowing (at notional value)	0.000	0.000	
		Other Long Term Liabilities (PFI & Finance Lease)	4.887	4.887	
		Less Investments	20.167	21.938	
		Net Debt	(15.280)	(17.051)	
13	<b>Maturity Structure of Borrowing</b> <i>The indicator is designed to exercise control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.</i>	Not Applicable - currently no external debt			



## Joint Audit and Standards Committee Meeting 21/03/18

### Update to Treasury Management Strategy Statement (Item 19i)

The annual Treasury Management Strategy Statement and Prudential Indicators was approved by the Commissioner at a special budget setting meeting of the Public Accountability Conference on 14<sup>th</sup> February 2018. Section 4.4 of the report deals with interest rate prospects. Later the same day, on the afternoon of 14<sup>th</sup> February, the Commissioner's Treasury Advisors Arlingclose Ltd issued a revision to their earlier interest rate forecasts. The table below which is included in paragraph 4.4.4 of the TMSS report has been updated for the latest projections from Arlingclose.

Arlingclose Base Rate Estimates	2018	2019	2020
Quarter 1	0.50%	<del>0.50%</del> 1.00%	<del>0.50%</del> 1.25%
Quarter 2	<del>0.50%</del> 0.75%	<del>0.50%</del> 1.25%	<del>0.50%</del> 1.25%
Quarter 3	<del>0.50%</del> 0.75%	<del>0.50%</del> 1.25%	<del>0.50%</del> 1.25%
Quarter 4	<del>0.50%</del> 1.00%	<del>0.50%</del> 1.25%	<del>0.50%</del> 1.25%

It can be seen from the above that the original forecast of flat interest rates at 0.50% over the next three years has now been revised to show a steady increase to 1.00% by the end of the year and for the rate then to settle at 1.25%. Although bank base rates can take a little time to filter through into the investment income, it is likely that if the rates do increase, the current budgets for interest rate income could be exceeded. The table below shows the potential impact on interest receipts which have been estimated at a high level.

Investment Interest Forecast	Current Budget In MTFF	Potential based on Revised Forecast	Potential Increase in Interest Receipts
2018/19	£75,000	£100,000	£25,000
2019/20	£60,000	£110,000	£50,000
2020/21	£45,000	£60,000	£15,000
2021/22	£20,000	£60,000	£40,000

As the TMSS and budget have only recently been approved, it is not planned at this stage to amend the documents. The impact on future years will be built into the MTFF and TMSS at their next revision in February 2019, the impact in relation to the 2018/19 financial year will be covered through the quarterly reporting of both TM activities and budget monitoring.

Michelle Bellis 21/02/18

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**Treasury Management Strategy Statement 2018/19 &  
Prudential Indicators 2018/19 to 2020/21**

## Office of the Police and Crime Commissioner Report

**Title: Treasury Management Strategy Statement 2018/19 and Prudential Indicators 2018/19 to 2020/21**

Report of the Joint Chief Finance Officer

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

### 1. Purpose of the Report

1.1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code require Local Authorities (including PCCs) to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis.

These codes were originally issued in 2002 and were later fully revised in 2009 and 2011. The codes were also revised at the end of 2017 but the accompanying guidance notes on how to apply the new codes have yet to be issued. Therefore, the TMSS presented here complies to the 2011 codes and once new guidance notes are received a revised TMSS, or report detailing the changes, will be presented for approval as necessary. It is understood from the Commissioner's Treasury advisor, Arlingclose, that the Commissioner's TMSS and capital strategy already meet the majority of the new requirements. The TMSS also incorporates the Investment Strategy which is a requirement of the Communities and Local Government (CLG) Investment Guidance, again this is due for revision but no details have been received at this time. This report proposes a strategy for the financial year 2018/19.

Treasury Management in Local Government continues to be a highly important activity. The Police and Crime Commissioner (“The Commissioner”) adopts the CIPFA definition of Treasury Management which is as follows:

*‘the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.’*

## 2. Recommendations

2.1. The Commissioner is asked to:

- Approve the Strategy for Treasury Management as set out at paragraph 4 for 2018/19.
- Approve the Prudential Indicators for 2018/19 as described in paragraph 5 and as set out in detail at **Appendix B**.
- Approve the Minimum Revenue Provision Policy Statement for 2018/19 as set out in paragraph 6.
- Note that the detailed Treasury Management Practices (TMPs) have been reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner’s website.
- Delegate to the Joint Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit and Standards Committee.

2.2. The Joint Audit and Standards Committee are asked to review the Treasury Management Strategy Statement and Treasury Management Practices to be satisfied that controls are satisfactory and provide advice as appropriate to the Commissioner.

## 3. Background

3.1. The Commissioner is required to approve an annual Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management, which also incorporates an Investment Strategy as required by the Local Government Act 2003 and which is prepared in accordance with the Communities and Local Government (CLG) Investment Guidance. Together, these cover the financing and investment strategy for the forthcoming financial year. Subsequent to the Local Government Act 2003, the system of Government control over borrowing to support capital spending has been replaced with a self-regulatory system of borrowing controls, based on a Prudential

Code of Practice. Accordingly, this paper brings together a schedule of Prudential Indicators alongside the Treasury Management Strategy for the Commissioner to endorse.

3.2. The Treasury Management Strategy has been prepared in line with the model guidance produced by Arlingclose Ltd, who provide specialist treasury management advice to the Commissioner. It should however be noted that all treasury management decisions and activity are the responsibility of the Commissioner and any such references to the use of these advisors should be viewed in this context.

## 4. Treasury Management Strategy 2018/19

### 4.1. General Principles

4.1.1. Treasury management activities involving, as they do, the investment of large sums of money and the generation of potentially significant interest earnings have inherent risks. The Commissioner regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks. The main risks to the Commissioner's treasury activities are outlined below:

- Credit and Counterparty Risk (Security of Investments)
- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Re-financing risks (Impact of debt maturing in future years)
- Legal & Regulatory Risk.
- Fraud, error and corruption Risk

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

4.1.3. The Commissioner acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. However, the high profile near failure of major banks in 2008 highlighted that this objective must be sought within a context of effective management of counter-party risk. Accordingly, the Commissioner will continue to search for optimum returns on investments, but at all times the **security** of the sums

invested will be paramount. This is a cornerstone of the CIPFA Code of Treasury Management Practice which emphasises “**Security, Liquidity, Yield** in order of importance at all times”. The security of the sums invested is managed by tight controls over the schedules of approved counter-parties, which are continually reviewed to take account of changing circumstances, and by the setting of limits on individual and categories of investments as set out at **Appendix A**.

4.1.4. The strategy also takes into account the impact of treasury management activities on the Commissioner’s revenue budget. Forecasts of cash balances, interest receipts and financing costs are regularly re-modelled. The revenue budget for 2018/19 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

## 4.2. External Guidance

4.2.1. The guidance under which this strategy is put forward comes from a variety of different places. Principally, however, the requirement to produce an annual Treasury Management Strategy is set out in the CIPFA Code of Practice on Treasury Management published in 2011 and recently updated in 2017. There is, in addition, a further requirement arising from the Local Government Act 2003 (Section 15) to produce an investment strategy as part of the wider Treasury Strategy. This is set out below at paragraph 4.6. Finally, the Commissioner’s treasury advisor’s Arlingclose Ltd have provided some advice about possible future trends in interest rates and advice on best practice in relation to the format of the TMSS.

## 4.3. Resources and the Current Treasury Position

4.3.1. Treasury Management activity is driven by the complex interaction of expenditure and income flows, but the core drivers within the Commissioner’s balance sheet are the underlying need to borrow to finance its capital programme, as measured by the capital financing requirement (CFR), which is explored in detail in section 4.5 of this report, and the level of reserves and balances. In addition, day to day fluctuations in cash-flows due to the timing of grant and council tax receipts and out-going payments to employees and suppliers have an impact on treasury activities and accordingly are modelled in detail. The Commissioner’s level of debt and investments is linked to the above elements, but market conditions, interest rate expectations and credit risk considerations all influence the Commissioner’s strategy in determining exact borrowing and lending activity.

4.3.2. The estimated treasury position at 31<sup>st</sup> March 2018 and for the following financial years are summarised below:

Estimated Treasury Position	Estimate 2018/19 £m	Estimate 2019/20 £m	Estimate 2020/21 £m	Estimate 2021/22 £m
External Borrowing - PWLB – at start of year	0.000	0.000	0.000	9.000
Interest Payments	0.000	0.000	0.000	0.254
Investments (average)	18.026	14.154	9.043	5.861
Interest Receipts	0.075	0.060	0.045	0.020

4.3.3. The figures in the table above are based on the approval of the proposed revenue budget and capital programme presented to the Commissioner elsewhere on this agenda and are based on the interest rate assumptions as outlined in paragraph 4.4.4 below.

4.3.4. The Commissioner’s underlying need to borrow, as measured by the Capital Financing Requirement (CFR), is estimated to be £18.0m at the start of the 2018/19 financial year. This includes £4.9m 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 strategy paper elsewhere on this agenda 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. The estimate for interest payments in 2018/19 is Nil however, in 2021/22 when we estimate we will borrow £9m the interest payments are estimated to be £254k. However, under current market conditions, where short term interest receipts are forecast to remain low in the immediate future, and there are continuing general uncertainties over the credit worthiness of financial institutions, it is assumed that the most prudent borrowing strategy for the present is to meet the capital funding requirement from within internal resources, by reducing cash balances available for investment. Advice will be sought from Arlingclose as to the most opportune time and interest rate to undertake such borrowing.

4.3.5. The estimate for interest receipts in 2018/19 is £75k (latest forecast for 2017/18 is £75k). The low level of receipts reflects the historically low level of investment returns currently available where the Bank of England base rate stands at 0.50% and is expected to remain at this level for the next three years.



#### 4.4. Interest Rate Prospects

4.4.1. The Commissioner's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

4.4.2. Future Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.

4.4.3. The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.

4.4.4. The main forward projections of interest rates provided by Arlingclose are shown in the table below. It should be noted that these forecasts are based on information as at December 2017. The quarterly treasury activities reports will contain updated information in respect of interest rate forecasts.

Arlingclose Base Rate Estimates	2018	2019	2020
Quarter 1	0.50%	0.50%	0.50%
Quarter 2	0.50%	0.50%	0.50%
Quarter 3	0.50%	0.50%	0.50%
Quarter 4	0.50%	0.50%	0.50%

#### 4.5. Borrowing Requirement and Strategy

##### 4.5.1. Long Term Borrowing

The Commissioner's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement (CFR), which is one of the Prudential Indicators and represents the cumulative capital expenditure of the Commissioner that has not been financed from other sources such as capital receipts, capital grants, revenue contributions or reserves. To ensure that this expenditure will ultimately be financed, authorities are required to make a provision from their revenue accounts each year for the repayment of debt. This sum known as the Minimum Revenue Provision (MRP) is intended to cover the principal repayments of any loan over the expected life of a capital asset. The CFR together with Usable Reserves, are the core drivers of the Commissioner's Treasury Management activities.

Actual borrowing may be greater or less than the CFR, but in order to comply with the Prudential Code, the Commissioner must ensure that in the medium term, net debt will only be for capital purposes. Therefore the Commissioner must ensure that except in the short term, net debt does not exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. In accordance with this requirement the Commissioner does not currently intend to borrow in advance of spending needs.

The table below shows the Commissioner’s projected capital financing requirement for 2018/19 and beyond.

Capital Financing Requirement	Estimate 2018/19 £m	Estimate 2019/20 £m	Estimate 2020/21 £m	Estimate 2021/22 £m
Balance B/fwd	17.980	17.548	17.105	16.648
Plus Capital Expenditure financed from borrowing	0.000	0.000	0.000	3.400
Less MRP for Debt Redemption	-0.432	-0.443	-0.457	-0.474
Balance C/Fwd	17.548	17.105	16.648	19.574

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 Prudential Indicators and in detail elsewhere on the agenda.

The Commissioner is not expected to have any external borrowing at the start of 2018/19. Given that the CFR is forecast to be £18.0m this effectively means that the Commissioner will be funding over £13.1m of capital spend from internal resources (CFR £18.0m less £4.9m in relation to PFI).

Currently, there is a significant differential between investment rates at 0.50% and the rate at which long term finance can be procured, which despite standing at historically low levels, will still cost over 2.84% 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 deals. 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 Arlingclose Ltd, will continue to monitor market conditions and interest rate prospects on an on-going basis, in the context of the Commissioner’s capital expenditure plans, with a view to minimising borrowing costs over the medium to long term.

#### 4.5.2. Short Term Borrowing

Short term loans will only be used in exceptional cases to manage day to day movements in cash balances, or over a short term period to enable aggregation of existing deposits into longer and more sustainable investment sums. Short term borrowing would probably be from another Local Authority.

#### 4.6. Investment Strategy

4.6.1. The Local Government Act 2003, Section 15(1)(a) requires the Commissioner to approve an investment strategy. Supplementary guidance produced by the Department for Communities and Local Government (CLG) requires, as a minimum, that the following areas are addressed:

General policy -The guiding principle is that Authorities should invest prudently the temporary funds held on behalf of local communities. This has always been the cornerstone of our investment strategy. It is also consistent with the CIPFA guidance which has been re-iterated in the latest revision of the Treasury Management code, which sets out that the effective containment of risk should be a primary objective of the Treasury Management strategy and that achieving optimum performance is a proper but secondary objective.

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

In the past the investment strategy has operated criteria based on credit ratings to determine the size and duration of investments it is willing to place with particular counterparties. The credit worthiness of counterparties is reviewed on an ongoing basis in conjunction with the Commissioner’s treasury advisors (Arlingclose Ltd).

The Commissioner holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18, the Commissioner’s investment balance has ranged between £9.7m and £36.2m. The larger sum is due to the receipt in July 2017 of £22.4m pension top up grant from the Home Office which is drawn down steadily over the remainder of the year. Balances in 2018/19 are forecast to slowly reduce as expenditure on large capital schemes commences. It is anticipated that, at the peak, when the pensions grant is received in July, balances for investment could approach £40m again.

**Credit Rating** - Investment decisions are made by reference to the lowest published long-term credit rating from 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, Arlingclose Ltd, select countries and financial institutions after analysis and ongoing monitoring of:

- Economic fundamentals (e.g., net debt as a % of GDP)
- 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 2018/19 remains the same. The decision to enter into a new class of investment is delegated to the Joint Chief Finance Officer. A full explanation of each class of asset is provided in **Appendix A** together with a schedule of the limits that will be applied.

#### 4.6.2. Specified and non-specified investments

The DCLG guidance categorises investments as ‘specified’ and ‘non-specified’.

**Specified investments** are sterling denominated instruments with a maximum maturity of 364 days. They also meet the “high credit quality” criteria as determined by the Commissioner and are not deemed capital expenditure investments under statute.

High credit quality specified investments are defined by the Commissioner as those that meet its counterparty selection criteria as outlined in **Appendix A**.

Non specified investments are, effectively, everything else and, so far as an investment strategy is concerned, need to be set out in more detail, with appropriate limits set so as to minimise any exposure to risk. The strategy should also set out the basis upon which any non-specified investments are made, including how financial advice is sought.

So far as the Commissioner is concerned, investment strategies have always been limited to counterparties with high credit ratings. The current policy permits ‘Non- Specified’ investments (principally to facilitate lending for periods beyond 364 days) subject to:

- a maximum of three years duration.
- Counterparties with a minimum credit rating of A- (or equivalent).
- an overall limit of £5m.

There is currently one investment that at the time of transacting was for a period of greater than 364 days and as such would have been classified as 'Non-Specified' investments. At this point in time, it now has a maturity of less than 364 days. There are no changes proposed to the criteria for making "Non-specified investments" as set out above. The option remains to make such investments with very highly rated counterparties up to the limit of £5m should suitable opportunities arise. All such investments would require prior approval by the Joint Chief Finance Officer.

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 its advisors Arlingclose Ltd 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 last year 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 and Standards Committee will be updated on any changes to policy. The performance of the Commissioner's treasury advisors and quality of advice provided is evaluated prior to the annual renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

#### 4.6.3. The use of Financial Instruments for the Management of Risks

Currently, Local Authorities (including PCC's) legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit.

The Commissioner has no plans to use derivatives during 2018/19. Should this position change, the Commissioner may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require explicit approval.

#### 4.6.4. Liquidity of investments

The investment strategy must lay down:

- The principles which are to be used in determining the amount of funds which can prudently be committed for more than one year i.e. what DCLG defines as a long term investment.

For the Commissioner, the total of investments over 364 days in duration are limited to £5m with a maximum duration of three years. This policy balances the desire to maximise investment returns, with the need to maintain the liquidity of funds.

Under current market conditions there is still little opportunity to generate significant additional investment income by investing in longer time periods over 364 days. However, as always, investment plans should be flexible enough to respond to changing market conditions during the year. The estimate of investment income for 2018/19 amounts to £75k (£75k 2017/18) and actual investment performance will be reported regularly to the Commissioner and will be provided to members of the Joint Audit and Standards Committee as background information to provide guidance and support when undertaking scrutiny of Treasury Management procedures.

#### 4.7. Treasury Management and Risk

4.7.1. The Commissioner's approach to risk is to seek optimum returns on invested sums, taking into account at all times the paramount security of the investment. The CIPFA Code of Practice and Treasury Management Practices (as set out below in para. 4.8) sets out in some detail defined treasury risks and how those risks are managed on a day to day basis.

#### 4.8. Treasury Management Practices

4.8.1. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). As outlined in section 1.1 above, the Treasury Management Code and Prudential Code were updated towards the end of 2017 and detailed published guidance notes are still awaited. Once these are received the TMP's will be updated and resubmitted for approval. The previous 2011 guidance from CIPFA recommends that TMPs should cover the following areas:

- Risk Management
- Best Value and Performance Management
- Decision Making and Analysis

- Approved Instruments
- Organisation, Segregation of duties and dealing arrangements
- Reporting and Management Information requirements
- Budgeting, Accounting and Audit
- Cash and cashflow management
- Avoidance of money laundering
- Training
- Use of external service providers
- Corporate Governance

Treasury Management is a specialised and potentially risky activity which is currently managed on a day to day basis by the Financial Services Team under authorisation from the Joint Chief Finance Officer as part of a shared service arrangement for the provision of financial services. The training needs of treasury management staff to ensure that they have appropriate skills and expertise to effectively undertake treasury management responsibilities is addressed on an ongoing basis.

Specific guidance on the content of TMPs is contained within CIPFA's revised code of Practice for Treasury Management. Accordingly, the TMPs have been reviewed in detail and where necessary minor amendments have been made to bring the TMPs into line with The Code.

## 5. Prudential Indicators 2018/19

### 5.1. Background

5.1.1. The Local Government Act 2003 provides the framework for capital finance, based on statutory compliance with a 'Prudential Code', most recently updated in 2017. As mentioned earlier the guidance notes that accompany the new code have not yet been published so these prudential indicators have been calculated using the 2011 code. As soon as the guidance notes are received, a new set of indicators or a report will be presented for approval as necessary. Local Authorities including PCC's are now free to borrow, so long as the ensuing costs falling on the revenue account are deemed to be **Affordable, Prudent and Sustainable**. In this context, affordable is deemed to mean in relation to the Commissioner's overall spending plans.

### 5.2. Objectives of the Prudential Code

5.2.1. The key objectives of The Code are to ensure, within a clear framework, that Capital investment plans are affordable, prudent and sustainable (or to highlight, in exceptional cases, that there is a danger this will not be achieved so that the Commissioner can take remedial action). To demonstrate that

Authorities have fulfilled these objectives, the Prudential Code sets out the Indicators that must be used. The indicators required by The Code are designed purely to support local decision making and are specifically not designed to represent comparative performance indicators. Use of them in this way would be misleading and counterproductive, not least as Authorities have very different levels of debt, capital plans etc.

Separate groups of indicators are required in the following three specified areas:

- Affordability
- Prudence
- Capital Expenditure / External Debt / Treasury Management

The overriding objective in the consideration of the affordability of the Commissioner's capital plans is to ensure that the planned capital investment of the Commissioner remains within sustainable limits, and, in particular, to consider the impact on the overall cost to the Commissioner as expressed by the effect on the Council Tax.

### 5.3. Prudential Indicators 2018/19

5.3.1. The Prudential Indicators required by The Code of Practice are attached at **Appendix B**, together with a brief explanation of the purpose of each indicator and the assumptions which have been used in preparing the indicators.

### 5.4. Setting, Revising, Monitoring and Reporting

5.4.1. 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.

## 6. Annual MRP Statement for 2018/19

6.1. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on authorities to make a prudent provision for debt redemption, this is known as the **Minimum Revenue Provision (MRP)**. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such guidance under



section 21(1A) of the Local Government Act 2003. This sum known as the MRP is intended to cover the principal repayments of any loan over the expected life of a capital asset.

- 6.2. The DCLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by The Commissioner. This is now by agreement encompassed within the TMSS.
- 6.3. The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure, which gave rise to the debt, provides benefits.

The four options available for calculating MRP are set out below:

- Option 1 – Regulatory Method based on 4% of the CFR after technical adjustments.
- Option 2 – CFR Method, based on 4% of the CFR with no technical adjustments.
- Option 3 – Asset Life Method, spread over the life of the asset being financed.
- Option 4 – Depreciation Method, based on the period over which the asset being financed is depreciated.

- 6.4. It is proposed that The Commissioner's MRP policy for 2018/19 is unchanged from that of 2017/18 and that The Commissioner utilises option 1 for all borrowing incurred prior to the 1st April 2008 and option 3 for all borrowing undertaken from 2008/09 onwards, irrespective of whether this is against supported or unsupported expenditure. This policy establishes a link between the period over which the MRP is charged and the life of the asset for which borrowing has been undertaken. It is proposed that a fixed instalment method is used to align to the Commissioner's straight line depreciation policy.
- 6.5. MRP in respect of PFI and leases brought on to the balance sheet under the 2009 SORP and IFRS 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.

## 7. Balanced Budget Requirement

- 7.1. The Commissioner complies with the provisions of section 32 of the Local Government Finance Act 1992 to set a balanced budget.

## 8. Reporting on Treasury Activities

- 8.1. In accordance with The Code of Practice for Treasury Management, the Commissioner will approve the Annual TMSS, receive, a quarterly summary of treasury activity, a mid-year update on the strategy and an annual report after the close of the financial year.
- 8.2. The Joint Audit and Standards Committee will be responsible for the scrutiny of treasury management policy and processes. The Joint and Standards Committee terms of reference in relation to treasury management are:
  - Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory.
  - Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity.
  - Review the treasury risk profile and adequacy of treasury risk management processes.
  - Review assurances on Treasury Management (for example, an internal audit report, external or other reports).
- 8.3. The DCLG Guidance on investments states that publication of strategies is now formally recommended, the full suite of strategy documents will be published on the Commissioner's website once approved.

## Counterparty Selection Criteria and Approved Counterparties

### 1. Background

- 1.1. The lending criteria set out below are designed to ensure that, in accordance with The Code of Practice, the security of the funds invested is more important than maximising the return on investments. Following consultation with the Commissioner's treasury advisors Arlingclose Ltd there are no amendments to the criteria used in determining approved investment counterparties for 2018/19 compared to those in operation for 2017/18.

### 2. Counterparty Selection Criteria

- 2.1. The agreed changes to the selection criteria for investment counterparties for 2015/16 included changes to the investment categories, a reduction in the maximum amount and duration lengths for investments. This was to encourage diversification and to increase the security of those funds invested. These principles apply to the 2018/19 strategy. The investment limits and duration are linked to the credit rating and type of counterparty at the time the investment is made.
- 2.2. The credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Arlingclose Ltd who provide timely updates and advice on the standing of counterparties. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy and at the time when individual investment decisions are made. In the event that this ongoing monitoring results in a significant change to counterparty selection during the year, the Commissioner and the Joint Audit and Standards Committee will be advised through the quarterly activities report.

- 2.3. The approved investment counterparties for the 2018/19 investment strategy are summarised as follows:

Category	Description	Comments
Category 1	Banks Unsecured	Includes building societies
Category 2	Banks Secured	Includes building societies
Category 3	Government	Includes other Local Authorities
Category 4	Registered Providers	Includes providers of social housing e.g. Housing Associations
Category 5	Pooled Funds	Includes Money Market Funds and property funds

- 2.4. A more detailed explanation of each of these counter party groupings is provided in Schedule B (page 20).

### 3. Counterparty Groupings / Limits

- 3.1. The criteria for approving investment counterparties have been devised, grouped, graded and investment limits attached as detailed in **Schedule A** (page 19). The limits are based on a percentage of the potential maximum sums available for investment during the year which have been forecast as up to £40m. The counterparty limits for 2018/19 are the same as the limits for 2017/18. These funds are in essence the same as AAA money market funds but they require 3 days notice for the return of our funds. This slight reduction in cashflow is rewarded by a slightly increased interest rate. Arlingclose suggest that we use these funds for longer term investments and keep the ordinary money market funds to manage our cash flow.

### 4. Description of Credit Ratings

- 4.1. As outlined in paragraph 2.2 above the credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Arlingclose Ltd. A description of each of the credit rating is provided at **Schedule C** (page 21-23).

## Schedule A – Counterparty Groupings and Associated Limits

Investment Limits						
Credit Rating	Maximum	1	2	3	4	5
		Banks Unsecured	Banks Secured	Government	Registered Providers	Pooled Funds
<u>Category Limit 2016/17</u>	Amount	£20m	£20m	Unlimited	£10m	£20m
	Duration					
<u>Individual Institution/Group Limits</u>						
UK Government	Amount	N/A	N/A	£ unlimited	N/A	N/A
	Duration			50 Years		
AAA	Amount	£2m	£4m	£4m	£2m	£4m per fund (Pooled funds are generally not rated but the diversification of funds equate to AAA credit rating)
	Duration	5 years	20 years	50 years	20 years	
AA+	Amount	£2m	£4m	£4m	£2m	
	Duration	5 years	10 years	25 years	10 years	
AA	Amount	£2m	£4m	£4m	£2m	
	Duration	4 years	5 years	15 years	10 years	
AA-	Amount	£2m	£4m	£4m	£2m	
	Duration	3 years	4 years	10 years	10 years	
A+	Amount	£2m	£4m	£2m	£2m	
	Duration	2 years	3 years	5 years	5 years	
A	Amount	£2m	£4m	£2m	£2m	
	Duration	13 months	2 years	5 Years	5 years	
A-	Amount	£2m	£4m	£2m	£2m	
	Duration	6 months	13 months	5 years	5 years	
None	Amount	N/A	N/A	£2m	£2m	
	Duration			25 years	5 years	

Note, individual, group and category limits for 2018/19 are based on the potential maximum available for investment during the year which has been estimated at up to £40m. It should also be noted that as outlined in paragraph 2.2 above, counterparty credit rating is not the only factor taken into consideration at the time of placing investments.

The maximum of all investments with outstanding maturities greater than 364 days will be £5m.

The only approved exception to the above limits is in relation to NatWest Bank (currently rated BBB+), the Commissioner's day to day banking service provider. Advice will be sought from Arlingclose with regards to acceptable levels of cash balances held in "on demand" accounts for cash flow purposes.

## 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. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Commissioner’s current account bank Nat West plc.

**Category 2 - Banks Secured:** Covered bonds, reverse repurchase agreements and other secured 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 highest 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 an insignificant risk of insolvency. 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, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

**Category 5 - Pooled Funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value (NAV) 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 Commissioner 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 Commissioner’s investment objectives will be monitored regularly.

## Schedule C – Description of Credit Ratings – Long Term Rating

Rating Agency	Fitch	Moody's	Standard & Poor's
<b>Long Term Rating</b>	<p>This category of ratings applies to investments over 12 months. The grading is in the range AAA, AA, A, etc, down to DDD.</p> <ul style="list-style-type: none"> <li>• AAA Highest credit quality 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be affected by foreseeable events.</li> <li>• AA Very high credit quality 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.</li> <li>• A High credit quality 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A-.</b></p>	<p>This category of ratings applies to investments over 12 months. The grading is in the range Aaa, Aa, A, etc, down to C.</p> <p>Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa to Caa.</p> <p>The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.</p> <ul style="list-style-type: none"> <li>• Aaa Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.</li> <li>• Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.</li> <li>• A Obligations rated A are considered upper-medium grade and are subject to low credit risk.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A1.</b></p>	<p>This category of ratings applies to investments over 12 months. The grading is in the range AAA, AA, A, etc, down to D.</p> <p>The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.</p> <ul style="list-style-type: none"> <li>• AAA: An obligation rated 'AAA' has the highest rating assigned by Standard &amp; Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.</li> <li>• AA: An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.</li> <li>• A: An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A-.</b></p>

## Schedule C – Description of Credit Ratings – Short Term Rating

Rating Agency	Fitch	Moody's	Standard & Poor's
<b>Short Term Rating</b>	<p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range F1, F2, F3, B, C, D.</p> <ul style="list-style-type: none"> <li>F1 Highest credit quality Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote an exceptionally strong credit feature.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of F1.</b></p>	<p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range P1, P2, P3, NP (not prime).</p> <ul style="list-style-type: none"> <li>P1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of P1.</b></p>	<p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range A1,A2, A3, B1, B2, B3, C, D.</p> <ul style="list-style-type: none"> <li>A1 A short-term obligation rated 'A-1' is rated in the highest category by Standard &amp; Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A1.</b></p>



## Schedule C – Description of Credit Ratings – Support Rating

Rating Agency	Fitch	Moody's	Standard & Poor's
<b>Support Rating (Fitch)</b>	<p>This category of assessment does not rate the quality of the banking institution, but represents the analyst's view of whether the bank would receive State or other support should this be necessary. The gradings are in the range 1 – 5, although as set out above, the strategy is to restrict such investments to grades 1 - 3:</p> <ul style="list-style-type: none"> <li>• 1) A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question.</li> <li>• 2) A bank for which, in the Analyst's opinion, there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to support the bank in question.</li> <li>• 3) A bank for which, in the Analyst's opinion, there is a moderate probability of external support, because of uncertainties about the ability or propensity of the potential provider of support to do so.</li> </ul>	Not applicable	Not applicable

## Prudential Indicators 2018/19 to 2020/21

### Introduction

The Prudential Code for Capital Finance in Local Authorities (Prudential Code) has been developed by the Chartered Institute of Public Finance and Accountancy to provide a code of practice to underpin the system of capital finance embodied in Part 1 of the Local Government Act 2003, the Prudential Code was revised in 2017 but as detailed guidance notes are still awaited the prudential indicators are based on the previous 2011 guidance. A revised document will be produced once guidance is received. Local Authorities (which includes Police and Crime Commissioner's) are free to determine their own level of capital investment controlled by self-regulation. The exercise of these new freedoms is subject to compliance with the requirements of the CIPFA Prudential Code, which is made a statutory requirement under the provisions of the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable. As already mentioned the Prudential code was revised in 2017 but the corresponding guidance notes have yet to be issued. Once these are received revised prudential indicators will be submitted for approval should this be necessary.

The Prudential Code supports a system of self-regulation that is achieved by the setting and monitoring of a suite of Prudential Indicators that directly relate to each other. The indicators establish parameters within which the Commissioner should operate to ensure that the objectives of the Prudential Code are met.

### Prudential Indicators

The Prudential Indicators for which the Commissioner is required to set limits are as follows:

#### 1. Net Borrowing and the Capital Financing Requirement

This is a key indicator of Prudence. This Prudential Indicator provides an overarching requirement that all the indicators operate within and is described in the Prudential Code as follows:

'In order to ensure that over the medium term net borrowing will only be for a capital purpose, the authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years'.

The Joint Chief Financial Officer reports that the Commissioner had no difficulty meeting this requirement for 2016/17, nor are any difficulties envisaged for the current or future years. This view takes into account all plans and commitments included in the 2018/19 budget. The table below provides a comparison of net borrowing and the Capital Financing Requirement.

Comparison of Net Borrowing and the Capital Financing Requirement					
	2016/17 Actual £m	2017/18 Revised Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Net Debt (section 9 below provides analysis)	(8,143)	(16,380)	(13,281)	(9,570)	(4,640)
Capital Financing Requirement as at 31 March	18.402	17.980	17.548	17.105	16.648

## 2. Capital Expenditure

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.

The actual amount of capital expenditure that was incurred during 2016/17, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2018/19 budget are set out in the table below.

Capital Expenditure	2016/17 Actual £m	2017/18 Revised Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Capital Expenditure	3.034	6.019	11.261	7.442	7.471

Capital expenditure will be financed or funded as follows:

Capital Financing	2016/17 Actual £m	2017/18 Revised Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Capital Receipts	0.000	0.000	0.000	0.000	2.023
Government Grants	0.454	0.000	1.105	5.307	1.041
Revenue Contributions	2.439	6.019	10.155	2.134	4.407
<b>Total Financing</b>	<b>2.893</b>	<b>6.019</b>	<b>11.260</b>	<b>7.441</b>	<b>7.471</b>
Borrowing *	0.142	0.000	0.000	0.000	0.000
<b>Total Funding</b>	<b>0.142</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Total Financing and Funding</b>	<b>3.035</b>	<b>6.019</b>	<b>11.260</b>	<b>7.441</b>	<b>7.471</b>

\* In the current financial climate the decision has been taken to borrow internally rather than from the PWLB which will be reflected in the capital financing requirement indicator.

### 3. Ratio of Financing Costs to Net Revenue Stream

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 particular, in no way meant to indicate planned increases in funding from Council Tax.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Actual £m	2017/18 Revised Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2019/20 Estimate £m
Financing Costs	0.311	0.348	0.357	0.383	0.412
Net Revenue Stream	96.132	96.178	98.627	100.609	101.740
Ratio	0.32%	0.36%	0.36%	0.38%	0.40%

## 4. Capital Financing Requirement

The capital financing requirement (CFR) is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any one point in time. The Commissioner has an integrated treasury management strategy where there is no distinction between revenue and capital cash flows, and the day to day position of external borrowing and investments can change constantly.

The CFR concerns only those borrowing transactions arising from capital spending, whereas the total amount of external borrowing is a consequence of all revenue and capital cash transactions combined together following recommended treasury management practice.

The CFR as presented below now includes a figure in respect of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009.

Capital Financing Requirement	2016/17 Actual £m	2017/18 Revised Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Capital Financing Requirement as at 31 March.	18.402	17.980	17.548	17.105	16.648

## 5. The Authorised Limit

The Authorised Limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. This limit includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. 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.

**The Commissioner should note that the Authorised Limit represents the limit specified in section 3 (1) of the Local Government Act 2003 (Duty to determine affordable borrowing limit).**

The following Authorised Limits for external debt, excluding temporary investments are recommended:

Authorised Limit for External Debt			
	2018/19 £m	2019/20 £m	2020/21 £m
External Borrowing	19.303	19.020	18.745
Other Long Term Liabilities	4.745	4.585	4.403
Total Authorised Limit	24.048	23.605	23.148

## 6. Operational Boundary

The Operational Boundary represents an estimate of the most likely, prudent, but not worst case scenario and provides a parameter against which day to day treasury management activity can be monitored.

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 Commissioner's 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 and Standards Committee meeting following the change. The following limits for each year's Operational Boundary, excluding temporary investments are recommended:

Operational Boundary for External Debt			
	2018/19 £m	2019/20 £m	2020/21 £m
External Borrowing	17.803	17.520	17.245
Other Long Term Liabilities	4.745	4.585	4.403
Total Operational Boundary	22.548	22.105	21.648

## 7. Actual External Debt

The Commissioner's actual external debt as at 31 March 2018 will be £4.887m, comprising other long term liabilities of £4.887m in relation to the PFI. It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investments rates compared to the costs of borrowing. It should be noted that all external borrowing with the PWLB (Public Works Loans Board) was repaid during 2012/13.

## 8. The Incremental Impact of Capital Investment Decisions on the Council Tax

This is an indicator of affordability that shows the impact of capital investment decision on Council Tax. This indicator identifies specifically the additional cost to the taxpayer of the **new capital investment** proposed in the 2018/19 to 2020/21 Capital Programme.

The impact identifies the revenue expenditure that will arise as a result of approval of the 2018/19 capital programme. The revenue effects of previously approved capital schemes are not included in this indicator.

The impact has been calculated using forward estimates of funding consistent with expectations in the latest medium term forecast.

The impact on the revenue budget, and therefore the Council Tax, is felt by a combination of the following: debt costs of the new borrowing, the amount set aside from revenue to repay the principal element of external borrowing (Minimum Revenue Provision), the revenue impact of a capital project (e.g. running costs or savings of a new asset) and Direct Revenue Contributions.

It should be noted that borrowing itself does not fund capital expenditure since the loans have to be repaid eventually. The actual funding comes from the Minimum Revenue Provision, which is statutorily charged to revenue each year.

The estimate of the impact of the capital investment approved in the 2018/19 Budget on the Council Tax is set out in the table below. The figures are not cumulative and show the actual impact in each year.

The 2018/19 Council Tax is proposed to be £232.74 for band D properties.

Impact of capital investment decisions on the Council Tax			
	2018/19 £m	2019/20 £m	2020/21 £m
Capital Expenditure funded from revenue	1.684	1.684	3.132
Financing and direct revenue costs	-	-	-
Total Incremental Revenue Effect of Capital Investment	1.684	1.684	3.132
Incremental Impact on Band D Council Tax	9.955	9.881	18.246

## 9. Gross and Net Debt

The purpose of this treasury indicator is to highlight a situation where The Commissioner is planning to borrow in advance of need.

Gross and Net Debt			
	2018/19 £m	2019/20 £m	2020/21 £m
Outstanding Borrowing (at notional value)	-	-	-
Other Long Term Liabilities (PFI & Finance Lease at notional value)	4.745	4.585	4.403
Gross Debt	<b>4.745</b>	<b>4.585</b>	<b>4.403</b>
Less Investments	18.026	14.154	9.043
Net Debt	(13.281)	(9.569)	(4.640)



## 10. Fixed Interest Rate Exposures

It is recommended that The Commissioner sets an upper limit on its fixed interest rate exposures as follows.

Upper limits for net principal sums outstanding at fixed rates			
	2018/19	2019/20	2020/21
	£m	£m	£m
Net Principal sums Outstanding at Fixed Rates	24.048	23.605	23.148

This represents the position that all of the Commissioner's authorised external borrowing may be at a fixed rate at any one time.

## 11. Variable Interest Rate Exposures

It is recommended that the Commissioner sets an upper limit on its variable interest rate exposures as follows.

Upper limits for net principal sums outstanding at variable rates			
	2018/19	2019/20	2020/21
	£m	£m	£m
Net Principal sums Outstanding at Variable Rates	1.50	1.50	1.50

This is the maximum external borrowing judged prudent by the Joint Chief Finance Officer that the Commissioner should expose to variable rates.

The limit is determined according to the Commissioner's appetite for exposure to interest rate risk, specifically the risk of paying higher rates of interest on borrowing that is not offset by earning higher rates of interest on investments. The limit set is prudent, to illustrate by example, with £21m of reserves and a £1.5m exposure to variable rates, even a 10% rise in interest rates would impact on the level of reserves by less than 1%.

## 12. Maturity Structure of Borrowing

It is recommended that the upper and lower limits for the maturity structure of borrowings are as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

This indicator is primarily applicable to authorities 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.

Period of Maturity	Upper Limit	Lower Limit
	%	%
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

## 13. Investments for longer than 364 days

The Treasury Management Strategy allows “non-specified” investments for periods of up to 5 years. The maximum of all investments with outstanding maturities greater than 364 days will be £5m.



Peter McCall

Public Accountability Conference  
14 February 2018  
Agenda Item No 6ii

Joint Audit & Standards Committee  
21 March 2018  
Agenda Item No 19iii



## Treasury Management Practices 2018/19

# Treasury Management Practices

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Finance staff have authority to undertake transactions on instruction from the Joint Chief Finance Officer as part of the arrangements for shared financial services.

## Schedule 1

### Summary Identifying Risks of Treasury Management

The “**Treasury Management in the Public Services: Code of Practice and cross sectoral guidance notes** “(the Code) identifies twelve areas where statements of Treasury Management practices (TMPs) should be developed to implement the full requirements of the Code.

#### TMP 1 Risk Management

The Joint Chief Finance Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. They will report at least annually on the adequacy / suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in TMP6 – Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule 2.

##### 1. **Credit and Counterparty Risk Management**

The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty’s diminished creditworthiness, and the resulting detrimental effect on the organisation’s capital or current (revenue) resources.

The Commissioner regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 ‘approved instruments methods and techniques’ and listed in schedule 2 of this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial or derivative arrangements.

To ensure this it will maintain a defined list of authorised counterparties and the group deposit limits. In conjunction with The Commissioner’s treasury advisors (Arlingclose Ltd) the credit worthiness of counterparties is reviewed on an ongoing basis. Where such monitoring results in significant changes to the

approved counterparty list, this will be reported to the Commissioner and the Joint Audit and Standards Committee through the quarterly treasury management activities report. The treasury advisory service provided by Arlingclose Ltd gives daily updates on credit worthiness which allows immediate action where necessary. Any amendments are subsequently put to the Commissioner for ratification. A weekly statement will be presented to the Deputy Chief Finance Officer for approval detailing all the week's investment activity and a summary of all amounts deposited at any one time by counterparty and category together with details of any borrowings undertaken or repaid in the week and the total outstanding at close of business for the week. Copies of this information are also provided to the Joint Chief Finance Officer and the Director of Corporate Support. Where exceptional circumstances make it necessary to deviate from the approved lending list limits this will be approved by the Joint Chief Finance Officer (or in his/her absence by the Deputy Chief Finance Officer) in advance of the transaction being undertaken and will be reported to the Commissioner at the earliest opportunity.

## **2. Liquidity Risk Management**

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business / service objectives will be thereby compromised.

The Commissioner considers that the prospect of ongoing liquidity problems is remote due to the nature and timing of its main income sources and the substance of major items of expenditure. However, it will ensure that the Policing Body has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This will be achieved through the use of a proven cash flow forecasting model. This is updated annually to include all known major income streams (e.g. Home Office Grant, RSG, NNDR, precepts, capital grant etc.) and all major payments (e.g. payroll, HMRC, weekly payment run estimates, etc.).

The Commissioner will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities. There are currently no plans to borrow in advance of need.

## **3. Interest Rate Risk Management**

The risk that fluctuations in the level of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Commissioner will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

The Commissioner will achieve this by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to consideration and, if required, approval of any policy or budgetary implications.

The Commissioner will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy. There are currently no plans to utilise such instruments.

Revised interest forecasts for both the current and forward years are incorporated within the Commissioner's budget and medium term financial forecasts on a regular basis. An appropriate limit will also be defined in the annual strategy setting out the maximum amount of variable rate debt to be incurred. However, security of principal will always take precedence over interest returns in decisions over investment of our cash.

#### **4. Exchange Rate Risk Management**

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Commissioner will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. However, this is not considered to be an issue for the Commissioner at the moment, as all treasury transactions are currently undertaken in pounds sterling.

#### **5. Refinancing Risk Management**

The risk that maturing borrowings, capital, projects or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for refinancing, both capital and current (revenue), and / or that the terms are inconsistent with prevailing market conditions at the time.

The Commissioner will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured, documented and the maturity profile of the monies raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Commissioner as can be reasonably achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

#### **6. Legal and Regulatory Risk Management**

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements and that the organisation suffers losses accordingly.

The Commissioner will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

An Investment Strategy, as required in Section 15 of the Local Government Act 2003 will be put to the Commissioner annually for ratification as part of the treasury management strategy statement.

The Commissioner recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Regular scanning of the internal and external regulatory framework will be undertaken by the Deputy Chief Finance Officer to aid the above.

#### **7. Fraud, Error and Corruption and Contingency Management**

The risk that the organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to



employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

The Commissioner will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

## **8. Market Risk Management**

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Commissioner will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Only very secure instruments and institutions are chosen with strict limits placed on the value of deposit that can be made with each institution (including group limits) thus limiting its exposure.

## **TMP 2 Performance Measurement**

The Commissioner is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in schedule 2.

## TMP 3 Decision Making and Analysis

The Commissioner will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and the processes and practices to be pursued in reaching decisions are detailed in Schedule 2.

## TMP 4 Approved Instruments, Methods and Techniques

The Commissioner will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in Schedule 2 and within the limits and parameters defined in TMP1 Risk Management.

Where the Commissioner intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Commissioner will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products. There are currently no plans to utilise such instruments.

## TMP 5 Organisation, Clarity, Segregation of Responsibilities and Dealing Arrangements

The Commissioner considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities. A separate statement of responsibilities exists to facilitate this and is set out in Schedule 2.

The principle on which this will be based is a clear distinction, as far as is feasible between those charged with setting treasury management policies and those charged with implementing and controlling these policies,

particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions and the audit and review of the treasury management function.

The Joint Chief Financial Officer has overall responsibility for the treasury management activities but delegates day to day management of the function to the Deputy Chief Finance Officer.

If and when the Commissioner intends, as a result of lack of resources or other circumstances, to depart from these principles, the Joint Chief Finance Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

On behalf of the Joint Chief Finance Officer, the Deputy Chief Finance Officer will ensure that:

- there are clear written statements of the responsibilities for each post engaged in treasury management.
- there are appropriate arrangements for absence cover.
- that at all times, those engaged in treasury management will follow the policies and procedures set out.
- there is proper documentation for all deals and transactions.
- that procedures exist for the effective transmission of funds.

The present arrangements are detailed in schedule 2.

The delegations to the Deputy Chief Finance Officer in respect of treasury management are set out within schedule 2 of this document. The Deputy Chief Finance Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the "Standard of Professional Practice on Treasury Management".

## TMP 6 Reporting Requirements and Management Information Arrangements

The Commissioner will ensure that regular reports are prepared and considered on the implementation of treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Commissioner, will receive:

- an annual report on the strategy and plan to be pursued in the coming year (before 31 March).
- A rolling three year statement of treasury Indicators, combining those required by the prudential code and by the treasury management code.
- A mid-year review
- A quarterly summary of treasury management activity.
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Commissioner's treasury management policy statement and TMPs. (Reported to both the Commissioner's Public Accountability Conference and the Joint Audit and Standards Committee).

In addition to the above, the **Joint Audit and Standards Committee** will receive:

- regular (no less than quarterly) monitoring reports on treasury management activities and risks. In addition, where ongoing monitoring of the credit worthiness of approved counterparties has revealed a significant change, this will also be reported to the Joint Audit and Standards Committee.
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Constabulary's treasury management policy statement and TMPs. (Reported to both the Commissioner's Public Accountability Conference and the Joint Audit and Standards Committee).

The Joint Audit and Standards Committee will have responsibility for the scrutiny of treasury management strategy, policies and practices.

The present arrangements and the form of these reports are detailed in schedule 2.

## TMP 7 Budgeting, Accounting and Audit Arrangements

The Joint Chief Finance Officer will recommend and the Commissioner will approve and if necessary, from time to time will amend an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement and TMP4 Approved instruments, methods and techniques. The Joint Chief Finance Officer will ensure the effective exercise of controls

over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Commissioner will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force at that time.

The Commissioner will ensure that its auditors and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles. The Commissioner will also ensure that such information and papers demonstrate compliance with external and internal policies and approved practices.

## TMP 8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Commissioner will be under the control of the Joint Chief Finance Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Joint Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP 1 liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in Schedule 2

## TMP 9 Money Laundering

The Commissioner is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and for reporting suspicions, and will ensure that staff involved in this is are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in schedule 2.

## TMP 10 Training and Qualifications

The Commissioner recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. The Commissioner will therefore seek to appoint individuals who are both capable and experienced and will also provide training to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Deputy Chief Finance Officer will on behalf of the Joint Chief Financial Officer recommend and implement the necessary arrangements.

The Joint Chief Finance Officer will ensure that Joint Audit and Standards Committee members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure they have the necessary skills to complete their role effectively.

The present arrangements are detailed in schedule 2.

## TMP 11 Use of External Service Providers

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed as consistent with the Joint Procurement Regulations. The monitoring of such arrangements rests with the Joint Chief Finance Officer, and details of the current arrangements are set out in schedule 2.

The Commissioner has a formal contract with Arlingclose Ltd, to provide a range of technical advice and information covering the treasury business.

## TMP 12 Corporate Governance

The Commissioner is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Commissioner has adopted and implemented the key principles of the CIPFA Code of Practice on Treasury Management. This, together with the other arrangements detailed in Schedule 2, are considered vital to the achievement of proper corporate governance in treasury management, and the Joint Chief Finance Officer will monitor, and if and when necessary, report upon effectiveness of these arrangements.

### Treasury Management Practices

#### TMP 1 Risk Management

##### Liquidity Risk

In its day to day operations the Commissioner experiences wide fluctuations in its receipts and payments, although, the majority of its cash streams are known at least 3 days in advance. The policy will be to maintain the minimum cash balance hence make best use of potential income streams.

Performance measure – the daily bank balance on the main account should be maintained within a limit of + or - £2,000, this should be achieved 95% of the time (i.e. 347 days out of 365). A minimum investment balance of £250k should be held to cover unforeseen expenditure; this should be placed on treasury deposit overnight, within the liquidity select account or within instantly accessible money market funds.

##### Standby Facilities

- The Deputy Chief Finance Officer will ensure that the daily investment function has adequate cover. On a day to day basis treasury management tasks are performed by the Principal Financial Services Officer (Capital & Technical), in the event of his/her absence, there is a clear order of personnel designated for cover and that order is communicated to all involved (see below).

- 1) Financial Services Officer
- 2) Assistant Chief Finance Officer
- 3) Deputy Chief Finance Officer

- All programs and systems are held within the main body of the Commissioner's IT systems and are therefore backed up daily. A manual printed record of the daily transactions will be kept at least until External Audit has reviewed the statutory accounts.
- In the event that the Bankline system is not operational balances and transaction details can be obtained from the Nat West Corporate Office.
- Temporary borrowings / overdrafts will only be used in exceptional cases to manage day to day movements in cash balances



## **Interest Rate Risk**

### *Details of approved interest rate exposure limits*

The Commissioner is required to approve a series of Prudential Indicators, which includes recommended upper limits on exposure to fixed and variable interest rates. Details can be located in the annual Statement of Prudential Indicators.

### *Minimum / Maximum proportions of variable rate debt / interest*

The requirement to set out a series of Prudential Indicators includes a requirement to set upper limits for exposure to fixed interest rates and variable interest rates. Details can be located in the annual Statement of Prudential Indicators.

### *Policies concerning the use of financial derivatives and other instruments for interest rate management.*

Forward Dealing – forward dealing will not normally form part of the day to day activities other than arranging deposits to cover periods when signatory cover is limited and will be subject to approval by the Deputy Chief Finance Officer on behalf of the Joint Chief Finance Officer.

Forward Borrowing – would be considered as part of the long-term debt authorisation process and in each case will be looked at on its own merits. The Commissioner will only progress when prudent to do so.

It should be noted that the current strategy does not approve the use of such derivatives.

## **Exchange Rate Risk**

This is currently not a concern to the Commissioner as all receipts are presently in sterling.

## **Credit and Counterparty Risk**

Criteria to be used for creating / managing approved Counterparty lists / limits – the Joint Chief Finance Officer and the Deputy Chief Finance Officer will formulate suitable criteria for assessing and monitoring investment counterparties and shall construct a lending list comprising time, type, and specific Counterparty limits. An Investment strategy will be submitted to the Commissioner detailing selection procedures. Compliance with these limits and any significant changes to the approved counterparty list as a result of the ongoing review of the

creditworthiness of counterparties will be included in the regular monitoring reports provided to the Commissioner and the Joint Audit and Standards Committee.

### **Refinancing Risk; Debt / Other Capital Financing Maturity Profiling, Policies and Practices.**

The Prudential Code requires that:

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Commissioner should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next three financial years”.

To that end the Commissioner will set annual prudential indicators and then proceed to operate within those boundaries, thus showing that all decisions taken adhere to the above.

### **Fraud, Error, Corruption and Contingency Management**

Policy on Delegated Powers – members of staff undertaking day to day management of cash are identified in TMP 5. There will always be complete segregation of duties between staff involved in carrying out transactions in the Money Market and those authorised to transfer cash (any amendments to these policies will be reviewed by Management/Internal Audit prior to implementation).

Policy on the use of Internet Systems – The Bankline system operated by NatWest for obtaining balances and making payments is an internet based system. In addition to this counterparties are increasingly providing services via the internet from checking rates to viewing details of investments. Prior to using such facilities, an assessment will be made of the security of such arrangements and, when satisfied, approval will be obtained from the Joint Chief Finance Officer.

Emergency and Business Continuity Arrangements – the following standby facilities will be maintained.

- All staff involved in the treasury management function will have designated absence cover (see Policy)
- All local programmes and systems will be backed up on a daily basis and also printed weekly records are maintained.
- Bank balances can be manually obtained from the bank in the event of a Bankline Systems failure.

- Evidence of any error or discrepancy will be notified to the Joint Chief Finance Officer and the Deputy Chief Finance Officer as soon as identified.
- Computer Systems are backed up on a daily basis by the IT department.
- Business Continuity Planning is actively managed, and includes all areas of finance and treasury.
- The Joint Chief Finance Officer and the Deputy Chief Finance have mobile tablet which allow access to the treasury management records from another location if he/she is unable to operate from HQ (provided HQ systems are in operation).
- The Bankline system is internet based and as such bank account information can be accessed by appropriate staff from any location with internet access.

Treasury management is recognised as high priority for Financial Services and as such arrangements in the event of a business continuity event are detailed in the Financial Services Business Continuity Plan.

Insurance Cover Details – Fidelity Guarantee insurance is held for staff involved in treasury management processes at a suitable level and is reviewed annually.

### **Market Value of Investments**

The investment strategy, whilst principally centred around investments with a fixed value such as cash fixed term deposits and AAA rated Money Market Funds has been extended to include AAA rated Money Market Funds with a variable net asset value (VNAV). The use of VNAV funds will be limited to longer term investments to minimise the risk of incurring a loss in value as a result of adverse market conditions funds and will be subject to advice and closely monitoring in conjunction with the Commissioner's treasury advisors Arlingclose Ltd.

## TMP 2 Performance Measurement

### Frequency and Processes for Tendering

**Banking Services.** Arrangements for banking services will be reviewed every 5 years to ensure that the level of prices and service delivery reflect efficiency savings achieved by the supplier and current pricing trends.

**Money Broking Services** In the main, the Commissioner deals directly with financial institutions although, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

**Consultants/Advisors** The Commissioner has appointed Arlingclose Limited as its treasury advisors.

**Methods to be Employed for Measuring the Performance of The Commissioner treasury management activities –** Benchmarks will be used to assess the performance of the Treasury Management function in the following areas:

- Day to day cash balances, management to within + - £2,000.
- Investments – the yield on investments for over 3 months in duration will be measured against the average Bank of England base interest rate over the period of the investment.
- Long term borrowing against budget.
- Temporary borrowing against budget.
- Annual investment performance against budget.

These statistics will be reported to the Commissioner and the Joint Audit and Standards Committee on an appropriate basis.

**Benchmarking and Calculating Methodology –** The Commissioner will continue to search for appropriate benchmarks which effectively compare investment performance.

## TMP 3 Decision Making and Analysis

### Funding, Borrowing, Lending and New Instruments & Techniques

In respect of every decision made the Commissioner will:

- Above all, be clear about the nature and extent of the risks to which it may be exposed.
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver its objectives and protect its interests, and to deliver good housekeeping.
- Ensure that counterparties are judged satisfactory in the context of the organisation's credit worthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transactions have been benchmarked against the market, and have been found to be competitive.

In respect of borrowing and other funding decisions, the Commissioner, in consultation with the Joint Chief Finance Officer, will:

- Consider the ongoing revenue liabilities created, and the implications for the Commissioner's future plans and indicative budgets.
- Evaluate the economic and market factors that might influence the manner and timing of any decisions to fund.
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing, and private partnerships.
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

In respect of investment decisions, the Commissioner will:

- Consider the optimum period, in light of cash flow availability and prevailing market conditions.
- Consider alternative investment products and techniques available, especially the implications of using any which may expose the Commissioner to changes in the value of its capital.
- Ensure that asset security is always considered paramount in any investment.

## TMP 4 Approved Instruments, Methods and Techniques

### Approved Activities of the Treasury Management Function

- Borrowing.
- Lending.
- Debt repayment and rescheduling.
- Consideration, approval and use of new financial instruments and treasury management techniques.
- Managing the underlying risk associated with the capital financing and surplus funds.
- Managing cashflow.
- Banking activities.
- Leasing.
- Forecasting interest receipts and payments arising as a result of treasury activities.

### Approved Instruments for Investment

- Deposits with banks and building Societies or local authorities up to 365 days
- Non-specified deposits with banks and building societies or local authorities up to 5 years
- Pooled Funds (including Triple A rated Money Market Funds both with a constant and variable net asset value).
- Registered Providers (including providers of social housing).
- Deposits with Government (including HM Treasury, Debt Management Office and Local Authorities).

Investment in any new instrument can only be undertaken following consultation with and approval by the Joint Chief Finance Officer.

### Approved Methods and Sources of Raising Capital Finance

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the Joint Chief Finance Officer.

## TMP 5 Organisation, Clarity, Segregation of Responsibilities and Dealing Arrangements.

### **Policy on Delegation, Review and Reporting Arrangements**

The Commissioner will receive and review reports on its treasury management strategy, policies and practices, including as a minimum, an annual strategy and plan in advance of the year and an annual report after its close.

They will also:

- Approve amendments to the treasury management policy statement and treasury management practices.
- Approve the division of responsibilities and delegation within the treasury management function.
- Endorse relevant Codes of Practice on treasury business.
- Receive a quarterly summary of treasury management activities.

Assurance with regards to monitoring of treasury management policies and practices is a function of the Joint Audit and Standards Committee. The Commissioner delegates overall arrangements for the treasury management function including determining appropriate strategy and procedures to the Joint Chief Finance Officer. The Joint Chief Finance Officer delegates to the Deputy Chief Finance Officer the undertaking of day to day treasury management activities in accordance with the strategies and procedures. All officers undertaking treasury management activity will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Commissioner nominates the Joint Audit and Standards Committee to be responsible for assurance in respect of effective scrutiny of the treasury management strategy and policies.

The **Joint Audit and Standards Committee** will:

- Receive and review regular monitoring reports in relation to treasury management activities which will include any significant changes to the approved counterparty list as a result of the ongoing review of the creditworthiness of counterparties.
- Review the treasury management policy and procedures and make recommendations to the Commissioner.
- Receive and review external and internal audit reports in relation to treasury management.

The **Joint Chief Finance Officer** will:

- Review the policy statement and annual strategy statement and present to the Commissioner.
- Review periodic treasury management reports and present to the Commissioner.
- Review the annual treasury management report and present to the Commissioner.
- Review compliance with relevant treasury Codes of Practice.
- Ensure that there is a written statement of responsibilities covering the complete treasury management function.
- Delegate the operation of the treasury management function to the Deputy Chief Finance Officer.
- Ensure the adequacy of internal audit, and liaising with external audit.
- Approve any long or short term borrowings.

The **Deputy Chief Finance Officer** will:

- Ensure arrangements are in place for the preparation of periodic treasury management policy statements and an annual strategy statement.
- Hold the Principal Financial Services Officer (Capital & Technical) to account for the day to day management of the treasury function.
- Review the periodic reports on treasury management activities.
- Review the annual report on treasury management as soon as possible after the end of a financial year.
- Review compliance with relevant treasury codes of practice.
- Ensure that all staff who deal in treasury matters understand and have access to the Non Investments Product Code and the CIPFA Code of Practice.
- Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Oversee and approve investments made for periods greater than three months.
- Review the performance of the treasury function at least twice each financial year.
- Ensure adequate separation of duties.
- Institute a range of performance measures for treasury management.
- Recommend the appointment of external service providers.
- Prepare an annual report on Treasury Management as soon as possible after the end of a financial year.
- Ensure compliance with relevant Treasury Codes of Practice
- Document and maintain 'Treasury Management Practices' as set out in the Code of Practice
- Review alternative methods of investment
- Provide advice to the Joint Chief Finance Officer in respect of any borrowings



The **Principal Financial Services Officer (Capital & Technical)** will:

- Have overall responsibility for the daily treasury management activities
- Prepare periodic reports on treasury management activities
- Review treasury systems documentation
- Prepare and keep up to date cash flow projections for a 12 month rolling period
- Liaise with the Deputy Chief Finance Officer for any investment over three months
- Deal with counterparties and make a record of such
- Comply with the Non Investments Product Code and the CIPFA Code of Treasury Management
- Ensure credit worthiness and maintain lending list
- Ensure the training of those listed for absence cover is kept up to date.
- Monitor performance of brokers and ensure a spread of brokers are used
- Supply the Deputy Chief Finance Officer with a weekly report on treasury activities for authorisation and supply an electronic copy to the Joint Chief Finance Officer and the Director of Corporate Support.

#### **Absence Cover for Daily Dealing Arrangements**

In the absence of the Principal Financial Services Officer (Capital & Technical) the absence cover is to cascade thus:

- 1) Financial Services Officer
- 2) Assistant Chief Finance Officer
- 3) Deputy Chief Finance Officer

Each treasury deal transacted via the Bankline system requires a second individual to authorise the deal. The following posts will have responsibility for authorising Bankline deals:

- 1) Financial Services Officer – (5.6 FTE used subject to availability)

Before any planned absence all staff will be notified of their required responsibilities.

The **Financial Services Trainee/Apprentice** will:

- Reconcile treasury deals in the Commissioner cash book
- Receive and verify confirmation of treasury deals
- Reconcile general ledger entries in relation to treasury activity
- Produce management information for reporting treasury activities

**Internal/Management Audit will:**

- Complete periodic checks on the treasury management function and make recommendations where appropriate.
- Review compliance with agreed policies, procedures and Codes of Practice and make recommendations for improvement where appropriate.

**Principles and Practices Concerning Segregation of Duties**

The activities of the Treasury function will be carried out in accordance with the duties and responsibilities detailed above. In particular, day to day duties will be split to ensure that no one person can both initiate and then authorise payment.

Other than in the event of a technical failure all deposits will be initiated through the Bankline software – complete segregation of duties. It will be a disciplinary offence for individuals to release their personal operator cards or passwords. If a card is lost or stolen then the system administrator (either the Principal Financial Services Officer (Revenue & Systems) or Financial Services Assistant (Systems)) must be immediately informed - who will then immediately change all relevant computer access codes.

**Dealing Limits**

Approved dealers have the delegated power to enact transactions on a day to day basis within the constraints of the treasury management practice schedules and the procedure manual. They can, in particular operate within the limits laid down within the Counterparty Selection Criteria and Approved Counterparty List.

**Policy on Broker's Services**

In the main, the Commissioner deals directly with financial institutions, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

**Policy on Taping of Conversations**

The Commissioner's does not tape conversations with brokers.

### **Direct Dealing Practices**

Direct deals will if appropriate be undertaken with anyone on the agreed counterparty list. Approved dealers have the delegated power to enact transactions and all transactions require independent authorisation by an approver before funds are transferred via Bankline.

### **Settlement Transmission Procedures**

Once a deal has been agreed, either with a broker or direct with a third party, funds will be transferred in accordance with Bankline procedures.

### **Documentation Requirements**

All transactions will be recorded on a daily basis on the Investments spreadsheet.

### **Arrangements Concerning the Management of Counterparty Funds**

The Commissioner will not undertake transactions on behalf of other organisations

## **TMP 6 Reporting Requirements and Management Information Arrangements**

### **Annual Treasury Management Strategy Statement**

The treasury management strategy will set out the broad parameters of the treasury function for the forthcoming financial year. The strategy will be submitted to the Commissioner for approval, alongside the budget, capital programme and prudential indicators before commencement of each financial year.

The treasury management strategy will cover the following elements:

- The prospects for interest rates, long and short term
- An investment strategy as set out in the Local Government Act 2003
- The expectations for debt rescheduling
- The treasury approach to risk management
- Any extraordinary treasury issue
- Any borrowing requirement under the Prudential Code
- Annual statement on MRP.

### **Policy on Interest Rate Exposure**

The Joint Chief Finance Officer is responsible for incorporating the authorised borrowing limit and the fixed and variable rate exposure limits determined as part of the Commissioner's Prudential Indicators into the annual treasury management strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, a report will be submitted for approval to the Commissioner.

### **Annual Report on Treasury Management Activities**

An annual report will be presented to both the Commissioner and the Joint Audit and Standards Committee at the earliest practicable meeting after the end of the financial year. This report will include the following:

- A comprehensive picture for the financial year of all treasury policies, plans, activities and results
- Transactions executed and their revenue (current) effects
- Monitoring of compliance with approved policy, practices and statutory / regulatory requirements
- Monitoring of compliance with delegated powers
- Indication of performance especially for returns against budget, and performance against other like Authorities
- Comment on CIPFA Code requirements.

In addition, a mid-year review will be presented to the Commissioner and regular updates on Treasury Management activities will be presented to the Joint Audit and Standards Committee throughout the year.

### **Management Information Reports**

Management information reports will be prepared weekly by the Principal Financial Services Officer (Capital & technical), and will be presented to the Deputy Chief Finance Officer, Joint Chief Finance Officer and the Director of Corporate Support.

These reports will contain the following:

- An analysis of all investment decisions made during the week and by whom these decisions were made.
- An analysis of all investments currently placed by category.
- The current month's earned interest report, this will also show year to date and forecast budget.
- The current quarter's cashflow analysis.
- Any new borrowings or repayments in the week
- The amount of outstanding borrowings

Control reconciliation reports will be prepared monthly by the Financial Services Trainee/Apprentice, which will be presented to the Principal Financial Services Officer (Capital & Technical).

These reports will contain:

- Balance per the financial systems – this will be obtained after the monthly reconciliation of the bank
- Balance per the investment analysis as above.
- Explanation of any variance.

If for any reason any member of the treasury management team has reason to suspect any type of fraud or misappropriation he or she will this report directly to the Joint Chief Finance Officer or in his/her absence to the Deputy Chief Finance Officer or the Internal Auditor.

## TMP 7 Budgeting, Accounting and Audit Arrangements

### **Accounts**

The cost of the treasury management function amounts, in the main, to the salaries of those involved. If any external costs are to be incurred these will be reported separately during the budget monitoring process.

### **External Auditors**

All records will be made available to both internal and external audit as and when required. As a minimum annual check external audit will gain third party confirmation of all year end balances on deposit.

## TMP 8 Cash and Cash Flow Management

### **Cashflow Statements**

A cashflow statement will be prepared before the beginning of each financial year to include all known elements of income from the revenue budget. The cash flow forecasts during the year will be maintained for a rolling 12 month period. Spending profiles will also be set out based on payroll projections and estimates of other payments. The cashflow statement will also be updated during the year on a daily basis to include major variations as or when they become known. The weekly activity report will also show the current quarter's cashflow projections.

## TMP 9 Money Laundering

### **Policy for Establishing Identity/Authenticity of Lenders**

No borrowing is currently undertaken other than with the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office, an executive agency of HM Treasury. PWLB loans were taken out to replace equivalent debt transferred from Cumbria County Council upon the creation of freestanding police forces in 1995. The Prudential Code now provides a framework for additional borrowing, subject to that borrowing being prudent, sustainable and affordable. Any additional borrowing will properly recognise the potential for money laundering and will only be undertaken from lending instructions of the highest repute.

### **Methodology for Identifying Sources of Deposit**

The Commissioner only lends to organisations that appear on the Financial Services Authority's (FSA's) list of authorised banks and financial institutions, other local authorities and the Governments Debt Management Office (DMO).

The Commissioner's Financial Regulations require the Joint Chief Finance Officer to be responsible for ensuring compliance with the Money Laundering Regulations 2007.

The Joint Chief Finance Officer will:

- Implement internal reporting procedures
- Ensure relevant staff receive appropriate training in the subject
- Establish internal procedures with respect to money laundering
- Obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- Report their suspicions.

## TMP 10 Training and Qualifications

### **Statement of Professional Practice (SOPP)**

The Joint Chief Financial Officer is a member of CIPFA, and has a professional responsibility through both personal compliance and by ensuring that relevant staff are appropriately trained.

The Deputy Chief Finance Officer is also a member of CIPFA and as such has the same duty of care in the provision of any financial information. Other staff employed in the treasury management function will be qualified to the level that is appropriate to their post (as per the job description). All staff are required to undertake basic training prior to undertaking day to day treasury business and will, in addition, be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

All CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP) which includes a section in relation to treasury management.

Training courses run by CIPFA and other training providers will form the major basis of ongoing staff training. Records will be kept of all courses and seminars attended by staff in their personal training records file.

The Joint Chief Finance Officer will ensure that members charged with governance in relation to treasury management will receive appropriate training and that records of such training received will be maintained. Training may be provided internally or externally.

## TMP 11 Use of External Service Providers

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times.

The use of any external service providers will, at all times, be subject to the Procurement Regulations / Financial Regulations of the Commissioner. The use of external services is currently restricted to banking services and treasury advice (investments and borrowing).

Advisers - The Commissioner has a formal contract with Arlingclose Ltd, to provide a range of technical advice and information covering the treasury business. This contract will be reviewed periodically in consultation with the Joint Chief Finance Officer.

Banking – Banking services will be reviewed every 5 years to ensure that the level of prices and service delivery reflect efficiency savings achieved by the supplier and current pricing trends.

Brokers - In the main, the Constabulary deals directly with financial institutions, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London



## TMP 12 Corporate Governance

The Commissioner is fully committed to the CIPFA Code of Practice in Treasury Management and believes he has secured a framework for demonstrating openness and transparency of his treasury management function.

Free access to all information on our treasury management function will be given to all relevant interested parties.

Clear policies have been devised which outline the separation of roles in the treasury management function and the proper management of relationships both within and outside the Office of the Police and Crime Commissioner. All staff are fully appraised of their individual role and where the segregation of duty lies. Clear reporting lines also exist to report any breaches in procedure. This is further supported by well-defined treasury management responsibilities and job specifications.

The Commissioner seeks to ensure a fair distribution of business between brokers. The Joint Chief Finance Officer receives a weekly report to evidence this.

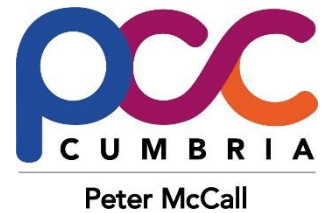
On an annual basis, a treasury strategy is approved prior to the year, by the Commissioner and a year-end summary of treasury activities is reported to the Joint Audit and Standards Committee.

Regular treasury management activity updates are submitted to the Commissioner and the Joint Audit and Standards Committee during the year.

The Annual Governance Statements which are published each year and accompany the Statutory Statement of Accounts outlines details of the Commissioner's and Constabulary's governance and risk management processes which are applicable to treasury management activities.

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# Joint Audit & Standards Committee



## Title: OPCC Arrangements for Anti-Fraud & Corruption

**Date: 8 March 2018**

**Agenda Item No: 20ii**

**Originating Officer: Joanne Head**

**CC:**

### 1. Introduction & Background

- 1.1 The OPCC undertakes regular reviews of its Anti-Fraud and Corruption Policy and Procedure. In November 2017 a review of these arrangements were presented to the Joint Audit and Standards Committee (JASC). At the same time the Constabulary presented their Policy and Procedure for Anti-Fraud and Corruption.
- 1.2 The Committee when considering both policies and procedures provided feedback on both policies and felt that a further alignment between the two organisations policies and procedures could be made.

### 2. Issues for Consideration

- 2.1 Work has been undertaken by the OPCC Governance Manager and DCI Furzana Nazir of the Constabulary's PSD to look at the policies and procedures. Consideration was given to having a joint policy and procedure; however this was discounted for a number of reasons. These being that:
  - The OPCC and Cumbria Constabulary are two separate organisations and it was felt important to retain the separate identities.
  - To incorporate both policies and appendices would make it a very large document and confusing for OPCC staff and Constabulary staff should they need to refer to it.
  - The OPCC has separate disciplinary procedures and would carry out its own internal investigation.

- 2.2. It was agreed that work would be carried out to `mirror` the two policies in as far as was possible. It will be noted that the style of the documents reflect other policies and procedures within the separate organisations, however much of the information contained within them is identical.
- 2.3. The Constabulary has adopted the OPCC value for hospitality at £25, whilst the OPCC has adopted the Constabulary monetary value of gifts as being over £10. This assists staff whether they are OPCC or Constabulary to have consistency across the two organisations.
- 2.4. The OPCC policy has incorporated the Abuse of Authority for Sexual Gain (AASG) definition from the Constabulary's policy; and the GIFT definition to assist staff when considering the acceptance and declaration of gifts.
- 2.5. Some names and telephone numbers have been updated to reflect organisational changes.
- 2.6. Detailed within the Detection/Investigation section is the process for dealing with any allegations against the Police and Crime Commissioner, in line with the committee's suggestion.
- 2.7. Included is a section providing guidance should any conflict of interests arise with either the Commissioner or a member of staff. Also included are details of the protocol, which has been established should there be conflict in relation to the Joint CFO role.
- 2.8. The final appendix of the OPCC arrangements still has the old OPCC logo. To change this document within the updated policy using tracked changes was difficult. This document will be updated and included within the final arrangements, following the JASC meeting on 21 March 2018.

### 3. **Recommendation:**

- 3.1 That the Committee notes the amendments and updates to the OPCC's Arrangements for Anti-Fraud and Corruption.

### 4. **Additional Information**

Appendix 1 - OPCC Arrangements for Anti-Fraud and Corruption.



## Cumbria Office of the Police and Crime Commissioner

COPCC Arrangements for Anti-Fraud and Corruption

## Distribution and Consultation Record

<b>Date</b>	23 November 2012
<b>Version</b>	01
<b>Authors</b>	Joanne Head
	01768 217734
	<a href="mailto:Joanne.head@cumbria.police.uk">Joanne.head@cumbria.police.uk</a>

## Policy Approval

<b>Approved By</b>	Mr Richard Rhodes, Police & Crime Commissioner
<b>Date</b>	26 November 2012
<b>Approved By</b>	Mr Peter McCall, Police & Crime Commissioner
<b>Date</b>	November 2017

<b>Name</b>	<b>Position</b>	<b>Version no. consulted on</b>	<b>Date</b>
Stuart Edwards	Chief Executive	Version No 1	October 2012
Stuart Edwards	Chief Executive	Version No 2	November 2015
Vivian Stafford	Chief Executive	Version No 3	November 2017

### Version Control

<b>Version .01</b>	
<b>Department</b>	Office of the Police & Crime Commissioner
<b>Contact</b>	Joanne Head, Governance & Business Services Manager

<b>Version.02</b>	
<b>Department</b>	Office of the Police & Crime Commissioner
<b>Contact</b>	Joanne Head, Governance & Business Services Manager

<b>Version. 03</b>	
<b>Department</b>	Office of the Police & Crime Commissioner
<b>Contact</b>	Joanne Head, Governance Manager

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- 8.** Cumbria Police and Crime Commissioner Anti-Fraud and Corruption Policy and Plan
- 15.** Anti-Fraud and Corruption Procedure
- 23.** Forms for declaration and registration of interests

# Anti-Fraud and Corruption Strategy

## ANTI FRAUD AND CORRUPTION STRATEGY

### Introduction

This strategy sets out the approach that will be adopted by the Cumbria Office of the Police and Crime Commissioner (COPCC) to ensure effective procedures and responsibilities are in place to deliver the Anti-Fraud and Corruption Policy. This strategy and the related procedures set out how the commitments and principles within that document are put into practice.

To support the Policy appropriate resources will be committed to fraud and corruption prevention and detection. A series of interrelated procedures designed to frustrate any attempted fraudulent or corrupt act will be put in place by the COPCC and investigation of any instances or suspected instances of fraud and corruption which may arise will be undertaken in accordance with those procedures.

## ANTI FRAUD AND CORRUPTION STRATEGY

### Measures

The COPCC will maintain appropriate procedures and documentation to assure that staff in those organisations that we do business with are aware of the requirements of this strategy and related procedures.

The COPCC will maintain financial and other control measures, which will be subject to internal and external audit and scrutiny of its practices and their outcomes. It will co-operate with audit agencies in the legitimate pursuit of their interests and, in particular, it will maintain a Joint Audit and Standards Committee in partnership with the Constabulary to oversee the processes of audit of the COPCC business.

The Chief Executive is responsible, in consultation with the Chief Finance Officer, for ensuring effective Arrangements for Anti-Fraud and Corruption are in place.

Staff of the COPCC are responsible for ensuring they adhere to the requirements of the Arrangements for Anti-Fraud and Corruption.



ANTI FRAUD AND CORRUPTION STRATEGY

Terms and Definitions

FRAUD

“The intentional distortion of financial statements or other records by persons internal or external to the Authority which is carried out to conceal the misappropriation of assets or otherwise for gain” (Audit Commission)

CORRUPTION

“The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person” (Audit Commission)

Corruption includes ~~This would also include~~ Abuse of Authority for Sexual Gain – AASG as is defined in the policy, “Any behaviour by a police officer or police staff member\*, whether on or off duty, that takes advantage of their position as a member of the police service to misuse their position, authority or powers in order to pursue a sexual or improper emotional relationship with any member of the public”

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THEFT

“The dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it” (Theft Act 1968)

IRREGULARITY

“The violation or non-observance of established rules and practices”

ANTI FRAUD AND CORRUPTION STRATEGY

Detection and Investigation

The COPCC will always investigate any actual or suspected cases of fraud, corruption, theft or irregularity and implement misconduct procedures where appropriate. Specifically:

- Staff are required to report all suspected irregularities to the Commissioner’s Chief Finance Officer (PCCFO), who will instigate the necessary investigation.
- Misconduct Procedures will be used where the outcome of the investigation indicates improper behaviour.

- Where financial or other impropriety is discovered and sufficient evidence exists to suspect that a criminal offence may have been committed, the matter may be referred to the Police.

## ANTI FRAUD AND CORRUPTION STRATEGY

### Supporting the Strategy

#### External Bodies

The COPCC will co-operate with the following external bodies, whose prerogatives extend over the conduct of the COPCC business. The list is not exhaustive.

- Externally appointed auditors and the Public Sector Audit Appointments Ltd
- ~~Independent Police Complaints Commission~~ [Independent Office of Police Conduct](#)
- HM Revenue and Customs
- Department of Social Security/ Contributions Agency
- The Local Government Ombudsman

#### Internal Bodies

The internal bodies set out below each have a responsibility to ensure that the COPCC comply with their respective elements of their Anti-Fraud and Corruption Policy and Procedures:-

**Chief Finance Officer:** The Commissioner must appoint a Chief Finance Officer who has statutory responsibility for the integrity of financial administration (including the legality of expenditure) and the provision of the Internal Audit function.

**Monitoring Officer (Chief Executive to the Commissioner):** This is the statutory officer whose role is to warn of illegality or maladministration, (whether actual or potential), in matters touching the business or responsibilities of the COPCC.

**Internal (Management) Audit:** Provided as part of a shared service agreement from Cumbria County Council, Internal (Management) Audit is responsible for compliance audits in respect of regularity and systems.

## The Seven Principles of Public Life (Nolan Committee)

### **Selflessness**

Holders of public office take decisions in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

### **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in their performance of the official duties.

### **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

### **Accountability**

Holders of public office are accountable for their decisions and actions to the public and

must submit themselves to whatever scrutiny is appropriate to their office.

### **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

### **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

### **Leadership**

Holders of public office should promote and support these principles by leadership and example.

All staff members of the COPCC are expected to comply with the principles of public life and the Arrangements for Anti-Fraud and Corruption. Failure to do so may result in disciplinary action.

# Anti-Fraud and Corruption Policy and Plan

## ANTI FRAUD AND CORRUPTION POLICY AND PLAN

### Introduction

This statement has been prepared in response to the recommendations contained in the Audit Commission document "Protecting the Public Purse – Ensuring Financial Probity in Local Government 2001 Update, Promoting Good Governance."

In administering its responsibilities in relation to fraud and corruption, whether it is attempted on the OPCC or from within, the Commissioner is committed to an effective Anti-Fraud and Corruption policy designed to;

- encourage prevention
- promote detection; and
- identify a clear pathway for investigation

The expectation regarding propriety and accountability is that the Commissioner and staff at all levels will lead by example in ensuring adherence to rules, and that all procedures and practices are above reproach.

The Commissioner also demands that individuals and organisations that they come into contact with will act towards them with integrity and without thought or actions involving fraud or corruption.

This Anti-Fraud and Corruption policy is based on a series of comprehensive and inter-related procedures designed to frustrate any attempted fraudulent or corrupt act. These cover:-

- Culture (Section 2);
- Prevention (Section 3);
- Detection and Investigation (Section 4); and
- Training (Section 5)

The Commissioner is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including:-

- Her Majesty's Inspector of Constabulary [Fire and Rescue Service](#)
- Internal Audit
- HM Revenue and Customs
- Inland Revenue

- The General Public
- Public Sector Audit Appointments Ltd
- The Police and Crime Panel

#### ANTI FRAUD AND CORRUPTION POLICY AND PLAN

### Culture

The Commissioner is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption. To support this, the arrangements for whistleblowing will be clearly signposted for staff and others within COPCC offices.

There is an expectation and requirement that all individuals and organisations associated in whatever way with the OPCC will act with integrity, and that the Commissioner and staff at all levels will lead by example in these matters.

The Commissioner and staff are important in the stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on these issues where they are associated with the activities of the OPCC. Concerns may be about something that:

- is unlawful
- is against the Commissioner's Procurement Regulations, Financial Regulations or policies
- falls below expected standards or practices
- results in waste or loss to the Commissioner
- amounts to improper conduct

Staff can do this in the knowledge that such concerns will be treated in confidence, properly investigated and without fear of reprisal and victimisation. If necessary, a route other than their normal line manager may be used to raise such issues. Examples of such routes are:

- The Chief Executive (01768 ~~247732~~217734)
- The PCCCFO (01768 ~~247634~~217734)
- External Auditors – Grant Thornton (0141 2230000)
- Internal Audit – (01228 606280)
- Public Sector Audit Appointments Ltd (020 7072 7445)

The Public Interest Disclosure Act 1988 protects employees, who report suspected fraud or corruption activities, from any reprisals as long as they meet the rules set out in the Act. In simple terms the rules for making a protected disclosure are:-

- the information disclosed is made in good faith
- the person making the disclosure must believe it to be substantially true
- the person making the disclosure must not act maliciously or make false allegations
- the person making the allegation must not be seeking any personal gain

The designated officer required under the Act to receive disclosures is the PCCFO. Members of the public are also encouraged to report concerns through any of the above avenues. Allegations/concerns can be made anonymously, however it should be noted that such cases can be more difficult to investigate. The likelihood of action will depend on:

- the seriousness of issues raised
- credibility of the concern
- likelihood of confirming the allegation from attributable sources

Senior management are responsible for following up on any allegation of fraud and corruption received and will do so by:

- dealing promptly with the matter;
- recording all evidence received;
- ensuring that evidence is sound and adequately supported;
- ensuring security of all evidence collected;
- notifying the PCCFO, and implementing disciplinary procedures where appropriate.

The Commissioner will deal swiftly and thoroughly with any member of staff who attempts to defraud the OPCC or is corrupt. The Commissioner will be robust in dealing with financial malpractice.

#### ANTI FRAUD AND CORRUPTION POLICY AND PLAN

### Prevention

The Commissioner recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff in terms of their propriety and integrity. Staff recruitment is therefore required to be in accordance with procedures laid down by the Chief Executive and in particular to obtain written references regarding known honesty and integrity of potential staff before employment offers are made

All employees are expected to follow any Code of Conduct related to their personal professional qualifications and also to abide by the internal Codes of Conduct, policies and procedures. This policy and the role that appropriate staff are expected to play in the Corporate Governance framework and systems of internal control will be featured in staff induction procedures.

The Commissioner and Deputy Commissioner are required to adhere to the Code of Conduct relating to the declarations of interest. Staff are also required to declare pecuniary interests.

The Commissioner and all staff are required to declare in a public register any offers of gifts, gratuities or hospitality which are in any way related to the performance of their duties. Records of supplier contact are also required as part of these arrangements and the procurement regulations. Gifts, gratuities, hospitality and supplier contact disclosure forms are circulated to staff on a monthly basis with entries reviewed by the Chief Executive. The Chief Finance Officer reviews entries in respect of the Chief Executive. The Deputy Monitoring Officer undertakes an annual dip sample between the gifts, gratuities and hospitality registers, the supplier contact register and contracting activity undertaken within the COPCC.

Significant emphasis has been placed on the thorough documentation of financial systems, and every effort is made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls. The adequacy and appropriateness of the financial systems used for the Commissioner's financial transactions is independently monitored by both Internal Audit and External Audit. Senior Management place great weight on being responsive to audit recommendations

The Joint Audit and Standards Committee provides an independent and objective view of internal control by receiving and considering audit plans, reports and management letters and reports as appropriate.

As part of the prevention approach the Commissioner will participate in National Fraud Initiatives organised by the Public Sector Audit Appointments Ltd. The Public Sector Audit Appointments Ltd and External Audit will also assist in prevention with the issue of warning bulletins and outcomes from surveys on fraud and corruption.



## ANTI FRAUD AND CORRUPTION POLICY AND PLAN

### Detection and Investigation

The array of preventative systems, particularly internal control systems within the OPCC, has been designed to provide indicators of any fraudulent activity. Although generally they should be sufficient in themselves to deter fraud, it is often the alertness of staff and the public to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may be in progress. Despite the best efforts of financial managers and auditors, many frauds are discovered by chance or 'tip off', and arrangements are in place to enable such information to be properly dealt with.

Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work closely with management and other agencies such as the police to ensure that all allegations and evidence is properly investigated and reported upon.

The OPCC's Disciplinary Procedures will be used where the outcome of the Audit Investigation indicates improper behaviours.

The Commissioner may wish the police to prepare a case for the CPS regarding the prosecution of offenders where financial impropriety is discovered.

Any identified or reported allegations of fraud or corruption against the Commissioner would be dealt with by the Chief Executive and in accordance with the Police Reform and Social Responsibility Act 2011 be reported to the Police and Crime Panel. The Panel would then determine what action was to be taken in line with statutory guidance.

## ANTI FRAUD AND CORRUPTION POLICY AND PLAN

### Training

The Commissioner recognises that the continuing success of its Anti-Fraud and Corruption Policy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of staff throughout the organisation.

To facilitate this, the Commissioner supports the concept of induction and training particularly for staff involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

ANTI FRAUD AND CORRUPTION POLICY AND PLAN

## Conclusion

The Commissioner has in place clear networks of systems and procedures to assist it in the fight against fraud and corruption. These arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.

To this end there is continuous overview of such arrangements, in particular, by the PCCCFO, through the Chief Internal Auditor and External Auditor.

ANTI FRAUD AND CORRUPTION POLICY AND PLAN

## Fraud Response Plan

All instances of fraud and corruption will be investigated in accordance with this plan.

Fraud and corruption may be reported through a range of channels including direct to a line manager, by another manager or by means of external reports. The means of reporting fraud will be publicised within the OPCC and will be made known to partners and those individuals and organisations that we come into contact with.

The arrangements for detection and investigation are set out in the Anti-Fraud and Corruption Policy [and Procedure](#). The [PCCCFO-Joint CFO](#) and the Chief Internal Auditor will agree the approach to any investigation and ensure all parties are aware of reported fraud and corruption. Any investigation will ensure any weaknesses in internal control are identified and that corrective action is taken in order to minimise the risk of any reoccurrence. Issues considered will be reported to the Joint Audit and Standards Committee.

Disciplinary procedures are likely to be invoked where the outcome of any investigation indicates misconduct. Proven cases of gross misconduct may result in dismissal of the employee. Misconduct includes fraud committed by a member of staff against the organisation.

Where financial impropriety is discovered arrangements may be made where appropriate for the prosecution of offenders by the CPS.

In instances where the misconduct takes another form such as the misuse of systems and equipment that does not result in financial loss then the outcomes will be monitored by the Commissioner through the processes in place to oversee Human Resources issues.

The Commissioner will seek to ensure that lessons are learned from any mistakes made that allowed any instances of fraud or corruption to be perpetrated or to have gone unnoticed. This will be achieved by ensuring that system weaknesses or other contributory factors are identified and addressed. This will normally be achieved through an Internal Audit investigation, report and action plan to ensure that audit recommendations are implemented.

The External Auditor also has the powers to investigate fraud and corruption independently and the Commissioner will make use of these services in appropriate cases.

The [PCCCFQ-Joint CFO](#) will determine if a matter needs to be brought to the attention of the Chief Executive and Commissioner.

In the event that the Commissioner is involved, the matter will be brought to the attention of the Monitoring Officer.

The [PCCCFQ-Joint CFO](#) and the Chief Internal Auditor will maintain a link with the Public Sector Audit Appointments Ltd in order to keep them apprised of developments in serious cases.

## Anti-Fraud and Corruption Procedure

This procedure has been written to support the Police and Crime Commissioner's Anti-Fraud and Corruption Policy.

### ANTIFRAUD AND CORRUPTION PROCEDURE

#### Introduction

The COPCC has a policy against fraud and corruption. In summary, the COPCC will not tolerate fraud or corruption including theft and irregularity in the administration of their responsibilities, and expect staff to take positive action wherever fraudulent or corrupt activity is suspected.

The COPCC is clear that Misconduct Procedures will be invoked where improper behaviour is indicated, and that if there is evidence of criminal behaviour this is prima facie gross misconduct requiring immediate action to be taken where suspension or summary dismissal are likely. Where there is evidence of criminal behaviour the matter may be referred to the Police.

The Anti-Fraud and Corruption Procedure provides guidance to all staff to ensure adherence to the policy.

### ANTI-FRAUD AND CORRUPTION PROCEDURE

#### What is meant by Fraud and Corruption?

Fraudulent or corrupt acts may include:

- **System Issues:** where a process/system exists which is prone to misuse/abuse by either employees or public, (e.g. misuse of the order processing systems).
- **Financial Issues:** where individuals or companies have fraudulently obtained money from the Authority, (e.g. invalid invoices/work not done).
- **Equipment Issues:** where Authority equipment is used for unauthorised personal use, (e.g. personal use of the organisation's assets - vehicles/computers/telephones etc.).
- **Resource Issues:** where there is a misuse of resources, (e.g. theft of cash/assets).
- **Other Issues:** activities undertaken by Staff, which may be: unlawful; against policies or procedures; fall below established standards or practices; or amount to improper conduct, (e.g. receiving unapproved hospitality).

## ANTI-FRAUD AND CORRUPTION PROCEDURE

### Your Duty

It is the duty of everyone:

- Not to commit or connive in any fraudulent or corrupt act.
- To raise with a senior officer or manager or the people listed in the contacts section of this procedure, any suspicion of improper activity which indicates fraudulent or corrupt behaviour on the part of a colleague or an external third party
- Not to discuss suspicions of improper practice other than with a senior officer or manager or the people listed as Contacts.
- Senior officers or managers must investigate or cause to be investigated, any such suspicion which has been raised with them.
- To maintain and constantly monitor the necessary controls to guard against fraud and corruption, which are laid out in the COPCC's procedural documentation, principally the Procurement Regulations and the Financial Regulations/Rules.
- Ensure any payments due to an employee are authorised by an independent member of staff.
- Always maintain controls that ensure functions involving the safe guarding of resources are administered by two members of staff (for example the order and certification of receipts of goods).
- As a public servant, to assess the needs of the public, partners and our suppliers impartially, professionally and without personal prejudice and to determine the outcome of competitive situations with these same qualities.
- When private or personal interests arise in any matter which presents when at work, not to let those interests influence actions on behalf of the Commissioner. (The test is – “can I justify my actions if they become public?” If in doubt, consult your manager/supervisor).
- To adhere to the guidelines below regarding ‘Special Interests’ and offers or acceptance of hospitality and gifts and gratuities.
- To record supplier contact

## ANTI-FRAUD AND CORRUPTION PROCEDURE

### What to do if you suspect Fraud or Corruption

The Public Interest Disclosure Act 1998 provides legal protection for employees who raise genuine concerns in relation to suspected fraud and corruption issues.

If you have reason to suspect fraud or corrupt activity on the part of a colleague, you should raise the matter discreetly and as soon as possible with your line manager. If you feel that immediate contact with your manager is inappropriate under the circumstances, the following people are also directly approachable.

## Contacts

- The Chief Executive (Monitoring Officer) (01768 217734)
- The [PCCCFO-Joint CFO](#) (01768 ~~217634~~217734)
- Internal Audit – (01228 606280)

In ordinary circumstances, these are the normal points of contact for these issues in the COPCC, however in an exceptional case if an individual feels that concerns cannot be raised through any of the above routes, then the following external organisations offer alternative confidential 'helpline' services. .

- External Auditors – Grant Thornton (0141 2230000)
- National Audit Office (020 7798 7999)
- Action Fraud (0300 123 2040)

## ANTI-FRAUD AND CORRUPTION PROCEDURE

### What to do if a member of staff raises concerns with you

If an allegation of fraud or corruption is made to you as a line manager you must raise the matter with the Chief Executive and/or the PCCCFO. They will determine the appropriate investigative response and whether the Internal Auditor should become involved or a criminal investigation undertaken.

Notwithstanding the above procedure the manager may feel, due to the nature of the allegation, that it is inappropriate to inform the personnel listed and in such exceptional circumstances any other of the contacts listed above may be informed. Arrangements will then be made to:

- Deal promptly with the matter
- Record all evidence received
- Ensure the evidence is sound and adequately supported
- Ensure the security of all evidence collected
- Advise the PCCCFO and the Internal Auditor

#### ANTI-FRAUD AND CORRUPTION PROCEDURE

### Advice to members of the public

In the event of a member of the public becoming suspicious of fraudulent or corrupt administrative or financial activity within the COPCC, the matter should be reported to the Monitoring Officer in the first instance. Any information will be treated in confidence and can, if you wish, be provided anonymously.

### Contact Details

01768 217734

[commissioner@cumbria-pcc.gov.uk](mailto:commissioner@cumbria-pcc.gov.uk)

#### ANTI-FRAUD AND CORRUPTION PROCEDURE

### Special Interests

Employees must disclose in writing any financial interest (direct or indirect) which they may have in any contract the COPCC has entered into, or may enter into. They must not accept any fees or rewards whatsoever other than proper remuneration from their employer. The standards expected from staff in commercial transactions are set out in the Business Code of Conduct.

Interests other than financial can be equally as important – and include for example, kinship, friendship, membership of a society or association, or trusteeship and so on. The individual must judge whether the interest is sufficiently close as to give rise to suspicion, or create a perception that a transaction can give rise to suspicion. It is always better to err on the side of caution than to deal with a challenge after the event. If a matter which involves such intangible interests arises at a meeting of the COPCC in which you are a participant, you must orally disclose that interest and ensure that it is minuted in the record of the meeting.

The Chief Executive and Monitoring Officer to the COPCC will maintain a Register of Interests for the Commissioner and COPCC staff. These are available for public inspection on the COPCC website. Policies and procedures for vetting, secondary employment and business interests will be used to support obligations in respect of declarations of interest.

Members of OPCC staff will be required to complete the register of interests form, forms for secondary employment and related party transactions. The forms will be countersigned by the individual's line manager following a meeting. It is important that the responses and completion of the form is done honestly and that it is updated if changes to an individual's circumstances occur. Forms are completed by all members of OPCC

staff. Forms for the Commissioner and COPCC staff will be held by the Chief Executive. The forms for related party transactions and secondary employment will remain confidential subject to inspection by Senior Managers, internal / external audit or other persons undertaking approved investigations.

#### ANTI-FRAUD AND CORRUPTION PROCEDURE

### Conflict of Interests

Where identified conflict of interest arises the Commissioner and staff are required to raise this with the Monitoring Officer or Deputy Monitoring Officer. Consideration will be given to the issues surrounding the conflict and where necessary appropriate steps will be taken to remove the individual from being involved in any decisions or business dealings relating to this issue. Where this is not possible the Monitoring Officer or Line Manager will oversee all elements of the process to ensure there was no impropriety and to safeguard the member of staff.

Where conflict relates to the Police and Crime Commissioner it may not be possible to remove them from a decision if they are the only person with authority to make it. Should this arise the Monitoring Officer would oversee all elements of the decision process to ensure no undue influence was brought to bear.

The appointment of a Joint Chief Finance Officer (CFO) between the Constabulary and the Police and Crime Commissioner raises specific risks of conflict of interests arising for the post-holder. In response to this risk, procedures for identifying, recording and resolving conflicts of interest in relation to the Joint CFO role have been agreed. The procedures provide options for resolving conflicts of interest including separate advice to the PCC and Chief Constable by the CFO and Deputy CFO, support from another PCC CFO through the PACCTS 'buddy scheme' and a support arrangement from the PCC CFO for Durham.

#### ANTI-FRAUD AND CORRUPTION PROCEDURE

### Politically Restricted Posts (PORP)

All posts within the Office of the Police and Crime Commissioner will be designated as a PORP.

Posts that have been designated as PORPs will include reference to this fact in the job description and post holders will be informed of the restrictions which apply.

Designation as a PORP means that the post holder is disqualified from election to a Local Authority or National and European Parliaments. (This does not include Parish or Community Councils). Designation as a PORP also restricts PORPs from:



- Candidature for public elected office (other than to a Parish or Community Council);
- Holding office in a political group;
- Canvassing at elections;
- Speaking or writing publicly (other than in an official capacity) on matters of party political controversy.

In addition to the specific restrictions placed on an individual who is nominated as a PORP, the organisations of the COPCC and Constabulary should not issue material which is likely to affect public support for a legally-constituted political party.

#### ANTI-FRAUD AND CORRUPTION PROCEDURE

### Gifts, Gratuities, Hospitality and Supplier Contact Records

The Chief Executive is responsible for ensuring a register is maintained to record all interests and of all gifts, gratuities and hospitality offered and declined or retained. ~~The Chief Executive is~~ They are also responsible for ensuring records are maintained of supplier contact.

#### ANTI-FRAUD AND CORRUPTION PROCEDURE

### Offers and Acceptance of Hospitality

It is essential when dealing with organisations or individuals likely to benefit from the goodwill of the COPCC or existing/potential contractors that:

- You are never placed in the position of owing favours.
- Your conduct does not allow for any suspicion that you could be unfairly favouring any particular third party over others.
- Invitations of hospitality should only be accepted if they do not exceed £25. Invitations to events should only be accepted if: You are participating (e.g. speaking) or attending as part of your duties and responsibilities, and attendance has been properly authorised by the Chief Executive. The Chief Executive's attendance must be authorised by the Commissioner.
- Hospitality that could be considered excessive or might give the perception of influence should be avoided. Any hospitality received should not be greater than that which the organisation would reciprocate and which would be acceptable to the public as a use of public funds.

Whilst a working lunch, or refreshments such as tea or coffee, is often an acceptable part of normal working relations, the following should be avoided:

- Hospitality received which constitutes more of a social function.
- An excess of hospitality, both in terms of frequency or lavish meals. Meals should not exceed £25.
- Includes any alcoholic beverage.
- Hospitality which could give rise to suspicions of favour.

If there is any doubt as to whether an invitation should be accepted or declined, your line manager should be consulted.

The Commissioner and COPCC staff should record all offers of Hospitality (accepted or declined) on the Gifts and Hospitality and Gratuities Declaration form available in the OPCC/Governance/Gifts and Hospitalities folder. Staff will be reminded on a monthly basis to complete the relevant forms and quarterly at team meetings of their obligations. Forms will be monitored by the Chief Executive and published on the OPCC website.

The Gifts and Hospitality Register for the Chief Constable will be countersigned by the COPCC Chief Executive. The Register is to be reviewed by the Chief Executive on a quarterly basis and published on the COPCC and force website.

#### ANTI-FRAUD AND CORRUPTION PROCEDURE

### Offers and Acceptance of Gifts and Gratuities

Gifts other than small value, not exceeding £10, should be courteously declined, other than where this may cause offence. In these circumstances the Chief Executive may be consulted and can determine to accept the gift on behalf of the COPCC. Such gifts must be recorded by the Chief Executive in the gift, gratuity and hospitality register with a record of where the gift is held.

#### Considerations

The over-riding principle is the presumption that any offer of gifts, gratuities or hospitality are declined; however, the following considerations should assist police officers and staff in determining the boundaries of acceptability of any gift or hospitality over the value of £10. Think G.I.F.T.

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Genuine: is this offer made for reasons of genuine appreciation for something I have done? Why is the offer being made, what are the circumstances, have I solicited this offer in any way or does the donor feel obliged to make this offer?

Independent: Would the offer, or acceptance, be seen as reasonable in the eyes of the public? Would a reasonable bystander be confident I could remain impartial and independent in all of the circumstances?

Free: Could I always feel free of any obligation to do something in return? How do I feel about the propriety of the offer? What are the donor's expectations of me should I accept?

Transparent: Am I confident that my acceptance of this offer will be subject to scrutiny by COPCC, colleagues, and to the public or was reported publically? What could be the outcome for COPCC if this offer was accepted or declined?

To assist staff and line managers the following guidance will help to achieve a consistent approach in applying the considerations listed above.

Examples of gifts which could be accepted are:

- Modest promotional gifts provided to staff at seminars and conferences (pens, diaries, calendars, office requisites, mugs and coasters).
- Small commemorative items from visiting overseas law enforcement or governmental agencies or similar organisations.
- Unsolicited and inexpensive gifts of thanks from members of the public or victims of crime may be offered to individuals in genuine appreciation of outstanding levels of service.

Gifts of a modest nature (below £10) should not be accepted where the volume/frequency of the gift is excessive. In cases of uncertainty the Deputy Monitoring Officer should be asked for advice.

A gratuity may be accepted if it is:

- An offer or discount negotiated through a staff association or trade union.
- Discounts to public service workers including members of the police service, offered on the basis that the organisation has a large customer base and explicit approval has been given.

Donations to the organisation as a whole (e.g. sponsorship of an event or a piece of equipment) are acceptable but must be dealt with in accordance with the Financial Regulations. The Chief Executive must determine whether the donation will be accepted.

As a general rule all gifts and gratuities should be graciously declined. Gifts delivered should be returned to the sender with an appropriately worded letter, and your line manager must be informed.

Gifts can include loans, legacies, favours such as trading discounts and free or discounted admission to sporting or other events. In the event of a legacy from clients or others who have benefited from the services of the COPCC, the Chief Executive must be informed immediately. Where refusal of a gift might cause actual offence, steps are likely to be taken to transfer the value of the gift to a charity as a gift from the COPCC.

If there is any doubt, the items should be refused, and the principles outlined here apply equally if gifts are offered to your immediate family but might be perceived as being an inducement, given your relationship with the donor.

COPCC staff should record offers of gifts and gratuities (accepted or declined) on the Gifts, Gratuities and Hospitality Declaration form available in the OPCC/Governance/Gifts and Hospitalities folder. Staff should also record on supplier contact forms any contact, other than unsolicited mail, irrespective of whether a gift, gratuity or hospitality has been offered. Forms will be monitored by the Chief Executive. Audits of this register will be carried out on a quarterly basis by the Deputy Monitoring Officer. Any issues or trends identified from the review will be reported to the Chief Executive.

#### ANTI-FRAUD AND CORRUPTION PROCEDURE

##### Reward Points

The Commissioner and COPCC staff should not accept, retain or utilise any reward points accrued through business purposes for private or personal gain, e.g. points accrued at a petrol station, air miles. Gratuities which amount to individual gain from a points scheme when purchasing services, items or fuel are not acceptable.

#### ANTI-FRAUD AND CORRUPTION PROCEDURE

##### Review of the Arrangements and Risk

The Chief Executive will maintain appropriate procedures and documentation to assure the awareness of all OPCC staff as to these arrangements.

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These arrangements will be included in the list of Risk Items from which the recurring review programmes of Internal Audit are selected.

Fraud risk will be considered as part of the COPCC's wider strategic and operational risk management. Any identified risks will be classified to the possible type of offence; assessed for each area and process of business and the potential members of staff this could affect.



## Cumbria Office of the Police & Crime Commissioner OPCC Staff Register of Interests

Cumbria Office of the Police and Crime Commissioner (COPCC) has adopted an Anti-Fraud and Corruption Policy and Code of Conduct consistent with the highest levels of conduct from its employees.

In accordance with this policy (which includes the avoidance of suspicion of fraudulent or corrupt behaviour), you are asked to indicate or disclose any interest which may give rise to any suspicion of favouritism or other breach of the seven principles of public life (Nolan Committee) of this policy.

### PERSONAL / POST DETAILS

**Name**

**Job / Title**

**Grade / Rank**

### FINANCIAL INTERESTS

**It is important that employees are seen not to have a financial interest in any aspect of procurement carried out by the Organisation.**

Do you have secondary employment or trade on a self-employed basis or as a partner in a firm? If so indicate your role and the employer's / firm's address and nature of business.

*Tick the appropriate response.*

	<b>No I do not.</b>
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	<b>Yes I do.</b>
	Details:

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Do you hold any paid or unpaid directorships? If so indicate the companies or charity concerned and the nature of their business.

*Tick the appropriate response.*

	<b>No I do not.</b>
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	<b>Yes I do.</b>
	Details:

Are you a member of an unlimited company or a company limited by guarantee (which may include a charity that has been set up in accordance with *company rules*)? If so name the company and the nature of its business.

*Tick the appropriate response.*

	<b>No I do not.</b>
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	<b>Yes I do.</b>
	Details:

Do you through shareholding or your nominees hold a significant financial interest in a company? 'Significant' means a shareholding in excess of 10% of the nominal issued share capital of the company – normal shareholding in companies quoted on the Stock Exchange are therefore most unlikely to fall under this heading.

*Tick the appropriate response.*

	<b>No I do not.</b>
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	<b>Yes I do.</b>
	Details:

To your knowledge do your – spouse / partner have an interest declarable under the above?  
If so give details of the individual, their relationship to you and the nature of the interest.

*Tick the appropriate response.*

	<b>No I do not.</b>
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	<b>Yes I do.</b>
	Details:

#### **OTHER INTERESTS**

**It is important that staff in influential positions should not be perceived as being open to 'influence' in the provision of the COPCC service.**

Indicate below your membership of any societies / associations / clubs, which in your opinion give rise to unwarranted suspicions of partiality in the discharge of the duties of your post.

*Tick the appropriate response.*

	<b>I do not belong to a society / association / club that could give rise to suspicions about my partiality in the discharge of my post.</b>
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	<b>Yes, I do belong to the following society(s) / association(s) / club(s) that could give rise to unwarranted suspicion about my partiality in the discharge of my post.</b>
	Details:

Indicate below if you are a member of a Local Authority or statutory undertaking (including ministerial appointee to any statutory body or undertaking) which is constituted to discharge or assist in discharging a statutory function (e.g. member of a statutory working group [i.e. Food & Drink Advisory Panel], lay-minister etc.).

*Tick the appropriate response.*

	<b>I am not a member of a Local Authority or statutory undertaking constituted to discharge or assist in the discharging a statutory function.</b>
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	<b>Yes, I am a member of a Local Authority or statutory undertaking constituted to discharge or assist in the discharging a statutory function.</b>
	Details:

Indicate below any relationships you have with current or potential suppliers to the OPCC, which in your opinion may give rise to unwarranted suspicions of partiality in the discharge of the duties of your post.

	<b>I do not have any relationships with current or potential suppliers to the OPCC</b>
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	<b>Yes, I have a relationship with current or potential suppliers to the OPCC</b>
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	Details:

**Declaration:**

**I confirm that I have disclosed all of my financial and non-financial interests and those of my immediate family to the best of my knowledge and belief. I understand that it is my responsibility to disclose to the Monitoring Officer any additional interests as they arise.**

**Signed:**

**Line Manager**

**Date**

The forms will be forwarded to the Chief Executive (Monitoring Officer) when complete for retention.



**CUMBRIA OFFICE OF THE POLICE AND CRIME COMMISSIONER**

**Declaration of Related Party Transactions 200+ / ++**

Name:

In answering each question please state the dates, amounts and any other relevant details.

Have you or any partnerships, companies, trusts or any other entities in which you have a controlling interest undertaken any transactions with Cumbria Office of the Police and Crime Commissioner during the 200+ / 200+ financial year, which should be disclosed under the criteria specified in the covering letter?

Have any of your close family, members of your household or any partnerships, companies, trusts or any other entities in which they have a controlling interest undertaken transactions with Cumbria Office of the Police and Crime Commissioner in the 200+ / 200+ financial year, which should be disclosed under the criteria specified in the covering letter?

Are you involved with any interest groups which have undertaken transactions with Cumbria Office of the Police and Crime Commissioner in the 200+ / ++ financial year, which should be disclosed under the criteria specified in the covering letter?

Have you or any partnerships, companies, trusts or any other entities in which you have a controlling interest undertaken any transactions with Cumbria Constabulary during the 200+ / 200+ financial year, which should be disclosed under the criteria specified in the covering letter?

Have you received any services free of charge to which a charge is normally levied?

Any other relevant information should be disclosed in the space below.

Signed:-

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Date:-

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Please return the signed form to the Monitoring Officer by 4 April 20++.  
Please note that nil returns should still be submitted.



CUMBRIA OFFICE OF THE POLICE AND CRIME COMMISSIONER

Peter McCall

**CODES OF CONDUCT UNDERTAKING**

I, .....having become a Member of the COPCC and Constabulary Audit and Standards Committee, declare that I will duly and faithfully fulfil the requirements of this role according to the best of my judgement and ability and within codes adopted by the COPCC / Constabulary:

I undertake to observe and comply with the model Code of Conduct (1) expected from Members, as adopted by the COPCC / Constabulary; of which I am supplied with a copy.

I confirm receipt of a form (2) for notification by a member of their financial and other interests under which I will complete and return to the Monitoring Officer for entry in the COPCC's Register. I undertake to update the Monitoring Officer on any changes to those notifiable interests.

I further undertake to observe and stand by the Anti-Discrimination Code of Conduct (3) adopted by the COPCC for its members and staff, of which I am also supplied with a copy.

I finally undertake to observe and stand by the Member-Officer Protocol (4) adopted by the COPCC / Constabulary, of which I am additionally supplied with a copy.

Signed ..... Date .....

This undertaking was made and signed before me

Signed ..... Date .....

Proper Officer



CUMBRIA OFFICE OF THE POLICE AND CRIME COMMISSIONER

Peter McCall

**CODES OF CONDUCT UNDERTAKING**

I, .....as a Member of staff of Cumbria Office of the Police and Crime Commissioner, declare that I will duly and faithfully fulfil the requirements of this role according to the best of my judgement and ability and within codes adopted by the COPCC.

I undertake to observe and comply with the model Code of Conduct (1) expected from members of staff, as adopted by the COPCC; of which I am supplied with a copy.

I confirm receipt of a form for notification by a member of staff of their financial and other interests under which I will complete and return to the Monitoring Officer for entry in the COPCC's Register. I undertake to update the Monitoring Officer on any changes to those notifiable interests.

I further undertake to observe and stand by the Anti-Discrimination Code of Conduct adopted by the COPCC for its members and staff, of which I am also supplied with a copy.

I finally undertake to observe and stand by the Commissioner-Officer Protocol adopted by the COPCC, of which I am additionally supplied with a copy.

Signed ..... Date .....

This undertaking was made and signed before me

Signed ..... Date .....

Proper Officer

## RELATED PARTY TRANSACTIONS PROCESS

Cumbria Office of the Police & Crime Commissioner (COPCC) must prepare its annual accounts in accordance with the applicable reporting standard (IAS24: Related Party Transactions) and the requirements set out in the Chartered Institute of Public Finance and Accountancy Code of Practice.

Staff within the COPCC above a certain pay scale are requested to complete a 'Declaration of Related Party Transactions' Form for each financial year they are employed by either organisation.

Information regarding Related Party Transactions is retained within the OPCC IT System. A process has been developed to deal with Related Party Transactions as follows –

- Within the relevant year there is a procedures log to complete when actions have been carried out.
- Create covering letter which the Chief Finance Officer (CFO) will approve.
- Send covering letter and form to be completed to Printing to print. (The form must be printed on a different coloured paper from the previous year – eg 2011 forms were pink)
- Update the list of who is to receive the letter with whether they have left or been appointed during the financial period.
- The recipient will receive a copy of the letter, form to complete and a stamped addressed envelope.
- They are given approximately 1 month to complete the form and return it to the COPCC.
- If the form is not received within the time given then contact the individual and also sent out a chase up letter. This will include a follow-up letter, the original letter and a blank form to complete.
  
- Upon receipt of completed forms, check to see if there are any 'positive' returns. These are then given to the CFO and Monitoring Officer to look at.
  
- The OPCC will undertake to review the constabulary's completed forms as part of its oversight and scrutiny role on an annual basis.
  
- All returned forms are kept in alphabetical order with any 'positive' returns placed in a separate section at the top of the pile.
- A copy of the completed procedures log is printed off and attached to the top of the pile.
- The forms will be viewed by the Auditors on an annual basis.

## Cumbria Office of the Police and Crime Commissioner

### Register of Gifts, Hospitality and Gratuities – Police & Crime Commissioner / OPCC Staff

Date of Offer	Date of Event	Offered To	Description of Offer and Reason	Estimated /Actual Value £	Action Taken Accepted Refused Returned	Reasons for Accepting / Declining

Reviewed by OPCC Chief Executive on - ~~xxxxxxx~~ 2014 (DATE)  
 Updates to this document will be provided following the end of the calendar month.

# Cumbria Office of the Police and Crime Commissioner

## Register of Supplier Contacts – Police & Crime Commissioner / OPCC Staff

Date of Contact	Supplier Name	Contact With	Description of contact

Reviewed by OPCC Chief Executive on - ~~xxxxxxx~~ 2014 (DATE)  
Updates to this document will be provided following the end of the calendar month.





## Independent Custody Visiting Scheme

### MEMORANDUM OF UNDERSTANDING

You will be issued with a copy of the full guidance for the Scheme, but you should particularly note the following points, which highlights the expectations of each Custody Visitor.

#### 1. ROLE AND RESPONSIBILITIES

The purpose of your role is to observe and report upon the conditions under which persons are detained at Police Stations. Your concern is for the welfare of the person in custody and the operations in practice of the statutory and other rules governing their welfare including a consideration of their welfare in regard to equality.

#### 2. APPOINTMENT

Your appointment is initially for a period of three years.

After three years and six years you will be able to be considered for re-appointment for a further three years. This is subject to the approval of the Scheme Administrator in consultation with the Chair of the panel to which you are appointed. No visitor may serve more than three terms of appointment (ie a maximum of 9 years).

#### 3. IDENTITY CARDS

Your Custody Visitor identity card will be valid for the period that you are appointed as a Custody Visitor. The identity card authorises you to visit police stations within your Panel area. The identity card should only be used for the purpose of making visits. If it is used for any other purpose, it will be withdrawn and your appointment as a Custody Visitor may be terminated. Identity cards must be returned on termination of appointment as a Custody Visitor.

#### 4. UNDERTAKING VISITING

You are required to make visits in pairs at all times. There are no exceptions to this requirement, and custody staff are aware that they should not allow anyone who is

unaccompanied to make a visit. You can only make a visit when accompanied by another Custody Visitor from your Panel.

## **5. VISITS**

You are expected to make a minimum of six visits per year; if there are exceptional circumstances, which prevent you from fulfilling this requirement, you should ensure that the Scheme Administrator is aware of these. If you have not made a visit within a four month period, the Chair of your Panel will advise the Scheme Administrator who will write to you to ascertain the reason and seek an explanation. Should an unsatisfactory explanation be provided the Scheme Administrator may remove them from the scheme.

## **6. DOCUMENTATION**

You are required to complete reports for every custody visit made (even when there were no detainees in custody) and submit them promptly to the Office of the Police and Crime Commissioner.

## **7. CHANGE IN CIRCUMSTANCES**

You are expected to notify the Scheme Administrator of any change in circumstances which will affect your position as a Custody Visitor, e.g. if you are charged with a criminal offence or become a Magistrate, Special Constable, Police Officer or undertake any other work which may present you with a conflict of interest.

## **8. ATTENDANCE AT TRAINING SEMINARS**

You will be expected to attend the training events and conferences arranged by the Office of the Police and Crime Commissioner for Cumbria. You are also encouraged to attend regional or national conferences where appropriate. Induction training will cover the following areas Diversity, Equality and Human Rights training.

## **9. ATTENDANCE AT PANEL MEETINGS**

You will be expected to attend the 4 monthly Panel meetings, with a minimum requirement of one meeting per year. If you have not attended any Panel meetings within a twelve month period, the Chair of your Panel will advise the Scheme Administrator who will write to you to ascertain the reason and seek an explanation. Dependent upon the outcome the Scheme Administrator may remove you from the scheme.

## **10. IMPARTIALITY AND CONFIDENTIALITY**

During the course of your duties, you may acquire considerable personal information about persons connected with police enquiries, the majority of whom will not at that

time have appeared in Court. Some will never appear in Court. That information must be protected against improper or unnecessary disclosure. You should be aware that improper disclosure of information acquired during the course of a visit may attract civil or criminal proceedings. Additionally, unauthorised disclosure of facts concerning police operations or the security of police stations may constitute an offence under the Official Secrets Act 1989.

You must undertake not to disclose any information related to persons connected with police enquiries or police operations that you may acquire as part of your duties as a Custody Visitor.

**11. QUERIES**

Queries on any aspect of the scheme should be addressed to the Scheme Administrator, who can be contacted on 01768 217734 or via e-mail [custodyvisitors@cumbria-pcc.gov.uk](mailto:custodyvisitors@cumbria-pcc.gov.uk)

You should sign below to indicate your agreement to be bound by the guidance for the Cumbria Independent Custody Visiting Scheme. A copy of this agreement will be returned to you for your reference.

Scheme Administrator  
Cumbria Office of the Police and  
Crime Commissioner  
Carleton Hall  
PENRITH  
Cumbria  
CA10 2AU

[www.cumbria-pcc.gov.uk](http://www.cumbria-pcc.gov.uk)

Name: ..... Signed: .....  
(BLOCK CAPITALS)

Date: .....

Appointed to : ..... Panel

**COMMISSIONER AND OFFICER**  
**PROTOCOL - DECLARATION**

I agree to conduct myself in accordance with and abide by the Police & Crime Commissioner and Officer Protocol whilst conducting duties of the Office of the Police and Crime Commissioner for Cumbria.

**Signed:** ..... **Date:** .....

Police & Crime Commissioner/ Deputy Police & Crime Commissioner/Appointed  
Person/Member of staff of the Office of the Police & Crime Commissioner for  
Cumbria

(Delete as not applicable)



## **Overview of Anti-Fraud and Corruption Policy and procedure.**

The Procedure was last reviewed in March 2015

The policy was last reviewed in December 2014

I will ask Supt Jackson to take the revised Policy and procedure to the next BB. I have made some amendments to both documents following liaison with OPCC (Joanne Head) and feedback from the Jasc board. Changes to the documents are namely:

- Both documents are marked accordingly
- Both documents reflect any changes nationally and locally
- Update and identify those with specific roles ie Chief Constables Chief Finance Officer changed to Joint Chief Finance Officer
- Removal links or references to organisations or departments that no longer exist
- Added in details of supporting information or policy libraries
- Corrected spelling errors
- Added in the definition of Abuse of Authority for sexual gain – AASG
- Ensured that documents reflect the content of the OPCC document
- The documents have not been changed to reflect the style of the OPCC document, the documents reflect the style of all Constabulary Policies and procedures.

## **Policy**

The aim of the policy is ensure the highest standards of openness, probity and accountability in the affairs of the Constabulary ensuring a culture and philosophy of honesty and opposition to fraud and corruption characterises the organisation.

To apply the Principles and Standards of Professional Behaviour for the Policing Profession of England and Wales thus encompassing the seven guiding principles of Public Life (Nolan Committee) to the Policing Code of Ethics

## **Procedures**

Provide staff (all Police employees) definitions of Fraud, Corruption and AASG. There are references to the Nolan principles, the Code of Ethics and the expected Standards of Professional behaviour. There is guidance for staff, line managers, Senior Officers and other managers to assist with them should they witness a fraud or corrupt activity or if one is disclosed to them. Furthermore there are details of internal and external reporting lines, with clear guidance on who matters should be reported to and who investigates them. Guidance is also provided in relation to Gifts, gratuities, hospitality and the declaring of Special interests.

Not Protectively Marked



Policy

<b>Policy:</b>	Cumbria Constabulary Anti-Fraud and Corruption Policy
<b>Approved by which board (or Chief Officer) and date:</b>	Business Board, 15 <sup>th</sup> December 2014
<b>Owner</b>	Director of Professional Standards, <u>People</u> Department
<b>For release under Freedom of Information?</b>	Yes
<b>Supporting procedures</b>	Anti-Fraud and Corruption Procedure
<b>Contact for advice</b>	For the Constabulary Director of Professional Standards <u>People</u> Department Cumbria Constabulary Carleton Hall Penrith CA10 2AU  Telephone: 60022 E-mail: <del>PSDadmin@cumbria.police.uk</del> <del>PSD-ACUIntel@cumbria.police.uk</del>
<b>Review date</b>	<del>December 2017</del> November 2019

**Commented [NF1]:** I have not protectively marked the policy as I am happy that there is no sensitive material within the policy. Thus if an FOI was made then the document could be released.

**Commented [NF2]:** I will ask Supt Jackson to take the revised policy and the supporting procedures to BB once it has been reviewed at Jasc.

**Commented [NF3]:** Owner is the Director, this has been done to avoid confusion as Professional standards comes under the People Department and we have a Head of people, thus if we had a Head of professional standards then people may think we have two separate departments.

**Commented [NF4]:** Professional standards is now part of the people department.

**Commented [NF5]:** Changed to Director

**Commented [NF6]:** Professional Standards is now part of the People Department

**Commented [NF7]:** This email address has been removed as this is a general admin email address, thus sensitive material may end up in the admin department.

**Commented [NF8]:** This email address goes straight into the Intel Unit, thus it is more sterile and the information (intelligence) is protected.

**Commented [NF9]:** To be reviewed by Jasc Nov 2017, following review next review date will be Nov 2019 (2yrs later)

If changes have been made to an existing policy, you must complete the boxes below

<b>Amendments made</b>	Replaces and updates the December 2017 document (version <del>11 of the Joint Cumbria Police Authority and Cumbria Constabulary Anti-Fraud and Corruption Policy June 2012 3</del> ) following a review of the policy and supporting procedures.
<b>Date and Version Number</b>	Version <del>3</del> 4

**Commented [NF10]:** Wording changed to accurately reflect that this document Replaces the Dec 2017 reviewed document (which was version 3)

**Commented [NF11]:** New version ie 4 replaces 3

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**1. Equality Analysis**

**What is the potential impact in relation to the General Duty of this proposal on each of the protected groups below?**

Protected characteristics	Positive Impact				Negative Impact (provide details and mitigating actions taken or proposed)	No Impact (v)
	Does the proposal:					
	eliminate unlawful discrimination (provide details)	advance equality of opportunity (provide details)	Foster good relations (provide details)	Other positive impact (provide details)		
Age	The policy will make sure that anybody of any age will be dealt with in the same way therefore eliminating discrimination	As all people that commit fraud/corruption will receive the same investigation, equality of opportunity would be afforded to all	A positive message is given to all staff/volunteers/contractors that all personnel no matter what position they hold within the force would be treated in the same way			
Disability	The policy will make sure that anybody with any disability will be dealt with in the same way therefore eliminating discrimination	As all people that commit fraud/corruption will receive the same investigation, equality of opportunity would be afforded to all	A positive message is given to all staff/volunteers/contractors that all personnel no matter what position they hold within the force would be treated in the same way			
Sex	The policy will make sure that anybody of any gender will be dealt with in the same way therefore eliminating discrimination	As all people that commit fraud/corruption will receive the same investigation, equality of opportunity would be afforded to all	A positive message is given to all staff/volunteers/contractors that all personnel no matter what position they hold within the force would be treated in the same way			

Not Protectively Marked

Sexual orientation	The policy will make sure that anybody of any sexual orientation will be dealt with in the same way therefore eliminating discrimination	As all people that commit fraud/corruption will receive the same investigation, equality of opportunity would be afforded to all	As all people that commit fraud/corruption will receive the same investigation, equality of opportunity would be afforded to all			
Gender reassignment	The policy will make sure that anybody from the trans community will be dealt with in the same way therefore eliminating discrimination	As all people that commit fraud/corruption will receive the same investigation, equality of opportunity would be afforded to all	As all people that commit fraud/-corruption will receive the same investigation, equality of opportunity would be afforded to all			
Marriage and civil partnership	No impact					v
Pregnancy and maternity	The policy will make sure that anybody that is pregnant will be dealt with in the same way therefore eliminating discrimination	As all people that commit fraud/corruption will receive the same investigation, equality of opportunity would be afforded to all	A positive message is given to all staff/volunteers/contractors that all personnel no matter what position they hold within the force would be treated in the same way			
Race	The policy will make sure that anybody of any race will be dealt with in the same way therefore eliminating discrimination	As all people that commit fraud/corruption will receive the same investigation, equality of opportunity would be afforded to all	A positive message is given to all staff/volunteers/contractors that all personnel no matter what position they hold within the force would be treated in the same way			



Not Protectively Marked

Religion and belief including non-belief	The policy will make sure that anybody of any religious belief will be dealt with in the same way therefore eliminating discrimination	As all people that commit fraud/corruption will receive the same investigation, equality of opportunity would be afforded to all	A positive message is given to all staff/volunteers/contractors that all personnel no matter what position they hold within the force would be treated in the same way			
--	--	--	--	--	--	--

**If there is no potential impact (positive or negative) please provide a brief explanation why this is the case, e.g. the data utilised in arriving at the decision, summary of responses to consultation etc.**

**Brief explanation of the 'no impact' decisions above**

## 2. Aim

- What is the overall aim of the policy?

To ensure the highest standards of openness, probity and accountability in the affairs of the Constabulary ensuring a culture and philosophy of honesty and opposition to fraud and corruption characterises the organisation.

- Why has it been written?

To apply the Principles and Standards of Professional Behaviour for the Policing Profession of England and Wales thus encompassing the seven guiding principles of Public Life (Nolan Committee) to the Policing Code of Ethics working behaviours of the Constabulary.

**Commented [NF12]:** New wording added to reflect the procedures and capture Code of ethics.

- What will it achieve?

That opportunities for fraud (any further references to fraud includes theft) and corruption (any further references to corruption includes Abuse of Authority for Sexual Gain – AASG) are reduced to the lowest level of risk and that when fraud and corruption are identified it is dealt with swiftly and firmly.

**Commented [NF13]:** Added to give clarity

**Commented [NF14]:** Added the comments in as they then mirror the procedures.

Assurance that the individuals and organisations (e.g. suppliers, contractors, service providers) with whom the Constabulary come into contact can themselves be relied on to act with integrity and without motivations or actions involving fraud and corruption.

- Who is it for?

The policy is mandatory and applies to all police officers, special constables, police staff (any further references to staff includes all police employees i.e. Officers, Specials, Volunteers, Agency staff), volunteers and agency staff under the direction and control of the Chief Constable and assisting the Constabulary in pursuing its aims, and those third parties with whom the Constabulary have dealings.

**Commented [NF15]:** Staff refers to Police Officers, Specials, Volunteers, contractors, Agency staff and Police staff, the use of the word staff mirrors the wording in the procedures and other Policies and procedures the Force holds. I have added a sentence in, in brackets to explain the reference to staff.

**Commented [NF16]:** Again added the comment in to mirror the procedures.

- Who will be responsible for delivering the policy?

All personnel are responsible for the prevention of fraud and corruption. The policy is owned by the Director of the Professional Standards, People Department (PSD) and will be administered by the Anti-Corruption Unit in in Professional Standards, PSD.

**Commented [NF17]:** Director

**Commented [NF18]:** People department, PSD removed as it is Professional Standards

## 3. Terms and Definitions

### **Fraud**

“An intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to

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risk or loss". Public Sector Audit Appointments Ltd, National Audit Office, Financial Report Council and Cabinet Office (~~Audit Commission, Protecting the Public 2012~~).

**Commented [NF19]:** This body replaced the Audit Commission in 2015

**Commented [NF20]:** Audit Commission no longer exists, definition is still valid.

#### **Corruption**

"A Law Enforcement Official commits an unlawful act or deliberately fails to fulfil a role arising out of an abuse of their position, for personal or perceived advantage having the potential to affect a member of the public". (IPCC/ACCAG definition).

#### **Theft**

"The dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it" (Theft Act, 1968).

#### **Abuse of Authority for Sexual Gain (AASG)**

"Any behaviour by a police officer or police staff member, whether on or off duty, that takes advantage of their position as a member of the police service to misuse their position, authority or powers in order to pursue a sexual or improper emotional relationship with any member of the public" (IPCC definition)

**Commented [NF21]:** Spelling error

#### **Seven Principles of public life (Nolan Committee)**

##### **Selflessness**

Holders of public office take decisions in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

##### **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in their performance of the official duties.

##### **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

##### **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

##### **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

##### **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**Commented [NF22]:** Policing principles added to reflect the OPCC document

## Leadership

Holders of public office should promote and support these principles by leadership and example.

### 4. The Policy

The Constabulary will not tolerate fraud or corruption in the administration of their responsibilities. It expects ~~Senior~~ managers to take positive action whenever fraudulent or corrupt activity is suspected. The Chief Constable is clear that the Constabulary will invoke misconduct procedures as per The Police (Conduct) regulations 2012 and current Home Office Guidance wherever improper behaviour is indicated, and that if there is evidence of criminal behaviour, appropriate action will be taken.

**Commented [NF23]:** From a style point I have used a capital S

The nature of the Constabulary is such that the prevention and detection of fraud in society at large is part of the core business conducted by the Constabulary. Consistent with this, and intrinsic to the nature of the Constabulary, substantial additional measures over and above those normally associated with an ordinary government department are taken to ensure the regularity and integrity of actions taken by ~~police officers and police~~ staff. These flow not only from the general body of criminal law, but also the collection of regulation and practice which constitutes the standards and misconduct regime for the Police Service itself. The Constabulary will therefore discharge its duties and maintain a Professional Standards function to oversee its own ~~officers and~~ staff and to represent the Constabulary's oversight interests in these priorities.

**Commented [NF24]:** Changed to reflect earlier changes and to mirror the procedural document

**Commented [NF25]:** As comment above

This policy outlines the principles which will be pursued in respect of ~~police officers, special constables, police~~ staff, ~~volunteers~~ assisting the Constabulary in its aims, and those third parties with whom the Constabulary have dealings.

**Commented [NF26]:** As comment above

The Constabulary is committed to an effective Anti-Fraud and Corruption strategy. This attitude towards fraud and corruption is summarised below:

- 1) Cumbria Constabulary is determined that the fundamental culture and philosophy of their organisations is one of scrupulous honesty and principled opposition to fraud and corruption. It will not tolerate fraud and corruption in the administration of their responsibilities, whether from inside the organisation or externally.
- 2) The Constabulary's minimum expectations regarding propriety and accountability are that members and staff at all levels will themselves ~~abide by the Code of Ethics,~~ set the ~~standard and standard and~~ lead by example in ensuring proper adherence to legal requirements, rules, procedures and practices.
- 3) Senior managers are expected to deal swiftly and firmly with those who ~~are suspected of fraud or corruption~~ ~~fraud the Constabulary who are corrupt.~~

**Commented [NF27]:** Added to reflect the Procedures and earlier changes made to this document

**Commented [NF28]:** Spelling error replaced

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~~Because of these~~ The public quite rightly expects all Constabulary staff to display high higher standards of integrity which the public rightly expects of police which the organisation need to assure in order to fulfil their pre-eminent role in maintenance of the rule of law and prevention of crime, the The Constabulary reserve the right to treat prima facie evidence of such behaviour as immediately constituting gross misconduct.

**Commented [NF29]:** Changes made as the para seemed a bit too wordy

- 4) The Constabulary also expect that those external individuals and organisations (e.g. suppliers, contractors, service providers) that it comes into contact with on a business basis, will conduct their dealings with the Constabulary with integrity and without motivation or actions involving fraud and corruption.
- 5) Allegations or concerns that fall within the scope of other policies (e.g. child protection or discrimination issues) will normally be referred for consideration under those policies.
- 6) The IPCC has classed AASG as serious corruption. The Constabulary will record all intelligence/information linked to AASG as corruption.

**Commented [NF30]:** AASG has been added in as item 6, this is to reflect the procedures and the AASG delivery plan.

To support this policy it is confirmed that sufficient internal resources will be allocated towards the detection and prevention of fraud and corruption. Interrelated procedures designed to frustrate, detect and identify any attempted fraudulent or corrupt act will be put in place. ~~All reports of Fraud or corruption are logged and subject of an assessment by the ACU, if criminal offences or potential breaches of Policing standards have been identified then a formal investigation will be commenced. and a formal investigation of any instances or suspected instances of fraud and corruption which may arise will always be undertaken.~~ Details of the strategy supporting this policy and further guidance about what to do if you suspect fraud and corruption acts are taking place are outlined in the Anti-Fraud and Corruption Procedure document (which can be accessed via the Constabulary's Policy Library on the intranet).

**Commented [NF31]:** Changes made to reflect that everything is logged within the ACU and everything is subject of review and /or assessment.

## 5. Supporting Information

The College of Policing, Code of Ethics, July 2014.  
The Police (Conduct) Regulations 2012.  
[Police \(Complaints and Misconduct\) Regulations 2012](#)  
[Police \(Performance\) Regulations 2012](#)  
[Vetting Code of Practice](#)  
Home Office Guidance July 2014.

**Commented [NF32]:** All of these support the Policy

## 6. Monitoring and Reviewing

This policy will be monitored by the Policy Owners on an on-going basis for implementation issues, consistency of application and potential for discrimination.

**Commented [NF33]:** Plural I have changed this

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Relevant statistics will be recorded against the ~~protected characteristics six strands~~ of diversity by the Director ~~of Professional Standards, PSD~~ in relation to all reports of suspected and/or actual incidents of fraud and corruption. The statistics will be reviewed annually in order to identify any trends, issues or concerns ~~where the matter has diversity implications~~ and the result reported to the Office of the Police and Crime Commissioner for Cumbria (OPCC).

**Commented [NF34]:** There are more than 6 strands now

**Commented [NF35]:** Changed to reflect the earlier changes

**Commented [NF36]:** Changed as this was repetitive

The policy will be reviewed in line with the published review schedule (every ~~23~~ years), unless there is a change in legislation or guidance which will have an impact on the implementation of this policy.

**Commented [NF37]:** Hanged to reflect the review period according to JASC work programme ie every 2 years.

The monitoring of this policy will be done by:

- Reviewing the policy and associated documentation to ensure the policy is still relevant.
- Reviewing the implementation of the policy by consultation with key personnel responsible for implementation of and adherence to it.
- Reviewing the *Diversity Implications* report prepared by the ~~Director of Professional Standards, PSD~~
- Reviewing the relevant data in relation to any related matters pursued in accordance with the Fairness at Work policy.
- Consideration of any changes in legislation that need to be accommodated.
- Consideration of any feedback that has been received.

**Commented [NF38]:** Changes to reflect earlier changes

~~Restricted~~



Procedure

**Commented [NF1]:** Document is not protectively marked as it does not contain any sensitive information. Thus if an FOI is made then the Policy and procedure could be released

<b>Procedure:</b>	Cumbria Constabulary Anti-Fraud and Corruption Procedure
<b>Approved date:</b>	<del>June 2014 (Revised March 2015)</del> Revised <del>November</del> 2017
<b>Owner:</b>	Professional Standards, People Department
<b>For release under Freedom of Information?</b>	<del>No</del> Yes

**Commented [NF2]:** Should say November 2017

**Commented [NF3]:** New date added, I will ask Supt Jackson to take the revised Policy and procedure to business board, once JASC has reviewed it

**Commented [NF4]:** No sensitive material contained within the document

<b>Supporting information also in policy library:</b>	<ul style="list-style-type: none"><li>• Cumbria Constabulary Anti-Fraud and Corruption Policy</li><li>• <del>Constabulary</del> Professional Standards Confidential Reporting Policy.</li><li>• Register of Interest Forms</li><li>• Policies and procedures relating to: Hospitality, gifts and gratuities, Vetting, Secondary employment and business interests, Revelation of criminal misconduct and discipline findings to CPS, Reporting criminal procedures and other offences</li></ul>
<b>Contact for advice:</b>	<del>Head of Director of Professional Standards Department</del> People Department Cumbria Constabulary Carleton Hall Penrith CA10 2AU  Telephone: 60022 E-mail: <del>PSAdmin@cumbria.police.uk</del> <del>PSD-ACUIntel@cumbria.police.uk</del>
<b>Review date</b>	June 2017 REVIEW AT JASC NOVEMBER <del>2017</del> 2019

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**Commented [NF5]:** Changed to reflect correct name of the Policy

**Commented [NF6]:** Details of other supporting docs added

**Commented [NF7]:** Professional standards is now part of the people dept

**Commented [NF8]:** Changes made to reflect correct structure of department and who to contact ie Director

**Commented [NF9]:** The ACU has its own dedicated e mail address

**Commented [NF10]:** E mail address for ACU, this means that information (Intelligence) is kept sterile

**Commented [NF11]:** Next review date is November 2019

If changes have been made to existing procedures you must complete the boxes below

~~Restricted~~

<b>Amendments made</b>	Slight amendments to reflect national changes and local approach
<b>Date and Version Number</b>	<del>V4</del> V5 (7/11/17) V6 (28/02/18)

**Commented [NF12]:** Next review date is November 2019  
Version control added

**Commented [NF13]:** Changes made to document



## Cumbria Constabulary Anti Fraud and Corruption Procedure

This procedure has been written to support the Cumbria Constabulary Anti Fraud and Corruption Policy, which is available for further clarification and guidance in the Constabulary's Policy Library on the intranet.

Note: Cumbria Office of the Police and Crime Commissioner (COPCC) have a separate arrangements for Anti-Fraud and Corruption Procedure which applies to all COPCC staff.

**Commented [NF14]:** Changes made to reflect processes and correct spelling errors.

### Contents

1. **THE CHIEF CONSTABLE** - summary of approach towards fraud and corruption.
2. **WHAT IS MEANT BY FRAUD AND CORRUPTION?** – definition and examples of fraud (any further references to fraud include theft) and corruption (any further references to corruption includes Abuse of Authority for Sexual gain – AASG)acts.
3. **POLICING CODE OF ETHICS (INCLUDING NOLAN PRINCIPLES of PUBLIC LIFE)**
4. **YOUR DUTY**- role and responsibilities for individuals.
5. **WHAT TO DO IF YOU SUSPECT FRAUD OR CORRUPTION** – practical guidance when a member of staff suspects fraud or corruption.
6. **WHAT TO DO IF A MEMBER OF STAFF RAISES CONCERNS WITH YOU**- practical guidance for managers when a member of staff reports a concern regarding fraud and corruption.
7. **ADVICE TO MEMBERS OF THE PUBLIC** – how to report concerns regarding fraud and corruption.
8. **KEEPING OF RECORDS** – responsibilities of Commanders and Directors to maintain registers of interests declared by their staff.
9. **SPECIAL INTERESTS** – Sec 117 of the Local Government Act 1972 responsibilities of individuals (in relation to contracts).
10. ~~LOCAL GOVERNMENT AND HOUSING ACT 1989 – POLITICALLY RESTRICTED POSTS (PORP) The LOCAL GOVERNMENT AND HOUSING ACT 1989 amended by the Police Reform and Social Responsibility Act 2011 – Sec 2 of the Local Government and Housing Act 1989~~The Act identifies posts where the post holder is subject to certain political restrictions.

**Commented [NF15]:** I have added this in to reflect the Policy and the definitions.

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**Commented [NF16]:** Changes made to reflect changes in the Act

11. **OFFERS and ACCEPTANCE OF GIFTS, GRATUITIES & HOSPITALITY** – guidance for members of staff.
12. **REVIEW OF THE ARRANGEMENTS** – Internal Audit review programme arrangements.
13. **ANTI FRAUD AND CORRUPTION STRATEGY** – details of the Anti Fraud and Corruption strategy in support of the policy.

## 1. THE CHIEF CONSTABLE

The Chief Constable has agreed a policy against Fraud and Corruption. In summary, the Chief Constable will not tolerate fraud or corruption in the administration of their responsibilities, and expect staff (includes all Police Officers, Police staff, Volunteers and agency staff) to take positive action wherever fraudulent or corrupt activity is suspected.

**Commented [NF17]:** Quite a few policies now refer to all employees as employees or staff rather than differentiating so I have put this in here then I refer to staff throughout the document.

The Chief Constable is clear that Misconduct Procedures will be invoked where improper behaviour is indicated, if there is evidence of criminal behaviour this is prima facie gross misconduct requiring immediate action to be taken where suspension or summary dismissal are likely. A criminal investigation will always be pursued where evidence of criminal behaviour is evident.

The Anti Fraud and Corruption Procedure provides guidance to all officers and staff to ensure adherence to the policy.

**Commented [NF18]:** As above

## 2. WHAT IS MEANT BY FRAUD AND CORRUPTION?

### Fraud

“An intentional false representation, including to failure declare information or abuse of position that is carried out to make gain, cause loss or expose another to risk or loss”. Public Sector Audit Appointments Ltd, National Audit Office, Financial Report Council and Cabinet Office 2015. (Audit Commission Protecting the Public 2012)

**Commented [NF19]:** This body replaced the Audit Commission in 2015

### Corruption

“A Law Enforcement official commits an unlawful act or deliberately fails to fulfil a role arising out of an abuse of their position, for personal or perceived advantage having the potential to affect a member of the public”. (IOPC/ACCAG definition)

Corruption includes This would also include a Abuse of a Authority for s Sexual g Gain – AASG as is defined as in the policy. “Any behaviour by a police officer or police staff member\*, whether on or off duty, that takes advantage of their position as a member of the police service to misuse their position, authority or powers in order to pursue a sexual or improper emotional relationship with any member of the public”

**Commented [NF20]:** This is the definition in our Force AASG delivery plan

### **Theft**

The dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it (Theft Act 1968)

**Commented [NF21]:** Theft definition added

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### **Irregularity**

The violation or non-observance of established rules and practices  
Fraudulent or corrupt acts may include:

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**Commented [NF22]:** Irregularity added to reflect consistency with OPCC document

- **System Issues** ie where a process/system exists which is prone to misuse/abuse by either employees or public, (eg misuse of the Police National Computer).
- **Financial Issues** ie where individuals or companies have fraudulently obtained money from the Chief Constable/COPCC, (eg invalid invoices/work not done).
- **Equipment Issues** ie where Chief Constable/COPCC equipment is used for unauthorised personal use, (eg personal use of the organisation's assets - vehicles/computers/telephones etc).
- **Resource Issues** ie where there is a misuse of resources, (eg theft of cash/assets).
- **Abuse of Authority for Sexual Gain (AASG) ie Any behavior on or off duty, it is not just about sexual activity, behavior such as being over friendly, instigating contact, misusing police systems, exploiting your position as per the definition given within the Anti-Fraud and Corruption policy. This is classed as serious corruption in its own right. The IPCC have defined AASG as serious corruption**
- **Other Issues** ie activities undertaken by ~~Officers/Police Staff/Special Constables of the Constabulary~~ which may be: unlawful; against policies or procedures; fall below the **expected** standards of professional behaviour, as detailed in the Code of Ethics; or amount to improper conduct, (eg receiving unapproved hospitality).

**Commented [NF23]:** All of the other bullet points have an explanation of what the subject matter relates to so I have done the same here.

**Commented [NF24]:** Changes made to reflect previous references to staff

**Commented [NF25]:** Added to give clarity

## 3. POLICING CODE of ETHICS

Principles and Standards of Professional Behaviour for the Policing Profession of England and Wales encompassing the Nolan Principles of Public Life.

The recently developed Policing Code of Ethics sets out the principles and standards of behavior which applies to every individual who works in policing, whether a warranted officer, police staff, volunteer or someone contracted to work in a police force. The Code of Ethics contains the following (9) nine policing principles which in it's self encompasses the (7) seven long standing Principles of Public Life (Nolan Principles) which have been embedded in policing since 1995. ~~See following link for further information:~~

~~<http://www.college.police.uk/en/20972.htm>~~

**Commented [NF26]:** Link and sentence no longer required due to posters and information readily available to all staff, information contains code of ethics and expected standards of behavior.

1. **Accountability.** You are answerable for your decisions, actions and omissions.
2. **Fairness.** You treat people fairly.

3. **Honesty.** You are truthful and trustworthy.
4. **Integrity.** You always do the right thing.
5. **Leadership.** You lead by good example.
6. **Objectivity.** You make choices on evidence and your best professional judgement.
7. **Openness.** You are open and transparent in your actions and decisions.
8. **Respect.** You treat everyone with respect.
9. **Selflessness.** You act in the public interest.

#### 4. YOUR DUTY

- Not to commit or connive at any fraudulent or corrupt act.
- To raise with a ~~sSenior eOfficer, or mManager~~ or ~~any persons or organisations the people~~ listed in section 5 of this procedure (Contacts), any suspicion of improper activity which indicates fraudulent or corrupt behaviour on the part of a colleague or an external third party.
- The Public Interest Disclosure Act 1998 provides legal protection for employees who raise genuine concerns in relation to suspected fraud and corruption issues such as the following examples:
  - a) A criminal offence has been committed, is being committed or is likely to be committed.
  - b) A person has failed, is failing or is likely to fail to comply with any legal obligation to which he is subject.
  - c) A miscarriage of justice has occurred, is occurring or is likely to occur.
  - d) The health or safety of any individual has been, is being or is likely to be endangered.
  - e) The environment has been, is being or is likely to be damaged, or information tending to show any matter falling within any one of the preceding paragraphs has been, is being or is likely to be deliberately concealed.
- Not to discuss suspicions of improper practice other than with a ~~sSenior eOfficer or mManager~~ or the people listed in section 5 (Contacts).
- Senior ~~eOfficers~~ or managers must ~~report the improper practice to ACU Intel and~~ investigate or cause to be investigated, any such suspicion which has been raised with them.

**Commented [NF27]:** Capitals used as a style preference

**Commented [NF28]:** Changes made to provide clarity and reflect section 5

**Commented [NF29]:** As mentioned above – capitals used due to a style preference

**Commented [NF30]:** Wording added to ensure that the ACU is aware of ALL matters and this is then captured onto intelligence systems held within Professional standards and organizational memory is retained

- To maintain and constantly monitor the necessary controls to guard against fraud and corruption, which are laid out in the Constabulary's procedural documentation, principally Police Regulations, the Police Staff Manual, Standing Orders in Relation to Contracts, Joint Procurement Regulations and the Financial Regulations/Rules.
- Ensure any payments due to an employee are authorised by an independent member of staff
- Maintain controls that ensure functions involving the custody of resources are administered by two members of staff and other policies and procedures are adhered to (for example the order and certification of receipts of goods; or the receipt and banking of cash).
- As a public servant, to assess the needs of the public, partners and our suppliers impartially, professionally and without personal prejudice and to determine the outcome of competitive situations with these same qualities.
- When private or personal interests arise in any matter which presents when at work, not to let those interests influence actions on behalf of Cumbria Constabulary. (The test is – “can I justify my actions if they become public?” If in doubt, consult your manager/supervisor). Where there is a conflict then a self-referral should be made to the ACU Intel team.
- To adhere to the guidelines regarding ‘Special Interests’ and offers or acceptance of hospitality and gifts.

**Commented [NF31]:** This should be the “Joint Procurement Regulations”. We no longer have standing orders

**Commented [NF32]:** I am pretty certain that any cash seized must be immediately double bagged and then opened and counted at a location whereby there is video recording and where possible cash counting machines are used.

**Commented [NF33]:** To ensure that information is shared with ACU and it is captured onto intelligence systems held within Professional standards thus retaining organizational memory

## 5. WHAT TO DO IF YOU SUSPECT FRAUD OR CORRUPTION

If you have reason to suspect fraud or corrupt activity on the part of a colleague, any member of the Constabulary you should raise the matter discreetly and as soon as possible with your line manager or another Senior Officer or Manager, more senior manager. If you feel that immediate contact with your line manager is inappropriate under the circumstances, the following people are also directly approachable.

**Commented [NF34]:** Added to ensure all persons are captured

**Commented [NF35]:** Added to reflect previous changes and mirror the Policy document

	<b><u>CONTACT</u></b>	<b><u>TELEPHONE NUMBER</u></b>
Constabulary	The Deputy Chief Constable	41116
	The Director of Professional Standards	42544
	Director of Corporate Support	44092
	The Director of Legal Services	48401

**Commented [NF36]:** Telephone numbers within the Force are linked to Staff collar numbers, however all the numbers listed below will be intercepted by the relevant secretariat/PA etc

**Commented [NF37]:** Changed to Director to reflect previous changes and mirror the Policy

~~Restricted~~

Constabulary	The <del>Chief Constable's</del> <u>Joint Chief Finance Officer</u> <del>Finance Officer</del>	48591
	Director of Corporate Improvement	49943
Office of the Police and Crime Commissioner	The <u>Joint Chief Finance Officer of the Cumbria Office of the Police and Crime Commissioner</u>	<del>4859101768 21 7634</del>
	The Chief Executive (Monitoring Officer), Cumbria Office of the Police and Crime Commissioner	01768 21 7732
	The Office of the Police and Crime Commissioner Internal Auditor	<del>01228 60 628001228 226261</del>
Staff Associations	For Police Officers – Police Federation	64007
	For Police Staff – UNISON	01768 21 8000, 8002 or 49005
Confidential internal reporting to the Professional Standards <del>Department</del> is also available by ringing 03301240788 or by the confidential e-mail reporting system accessed via the PSD intranet site.		
<a href="http://cumbria.cumpol.net/Organisation/ProfStand/default.aspx">http://cumbria.cumpol.net/Organisation/ProfStand/default.aspx</a>		
<u>ACU e mail address is: PSD-ACUIntel@cumbria.police.uk</u>		

**Commented [NF38]:** Correct title used

**Commented [NF40]:** Correct Phone number added

**Commented [NF39]:** As above, reflects correct title

**Commented [NF41]:** Changed to reflect departmental changes and mirror Policy

**Commented [NF42]:** New E mail address added

In ordinary circumstances, the above individuals are the normal points of contact for these issues in the Constabulary, however in an exceptional case if an individual feels that concerns cannot be raised through any of the above routes, then the following external organisations offer alternative confidential 'helpline' services. When contacting external organisations individuals must take care to ensure that **confidential information** is not disclosed.

<u>EXTERNAL CONFIDENTIAL HELPLINE</u>	
CONTACT	TELEPHONE NUMBER
Public Concern at Work - a registered charity.	0207 404 6609
External Auditors – Grant Thornton	0141 2230889
	01228 226261

Internal Auditors – Cumbria Shared Audit Service	
<del>Public Sector Audit Appointments Ltd, National Audit Office, Financial Report Council and Cabinet Office The Audit Commission – Fraud Hotline</del>	<del>020 7798 7999 0207 630 1019</del>

**Commented [NF43]:** Audit commission was replaced and there is a whistleblowing line

## 6. WHAT TO DO IF A MEMBER OF STAFF RAISES CONCERNS WITH YOU

If an allegation of fraud or corruption is made to you as a line manager ~~or Senior Officer of~~ ~~Manager~~ the following personnel must be consulted with a view to determining the appropriate investigative response and whether the Internal Auditor should become involved or a criminal investigation undertaken.

**Commented [NF44]:** Changes to correct spelling error and use capital letters as a style preference

~~Police officers and police staff~~ ~~All Police employees~~ must contact either the Deputy Chief Constable, the Director of Professional Standards and or the Chief Constable's ~~Joint Chief Finance~~ ~~CCCFO~~ Officer. This can be done via the Anti Corruption Unit – Intel team.

**Commented [NF45]:** Changes to reflect those made previously and mirror the policy document

**Commented [NF46]:** Correct name used

Notwithstanding the above procedure the ~~line~~ manager, ~~Senior Officer or other Manager~~ may feel, due to the nature of the allegation, that it is inappropriate to inform the personnel listed and in such exceptional circumstances any other of the contacts listed in section ~~4-5~~ above may be informed.

**Commented [NF47]:** Missing word added

**Commented [NF48]:** Details of others added to reflect changes within the document

**Commented [NF49]:** Should read 5, 4 has been deleted

Arrangements will then be made to:

- Deal promptly with the matter.
- Record all evidence received.
- Ensure the evidence is sound and adequately supported.
- ~~Ensure that criminal and or Conduct investigations are conducted~~
- Ensure the security of all evidence collected.
- Advise the ~~Joint Chief Finance CCCFO and~~ ~~Officer and~~ the Internal Auditor.

**Commented [NF50]:** Bullet point added to give clarity

**Commented [NF51]:** Correct name added

## 7. ADVICE TO MEMBERS OF THE PUBLIC

In the event of a member of the public becoming suspicious of fraudulent or corrupt administrative or financial activity within the Constabulary, the matter should be reported to the Director of Professional Standards Department in the first instance. Any information will be treated in confidence and can, if you wish, be provided anonymously. This policy is **NOT** a substitute for the normal process for complaints against the police under the Police Reform Act 2002, but complementary to them.

## 8. KEEPING OF RECORDS

~~The Professional Standards Standars Department~~ maintain a central electronic register of offers of hospitality and gifts (see section 11 below) and details of whether they are offered and declined. This is accessed through the

**Commented [NF52]:** Changes made to reflect correct department and mirror policy document

Constabulary's intranet. All ~~recorded~~~~recorsed~~ offers of hospitality and gifts are monitored by supervisors as part of the electronic workflow.

**Commented [NF53]:** Spelling error corrected

For a number of Constabulary posts, ~~the police officer or member of police~~ staff will be required to complete a Register of Interests Form (*A copy of the form is located in the Constabulary's Form Library which can be found on the homepage of the intranet*). This will apply to ~~s~~Senior posts - all police officers attaining the rank of Chief Inspector and above, police staff of grade SO 1 and above and police staff with procurement responsibilities. The forms will be completed by the individuals ~~to be and~~ submitted to ~~PSD~~ Professional Standards via their line manager. It is important that the responses on completion of the form is done honestly. ~~The forms must be filled in annually (by the end of the financial year 31 March) or if there has been a change in circumstances, whichever is the sooner. and that it is updated if changes to an individuals circumstances occur.~~

**Commented [NF54]:** Changes made to reflect other changes and the Policy document

**Commented [NF55]:** Change due to style preference

**Commented [NF56]:** Changed to read better

**Commented [NF57]:** Changed to reflect correct department

**Commented [NF58]:** Addition and change to provide clarity of when the form should be filled in

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**Commented [NF59]:** Changed to read better

On an annual basis as part of the completion of the statutory statement of accounts, the Constabulary is required to ensure that ~~those in Senior posts senior officers and police staff~~ disclose transactions "between individuals or organisations who have the ability to influence or control the PCC or Constabulary (known as related parties) to declare the nature of such transactions". The financial services team will circulate a form to those ~~officers and~~ staff required to complete this annual disclosure around the financial year end (31 March), this form must be completed and returned as specified in the covering letter. This annual disclosure is in addition to any other disclosures required as part of this anti-fraud and corruption procedure and gifts/hospitality (section 11).

**Commented [NF60]:** Changed to reflect previous changes

## 9. SPECIAL INTERESTS

The law (Section 117 of the Local Government Act 1972) specifically requires ~~officers, employees and members~~ staff to disclose in writing any financial interest (direct or indirect) which they may have in any contract the Chief Constable or COPCC has entered into, or may enter into, and prevents the acceptance of any fees or rewards whatsoever other than proper remuneration from their employer. The standards expected from staff are set out in the Joint Procurement Regulations.

**Commented [NF61]:** As above

Interests other than financial can be equally as important – and include for example, kinship, friendship, membership of a society or association, or trusteeship and so on. Again, the individual must judge whether the interest is sufficiently close as to give rise to suspicion, or create a perception that a transaction can give rise to suspicion, but it is always better to err on the side of caution than to deal with a challenge after the event. If a matter which involves such intangible interests arises at a meeting of the Chief Constable or COPCC in which you are a participant, you must orally disclose that interest and ensure that it is minuted in the record of the meeting. ~~Furthermore, a self-referral should be made to ACU Intel.~~

**Commented [NF62]:** Added in to ensure intelligence is recorded within Professional standards



The Constabulary policies and procedures re 'Vetting', 'Secondary Employment' and 'Business Interests', 'Revelation of Criminal, Misconduct and Discipline and Findings to CPS', 'Reporting Criminal Proceedings and Other Offences' together with the Professional Standards Confidential Reporting will be used to support the obligations of section 117.

**10. LOCAL GOVERNMENT AND HOUSING ACT 1989 was amended by the Police Reform and Social Responsibility Act 2011 LOCAL GOVERNMENT AND HOUSING ACT 1989 – POLITICALLY RESTRICTED POSTS (PORP)**

Commented [NF63]: This Act was amended in 2015

~~Under section 2 of the Local Government and Housing Act 1989, this Act a post will be designated as a PORP if it is either: where a post is politically restricted the holder shall not stand as a member of:~~

- ~~a) The House of Commons;~~
- ~~b) The European Parliament; or~~
- ~~c) A local authority.~~

~~Act as an election agent or sub-agent for a candidate for Parliament, European Parliament or a local authority. Be an officer of a political party or of any branch of such a party or a member of any committee or sub-committee of such a party or branch if his/her duties as such an officer or member would be likely to require him/her:~~

- ~~a) to participate in the general management of the party or the branch; or~~
  - ~~b) to act on behalf of the party or branch in dealings with persons other than members of the party or members of another political party associated with the party.~~
- ~~Canvass on behalf of a political party or on behalf of a person who is, or proposes to be, a candidate for election to Parliament, European Parliament or a local authority.~~

- ~~PORP does not apply to the Police and Crime Commissioner and there is an exception for the the Deputy Police and Crime Commissioner~~

~~A specified post;~~

- ~~A post whose remuneration is or exceeds a specific level i.e. the equivalent of SCP44;~~
- ~~A sensitive post.~~

~~Posts that have been designated as PORPs will include reference to this fact in the job description and post holders will be informed of the restrictions which apply.~~

~~The political restrictions:~~

- 2) ~~Designation as a PORP means that the post holder is disqualified from election to a Local Authority or National and European Parliaments. (This does not include Parish or Community Councils).~~

- 3) ~~Designation as a PORP also restricts PORPs from:~~

- ~~Candidature for public elected office (other than to a Parish or Community Council);~~

~~Restricted~~

- ~~• Holding office in a political group;~~
- ~~• Canvassing at elections;~~
- ~~Speaking or writing publicly (other than in an official capacity) on matters of party political controversy;~~ Police Officers are subject to the restrictions placed on their private lives in accordance with Police Regulations 2003, Regulation 6 - Schedule 1

**Commented [NF64]:** Changes made to reflect the wording within the amended Act.

## 11. OFFERS AND ACCEPTANCE OF GIFTS, GRATUITIES & HOSPITALITY

### Considerations

The over-riding principle is the presumption that any offer of gifts, gratuities or hospitality are declined; however, the following considerations should assist police officers and staff in determining the boundaries of acceptability of any gift or hospitality over the value of £10. Think **G.I.F.T.**

**Commented [NF65]:** Value added

**Genuine:** is this offer made for reasons of genuine appreciation for something I have done. Why is the offer being made, what are the circumstances, have I solicited this offer in any way or does the donor feel obliged to make this offer?

**Independent:** Would the offer or acceptance be seen as reasonable in the eyes of the public? Would a reasonable bystander be confident I could remain impartial and independent in all of the circumstances?

**Free:** Could I always feel free of any obligation to do something in return? How do I feel about the propriety of the offer? What are the donor's expectations of me should I accept?

**Transparent:** Am I confident that my acceptance of this offer will be subject to scrutiny by my force, colleagues, and to the public or was reported publically? What could be the outcome for the force if this offer was accepted or declined?

### Applying consideration

To assist police officers and staff, line managers, the following guidance will assist in achieving a consistent approach in applying the considerations listed above, the following cases provide additional guidance.

#### A gift may be accepted if it is:

- of a trivial or inexpensive nature (for example, diaries, calendars, ~~stationary~~stationery or other small items offered during a courtesy visit or conference)
- a small commemorative items from visiting overseas law enforcement or governmental agencies or similar organisations

**Commented [NF66]:** Spelling error corrected

- a bona fide, unsolicited and inexpensive gifts of thanks from members of the public or victims of crime, which has been be offered to individual officers or teams in genuine appreciation of outstanding levels of service.

All such gifts should nonetheless be subject of a declaration in the force register.

#### **A gift should not be accepted if it is**

- from external contractors or companies tendering for work with the force or wider service cash payments (other than donations to specific police charities or police supported charities)
- a financial reward resulting from the publication of articles relating to the intended recipient's role or duties as a member of a police force
- a cash payment (other than donations to specific Police charities or Police supported charities).
- any alcoholic beverage

If there is any doubt, the items should be refused, ~~and the~~ principles outlined here apply equally if gifts are offered to your immediate family but might be perceived as being an inducement, given your relationship with the donor.

**Commented [NF67]:** Change made to provide clarity by emphasizing

All such gifts should nonetheless be subject of a declaration in the force register.

#### **Examples of gifts include (but are not limited to):**

- Ceremonial gifts (for example, plaques, shields or glass or crystal ware)
- Confectionary
- Gift vouchers
- Stationery (for example, diaries, calendars, calculators, pens, etc)

#### **Gratuities**

##### **A gratuity may be accepted if it is:**

- an offer or discounts negotiated through the Police Federation, The Superintendents' Association, or other staff association or trade union
- discounts to public service workers including members of the police service offered on the basis that the organisation in question has a large customer base of a trivial or inexpensive nature (and the force has given explicit approval for such an offer)
- free travel arrangements for officers and staff if approved and formally negotiated through the Travel Concession Policy
- There is no requirement to declare or record any of the above gratuities onto the force register

~~Restricted~~

- ~~There should be no requirement to declare any such gratuity in the force register.~~

Commented [NF68]: Changes to provide clarity

**Gratuities which amount to individual gain from a points scheme when purchasing items or fuel are not acceptable (such as using a store loyalty card when purchasing goods on behalf of the force).**

## Accepting Hospitality

**Hospitality may be accepted if it:**

- extends to the impromptu provision of light refreshments during the course of policing duties
- is a conventional meal provided during the course of a working day by another police force or partner agency in either law enforcement or community safety. There should be no requirement to declare any such gratuity in the force register.
- is a conventional meal and is in accordance with the recipient's duties, for example attendees at meeting, seminar or conference organised by an external body; the annual dinner of a representative association or local authority which are limited to isolated or infrequent occasions and can be demonstrable in the interests of the force to attend. ~~Such offers of hospitality should be declared in the force register.~~

**All offers of hospitality must be declared and recorded onto the Force register.**

Commented [NF69]: Changes made to provide clarity.

**Hospitality will not be acceptable if it:**

- amounts to regular free or discounted food or refreshments whether on or off duty.
- Includes a degree of lavishness which is outside of the industry norm or is beyond any sense of common courtesy or reasonableness.
- includes any alcoholic beverage.

Such offers of hospitality should be ~~declared~~ **declined, but must also be declared and recorded onto the Force in the force** register.

Commented [NF70]: Changes made to provide clarity

Hospitality that could be considered excessive or might give the perception of influence should be avoided. Any hospitality received should not be greater than that which the organisation would reciprocate and which would be acceptable to the public as a use of public funds.

## 12. REVIEW OF THE ARRANGEMENTS

These arrangements will be included in the list of Risk Items from which the recurring review programmes of Internal Audit are selected.

### 13. ANTI FRAUD AND CORRUPTION STRATEGY

To support the Policy appropriate resources will be committed to fraud and corruption prevention and detection (Anti-Corruption Unit, ~~PSD Professional Standards~~). A series of interrelated procedures designed to frustrate any attempted fraudulent or corrupt act will be put in place by the Chief Constable and investigation of any instances or suspected instances of fraud and corruption which may arise will be undertaken in accordance with this policy.

Commented [NF71]: Changes made to reflect correct name

#### 13.1. Measures

The Chief Constable will maintain appropriate procedures and documentation to assure the awareness of all staff as to the Chief Constable's requirements.

The Constabulary will maintain financial and other control measures, which will be subject to internal and external audit and scrutiny of its practices and their outcomes. It will co-operate with these agencies in the legitimate pursuit of their interests and, in particular, it will maintain an Audit Committee to oversee the processes of audit of the Chief Constable's business.

The Constabulary will incorporate consideration of the risk of fraud in its risk management processes and risk registers.

#### 13.2. Detection and Investigation

The Constabulary will always investigate any actual or suspected cases of fraud or corruption as potentially criminal activity, and implement misconduct procedures where appropriate.

Specifically:

1. ~~Officers and All~~ Staff are required by Financial Regulations to report all suspected irregularities to ~~the a sSenior mManager in their~~ Department/Area who must immediately report the matter to the Director ~~PSD of Professional Standards and or~~ the Chief Constable's ~~Joint Chief Finance Financial Officer (CCCFO)~~ who will instigate the necessary investigation.
2. Misconduct Procedures will be ~~instigated used where the outcome of the investigation indicates improper behaviour when there has been a potential breach of the Code of ethics or the Standards of Professional Behaviour identified by the Appropriate Authority.~~
3. Where financial or other impropriety is discovered and sufficient evidence exists to suspect that a criminal offence may have been committed, a criminal investigation will be pursued. ~~A misconduct investigation will run alongside a criminal case.~~

Commented [NF72]: Changes made to reflect previous changes and mirror Policy

Commented [NF73]: Changes made so that sentence reads better and style changes ie preference to use capital letters

Commented [NF74]: Changes made to reflect correct names of department or role

Commented [NF75]: Changes made to ensure Code of ethics and the Standards of Professional Behaviour are captured

Commented [NF76]: Changes made to provide clarity

### 13.3. Supporting the Strategy

#### 13.3.1 External Bodies

The Chief Constable will co-operate with the following external bodies, whose prerogatives extend over the conduct of the Chief Constable's business. The list is not exhaustive.

- Externally appointed auditors ~~(Grant Thornton LLP) and the Audit Commission~~ Public Sector Audit Appointments Ltd, National Audit Office, Financial Report Council and Cabinet Office 2015
- ~~HM Inspector of Constabulary/HMICFRS~~
- Independent Police Complaints Commission
- HM Revenue and Customs
- ~~Department of Social Security/ Contributions Agency~~ Department of Work and Pensions
- The Local Government Ombudsman
- The Courts
- The Crown Prosecution Service

**Commented [NF77]:** External auditor added

**Commented [NF78]:** Audit commission was replaced in 2015

**Commented [NF79]:** Hanged to reflect new body

**Commented [NF80]:** Replaced by Department for Work and Pensions in 2001

**Commented [NF81]:** Disbanded in 1999, now part of HMRC

#### 13.3.2 Internal Bodies

The internal bodies set out below each have a responsibility to ensure that the the Constabulary complies with the respective elements of the Anti-Fraud and Corruption Policies:-

- a) **Professional Standards** ~~People Department~~ Department (PSD)  
Is made up of the following key areas as follows:-

**Commented [NF82]:** Changed to reflect correct departmental name

**Anti-Corruption Unit (ACU)** – The ACU has responsibility for the the proactive development of intelligence, prevention and investigation of all illegal, unethical and unprofessional behavior using the National Intelligence Model. It has responsibility for Information security, the security and protection of Constabulary assets and also to promptly report incidents to the ~~Joint Chief Finance Officer of both the Constabulary and the OPGC.~~ The ACU in partnership with the Procurement department have developed a process to ensure all procurement contracts are proactively accessed in respect of anti-fraud and corruption to protect the business management of procurement within the Constabulary.

**Commented [NF83]:** Correct role name added

**Public Complaints** -The Complaints and Misconduct ~~Managers Section's~~ chief responsibility is the investigation of public complaints. ~~The focus being towards identifying trends, identifying staff that are subject of repeated complaints, disseminating learning and investigating complaints. The Head of People is responsible for reviewing and investigating appeals lodged by the public. and appeals against the police by members of the public but also includes focus towards preventative and proactive investigation of complaints.~~

**Data Control Unit** - The Data Control Unit is made up of several units as below:-

- Vetting and Records
- Data Protection
- Freedom of Information
- Information Compliance, which includes:- MOPI Compliance, Information Sharing and Records Management including CRB/ ISA Disclosures

**Commented [NF84]:** Changes made to update the paragraph and reflect current processes

b) **Internal (Management) Audit**

Provided under service level agreement from Cumbria County Council, Internal (Management) Audit are responsible for compliance audits in respect of regularity and systems.

e) ~~**Sickness Monitoring Group**~~

~~Assesses the use and abuse of the sickness and medical retirement processes.~~

**Commented [NF85]:** I am happy that this is covered within the ACU work above.

**Commented [NF86]:** No longer exists

e)c) **Chief Finance Officer**

The Chief Constable must appoint a Chief Finance Officer (~~CCCFO~~) who has a statutory responsibility for the integrity of financial administration, (including the legality of expenditure) and the provision of the Internal Audit function. ~~The OPCC and Constabulary provide this through a shared Joint Chief Finance Officer.~~

**Commented [NF87]:** Removed as correct role is Joint Chief Finance Officer

**Commented [NF88]:** Added to provide clarity in relation to the new role

e)d) **The Director of Legal Services**

This is the officer whose role is to warn of illegality or maladministration, (whether actual or potential), in matters touching the business or responsibilities of the Chief Constable.-

f)e) **Chief Officer Group**

Leadership and Management of the Constabulary.

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