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**Our reference: DM**

**Date: 28 July 2016**

## **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 7<sup>th</sup> September 2016** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **10:00am**.

**S Edwards**  
**Chief Executive**

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

Please note – there will be a private meeting on the Commissioner's Police and Crime Plan at 1.00pm.

### **COMMITTEE MEMBERSHIP**

Mrs Fiona Daley (Chair)  
Mr Andy Hampshire  
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 28 July 2016.

**5. ACTION SHEET**

To receive the action sheet from previous meetings.

**6. CORPORATE UPDATE**

**7. MEASURE OF PERFORMANCE AGAINST OUR PLAN ON A PAGE: THE BIG 6**

To receive a verbal update on the measure of how well the Constabulary is performing in relation to the Big 6.

**8. ANNUAL AUDIT LETTER**

To receive from the External Auditors the Annual Audit Letter.

**9. INTERNAL AUDIT – PROGRESS REPORT**

To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.

**10. INTERNAL AUDIT REPORTS**

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

- (i) Audit of Procurement - Constabulary
- (ii) Audit of Procurement - COPCC

**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 CC Chief Finance Officer)*

**12. TREASURY MANAGEMENT ACTIVITIES**

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

**13. STRATEGIC RISK REGISTER**

- (i) To consider the COPCC strategic risk register as part of the Risk Management Strategy *(To be presented by the Governance & Business Services Manager)*
- (ii) To consider the CC strategic risk register as part of the Risk Management Strategy *(To be presented by the Deputy Chief Constable)*

**14. INVESTIGATIVE CONTROL FRAMEWORK**

To receive for information details of improvements to the control framework in relation to the conduct of investigations.  
*(To be presented by the Deputy Chief Constable)*

**Future Meeting Dates (For Information)**

18 October 2016 – Members Day/Policing Induction

24 November 2016 @ 13:00 - Conference Room 2

15 March 2017 - TBC- Conference Room 2

24 May 2017 – TBC - Conference Room 2

19 July 2017 – TBC- Conference Room 2

13 September 2017 – TBC - Conference Room 2

22 November 2017 – TBC - Conference Room 2

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**Agenda Item 4**

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

**JOINT AUDIT & STANDARDS COMMITTEE**

Minutes of a Joint Meeting of the Joint Audit & Standards Committee and the Police and Crime Commissioner held on Thursday 28<sup>th</sup> July 2016 in Conference Room 3, Police Headquarters, Carleton Hall, Penrith, at 1.00 pm

**PRESENT**

Mrs Fiona Daley (Chair)

Mr Jack Jones

Ms Fiona Moore

Mr Andy Hampshire

**Also present:**

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

Senior Manager, Grant Thornton (Richard McGahon)

Associate Director, Grant Thornton (Fiona Blatcher)

Police and Crime Commissioner (Peter McCall)

Commissioner's Chief Finance Officer (Ruth Hunter)

Constabulary Chief Finance Officer (Roger Marshall)

Deputy Chief Constable (Michelle Skeer)

Chief Executive (Stuart Edwards)

Financial Services Assistant – Banking & Controls (Dawn Masters)

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

**256. APOLOGIES FOR ABSENCE**

Apologies for absence were received from the Chief Constable and the Deputy Chief Finance Officer.

**257. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC**

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



## **258. DISCLOSURE OF PERSONAL INTERESTS**

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

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

The minutes of the meeting held on 3 May 2016 had been circulated with the agenda. The minutes were first reviewed for factual accuracy and subject to two amendments will be approved as a true record of the meeting by the committee.

**RESOLVED,** that, the minutes of the meeting held on 3 May 2016 be approved.

## **260. ACTION SHEET**

The action sheet of the meeting held on 3 May 2016 had been circulated with the agenda. The following comments were made.

- Action 218 – Members met and agreed wording surrounding late tenders – action closed.
- Action 231 – Monitoring of Audit, Internal Audit and other recommendations and action plans – this will be covered in the papers – action closed.
- Action 232 – Completed.

**RESOLVED,** that, the (i) report be noted,

## **261. CORPORATE UPDATE**

The Deputy Chief Constable (DCC) gave an update on HMIC inspections. HMIC have conducted an efficiency inspection with the report expected in the autumn. HMIC are currently conducting an inspection surrounding child protection arrangements. HMIC will carry on with the effectiveness inspection on the 3<sup>rd</sup> October 2016. The Crown Prosecution Service decision was made surrounding the Poppi Worthington case. The Chair commented that after proceedings surrounding this case are complete the committee are interested in what arrangements have been put in place in terms of governance to help prevent this happening again. The Commissioner commented that this would be welcome. The DCC confirmed that a paper could be brought to the next meeting setting out the new control framework.

## **262. AUDIT FINDINGS REPORT**

The Associate Director (AD) introduced the Audit Findings Report and stated that the completed audit of the financial statements went very well, a lot of which is due to the work of the brilliant finance team who demonstrated that they see the financial statements as



important. The accounts are ready to be signed off subject to deliberations of committee. In terms of the accounts there were very few issues identified. One issue has a large number but is described as a technical accounting issue, it doesn't impact on anything important and it is understood why management has decided to leave it due to the amount of work it would take to correct it. In terms of value for money there has been some strong performance, the Constabulary and the PCC are working in an uncertain financial environment and are working well together in developing a response to the impact of this and understanding potential scenarios and solutions. In terms of the PEEL review recommendations there is a similar culture seen, regarding seeing these reviews as very important. The Senior Manager (SM) echoed these comments in terms of the work of the finance team and the cultural element surrounding the accounts being important. A relatively small team have delivered three sets of accounts, in a short space of time, with no loss of quality which is not easy and a credit for the organisation.

A member requested confirmation that the unadjusted error was a one off error for this financial year and won't recur in the future. The AD confirmed that it was a one off transaction and in terms of its nature would not be a recurrent item in the financial statements. The Constabulary Chief Finance Officer (CFO) confirmed that additional controls had been put in place in respect of the overall production of the police pension fund entries.

The Chair thanked the AD for her work and for acknowledging the considerable amount of work of the officers for getting the accounts in such good order.

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

## **263. ANNUAL STATEMENT OF ACCOUNTS – POLICE AND CRIME COMMISSIONER**

The Commissioner's CFO presented a report on the Annual Statement of Accounts which included a narrative on the financial statements to support members of the Committee in undertaking their assurance role. The report highlights two misstatements, two disclosure changes and one misclassification identified during the audit and a small number of minor amendments to the wording of disclosure notes and accounting policies to improve clarity. Included in the report is the letter of management representation. Bringing the timetable for the financial statements and the audit forward has been significant. In terms of benchmarking as far as Grant Thornton are aware Cumbria were the first PCC and Constabulary to achieve a signed unaudited set of accounts for the 2015/16 financial year. Cumbria will look into the possibility of setting up a small benchmarking group with bodies who were early adopters primarily to try and get the unaudited accounts to committee within the timeline.

A member referred to the Summary Movement in Reserves table and requested the rationale behind the reduction of the Police Fund from five million to three million. The Commissioner's CFO explained that when this fund was initially established it was around three million. It was increased in context of some of the formula funding risk and CSR risk in 2010 to give an extra level of resilience. This level of police fund was maintained specifically with a view to formula funding expectations during the last financial year. Towards the end of the summer the government identified an error with formula funding which put the process on hold and the



CSR result announced that police funding in terms of the total funds available would be maintained in cash terms for the next four years. There would be transitional funding available to help policing bodies moving from one level of funding down to another. Then there was the floods which created some significant resilience issues in regard to the estate. This created a requirement to develop capital schemes to manage the investment in the estate to make it fit for purpose. In order to resource the programme it was decided to reduce the general balance to fund that scheme.

The member thanked the Commissioner's CFO for her response and asked if there was a statutory minimum for the general reserve. The Commissioner's CFO confirmed that there was not a statutory minimum but that guidance recommended three to five percent.

The Chair referred to the Summary CI&ES table on page eight which showed a surplus and the wording next to the table which referred to a deficit. The Commissioner's CFO confirmed that the wording should say surplus. The Chair asked if this needed to be changed in both sets of accounts. The Constabulary CFO confirmed that this did not need to be changed in the Constabulary accounts.

The Chair confirmed that the committee had no issues in respect of the governance statement or the accounts that they wished to report to the commissioner. The Police and Crime Commissioner confirmed that he would approve the Chief Finance Officers proposed treatment of the unadjusted misstatement.

The AD suggested that the financial statements be signed on the understanding that the wording on page eight be amended and this page substituted before being put on the website.

The Chair commented that the committee would like to put on record their thanks to officers for preparing such a good set of accounts and also for the exceptional effort put in to bringing the audit deadline forward and achieving that. The Chair also commented that the narrative read very well and was a big improvement. Next year it would be beneficial if the committee see the draft accounts.

**RESOLVED,** that, the (i) report be noted and (ii) the accounts signed.

Note – The Commissioner left the meeting at this point.

## **264. ANNUAL STATEMENT OF ACCOUNTS – CHIEF CONSTABLE**

The Chief Constable's CFO presented a report to assist members with their role in reviewing the statement of accounts, highlighting that this report was broadly the same as the one for the Commissioner. The Chief Constable's CFO expressed his thanks to the team.

A member commented that it was a great piece of work across both organisations. The committee were concerned about the pressure put on the finance team and asked if there was the right amount of resource to deal with this and keep the day job going at the same time.





The Commissioner's CFO responded that interestingly this year's process had gone better as it was not the same process done quicker but a different process. The SM commented that the work had been shared out with the Principal Financial Services Officer (Capital & Technical) becoming much more involved in the process which builds resilience into the team which he thinks has worked well.

The Chair commented that there were no issues the committee wanted to bring to the Chief Constables attention and that the accounts could be signed.

**RESOLVED,** that, the (i) report be noted and (ii) the accounts be signed.

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

The Audit Manager presented a progress report which provided a review of the work of Internal Audit for the three months up to 30 June 2016. The key points of the report are given below:

- Work is progressing as planned. Audits of the 2015/16 annual governance statements for the OPCC and Constabulary are complete. The audit of the Safeguarding Hub, included in the 15/16 plan, is moving forward. Seven audits from the 16/17 plan have been scoped and fieldwork is either underway or will start imminently.

**RESOLVED,** that, (i) the report be noted.

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

The Chief Constable's CFO presented the updated Audit Monitoring Report. An error was pointed out on the first page of the report and a member thanked for pointing this out but that the totals are correct. There are a large number of audit recommendations which reflects the level of intensity of audit which covers a range of different audits. Over eighty percent of these are green so it is believed that these recommendations have been fulfilled with only four ongoing, one of which requires further clarification from the Audit Manager.

The Chair requested that by the next meeting the recommendation surrounding the safeguarding of IT Assets requires a date. The Chair commented that there was a key to grade and asked to be reminded why the grade had been changed. The Audit Manager responded that this was done a couple of years ago when the risk based process was introduced. The Chair could not see the relevance of having the key to old grade paragraph in and it was suggested that this was removed in future reports.

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



## 267. STRATEGIC RISK REGISTER

### (i) COPCC

The Chief Executive shared with the committee the COPCC's strategic risk register. There is only one risk in the strategic risk register which relates to funding. In relation to operational risks the risk has been removed surrounding the PCC election.

A member commented that just to have the risk title without added details makes it difficult to understand the risks for the PCC and asked about their only being one risk on the strategic risk register. The Chief Executive responded that there are more risks but that this is the only strategic risk and if the score on the operational risks went up they would consider escalating those risks. He also commented that they would try to expand the description. The Commissioner's CFO commented that there did used to be a much bigger list of risks but that when the review process took place with CIPFA they advised greater distinction between operational and strategic risks and if there was any indications that problems were likely at that point it should be escalated to strategic risk. If based on our knowledge operationally it did not cause us concern then it was more appropriate to treat it operationally than strategically. One of the risks surrounding reputation may need to be moved to a strategic risk. A member commented that some assurance needed to be given that processes surrounding vulnerability are working. The Commissioner's CFO responded that a safe guarding audit would be taking place this year and the committee would get feedback on this. The member referred to the victim work which was commissioned by the PCC and asked if this would be audited in the not too distant future, the Audit Manager said that draft reports had been issued on this audit which would hopefully come to the next meeting.

The Chair commented that there was an advantage to the committee seeing the operational and strategic risk register. The Commissioner's CFO commented that the committee used to get both but the committee decided they did not want to see this. The Chair confirmed that as the process had been changed following the review by CIPFA it would be beneficial to see both registers again. A member requested that the pages behind the summary are just emailed rather than printed in order to save paper.

The Chair commented on the partnership and collaboration risk, the review date is May 2016 and asked if this had now been reviewed and if the report needed updating. The Chief Executive confirmed this was the case.

### (ii) Constabulary

The DCC shared with the committee the Constabulary's strategic risk register and highlighted the risk surrounding funding uncertainty, a discussion had taken place surrounding whether to reduce this risk but due to Brexit and economic uncertainty it was decided to leave it as a significant risk. A member asked in relation to this risk how a public safety risk is defined. The DCC responded that a risk assessment takes place on everything that comes in at source. A public safety risk is part of a threat assessment on a case by case basis. The member asked



about what a volume crime is. The DCC gave an example of criminal damage where a member of the public was informing the Constabulary of some criminal damage but did not require anyone to attend the incident.

The member asked in terms of the PCC, if budgets were reduced how involved the Commissioner would be in decisions regarding the level of resources and the impact of reductions. The Commissioner's CFO confirmed that the OPCC was currently working with the Constabulary to gain a shared understanding of demand, workforce and risks. The member questioned which register this risk should be on. The Commissioner's CFO explained that the risk in respect of finance/delivering services was on both risk registers but would be described differently for the Constabulary and the PCC as the operational risk rests with the Chief Constable.

The DCC highlighted the risk surrounding the new emergency services network which is a national project with an extra risk to Cumbria surrounding coverage. An added risk to this is that the cost to forces of this new network is not clear. The amber risks were then presented.

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

The Chair finished the meeting by thanking the Associate Director for her help over the years as she is taking early retirement. Mr Andy Hampshire was also thanked as he is leaving the Joint Audit and Standards Committee.

**Meeting ended at 14.30 pm**

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

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

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# Joint Audit & Standards Committee – Action Sheet

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
<b>DATE OF MEETING: 9<sup>th</sup> March 2016</b>					
224	Item 10 – Joint Audit and Standards Committee update To look into why the HMIC report on Local Criminal Justice Partnerships is not on the HMIC inspection list	Stuart Edwards	September 2016		On-going
224	Item 10 – Joint Audit and Standards Committee update Richard McGahon to liaise with Stuart Edwards and Roger Marshall regarding the HMIC report on Local Criminal Justice Partnerships and if this is going to be taken forward in their audit	Richard McGahon / Stuart Edwards	September 2016		On-going
<b>DATE OF MEETING: 3<sup>rd</sup> May 2016</b>					
233	Item 6 – Corporate update Performance management statistics to be provided for 2016/17 and put in audit plan for 2017/18	Michelle Skeer / Emma Toyne	April 2017		On-going
234	Item 6 – Corporate update Measure of how well constabulary performing against big six plan	Michelle Skeer	September 2016	Michelle Skeer to provide an update at the September meeting.	On-going
236	Item 12 – Effectiveness of Joint Audit and Standards Committee Request a formal comment in writing from internal audit, external audit the PCC and the CC regarding feedback on the effectiveness of the committee	Michelle Bellis	April 2017	Will be provided as part of the review of effectiveness report in March 2017.	On-going
<b>DATE OF MEETING: 28<sup>th</sup> July 2016</b>					
237	Item 8 – Annual Statement of accounts – Police and Crime Commissioner Wording to be amended on page 8 and page 8 substituted before going on the website.	Michelle Bellis	July 2016	Wording was amended and page substituted prior to publication of the SoA on 29 July 2016.	Complete

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
238	Item 8 and 9 – Annual Statement of accounts The committee would like to see the draft accounts next year.	Michelle Bellis	June 2017	The draft SOA for 2015/16 was provided to members by email in pdf format on 25 May 2016.  For 2016/17 and future years a reminder has been included in the detailed final accounts timetable to ensure this happens as a matter of course.	Complete
239	Item 11 – Monitoring of Audit, Internal Audit and other recommendations and action plans Recommendation relating to safeguarding of IT assets requires a date	Roger Marshall	September 2016	Discussions on-going to provide more clarity – date of 30 <sup>th</sup> September 2016 agreed for completion	On-going
240	Item 11 – Monitoring of Audit, Internal Audit and other recommendations and action plans For future reports remove the paragraph relating to the key to grade	Michelle Bellis	September 2016	The report has been amended for future meetings.	Complete
241	Item 12 – Strategic Risk Register (COPCC) Both strategic and operational risk register be provided with the pages behind the summary being emailed to members rather than printed to save paper.	Stuart Edwards	September 2016		



# The Annual Audit Letter for the Police and Crime Commissioner and the Chief Constable for Cumbria Constabulary

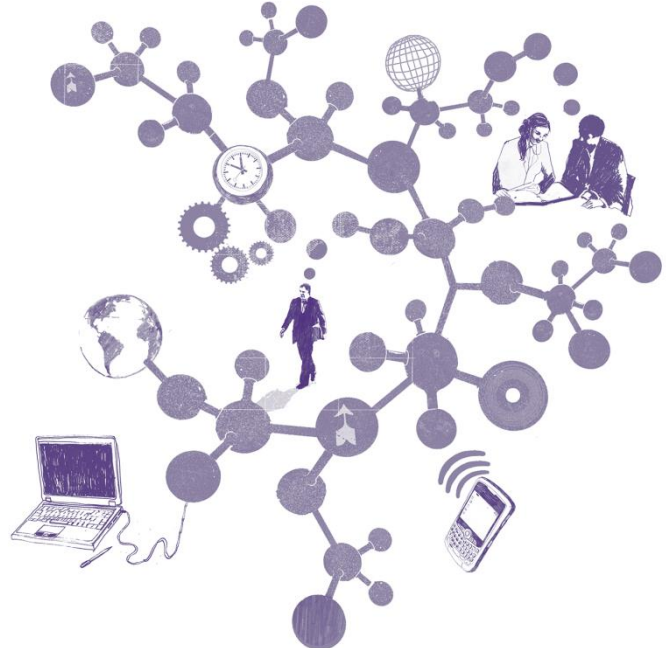
**Year ended 31 March 2016**

August 2016

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## **Appendices**

A Summary of reports issued and fees



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# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at for the Police and Crime Commissioner (PCC) for Cumbria and the Chief Constable for Cumbria Constabulary for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the PCC, Chief Constable and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work in our Joint Audit Findings Report on 28 July to the Joint Audit and Standards Committee which was attended by the PCC and Deputy Chief Constable.

## **Our responsibilities**

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

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

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

## **Our work**

### **Financial statements opinion**

We gave an unqualified opinion on the PCC's and Chief Constable's financial statements on 28 July 2016.

### **Value for money conclusion**

We were satisfied that the PCC and Chief Constable put in place proper arrangements to ensure economy, efficiency and effectiveness in their use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 28 July 2016.

### **Certificate**

We certified that we had completed the audit of the accounts of the PCC and Chief Constable in accordance with the requirements of the Code on 28 July 2016.

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# Executive summary

## **Looking ahead**

Over the coming twelve months, the PCC and Chief Constable will continue to deal with some significant challenges. In particular, the development of a new four year police and crime plan together with dealing with the continued funding uncertainties as clarification is awaited around potential changes to the funding formula.

Arrangements are in hand to deal with these and in particular the change strategy and approach to scenario planning will help support the PCC and Chief Constable in this context. We look forwards to working with the PCC and Chief Constable as they respond to these challenges.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the PCC and Chief Constable's staff.

**Grant Thornton UK LLP**  
**August 2016**

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# Audit of the accounts

## **Our audit approach**

### **Materiality**

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

We determined overall materiality for the financial statements to be £2.687m which is 2% of gross revenue expenditure of the PCC as a single entity. We used this benchmark, as in our view, users of the PCC's and Chief Constable's accounts are most interested in how they have spent the income raised from taxation and grants during the year.

We also identified items below this level which would be subject to detailed testing due to their sensitivity such as cash, senior officer remuneration- and related party transactions.

We set a lower threshold of £134,000, above which we reported errors to the Joint Audit and Standards Committee in our Audit Findings Report.

### **The scope of our audit**

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

This includes assessing whether:

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

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the PCC and Chief Constable and with the accounts on which we give our opinion.

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

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

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

# Audit of the accounts

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

Risks identified in our audit plan	Relevant to PCC/Chief Constable/Both	How we responded to the risk
<p><b>Valuation of the Private Finance Initiative (PFI) asset and associated liability for Workington Police Headquarters</b></p> <p>Previously it was assumed that there was reasonable certainty that the PCC would exercise the right to purchase this building at the end of the 25 year contract for half of its market value. As such the PFI land and building were recognised in the PCC's balance sheet at full value. In addition, a liability for outstanding obligations to pay for the building, which included the cost of purchasing the asset for half its market value at the end of the PFI period was also shown on the balance sheet.</p> <p>Given the flooding in Cumbria in December 2015 the future of the PFI building is less certain. This meant that the accounting for the PFI asset and liability needed to be reconsidered.</p>	PCC	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>• Held discussions with officers around future plans for the PFI asset.</li> <li>• Reviewed the PCC's consideration of the accounting implications of any changes to these plans.</li> <li>• Reviewed management's processes and assumptions for the calculation of the estimate.</li> <li>• Reviewed the competence, expertise and objectivity of any management experts used.</li> </ul> <p><b>We did not identify any issues to report and were satisfied that appropriate consideration had been given to the accounting treatment of the PFI liability. The asset had been revalued to take into account the impact of the ongoing flood risk and the use of an independent valuation expert has been appropriate.</b></p>
<p><b>Valuation of pension fund net liability</b></p> <p>The Local Government Pension Scheme (LGPS) pension net liability and Police Officer Pension Scheme 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. These require input from specialist valuers.</p>	Both	<p>As part of our work we:</p> <ul style="list-style-type: none"> <li>• Reviewed the competence, expertise and objectivity of the actuaries who carried out the pension fund valuations.</li> <li>• Gained an understanding of the basis on which the IAS 19 valuations were carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• Reviewed the consistency of the pension fund asset, (LGPS only) and liability and disclosures in notes to the financial statements with the actuarial reports from the actuaries.</li> </ul> <p><b>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability. A technical accounting reporting issue was identified in relation to an element of the in year movement of the police officer pensions liability. This had a net nil impact on the financial position of the Chief Constable and no further action was considered necessary.</b></p>

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# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the PCC's and Chief Constable's accounts on 28 July 2016, in advance of the 30 September 2016 national deadline.

The accounts were prepared by 23 May well in advance of the statutory timetable and to a good standard with relatively few amendments required and were supported by excellent working papers. The finance team responded promptly and efficiently to our queries during the course of the audit.

The finance teams performance in this respect has been exemplary and we hope that they will be able to share the good practice with others.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts in our Joint Audit Findings Report on 28 July to the Joint Audit and Standards Committee which was attended by the PCC and Deputy Chief Constable.

In addition to the key audit risks reported above, we agreed a small number of disclosure changes and an adjustment of £240,000 to correct an overstatement of both debtors and creditors. No issues were identified which required action for future years.

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

We are also required to review the PCC's and Chief Constable's Annual Governance Statement and Narrative Report. They published them on their website with the draft accounts in advance of the national deadlines.

These documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the PCC and Chief Constable and with our knowledge of the Council/Authority.

## **Other statutory duties**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the accounts and to raise objections received in relation to the accounts.

No issues arose which required use of our other statutory duties.

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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

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

## Key findings

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

The key risks we identified and the work we performed are set out in table 2 overleaf. In each case we concluded that appropriate arrangements were in place to manage these risks.

Over the coming twelve months, the PCC and Chief Constable will continue to deal with some significant challenges. In particular:

- the newly appointed PCC will be developing his police and crime plan for the next four years for Cumbria
- funding uncertainties will continue as clarification is awaited around potential changes to the funding formula.

Arrangements are in hand to deal with these and in particular the change strategy and approach to scenario planning will help support the PCC and Chief Constable in this context.

## Overall Vfm conclusion

We are satisfied that in all significant respects the PCC and Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

# Value for Money

**Table 2: Value for money risks**

Risk identified	Work carried out	Findings and conclusions
<p><b>Financial sustainability</b></p> <p>The PCC set a balanced budget for 2016/17 as a result of work in 2015/16 to review expenditure and reduce costs. There was still a need to find £9m of savings between 2017 and 2020. By the end of February 2016 plans had been developed for delivering the savings but were still to be implemented. Historic savings have been delivered through efficiency savings in back office and support costs but now over the next four years there will be reductions in the front line police officers. Even though Cumbria Police has a good record of delivering savings through its 'Change Strategy' delivering savings of £9m represents a significant challenge.</p>	<p>We reviewed the PCC's and Chief Constable's arrangements for updating, agreeing and monitoring its financial plans including the assumptions within them. We also considered the arrangements in place to monitor the delivery of the Change Strategy.</p>	<p>The PCC and the Constabulary face financial challenges but the four year Medium Term Financial Strategy (MTFS) 2016-2020 demonstrates their long term financial viability. Key planning are reasonable. The Chief Constable's staff work closely with the PCC in developing the MTFS and keeping it under review.</p> <p>Due to the uncertainty around the funding formula and damping issues the MTFS hasn't been updated in year. However, work is ongoing on a number of initiatives to develop a deeper understanding of the police and crime demands within Cumbria and the impact of implementing efficiency initiatives. This will enable the PCC and Chief Constable to be in a strong position to consider a range of options to deal with the wide range of possible funding scenarios.</p> <p>The Constabulary's 'Change Strategy 2020' includes a programme of actions developed to ensure it can meet the demands of future policing within tightening financial constraints. Progress on delivering the Change Strategy is monitored by the Constabulary to ensure it remains on track with updates to the PCC. The approach to savings 2016 to 2020 is around reducing police officer numbers, undertaking enhancements to current reviews and new reviews. Plans for savings have been developed with options for further savings depending on the impact of the Police funding formula when it is agreed.</p> <p><b>We concluded that the risk was sufficiently mitigated and the PCC and Chief Constable each have proper arrangements for ensuring they plan finances effectively to support their strategic functions and arrangements for ensuring informed decision making.</b></p>
<p><b>Police effectiveness, efficiency and legitimacy (PEEL) review</b></p> <p>The latest PEEL review assessed Cumbria Constabulary's effectiveness at keeping people safe and reducing crime as 'Requires Improvement'. The areas requiring improvement were responding to vulnerable victims, investigating crime and managing offenders and understanding of serious and organised crime.</p>	<p>We reviewed how the Constabulary is implementing and monitoring delivery of plans to address the findings of Her Majesty's Inspectorate of Constabulary (HMIC) reviews.</p>	<p>The Constabulary has a clear process in place to respond to the outcome of HMIC inspections. Overall, the Constabulary has a strategic HMIC action plan which is implemented by the Operations Programme Board and which is now subject to quarterly audit and inspection by the Constabulary's new Business Improvement Unit. One of key features of this approach is that the Business Improvement Unit now reality checks actions identified as complete to confirm that actions have been implemented. Updates on progress against HMIC actions are provided to the PCC. Overall, progress on implementing recommendations is good.</p> <p><b>We concluded that the risk was sufficiently mitigated and the PCC and Chief Constable each has proper arrangements for acting in the public interest through demonstrating and applying the principles of good governance.</b></p>

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and **non-audit services**.

## Fees

	Planned £	Actual fees £	2014/15 fees £
Police and Crime Commissioner Audit	30,338	30,338	40,500
Chief Constable audit	15,000	15,000	20,000
<b>Total fees (excluding VAT)</b>	<b>45,338</b>	<b>45,338</b>	<b>60,450</b>

## Fees for other services

Service	Fees £
<b>Non-audit services:</b>	
Tax Advisory Services	2,500

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

## Reports issued

Report	Date issued
Joint Audit Plan	March 2016
Joint Audit Findings Report	July 2016
Joint Annual Audit Letter	August 2016





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<p><b>JOINT POLICE &amp; CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT AND STANDARDS COMMITTEE</b></p>	<p>Paper No.</p>
<p>Meeting date: 7 September 2016</p>	
<p>From: Audit Manager (Cumbria Shared Internal Audit Service)</p>	

## **INTERNAL AUDIT: PROGRESS REPORT TO 19 AUGUST 2016**

### **1.0 EXECUTIVE SUMMARY**

1.1 *This report provides a review of the work of Internal Audit for the period to 19 August 2016.*

1.2 *Key points are:*

- *The audit of procurement has been finalised and arrangements for the OPCC and Constabulary reported separately.*
  - *Arrangements for the OPCC resulted in substantial assurance;*
  - *The Constabulary's arrangements were assessed as providing partial assurance. We have received a comprehensive response to the recommendations with some already actioned. We will follow up this work early in 2017/18 in order to provide assurance over management actions put in place to address the recommendations.*
- *Progress with the audit plan is on schedule with 19% of audits delivered (this is compared with 20% completed at the same period in 2015/16)*
- *Fieldwork is underway on eight audits, including two follow ups.*

**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 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 Audit and Standards Committee enables emerging issues to be identified during the year.*

**3.0 RECOMMENDATION**

- 3.1 *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 2016/17 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 first three months of 2016/17. It reports progress on the delivery of the 2016/17 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 19 August 2016**

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2016/17 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>
2016/17	<u>Audits completed:</u>	<b><u>4</u></b>
	Risk based audits	2 <sup>(1)</sup>
	Governance work	2
	<u>Audits in progress:</u>	<b><u>8</u></b>

	Risk based audits	6 <sup>(2)</sup>
	Follow up	2
	<u>Audits to be started</u>	<b><u>9</u></b>
	Risk based audits	5
	Financial systems	3
	Follow up	1
	<u>Audits in plan</u>	<b><u>21</u></b>

(1) Separate reports issued for OPCC and Constabulary Procurement

(2) Includes Safeguarding hub (work in progress from 15/16)

### **Outcomes from Final Audit Reports to 19 August**

3.8 The audit of procurement for the OPCC and Constabulary have been reported separately. Procurement across the two organisations is closely linked with the Constabulary's procurement team undertaking procurement activity on behalf of both organisations. Our audit found the arrangements for commissioning within the OPCC provided substantial assurance.

3.9 The Constabulary's procurement arrangements provide partial assurance. The report was well received by management and a comprehensive action plan has been prepared in response to the recommendations with some having already been actioned.

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

### **Draft Reports Issued to 19 August**

3.11 There are no reports at draft stage at 19 August.

**Emma Toyne**  
**Audit Manager**  
 23 August 2016

### **APPENDICES**

***Appendix 1: Final reports issued to 19 August 2016***

***Appendix 2: Progress on all risk based audits from the 2016/17 plan***

***Appendix 3: Internal audit performance measures to 19 August 2016***

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

## Appendix 1 – Final reports issued to 19 August 2016

Assignments	Status	Assessment
Annual report 15/16	Presented to Joint Audit and Standards Committee 3 May 2016.	N/A
Annual Governance Statement 15/16 OPCC	Presented to Joint Audit and Standards Committee 3 May 2016.	N/A
Annual Governance Statement 15/16 Constabulary	Presented to Joint Audit and Standards Committee 3 May 2016.	N/A
Procurement – OPCC	Report presented to Joint Audit and Standards Committee at the 7th September 2016 meeting. Report included in Committee papers and available on the Commissioner's website.	Substantial
Procurement – Constabulary	Report presented to Joint Audit and Standards Committee at the 7th September 2016 meeting. Report included in Committee papers and available on the Commissioner's website.	Partial
<p>In addition to the above a member of the Internal Audit team attended the Police Audit Group Conference in July 2016. The event was a useful networking opportunity and provided an overview on a number of areas including:</p> <ul style="list-style-type: none"> <li>• The changing policing landscape</li> <li>• Developments in Internal Audit and governance – CIPFA overview</li> <li>• Promoting Internal Audit and raising standards – Chartered Institute of Internal Auditors</li> <li>• How contracts really work – risk transfer in commercial relationships</li> <li>• Integrated services</li> <li>• Police effectiveness and accountability – HMIC</li> <li>• Leadership, ethics and standards in policing</li> <li>• Police accountability, collaboration and devolution</li> </ul> <p>We will take these areas into account when preparing the 2017/18 Internal Audit plan.</p>		

## Appendix 2 – Progress on 2016/17 Audit Plan

OPCC / Constabulary Review	Audit	Stage	Feedback form returned
Constabulary	Safeguarding Hub (work in progress from 2015/16 Internal Audit plan)	Fieldwork underway. Some delays have been encountered due to staffing changes within Cumbria County Council's Children's Services Directorate.	n/a
OPCC	Procurement	Complete	No - Form issued 10/08/16. Reminder 17/08/16.
Constabulary	Procurement	Complete	No - Form issued 17/08/16.
Constabulary	Information Security	Not started	n/a
Constabulary	Mobile and Digital	Fieldwork underway	n/a
Constabulary	Command and Control	Work scoped	n/a
Constabulary	Criminal Justice Unit	Fieldwork underway	n/a
Constabulary	Use of Stop Sticks (stingers)	Not started	n/a
Constabulary	Stop Search	Work scoped	n/a
Constabulary	Offender Management	Not started	n/a
Constabulary	Receipt, handing and disposal of drugs	Not started	n/a



## Appendix 2 – Progress on 2016/17 Audit Plan

<b>OPCC / Constabulary Review</b>	<b>Audit</b>	<b>Stage</b>	<b>Feedback form returned</b>
Constabulary	Self-service – travel expenses / overtime	Work scoped	n/a
OPCC and Constabulary	Governance – Code of Corporate Governance	Not started	n/a
OPCC and Constabulary	Pensions	Not started	n/a
OPCC and Constabulary	Payroll	Not started	n/a
OPCC and Constabulary	Main accounting	Not started	n/a
OPCC	Follow up – Business Continuity Planning	Fieldwork underway. Draft report prepared.	n/a
Constabulary	Follow up – Business Continuity Planning	Fieldwork underway. Draft report prepared.	n/a
Constabulary	Follow up - Duty Management System	Not started	n/a
Constabulary	Annual Governance Statement 2015/16	Complete	n/a
OPCC	Annual Governance Statement 2015/16	Complete	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	95% (annual target)	19%	<p>The plan is progressing as intended and is broadly in line with position last year (20% completed). It is not unexpected that few reviews have been finalised in the period due to the lead in time inherent in the risk based approach.</p> <p>The Constabulary and Commissioner's office have been involved in scheduling each piece of audit work.</p>
	Number of planned days delivered	274	-	<p>Not available due to implementation of a new audit management system. Figures to be reported at a future meeting.</p> <p>Fieldwork is underway for all audits scheduled in quarter 1. Scoping meetings held for all work to be carried out in quarter 2.</p>
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	70%	100%	

### Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
	revised deadline where issues arise during fieldwork.			
Timeliness of final reports	% of final reports issued for Chief Officer / Director comments within five working days of management response or closeout meeting.	90%	100%	
Recommendations agreed	% of recommendations accepted by management	95%	100%	
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	100%	
Quality assurance checks completed	% of QA checks completed	100%	100%	
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	N/A	The two customer feedback forms issued for Procurement have not been returned. A reminder has been issued to the OPCC. The Constabulary form is not considered to be outstanding due to the later date of issue of the final report.
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	-	Not available due to implementation of a new audit management system. Figures to be reported at a future meeting.

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



## Audit of Procurement

Draft Report Issued: **28<sup>th</sup> July 2016**

Final Report Issued: **17<sup>th</sup> August 2016**

## Audit Resources

Title	Name	Email	Telephone
Audit Manager	Emma Toyne	emma.toyne@cumbria.gov.uk	01228 226254
Lead Auditor	Sarah Wardle	<a href="mailto:sarah.wardle@cumbria.gov.uk">sarah.wardle@cumbria.gov.uk</a>	01228 226255

## Audit Report Distribution

For Action:	Les Hopcroft (Head of Procurement)
For Information:	Stephen Kirkpatrick (Director of Corporate Support) Roger Marshall (Chief Constable's Chief Finance Officer)
Audit Committee	The Joint Audit and Standards Committee, which is due to be held on 7 <sup>th</sup> September 2016, will receive the report.

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

## Cumbria Shared Internal Audit Service

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



## 1 Background

- 1.1 This report summarises the findings from the audit of procurement within Cumbria Constabulary. This was a planned audit assignment which was undertaken in accordance with the 2016/17 Audit Plan.
- 1.2 Procurement is important to the organisation because it contributes to the efficient use of resources to support operational policing needs and the delivery of the objectives in the Police and Crime Plan for Cumbria 2013-17. Effective procurement in line with the organisation's constitution and legislation is necessary for the Constabulary to be able to demonstrate that funds are used and managed in a manner that is accountable and displays both probity and value for money.
- 1.3 Cumbria Constabulary spends around £30 million on goods, works and services each year.

## 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 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 and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls in the following area:

- Compliance with the new Joint Procurement Regulations, from tendering through to supply and across the various procurement routes.

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 in respect of procurement provide **partial** assurance.

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

### 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 16 audit recommendations arising from this review.

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



5. Value - effectiveness and efficiency of operations and programmes (see section 5.4)	-	1	1
<b>Total Number of Recommendations</b>	<b>3</b>	<b>10</b>	<b>3</b>

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

- An up to date and approved Procurement Strategy is in place which was fully consulted upon and has clear links to strategic policing priorities.
- Joint Procurement Regulations have been developed with the OPCC to reflect current legislation, EU Directives, strategy and best practice.
- Arrangements are in place to ensure adherence to Public Procurement Regulation 2015 timescales.
- Appropriate approval is granted for any exemptions from normal procurement procedures, prior to the order for goods, works and services being placed.
- Arrangements are in place to ensure appropriate approval is obtained for contracts (dependant on value).
- Contract information is openly published on the OPPC's website for public scrutiny.
- A comprehensive training and development plan is in place for the procurement team to address the identified gap in skills.

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:*

- Arrangements are not yet in place to update relevant constabulary staff on the new Procurement Strategy and updated Procurement Regulations.
- The risks of over dependence on the Head of Procurement in ongoing operational procurement activity have not been identified, assessed or managed.
- Procurement fraud risks are not identified, assessed and managed.

4.4.2 *Medium priority issues:*

- The procurement risk register does not comply with the constabulary's Risk Management Policy and associated guidance.

- Arrangements are not in place to ensure procurement staff are aware of potential fraudulent procurement practices and fully understand expectations regarding their professional and ethical behaviour.
- Authorities, roles and responsibilities for undertaking procurement activity and monitoring compliance are unclear.
- Arrangements for the supervisory review of work within the procurement team and the evidencing of this are not in place.
- Professional indemnity insurance certificates are not routinely obtained from consultants in line with the Joint Procurement Regulations.
- The Joint Procurement Regulations do not provide guidance on the level of professional indemnity insurance required.
- The Procurement Team are not kept fully informed of future procurement activity for effective forward planning.
- A mechanism is not in place to clearly highlight the amount and source of budget approval to those tasked with approving contracts.
- Arrangements for storing and retaining procurement documentation have not been defined and communicated.
- Post completion reviews are not undertaken to identify good practice and areas for improvement in procurement activity.

#### 4.4.3 *Advisory issues:*

- The Joint Procurement Regulations do not include review arrangements.
- Additional checks on the financial standing of framework suppliers subject to mini competition are not highlighted for the attention of those approving contracts.
- Approved lists of suppliers are out of date and therefore do not comply with the Joint Procurement Regulations.

#### **Comment from the Director of Corporate Support:**

The strengths identified within this audit help illustrate that Procurement function has come a long way over last two years since the procurement review and successfully meets organisational needs of both the Constabulary and OPCC whilst also complying with all required legislation.

I recognise that there a relatively large number of recommendations made within this report and that addressing some of the recommendations

will help formalise the best practices already in place.

The audit identifies concerns regarding procurement capacity and expertise which are continually being addressed with strong progress being made.

I accept the recommendations made which will be of benefit in continuing to continue to develop the procurement service.

Although the audit gives a partial assurance level, I am confident that the Procurement function effectively serves the needs of the Constabulary and OPCC and that there are no material concerns that need to be addressed.

## 5 Matters Arising / Agreed Action Plan

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

● High priority

Audit finding	Management response
<p>a) <b>Communication</b></p> <p>The procurement team and relevant staff within the OPCC have been updated on the new Procurement Strategy and updated Procurement Regulations. Arrangements are not yet in place to update relevant staff throughout the rest of the constabulary.</p> <p>There is a need for all staff involved in procurement activity to be aware of how procurement links to strategic policing priorities and clearly understand their role within the procurement process and what is expected of them.</p>	<p>Agreed management action:</p> <p>The Procurement Strategy has been reviewed and approved by Extended COG and the previous Commissioner.</p> <p>The update of the Joint Procurement Regulations was reviewed by JASC with final agreement delayed due to clarification of policy regarding late tenders which has now been resolved.</p>
<p><b>Recommendation 1:</b></p> <p>Arrangements should be made to update appropriate staff in the constabulary on the new Procurement Strategy and updated Procurement Regulations.</p>	<p>The Procurement team together with the Heads of Service, OPCC and the Estates Teams have been briefed on the Procurement Strategy.</p> <p>Communications strategy to be developed to brief key staff on the strategy and revised regulations, including:</p> <ul style="list-style-type: none"> <li>● Business Board.</li> <li>● Corporate Support SMT.</li> <li>● Staff involved in procurement processes (Incl. CSD, Finance, ICT, Estates etc).</li> <li>● Brief update on ForceNet Intranet site</li> </ul>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>● Sanctions and reputational damage arising from non-compliance with procurement regulations.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Head of Procurement</b></p>

- Wasted resources through inefficient procurement decisions.
- Strategic policing priorities are not achieved because supporting procurement activities are inadequate.

Date to be implemented:  
**End September 2016**

- Medium priority (Rec 2)
- High priority (Rec 3)

Audit finding	Management response
<p><b>b) Risk Management</b></p> <p>The Head of Procurement, in consultation with his team, has recently captured procurement risks in a risk register. The register requires further development to address the following:-</p> <ul style="list-style-type: none"> <li>• There is no clear link to delivery of the Procurement Strategy and strategic objectives.</li> <li>• The corporate approach to risk identification and assessment has not been followed.</li> <li>• Risks are not scored to inform escalation to the Corporate Support risk register.</li> <li>• The constabulary risk register template has not been utilised.</li> <li>• Guidance has not been sought from the Corporate Improvement team.</li> </ul> <p>The current version of the risk register does not demonstrate that risks have been scored, mitigating actions have been identified or actions to address residual risks have been allocated to nominated individuals. The risks included are not described using the standard format and they are numerous, potentially diluting the risk management’s effectiveness.</p> <p>The Corporate Support risk register includes a risk around the procurement team not having the</p>	<p>Agreed management action:</p> <p><b><u>Recommendation 2</u></b></p> <ul style="list-style-type: none"> <li>• Bullet points 2, 3 and 4 have been addressed and completed and can now be found in the Corporate Support risk register.</li> <li>• Further work has been undertaken to ensure that procurement risks are aligned to strategic objectives, including the Plan on a Page.</li> <li>• Guidance and quality assurance from Corporate Improvement risk management team has been actioned as part of the Constabulary’s quarterly risk management process.</li> </ul> <p>Recommendation 2 is <b>complete</b>.</p>

appropriate skill set to meet the high demand for complex procurement. The risk, as described, does not capture and address the implications for the Constabulary. Significant reliance is placed on the Head of Procurement in operational procurement activity on an ongoing basis. This reduces his ability to meet the requirements of the post and provide strategic direction to, and oversight of, the procurement function.

**Recommendation 2:**

The procurement risk register should be prepared in accordance with the constabulary's Risk Management Policy and associated guidance.

**Recommendation 3:**

The risks of over dependence on the Head of Procurement in operational procurement activity should be identified, assessed and managed.

**Recommendation 3**

- Over dependence on the Head of Procurement is recognised and reviewed as part of on-going 121's with the Director of Corporate Support with appropriate prioritisation and assistance provided where necessary.
- It is recognised that the skills & experience of the procurement team have progressed significantly since the last procurement review but that further development is still required.
- A comprehensive training and development framework is in place for members of the Procurement Team, including 21 training sessions delivered to date with a further 6 planned, which continues to increase the knowledge and skills base of those involved in procurement activities.
- The current Admin Review, led by Corporate Improvement, is considering transactional procurement activities with the aim of introducing further efficiencies.
- Work continues to embed category management across procurement, including continued review of roles and responsibilities.

**Risk exposure if not addressed:**

- Procurement Strategy is not delivered because the risks have not been identified, assessed and managed.
- Strategic policing priorities are not achieved because supporting procurement activities are

**Responsible manager for implementing:**

**Director of Corporate Support & Head of Procurement**

**Date to be implemented:**

inadequate.	End September 2017
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● High priority (Rec 4) ● Medium priority (Rec 5)

Audit finding	Management response
<p><b>c) Fraud risk</b></p> <p>The procurement risk register does not demonstrate that arrangements are in place to identify, assess and manage fraud risks. The risk of fraud in procurement is generally considered to be high. CIPFA estimated, in May 2016, that the annual cost of fraud in the UK is in the region of £193bn with the biggest sources of fraud relating to procurement. Fraud risks are heightened in less knowledgeable and experienced procurement teams.</p> <p>Action has not been taken to raise awareness of potential fraudulent practices with procurement staff as an important component of proactive fraud prevention and detection. It is key that procurement staff understand how fraud might occur in the procurement lifecycle and what needs to be in place to mitigate the risks identified. This requires an appreciation amongst staff about what is expected of them in terms of standards of professional behaviour and integrity as part of their role in procurement activity.</p>	<p>Agreed management action:</p> <p>All procurement staff are aware of their responsibilities and have received training in relation to the Code of Ethics (both College of Policing &amp; CIPS 2008), the Joint Procurement Regulations and the Constabulary's Anti-Fraud &amp; Corruption policy and procedures.</p> <p><b><u>Recommendation 4</u></b></p> <ul style="list-style-type: none"> <li>The Constabulary's CFO and Head of Procurement will undertake a procurement fraud risk assessment. Draft by end August 2016 with full assessment by end of October following further training.</li> </ul>
<p><b><u>Recommendation 4:</u></b> Procurement fraud risks should be identified, assessed and managed accordingly.</p> <p><b><u>Recommendation 5:</u></b> Arrangements should be in place to ensure procurement staff are aware of potential fraudulent procurement practices and fully understand expectations regarding their professional and ethical behaviour.</p>	<p><b><u>Recommendation 5</u></b></p> <ul style="list-style-type: none"> <li>A training course on Procurement Fraud has been arranged for 06 October 2016, delivered by external consultants, to relevant staff across the organisation including Procurement,</li> </ul>

	Finance, OPCC, Estates, Fleet & ICT.
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Financial loss and reputational damage arising from procurement fraud or unethical behaviour.</li> <li>Trust and confidence in Cumbria Constabulary is undermined because of a failure to award contracts with consistently high standards of integrity.</li> </ul>	<p><b>Responsible manager for implementing:</b>  <b>Head of Procurement and CFO</b></p> <p><b>Date to be implemented:</b>  <b>End October 2016.</b></p>

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

- **Medium priority (Rec 6)**
- **Advisory Issue (Rec 7)**

Audit finding	Management response
<p><b>a) Procurement Regulations</b></p> <p>The Joint Procurement Regulations provide limited clarity around authorities, roles and responsibilities for day to day procurement activity across the constabulary. The regulations state that this responsibility is delegated to ‘Authorised Officers’ in accordance with the Scheme of Delegation. However the Scheme of Delegation does not detail who these Authorised Officers are and refers back to the Joint Procurement Regulations for clarification. Furthermore the Joint Procurement Regulations do not state who is responsible for ensuring staff comply with the regulations and for ensuring that only Authorised Officers are engaged in procurement activity. There is a need for staff undertaking procurement activity and monitoring compliance to know, understand and execute their responsibilities with appropriate authority.</p> <p>The Joint Procurement Regulations do not include review arrangements to demonstrate that they will be appraised on a regular basis to ensure they reflect legislation, EU Directives, strategy and best practice.</p>	<p><b>Agreed management action:</b></p> <p><b><u>Recommendation 6</u></b></p> <ul style="list-style-type: none"> <li>Roles &amp; Responsibilities defined within Joint Procurement Regulations and individual role profiles of relevant staff.</li> <li>Budget holder responsibilities, managed by Finance, are reviewed and refreshed on an annual basis.</li> <li>The Scheme of Delegation to be reviewed to refer to the Scheme of Devolved Resource Management’ rather than the Joint Procurement Regulations.</li> </ul>



<p><b>Recommendation 6:</b> Authorities, roles and responsibilities for undertaking procurement activity and monitoring compliance should be clarified and communicated to those concerned.</p> <p><b>Recommendation 7:</b> Review arrangements for the Joint Procurement Regulations should be established.</p>	<p><b>Recommendation 7</b></p> <ul style="list-style-type: none"> <li>The Joint Procurement Regulations are reviewed on a bi-annual basis, or as required (i.e. legislative change), in-line with the agreed corporate governance reviews.</li> <li>Next review date to be added to the Joint Procurement Regulations.</li> </ul>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Unauthorised and inefficient procurement activity because of a lack of clarity around officers authorised to undertake procurements.</li> <li>Poor performance because staff are unclear of their roles, responsibilities and authority.</li> <li>Sanctions and reputational damage arising from non-compliance with procurement regulations</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Head of Procurement and CFO's</b></p> <p><b>Date to be implemented:</b> <b>End August 2016</b></p>

● **Medium priority**

<b>Audit finding</b>	<b>Management response</b>
<p><b>b) Procurement Team</b></p> <p>Arrangements for supervisory review of work within the procurement team and evidencing this are not in place. Procedures do not detail the checks that should be undertaken at key stages, responsibility for undertaking checks, how they should be documented and mechanisms for providing feedback on the outcome of the checks. Supervisory confirmation that tasks are being appropriately undertaken might include the following:-</p> <ul style="list-style-type: none"> <li>Joint agreement and sign off of evaluation criteria (department and procurement team).</li> </ul>	<p><b>Agreed management action:</b></p> <ul style="list-style-type: none"> <li>The Head of Procurement holds fortnightly 121's with all staff within the Procurement Team and also works closely with his team to ensure oversight of all procurement activities detailed within this audit finding.</li> </ul>

<ul style="list-style-type: none"> <li>• Scoring took place against published criteria.</li> <li>• Award decisions are fully justified.</li> <li>• The required number / suitability of personnel are involved in procurement exercises.</li> <li>• All outcome letters have been issued to bidders.</li> <li>• All conflicts of interest forms have been returned promptly and reviewed.</li> <li>• All contracts over £10K have been captured on the Blue Light database for reporting purposes.</li> </ul> <p>Current arrangements do not give the Head of Procurement assurance that procurement activity is being undertaken consistently and effectively, in compliance with Joint Procurement Regulations and that actions are being taken to secure ongoing improvement. Supervision is particularly important given the team's current level of skills, knowledge and experience. It is a relatively new team pulled together from different parts of the organisation, not necessarily with a procurement background.</p>	<ul style="list-style-type: none"> <li>• The Constabulary is confident that the appropriate checks and balances are undertaken to give the Head of Procurement reassurance that procurement activities are compliant with both the Joint Procurement Regulations and the EU Procurement Regulations (2015).</li> <li>• The draft procurement cycle checklist to be finalised and introduced across all procurement functions.</li> </ul>
<p><b>Recommendation 8:</b></p> <p>Management should define and communicate requirements around supervisory checking at key stages of the procurement lifecycle.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Sanctions and reputational damage arising from non-compliance with procurement regulations.</li> <li>• Strategic policing priorities are not achieved.</li> <li>• Poor performance because opportunities for improvement are not identified and acted upon.</li> </ul>	<p><b>Responsible manager for implementing:</b>  <b>Head of Procurement</b></p> <p><b>Date to be implemented:</b>  <b>End October 2016</b></p>

● **Medium priority (Recs 9 & 10)**

<b>Audit finding</b>	<b>Management response</b>
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c) **Professional Indemnity Insurance**

The requirement for professional indemnity insurance is included, as standard, as part of the Invitation to Tender (ITT) process for consultants. The Procurement Team ask bidders to confirm that they have the required level / period of cover in place but copy certificates are not routinely obtained in accordance with the Joint Procurement Regulations.

The Joint Procurement Regulations do not provide any guidance on the level of insurance cover required.

**Recommendation 9:**

Arrangements should be in place to ensure consultants have current professional indemnity insurance, for the specified period, and copy certificates are obtained.

**Recommendation 10:**

Guidance should be developed regarding the level of professional indemnity insurance cover required in different circumstances to adequately address risk exposure.

**Risk exposure if not addressed:**

- Sanctions and reputational damage arising from non-compliance with procurement regulations.
- Financial liabilities arising from inadequate contractor insurance cover.

Agreed management action:

**Recommendation 9**

- The Head of Procurement will reinforce the requirement to obtain copies of insurance certificates with members of the Procurement Team.
- Also to be included in procurement cycle checklist (recommendation 8).

**Recommendation 10**

- The level of insurance required is included in each ITT issued and is set, as a minimum of £250,000, but is set on an individual tender basis subject to the risk incurred.
- The Joint Procurement Regulations will be reviewed to consider whether minimum levels of insurances required should be included.

Responsible manager for implementing:

**Head of Procurement**

Date to be implemented:

**Recommendation 9 by end October 2016.**

**Recommendation 10 by mid-September 2016.**

### 5.3 Information - reliability and integrity of financial and operational information.

- Medium priority (Recs 11 & 12)
- Advisory Issue (Rec 13)

Audit finding	Management response
<p>a) <b>Planning &amp; approval for procurement activity</b></p> <p>The Procurement Team are not involved in the early stages of procurement activity when Business Cases are under development and approval is being sought but they endeavour to liaise with departments to keep informed of up and coming procurement activity. The Procurement Team is heavily reliant on departments to provide this information on a timely basis and this impacts upon the quality of forward planning for the procurement team.</p> <p>The Contract Signature Request Form that applies to procurements over £20k requires the signature of the relevant Head of Department to certify that budgetary provision exists before being passed to the Head of Procurement and Finance for approval. The form does not capture details of the amount or source of approval to inform this process and clearly demonstrate that contracts are only awarded where sufficient budgetary provision has been properly agreed in advance.</p> <p>The Joint Procurement Regulations state that where mini competitions are undertaken to select framework suppliers there may be a need for additional checks to be carried out on financial standing. This situation would arise where PQQ responses are more than two years old and should happen following advice from the Chief Finance Officer. In practice the Procurement Team perform initial checks utilising a credit checking company and then determine if further advice should be sought from finance regarding additional checking. The checks and the outcome are not evidenced on the Contract Signature Request Form to fully inform those involved in the decision making and approval process.</p>	<p>Agreed management action:</p> <p><b><u>Recommendation 11</u></b></p> <ul style="list-style-type: none"> <li>● The Head of Procurement and the Procurement Business Partners have regular engagement meetings with the relevant Heads of Service and OPCC with regards to current and pipeline procurement activities, thus ensuring good visibility is maintained.</li> <li>● The Constabulary feels that appropriate arrangements to address recommendation 11 are already in place.</li> </ul> <p><b><u>Recommendation 12</u></b></p> <ul style="list-style-type: none"> <li>● As part of the Contract Signature Request control process, the Constabulary CFO verifies that budgetary provision is available.</li> <li>● It is accepted that this step would be better facilitated with further information being included on the form which has now been amended.</li> </ul>
<p><b>Recommendation 11:</b></p> <p>Arrangements should be in place to keep the Procurement Team fully informed of future procurement activity, at the earliest opportunity for effective forward planning.</p>	<p><b><u>Recommendation 13</u></b></p> <ul style="list-style-type: none"> <li>● The Constabulary feels the selection criteria for the award and maintenance of the original</li> </ul>

<p><b>Recommendation 12:</b> A mechanism should be in place to clearly highlight the amount and source of budget approval for those tasked with approving contracts.</p> <p><b>Recommendation 13:</b> Checks on the financial standing of framework suppliers subject to mini competition should be evidenced on Contract Signature Request Forms.</p>	<p>framework/contract already addresses this requirement.</p>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Inefficient and ineffective procurement activity due to poor planning and stretched resources.</li> <li>• Financial loss, legal challenge and reputational damage because the organisation cannot afford the contract.</li> <li>• Contract failure because the supplier does not meet financial standing requirements and cannot deliver.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Head of Procurement</b></p> <p><b>Date to be implemented:</b> <b>Recommendation 11 is in place.</b> <b>Recommendation 12 has been completed.</b> <b>Recommendation 13 is the responsibility of the contracting authority.</b></p>

● **Medium priority**

Audit finding	Management response
<p><b>b) Records</b> The Joint Procurement Regulations state that the Head of Procurement is responsible for securely storing all contracts (including those under seal) and maintaining records of contract exemptions. In practice information is retained by both the Legal Team and the Procurement Team and</p>	<p>Agreed management action: <b><u>Recommendation 14</u></b></p>

<p>arrangements have not been defined and communicated.</p> <p>Without this clarity, management cannot be assured that procurement documentation is held in accordance with the Constabulary's Records Management Policy, Data Protection Legislation and Procurement Regulations. It also raises issues around record duplication, consistency and access to information.</p>	<ul style="list-style-type: none"> <li>• The arrangements for the storage and management of contract documentation will be reviewed jointly with the Head of Procurement and the Senior Legal Advisor with the Joint Regulations to be updated as required.</li> <li>• A central register of all contract exemptions is held by the Head of Procurement.</li> </ul>
<p><b>Recommendation 14:</b></p> <p>Procurement record storage arrangements should be defined and communicated.</p>	<p><b>Responsible manager for implementing:</b>  <b>Head of Procurement and Senior Legal Advisor.</b></p> <p><b>Date to be implemented:</b>  <b>End September 2016.</b></p>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Sanctions and reputational damage arising from non-compliance with legislation, policies and regulations.</li> <li>• Wasted resources accessing information.</li> </ul>	<p><b>Responsible manager for implementing:</b>  <b>Head of Procurement and Senior Legal Advisor.</b></p> <p><b>Date to be implemented:</b>  <b>End September 2016.</b></p>

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

● **Medium priority**

Audit finding	Management response
<p>a) <b>Lessons Learned</b></p> <p>Post completion reviews are not undertaken to identify good practice and areas for improvement in procurement activity that can be taken forward to strengthen future procurement exercises and inform training plans for the procurement team.</p>	<p>Agreed management action:</p> <p><b>Recommendation 15</b></p> <ul style="list-style-type: none"> <li>• Post completion reviews (considering number of responses, evaluation criteria success,</li> </ul>

<p><b>Recommendation 15:</b></p> <p>Post completion reviews should be undertaken in respect of key procurement exercises in order to identify any learning that can be taken forward as part of a commitment to continuous improvement.</p>	<p>quality of the tender documents and procurement timings) are currently undertaken on an informal basis.</p> <ul style="list-style-type: none"> <li>• A formal review template to capture the above, together with lessons learnt, is being developed for use.</li> </ul>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Opportunities not taken to learn lessons and improve.</li> <li>• Failure to train and develop staff to provide a more efficient and effective procurement function.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Head of Procurement</b></p> <p><b>Date to be implemented:</b> <b>End August 2016</b></p>

● **Advisory Issue**

<b>Audit finding</b>	<b>Management response</b>
<p><b>b) Approved Lists</b></p> <p>The Head of Procurement is responsible for maintaining approved lists of suppliers. The current approved lists have not been reviewed and re-advertised for a number of years and do not therefore comply with the Joint Procurement Regulations. Approved lists should be reviewed and re-advertised on a regular basis to demonstrate the constabulary's commitment to genuine competition as an integral part of ethical procurement activity.</p> <p>The Head of Procurement is planning a project to address this issue. We suggest that a project plan is developed to include all actions required, people responsible, clear time targets and the necessary approval.</p>	<p>Agreed management action:</p> <p><b><u>Recommendation 16</u></b></p> <ul style="list-style-type: none"> <li>• The Procurement Team are working closely with Estates and have awarded frameworks (YPO) to reduce the dependencies on approved lists but the Constabulary accepts that there is still work to do.</li> <li>• The potential for joining a managed service, subject to impact on local agenda and a new spend analysis being undertaken, is being considered.</li> </ul>
<p><b>Recommendation 16:</b></p> <p>A plan should be developed to update approved lists of suppliers in accordance with the Joint</p>	

Procurement Regulations.	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"><li>• Poor value for money arising from the use of out of date approved lists.</li><li>• Reputational damage arising from a failure to demonstrate the exercise of genuine competition.</li></ul>	<p>Responsible manager for implementing: <b>Head of Procurement and Head of Estates &amp; Fleet</b></p> <p>Date to be implemented: <b>End March 2017.</b></p>



## Appendix A

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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



# Cumbria Shared Internal Audit Service

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



## Audit of Procurement

Draft Report Issued: **28<sup>th</sup> July 2016**

Final Report Issued: **10<sup>th</sup> August 2016**

## Audit Resources

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Lead Auditor	Sarah Wardle	<a href="mailto:sarah.wardle@cumbria.gov.uk">sarah.wardle@cumbria.gov.uk</a>	01228 226255

## Audit Report Distribution

For Action:	Vivian Stafford (Head of Partnerships and Commissioning)
For Information:	Ruth Hunter (Chief Finance Officer / Deputy Chief Executive) Stuart Edwards (Chief Executive)
Audit Committee	The Audit Committee, which is due to be held on 7 <sup>th</sup> September 2016, will receive the report.

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

## Cumbria Shared Internal Audit Service

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



## 1 Background

- 1.1 This report summarises the findings from the audit of procurement relating to the Cumbria Office of the Police and Crime Commissioner (COPCC). This was a planned audit assignment which was undertaken in accordance with the 2016/17 Audit Plan.
- 1.2 Procurement for the OPCC is closely linked with the Constabulary's procurement team who undertake procurement activity on behalf of both organisations. Procurement is important to the organisation because it contributes to the efficient use of resources to support operational policing needs and the objectives in the Police and Crime Plan for Cumbria 2013-17. Effective procurement, in line with the organisation's constitution and legislation is necessary for the COPCC to be able to demonstrate that funds are used and managed in a manner that is accountable and displays both probity and value for money. This report relates to the arrangements for the OPCC. A separate report has been prepared for the Constabulary's arrangements.
- 1.3 The Police and Crime Commissioner has a statutory responsibility for holding the Chief Constable to account. This includes overseeing how the budget is spent and ensuring the Constabulary maximises value for money.

## 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 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 and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls in the following area:

- Compliance with the new Joint Procurement Regulations, from tendering through to supply and across the various procurement routes.

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 OPCC in respect of procurement provide **substantial** assurance.

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

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

- 4.1 There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2 There are no audit recommendations arising from this review.
- 4.3 **Strengths:** The following areas of good practice within the OPCC were identified during the course of the audit:
- An up to date and approved Procurement Strategy is in place which was fully consulted upon and has clear links to strategic policing priorities as set out in the Police and Crime Plan for Cumbria 2013-17.
  - Joint Procurement Regulations have been developed with the Constabulary to reflect current legislation, EU Directives, strategy and best practice.

- Contract information is published on the COPPC's website for public scrutiny demonstrating the COPCC's commitment to openness transparency.
- There is regular representation from the Procurement Team at Partnerships and Commissioning Team meetings to liaise on procurements in the pipeline and ensure engagement from the outset.
- Arrangements are in place to ensure appropriate approval is secured for contracts, involving the Chief Executive where necessary.
- Appropriate approval is granted for any exemptions from normal procurement procedures, prior to the order for goods, works and services being placed.
- There is a commitment to training and developing the Partnerships and Commissioning Team with opportunities taken to attend training events organised for the Constabulary's Procurement Team.

4.4 **Areas for development:** No areas for development in terms of the OPCC's arrangements were identified during this review.

**Comment from the Chief Executive:** I welcome the assurance received from this report. Commissioning is and will continue to be an area that presents challenges and risks, including those that need to be mitigated and those that present opportunities to deliver more effective outcomes. This audit report has noted that the commissioning team are working well with procurement and in compliance with the control frameworks that have been established to govern our systems and processes. This, in addition to the on-going training of staff, will help to ensure that this continues as a well managed area of business.

## Appendix A

## Audit Assurance Opinions

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

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



## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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

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# Monitoring Key Audit Recommendations





## Introduction

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

If 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	5	0	5
New actions since last report	0	13	0	13
<b>Total actions this report</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>18</b>
Actions completed since last report	0	3	0	3
<b>Open actions c/fwd to next report</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>15</b>

Summary of Total Actions by Status	PCC	CC	Joint	Total
 Completed	0	3	0	3
 Ongoing	0	5	0	5
 timescale exceeded	0	2	0	2
 not yet due	0	8	0	8
<b>Total</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>18</b>

**Key to Grade:**

***Cumbria Shared Internal Audit Service***

<b>Grade/Priority</b>	
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***

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

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Safeguarding IT Assets (CC)	13/01/2016	13/01/2016	09/03/2016	Shared Internal Audit Service	R1 Responsibility for keeping up to date with emerging legislation relating to IT equipment should be clearly defined.	Medium	DCI Professional Standards Furzana Nazir	The role profile for the records and information security manager will be updated.  February 2016 - There is currently uncertainty regarding this audit recommendation, clarification is being sought from the shared internal audit team. Members will be updated at the meeting.  August 2016 - discussions have taken place with management audit which clarified that the recommendation related to computer security legislation which falls under the responsibilities of the Professional Standards Department. Discussions are now taking place to ascertain whether existing job descriptions cover these responsibilities adequately and a further update will be provided at the meeting.	TBC	Sep-16	🔴
Code of Ethics (CC)	18/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R1 Arrangements should be in place for management to be assured that all staff receive mandatory training on the Code of Ethics.	Medium	Chief Superintendent TP Sean Robinson	We will identify those who haven't received the mandatory Code of Ethics training and ensure it is delivered to those individuals through line management briefings. This will be documented as part of the 15 week review.  June 2016 - A paper regarding training in relation to Code of Ethics is being prepared and will be presented to Business Board on 1 August 2016.  August 2016 - The report to Business board has been delayed to the meeting on 26 August 2016. The CC CFO will provide an update at the September meeting of JASC.	31/07/2016	-	🔴
Code of Ethics (CC)	18/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R3 Arrangements should be in place to give management assurance that performance is being managed and that standards of professional and ethical behaviour are included as part of this process.	Medium	Chief Superintendent TP Sean Robinson	We will include Code of Ethics in the 15 week reviews and embed it in supervisory reviews for all staff.  June 2016 - A paper regarding training in relation to Code of Ethics is being prepared and will be presented to Business Board on 1 August 2016.  August 2016 - The report to Business board has been delayed to the meeting on 26 August 2016. The CC CFO will provide an update at the September meeting of JASC.	31/07/2016	-	🔴
Main Financial System - Creditors (CC)	22/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R1 Once the Central Services Department review is finalised arrangements should be made to review and update accounts payable procedures and ensure the following :- • Staff are made aware of new / updated procedures and where to access them with training provided where necessary. • Procedures are dated or version controlled. • Only the latest versions of procedures should be available for staff to follow. • Procedures are kept under regular review.	Medium	Head of Central Services Ann Dobinson	Current processes are being reviewed by the Change Team as part of the Admin Review (Phase 1). CSD management are working closely with the Change team to review, amend and implement new streamlined processes and procedures. New agreed processes will be documented and staff will be provided with full training as necessary. All new procedures will be version controlled, held easily accessible and regularly reviewed.  June 2016 - Work on the process review is ongoing with regard to some process. A more detailed review of the procure to pay process is being undertaken by the Change Team with meetings planned for July and August 2016.  August 2016 - A consultancy firm has been appointed to review the Procure to Pay processes and are working to assist the Change Team, this work will be concluded in October/November with new processes/workflows being implemented during December 2016. Review again end of December 2016	May - September 2016	31/12/2016	🔴
Review of Annual Governance Statement (AGS) (CC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R3 Management should be assured that the Annual Governance Statement correctly reflects the arrangements for staff to receive one to ones as they are operating in practice.	Medium	The Head of Human Resources Andrew Taylor	The Constabulary operates a process of formal performance review in relation to officers. It is, however, recognised that PDR for police staff was suspended pending guidance from the College of Policing. The AGS states the Constabulary's commitment to re-introduce PDR for all officers and staff during 2016-17. A more detailed update will be provided at the JASC meeting in May.  June 2016 - A plan is now in place to reintroduce PDR for all officers and staff during the remainder of 2016/17. Previously delayed national guidance on relationship between police officer pay and performance recently available and an electronic means of recording the details of PDR for both officers and staff is currently being developed.  August 2016 - Work is progressing on the development of an electronic PDR system for implementation by the end of 2016/17.	30/09/2016		🔴
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R1 Arrangements should be made to update appropriate staff in the constabulary on the new Procurement Strategy and updated Procurement Regulations.	High	Head of Procurement Les Hopcroft	The Procurement Strategy has been reviewed and approved by Extended COG and the previous Commissioner. The update of the Joint Procurement Regulations was reviewed by JASC with final agreement delayed due to clarification of policy regarding late tenders which has now been resolved. The Procurement team together with the Heads of Service, OPCC and the Estates Teams have been briefed on the Procurement Strategy. Communications strategy to be developed to brief key staff on the strategy and revised regulations, including: • Business Board. • Corporate Support SMT. • Staff involved in procurement processes (Incl. CSD, Finance, ICT, Estates etc.). • Brief update on ForceNet Intranet site	30/09/2016		🔴

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R2 The procurement risk register should be prepared in accordance with the constabulary's Risk Management Policy and associated guidance.	Medium	Director of Corporate Support  Stephen Kirkpatrick  and Head of Procurement  Les Hopcroft	<ul style="list-style-type: none"> <li>Bullet points 2, 3 and 4 have been addressed and completed and can now be found in the Corporate Support risk register.</li> <li>Further work has been undertaken to ensure that procurement risks are aligned to strategic objectives, including the Plan on a Page.</li> <li>Guidance and quality assurance from Corporate Improvement risk management team has been actioned as part of the Constabulary's quarterly risk management process.</li> </ul>	Already Completed		☀
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R3 The risks of over dependence on the Head of Procurement in operational procurement activity should be identified, assessed and managed.	High	Director of Corporate Support  Stephen Kirkpatrick  and Head of Procurement  Les Hopcroft	<ul style="list-style-type: none"> <li>Over dependence on the Head of Procurement is recognised and reviewed as part of on-going 121's with the Director of Corporate Support with appropriate prioritisation and assistance provided where necessary.</li> <li>It is recognised that the skills &amp; experience of the procurement team have progressed significantly since the last procurement review but that further development is still required.</li> <li>A comprehensive training and development framework is in place for members of the Procurement Team, including 21 training sessions delivered to date with a further 6 planned, which continues to increase the knowledge and skills base of those involved in procurement activities.</li> <li>The current Admin Review, led by Corporate Improvement, is considering transactional procurement activities with the aim of introducing further efficiencies.</li> <li>Work continues to embed category management across procurement, including continued review of roles and responsibilities.</li> </ul>	30/09/2017		☀
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R4 Procurement fraud risks should be identified, assessed and managed accordingly.	High	Head of Procurement  Les Hopcroft  Chief Finance Officer  Roger Marshall	<p>All procurement staff are aware of their responsibilities and have received training in relation to the Code of Ethics (both College of Policing &amp; CIPS 2008), the Joint Procurement Regulations and the Constabulary's Anti-Fraud &amp; Corruption policy and procedures.</p> <ul style="list-style-type: none"> <li>The Constabulary's CFO and Head of Procurement will undertake a procurement fraud risk assessment. Draft by end August 2016 with full assessment by end of October following further training.</li> </ul>	31/10/2016		☀
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R5 Arrangements should be in place to ensure procurement staff are aware of potential fraudulent procurement practices and fully understand expectations regarding their professional and ethical behaviour.	Medium	Head of Procurement  Les Hopcroft  Chief Finance Officer  Roger Marshall	<ul style="list-style-type: none"> <li>A training course on Procurement Fraud has been arranged for 06 October 2016, delivered by external consultants, to relevant staff across the organisation including Procurement, Finance, OPCC, Estates, Fleet &amp; ICT.</li> </ul>	31/10/2016		☀
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R6 Authorities, roles and responsibilities for undertaking procurement activity and monitoring compliance should be clarified and communicated to those concerned.	Medium	Head of Procurement  Les Hopcroft  Chief Finance Officer  Roger Marshall	<ul style="list-style-type: none"> <li>Roles &amp; Responsibilities defined within Joint Procurement Regulations and individual role profiles of relevant staff.</li> <li>Budget holder responsibilities, managed by Finance, are reviewed and refreshed on an annual basis.</li> <li>The Scheme of Delegation to be reviewed to refer to the Scheme of Devolved Resource Management' rather than the Joint Procurement Regulations.</li> </ul>	31/08/2016		☀
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R8 Management should define and communicate requirements around supervisory checking at key stages of the procurement lifecycle.	Medium	Head of Procurement  Les Hopcroft	<ul style="list-style-type: none"> <li>The Head of Procurement holds fortnightly 121's with all staff within the Procurement Team and also works closely with his team to ensure oversight of all procurement activities detailed within this audit finding.</li> <li>The Constabulary is confident that the appropriate checks and balances are undertaken to give the Head of Procurement reassurance that procurement activities are compliant with both the Joint Procurement Regulations and the EU Procurement Regulations (2015).</li> <li>The draft procurement cycle checklist to be finalised and introduced across all procurement functions.</li> </ul>	31/10/2016		☀
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R9 Arrangements should be in place to ensure consultants have current professional indemnity insurance, for the specified period, and copy certificates are obtained.	Medium	Head of Procurement  Les Hopcroft	<ul style="list-style-type: none"> <li>The Head of Procurement will reinforce the requirement to obtain copies of insurance certificates with members of the Procurement Team.</li> <li>Also to be included in procurement cycle checklist (recommendation 8).</li> </ul>	31/10/2016		☀
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R10 Guidance should be developed regarding the level of professional indemnity insurance cover required in different circumstances to adequately address risk exposure.	Medium	Head of Procurement  Les Hopcroft	<ul style="list-style-type: none"> <li>The level of insurance required is included in each ITT issued and is set, as a minimum of £250,000, but is set on an individual tender basis subject to the risk incurred.</li> <li>The Joint Procurement Regulations will be reviewed to consider whether minimum levels of insurances required should be included.</li> </ul>	15/09/2016		☀

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R11 Arrangements should be in place to keep the Procurement Team fully informed of future procurement activity, at the earliest opportunity for effective forward planning.	Medium	Head of Procurement Les Hopcroft	<ul style="list-style-type: none"> <li>The Head of Procurement and the Procurement Business Partners have regular engagement meetings with the relevant Heads of Service and OPCC with regards to current and pipeline procurement activities, thus ensuring good visibility is maintained.</li> <li>The Constabulary feels that appropriate arrangements to address recommendation 11 are already in place.</li> </ul>	In Place		⚙️
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R12 A mechanism should be in place to clearly highlight the amount and source of budget approval for those tasked with approving contracts.	Medium	Head of Procurement Les Hopcroft	<ul style="list-style-type: none"> <li>As part of the Contract Signature Request control process, the Constabulary CFO verifies that budgetary provision is available.</li> <li>It is accepted that this step would be better facilitated with further information being included on the form which has now been amended.</li> </ul>	Already Completed		⚙️
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R14 Procurement record storage arrangements should be defined and communicated.		Head of Procurement Les Hopcroft  Senior legal Advisor Janel Hallatt	<ul style="list-style-type: none"> <li>The arrangements for the storage and management of contract documentation will be reviewed jointly with the Head of Procurement and the Senior Legal Advisor with the Joint Regulations to be updated as required.</li> <li>A central register of all contract exemptions is held by the Head of Procurement.</li> </ul>	30/09/2016		⚙️
Procurement (CC)	17/08/2016	17/08/2016		Shared Internal Audit Service	R15 Post completion reviews should be undertaken in respect of key procurement exercises in order to identify any learning that can be taken forward as part of a commitment to continuous improvement.		Head of Procurement Les Hopcroft	<ul style="list-style-type: none"> <li>Post completion reviews (considering number of responses, evaluation criteria success, quality of the tender documents and procurement timings) are currently undertaken on an informal basis.</li> <li>A formal review template to capture the above, together with lessons learnt, is being developed for use.</li> </ul>	31/08/2016		⚙️

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Item 12 - TM Activities 2016-17 Quarter 1



# Cumbria Office of the Police and Crime Commissioner

## **Title:** Treasury Management Activities 2016/17 Quarter 1 (April to June 2016)

**PCC Decision Meeting: September 2016**

**Joint Audit & Standards Committee: 07 September 2016**

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

### **1. Purpose of the Report**

- 1.1. The purpose of this paper is to report on the Treasury Management activities, which have taken place during the period April to June 2016, in accordance with the requirements of CIPFA's Code of Practice on Treasury Management.
- 1.2. Treasury Management activities are undertaken in accordance with the Treasury Management Strategy Statement and Treasury Management Practices approved by the Commissioner in February each year.

### **2. Recommendation**

- 2.1. The Commissioner is asked to note the contents of this report. The report will also be presented to the Joint Audit and Standards Committee meeting of 07 September 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.

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- 2.2. 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. The report will also be presented to the Commissioner at a decision meeting in September 2016.

### 3. Economic Background

- 3.1. As we entered 2016, there was a significant uncertainty about the outlook for global growth. The slowdown in the Chinese economy and the knock-on effects for both trading partners and commodity prices, the uncertainty over the outcome of the US presidential election (no clear party or candidate being identified as an outright winner) and the impending referendum on the UK's future relationship with the EU, all resulted in nervousness and a shaky start for markets.

Data released in the April-June quarter showed UK GDP at 2% year/year to March 2016 and annual inflation at 0.3% in May. Core inflation remained subdued as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. Internationally, a modest pace of growth in the UK's main trading partners remained the most likely prospect.

Fluctuations in the opinion polls on the EU referendum prompted pronounced volatility in exchange rates, gilts, corporate bonds and equities as the result became increasingly uncertain. Immediately prior to the result, financial market sentiment shifted significantly in favour of a Remain outcome, a shift swiftly reversed as the results came in. The vote to leave the EU sent shockwaves through the domestic, European and global political spectrum.

Between 23rd June and 1st July the sterling exchange rate index fell by 9% and short-term volatility of sterling against the dollar increased significantly. Worldwide, markets reacted very negatively with a big initial fall in equity prices. Government bond yields also fell sharply by 20-30 basis points across all maturities (i.e. prices rose) as investors sought safe haven from riskier assets. The 10-year benchmark gilt yield fell from 1.37% to 0.86%. However, within a week of the EU referendum result the overall market reaction, although significant, was less severe than some had feared. The 5-year CDS for the UK (the cost of insuring against a sovereign default) rose from 33.5 basis points to 38.4 basis points. The FTSE All Share index, having fallen sharply by 7% from 3,481 points on 23rd June to 3,237 after the result, had subsequently risen to 3,515 by the end of the month.

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- 3.2. The Bank of England sought to reassure markets and investors. Governor Mark Carney's speeches on 24th and 30th June in response to the referendum result stressed that the Bank was ready to support money market liquidity and raised the likelihood of a cut in policy rates 'in the summer'. The door was also left open for an increase in the Bank's asset purchase facility (QE). The Governor noted that the Bank would weigh the downside risks to growth against the upside risks to inflation from fall in the value of sterling.

At the subsequent August meeting of the Bank of England's MPC, the decision was taken to reduce the bank base rate from 0.50% to a new all-time low level of 0.25%. The MPC also increased the level of asset purchases known as quantitative easing (QE) from £375bn to £425bn.

## **4. Treasury Management Operations and Performance Measures**

- 4.1. The Commissioner's day to day treasury management activities are undertaken on behalf of the Commissioner's Chief Finance Officer/Deputy Chief Executive by the financial services team under the management of the Chief Constable's Chief Finance Officer. Responsibilities and requirements for treasury management are set out in the financial regulations and rules. Treasury management practices are approved annually setting out the arrangements as part of the Treasury Management Strategy Statement (TMSS).

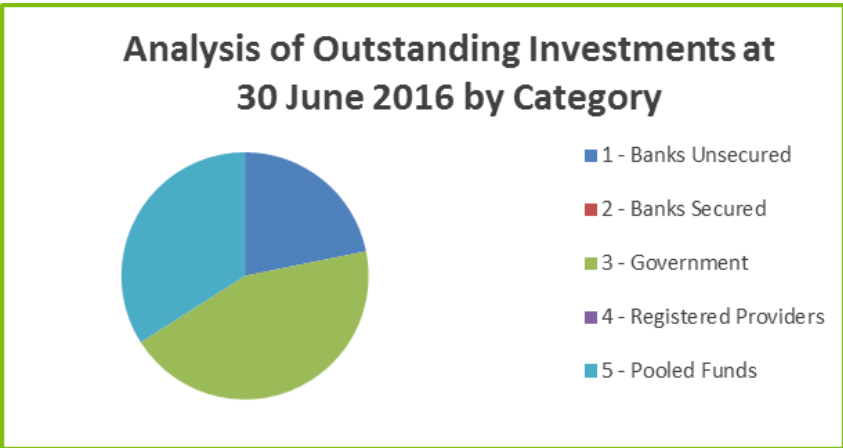
The TMSS sets maximum limits for investments according to category. The categories and overall limit per category is illustrated in the table below together with the actual investments outstanding as at 30 June 2016. Within each category there are further limits to the total amount and duration of investments that can be placed with individual counterparties, these vary depending on the credit rating of the counterparty at the time the investment is made.

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Category	Category Limit (£m)	Actual Investments at 30 June (£m)	Compliance with Limit
1 - Banks Unsecured	20	2.469	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government	unlimited	5.000	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	3.853	Yes
<b>Total</b>		<b>11.322</b>	

A schedule detailing the individual investments that make up the £11.322m total invested at 30 June 2016 is attached at **Appendix 2**. A further illustrative analysis is provided of the balance outstanding at **Appendix 3**, where the first chart analyses the outstanding balance by the credit rating of the investment counterparty and the second shows the maturity structure of investments by the credit rating of the counterparty.



4.2. Management of Cash Balances

The aim of the Treasury Management Strategy is to invest surplus cash and minimise the level of un-invested cash balances, whilst limiting risks to the Commissioner’s funds. Actual un-invested balances for the months of April to June 2016 for the Commissioner’s main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	87	62,409	1,603,080
Days Overdrawn	4	(131)	(432)

The bank account had large un-invested balances on two occasions. The largest un-invested balance occurred on the 10 June for three days over the weekend (£1.6m). This was as a result of an error by one of the constabulary’s brokers. Investments were placed with Standard life (£1.6m) and Aberdeen asset management (£2m) on the 7 June 2016 via the broker.

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The broker did not advise the fund managers of our subscription. As a result the Aberdeen investment was placed one day late and Standard Life returned the funds at the close of banking on Friday 10 June. The funds were immediately reinvested on the Monday morning with Standard Life and the broker has agreed to reimburse us for the lost interest on both accounts and the additional Chaps fee totalling £174.

The second largest un-invested balance occurred on the 2 June - £355k. Late in the afternoon we received an interim payment from our insurers in relation to claims for storm Desmond. We are advised by the bank that transactions being posted during the day are subject to checking and can be removed, therefore, we do not invest these sums until the following day to limit the risk of being overdrawn.

During the period April to June 2016 there were four instances where the main bank account was overdrawn. Three of these instances related to the amount of £31.18 which was overdrawn over the weekend. The largest and final overdrawn balance occurred on the 30 June for the amount of £431.94. This was as a result of £755.13 of bank charges of being withdrawn late in the day. The cash flow spreadsheet has now been amended to ensure that the closing balance on the final day of each quarter is high enough to cover an estimate of £800 bank charges. It should be noted that for the purposes of banking and overdraft facilities, all accounts with Nat West are pooled and as a result of balances in other accounts, the Commissioner was not actually overdrawn at any time.

Within the Treasury Management Strategy a target is set to achieve a daily balance of +/- £2k on the Commissioner's main bank account. Whilst the daily treasury management process always calculates the anticipated balance within these limits, daily transactions through the bank of which we are not aware (e.g. banking of cash/cheque receipts) can alter the closing balance for the day. During the months April to June 2016, the balance was within the £2k limit for 69 out of 91 days (76%). This statistic is skewed by our policy to ensure that all cash and cheques are banked on a Friday, as a minimum, more often if large sums are received. If cash is banked it clears our account on the same day and we will be over our £2k limit for three days over the weekend not just the day it is banked. This occurred on one occasion during this quarter, which was over the May bank holiday weekend so accounted for four days.

An estimate of the interest forgone on un-invested balances over £2k during this three month period is £138 (ignoring the lost interest discussed above as this will be reimbursed by the broker).

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**4.3. Investment Activity**

There were no investments placed with banks (category 1 unsecured & 2 secured) or Government (category 3) approved investment counterparties during the months of April to June 2016

There were, however, a number of regular smaller investments made via money market funds (category 5 pooled funds).

The Commissioner sets a limit for “non-specified” investments of over 364 days at the time of investment. The maximum of all investments with outstanding maturities greater than 364 days is set at a limit of £5m for 2016/17. The Commissioner currently has no investments that have an outstanding maturity of greater than 364 days. However, as at 30 June, there was one investment which at the time of investing, were for a period of just over 364 days. The details are set out in the table below:

Borrower	Value £m	Investment Period (Days)	Date Invested	End Date	Period Remaining to maturity (days)	Actual Rate (%)
Lloyds Bank PLC	2.0	366	11/08/2015	11/08/2016	42	1.00%
<b>Total</b>	<b>2.0</b>					

**4.4. Interest Earned**

Interest earned for the period of the report and the average return on investment that it represents is set out in the table below:

Month	Interest Amount (£)	Average Total Investment (£)	Average Return on Investment (%)
April 2016	8,780	20,085,356	0.53%
May 2016	7,662	16,471,203	0.55%
June 2016	6,866	15,620,504	0.53%
	<b>23,308</b>	<b>17,382,232</b>	<b>0.54%</b>

Total interest earned during April to June 2016 amounted to £23k. A simple pro-rata of this figure would suggest a full year effect of interest in the region of £92k, however, indications are that following Britain’s referendum on EU membership interest rates will fall over the summer. The

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current forecast is that interest receipts for 2016/17 will be £60k. A comparison of this figure against the budget is outlined in the table below:

A comparison of this figure against the budget is outlined in the table below:

	Amount (£000's)
Original Estimate 2016/17	100
Forecast Position June 2016	60
<b>Increase/(Decrease) compared to estimate</b>	<b>-40</b>
Increase/(Decrease) as a percentatge	-40%

#### 4.5. Investment Performance

As a performance measure for the quality of investment decisions, the rate achieved on maturing longer term investments of over three months in duration is compared with the average Bank of England base rate over the life of the investment. The table below provides details of the individual performance of investments (of over 3 month's duration at time of investment) for the months April to June 2016:

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Stirling Council	2	4	0.50%	0.50%
Lancashire County Council	2	12	0.50%	0.50%
Nationwide BS	2	6	0.70%	0.50%
Highland Council	2	3	0.50%	0.50%

The above table illustrates that for the four maturing investments that were for a duration of at least three months, the return was slightly higher or equal to the bank base rate.

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## 5. Compliance with Prudential Indicators

- 5.1. All treasury related Prudential Indicators for 2016/17, which were set in February 2016 as part of the annual Statement of Treasury Management Strategy, have been complied with. Further details can be found at **Appendix 4**.

## 6. Implications

- 6.1. Financial – As detailed in the main body of report above.
- 6.2. Legal – None
- 6.3. Risk – The report advises the Commissioner/members about treasury activities. Given the large unsecured sums invested with financial institutions treasury management can be a risky area. Nevertheless, procedures are in place to minimise the risks involved, including limits on the sums to be invested with any single institution and reference to credit ratings are set down in the PCC's treasury strategy and in particular the treasury management practices (TMP1 Treasury Risk Management).
- 6.4. HR / Equality – None
- 6.5. I.T – None
- 6.6. Procurement – None

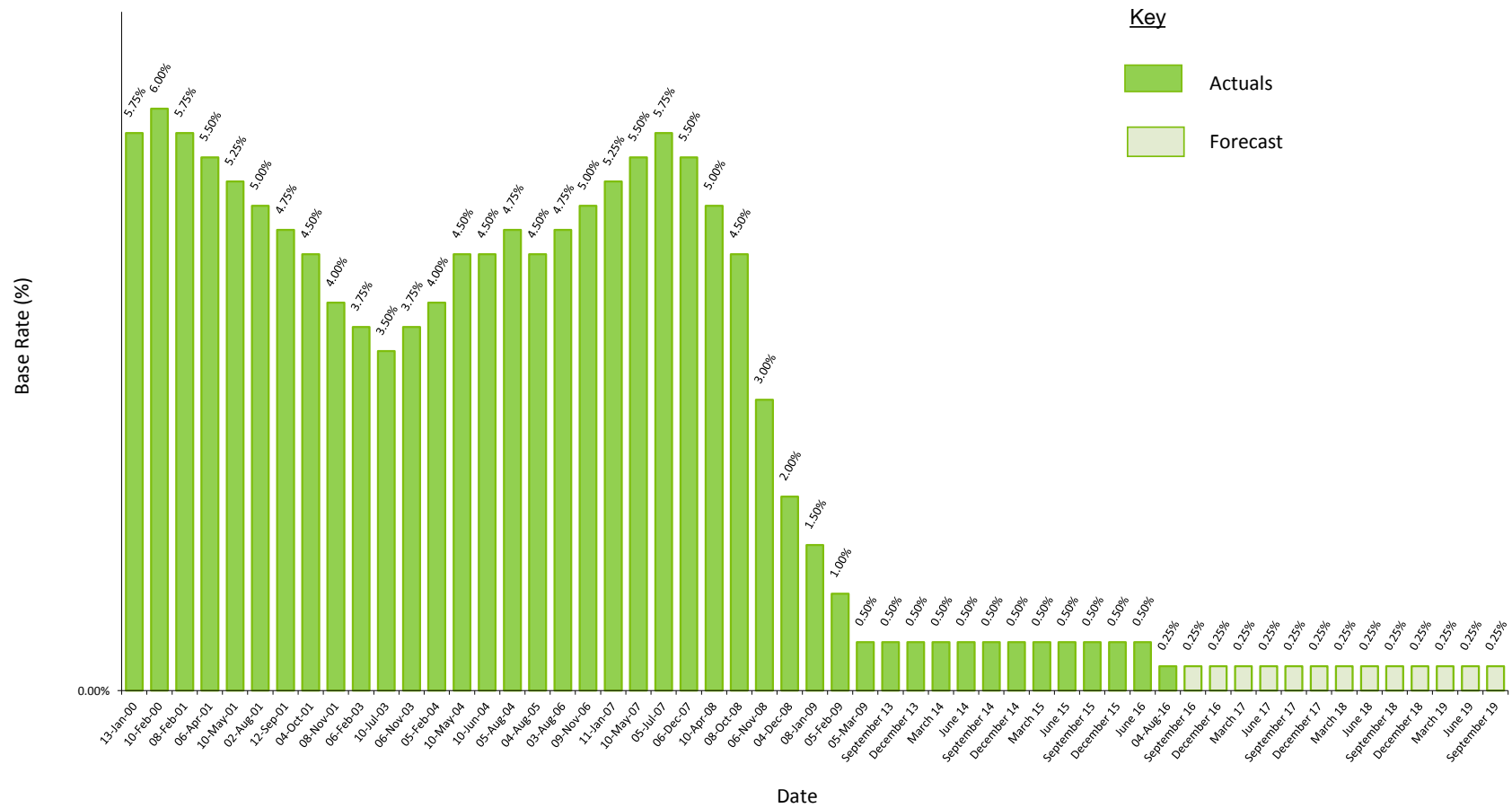
## 7. Supplementary information

### Attachments

- Appendix 1 Recent history and projections of Bank Base Rates
- Appendix 2 Schedule of Investments as at 30 June 2016
- Appendix 3 Analysis of Investments as at 30 June 2016
- Appendix 4 Prudential Indicator Compliance



Bank of England Base Rates (%)



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**Appendix 2****Schedule of Investments as at 30 June 2016**

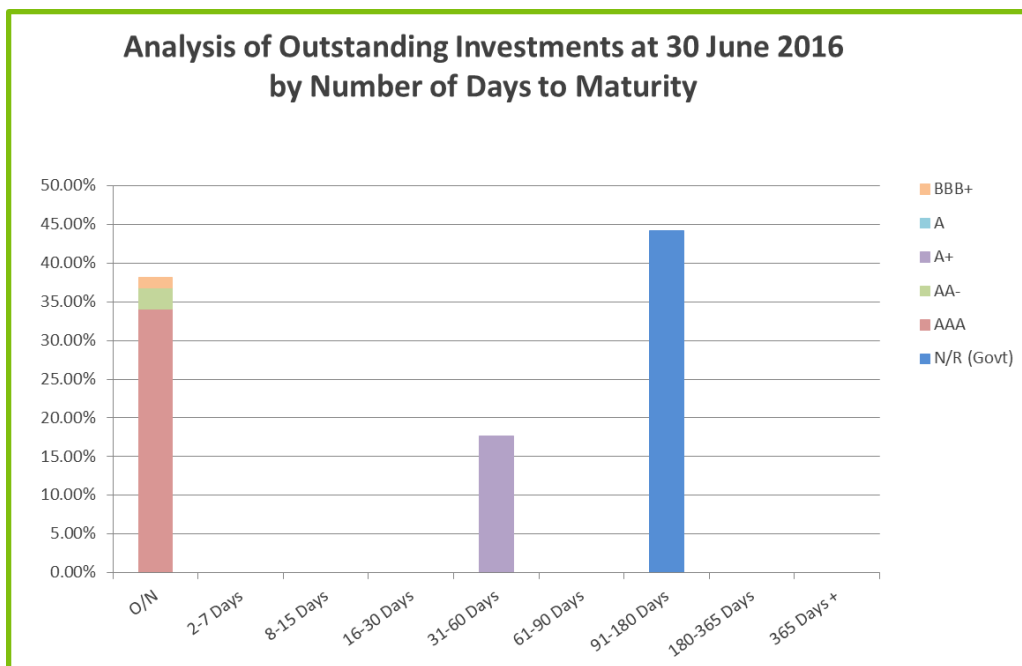
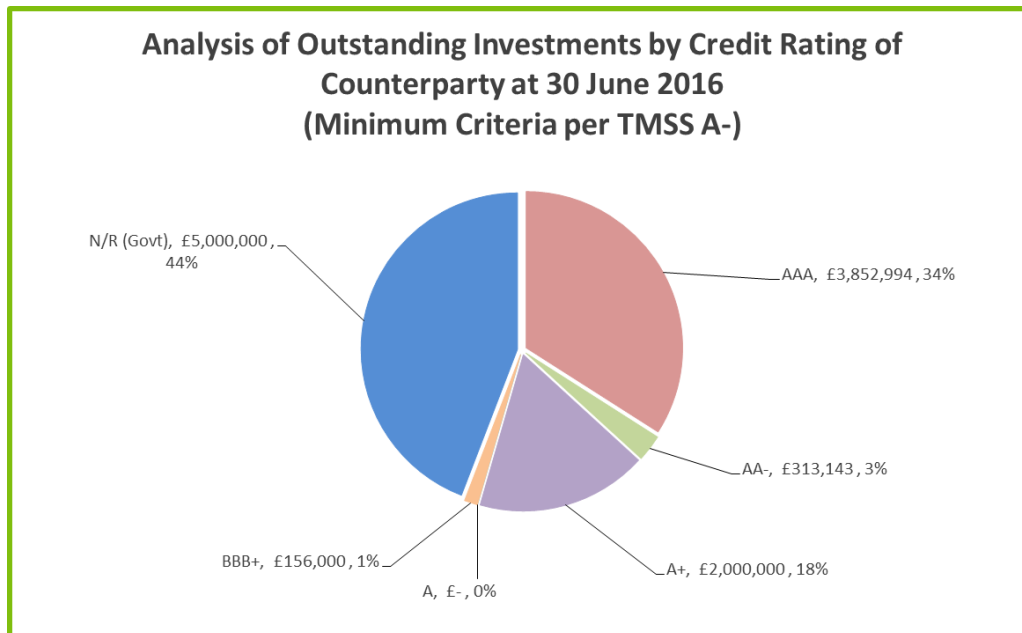
Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
<b>Category 1 - Banks Unsecured (Includes Banks &amp; Building Societies)</b>							
Lloyds Bank Plc	A+	11/08/2015	11/08/2016	42	1.00%	2,000,000	2,000,000
Svenska (Deposit Account)	AA-	Various	On Demand	N/A	0.35%	313,143	313,143
NatWest (Liquidity Select Account)	BBB+	31/03/2016	01/04/2016	O/N	0.25%	156,000	156,000
						2,469,143	2,469,143
<b>Category 2 - Banks Secured (Includes Banks &amp; Building Societies)</b>							
None						0	0
						0	0
<b>Category 3 - Government (Includes HM Treasury and Other Local Authorities)</b>							
DMO - DMADF	NR	24/02/2016	23/08/2016	145	0.25%	3,000,000	3,000,000
North Lanarkshire Council	NR	01/03/2016	07/12/2016	160	0.60%	2,000,000	2,000,000
						5,000,000	5,000,000
<b>Category 4 - Registered Providers (Includes Providers of Social Housing)</b>							
None						0	0
						0	0
<b>Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)</b>							
AIM	AAA	Various	On demand	O/N	0.47%	0	0
BlackRock	AAA	Various	On demand	O/N	0.41%	200,000	200,000
Fidelity	AAA	Various	On demand	O/N	0.43%	302,994	302,994
Goldman Sachs	AAA	Various	On demand	O/N	0.45%	850,000	850,000
Aberdeen Asset Management	AAA	Various	On demand	O/N	0.48%	500,000	500,000
Standard Life (Formally Ignis)	AAA	Various	On demand	O/N	0.51%	2,000,000	2,000,000
						3,852,994	3,852,994
<b>Total</b>						<b>11,322,138</b>	<b>11,322,138</b>

Note – the credit ratings shown in the above table relate to the standing as at 30 June 2016, as discussed in the main body of the report, the ratings are constantly subject to change.

The TMSS sets limits for maximum investment with counterparties. These limits vary depending on the credit rating of the counterparty at the time the investment was placed. The TMSS also places a limit on the total investments per category.

Appendix 3

**Analysis of Outstanding Investments as at 30 June 2016**



Note – the credit ratings shown in the above charts relate to the standing as at 30 June 2016, as discussed in the main body of the report, the ratings are constantly subject to change.

## Appendix 4

**Prudential Indicator Compliance****(a) Authorised Limit and Operational Boundary for External Debt**

- The Local Government Act 2003 requires the Commissioner to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached during the year. The Affordable Borrowing Limit is made up of two components; the *Authorised Limit* and the *Operational Boundary*.
- The Authorised Limit represents an upper limit for external borrowing that could be afforded in the short term but may not be sustainable. The figure includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Commissioner's Authorised Limit was set at £24.9m for 2016/17.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2016/17 was set at £23.4m.
- The actual amount of external borrowing as at 30 June 2016 was £Nil which is well within the above limits. No new external borrowings have been undertaken in the current financial year.

**(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

- These indicators allow the Commissioner to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2016/17	Actual Borrowing at 30 Jun '16	Compliance with limits
	£m	£m	
Upper Limit for Fixed Rate Exposure	24.9	0.00	Yes
Upper Limit for Variable Rate Exposure	1.50	0.00	Yes

**NOT PROTECTIVELY MARKED**

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**(c) Maturity Structure of Fixed Rate Borrowing**

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing as at 30 Jun '16 £m	% Fixed Rate Borrowing as at 30 Jun '16 %	Compliance with Set Limits?
	%	%			
Under 12 months	100	0	0.00	0	Yes
12 months and within 24 months	100	0	0.00	0	Yes
24 months and within 5 years	100	0	0.00	0	Yes
5 years and within 10 years	100	0	0.00	0	Yes
10 years and above	100	0	0.00	0	Yes

**(d) Total principal sums invested for periods longer than 364 days**

- This indicator allows the Commissioner to manage the risk inherent in investments longer than 364 days.
- The limit for 2016/17 was set at £5m.
- As at 30 June 2016, the PCC had one investment totalling £2m which was for a duration greater than 364 days at the time of investment. It no longer has an outstanding maturity greater than 364 days. Please see additional details within paragraph 4.3 above.

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# Joint Audit & Standards Committee

## Title: OPCC Risk Management Monitoring

**Date: September 2016**

**Agenda Item No: 13 (i)**

**Originating Officer: Stuart Edwards**

**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 OPCC's strategic risk register and 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 is one identified risk which is:

- Strategic Finance

- 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 operational risk register is attached at Appendix 2.

### **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		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 Owner		Actions		Reviews	
Risk No.	Risk Title	Total Score	Risk Owner	Action Owner	Any outstanding actions YES/NO	Date for actions to be completed	Date of next review
R1	Strategic Finance	12	Chief Executive	Chief Finance Officer	No		Nov 2016

Scores:

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

## 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
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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	Risk Owner	Action Owner	Any outstanding actions YES/NO	Date for actions to be completed	Date of review
<b>FINANCE</b>							
01	Budget Management	6	Chief Finance Officer	Deputy CFO	No		Nov 16
02	Investment Counterparty Risk	3	Chief Finance Officer	Deputy CFO	No		Nov 16
03	Financial Governance	2	Chief Finance Officer	Deputy CFO	No		Nov 16
04	Shared Services	2	Chief Executive	Deputy Chief Executive	No		Nov 16
05	Asset Management	2	Chief Executive	Chief Finance Officer	No		Nov 16
06	Insurance	4	Chief Executive	Chief Finance Officer	No		Nov 16
<b>PARTNERSHIPS &amp; COMMISSIONING</b>							
07	Performance / delivery of the police and crime plan	4	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		Nov 16
08	Partnerships & Collaboration	6	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		Nov 16
09	Commissioning of Services	6	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		Nov 16
<b>COMMUNICATION AND BUSINESS SERVICES</b>							
10	Public Engagement / Consultation	2	Head of Communications & Business Services	Engagement Officer	No		Nov 16
11	Reputation	4	Head of Communications & Business Services	Engagement Officer	No		Nov 16
12	Complaints	4	Head of Communications & Business Services	Governance Manager	Yes	Awaiting legislation	Nov 16
13	Diversity	3	Head of Communications & Business Services	Governance Manager	No		Nov 16
14	Independent Custody Visiting Scheme & Animal Welfare Scheme	4	Head of Communications & Business Services	Governance Manager	No		Nov 16
<b>CHIEF EXECUTIVE / MONITORING OFFICER</b>							
15	Non-Financial Governance	2	Chief Executive	Head of Communications & Business Services	No		Nov 16
16	Efficient and Effective Policing	6	Chief Executive	Chief Executive	No		Nov 16



## Joint Audit and Standards Committee

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

**DATE OF MEETING:** 7<sup>th</sup> September 2016

**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 the August update to 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 will next be presented to the Chief Officer Group in early September 2016.

### Recommendations:

#### That the Audit and Standards Committee:

1. 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 August 2016.

## 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 Operations Board (Joint Crime and Territorial Policing Board) and significant strategic business risks are managed in the relevant business department and via the Business Board. 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 his 'Annual Statement of Corporate Governance' determines 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. Failure to deliver required change.
2. The impact of change on Constabulary performance.
3. Reduced public confidence and engagement.
4. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme.
5. The implications of longer-term reduction in budget and the level of savings required.
6. Lack of capacity to address future demand and the range of potential operational threats.

The table on page 3 outlines the Constabulary's six 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
26	The Chief Constable & Chief Financial Officers	<p>As a result of the potential changes to police funding formula, and the removal of dampening funding, there will 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>	Very High	Very High	25	25	All	Scenario planning for worst case savings. Marketing and Communications involvement. Robust challenge re achievability of the required savings to Government.

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
25	The Chief Constable and Head of ICT	The Constabulary may be unable to fulfil its key strategic objectives because the new Emergency Services Network has potential to breach the Constabulary's risk capacity and appetite in terms of cost and acceptable levels of service provision. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.	Very High	Very High	25	25	All	<p>Established links with the Home Office to conduct preliminary identification and analysis of risk involved.</p> <p>The introduction of an ICT led Project team to conduct a more thorough identification and analysis of risks and to provide suitable risk response actions.</p> <p>Potential costs included in capital forecasts.</p> <p>Financial information rec'd which indicates that £6m over 10 years will be provided to Cumbria for the delivery of ESN / ESMCP. This will be part of the core grant so business case etc. may still be required for governance purposes.</p> <p>Meeting held 19th May to discuss further with key individuals. User groups have been created to ensure effective officer and staff engagement throughout the project.</p> <p>The constabulary is working in partnership with other forces and emergency services to deliver ESMCP together as a region.</p> <p>It is expected that the new system will go live in late 2017.</p>
27	Supt Gary Slater (West Cumbria)	The Constabulary may have no capacity to address future demand and the range of potential operational threats (such as environmental protest),	High	Medium	16	12	All	<p>The NuGen proposal is to build 3 new nuclear reactors. The company have completed stage one of their consultation and are now in the more detailed phase.</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
		caused by the significant economic development of controversial nuclear and associated industries (especially along the West Coast). This could potentially result in a possible major/critical incident, compromising public safety, a loss of public confidence and a severe impact on the Constabulary's reputation.						The potential impact on the Constabulary has been accounted for in the BIG6 and a professional lead has been allocated to the activity.
2	Director of Corporate Improvement & Director of Corporate Support	The Constabulary may not have the capacity to deliver the Change Programme and Corporate Support Business Plan, in particular the reliance on IT to deliver systems which improve officer productivity and reduce manual intervention in processes. If this risk occurs the Constabulary would have to find further savings.	High	Medium	10	12	All	Dedicated resources have been allocated to the Change Programme and the Change Strategy has been developed, including contingency plan Financial budgeting and forecasting, including comprehensive MTFE completed and reviewed quarterly. Workforce plan developed. Mobile & Digital Steering Group established to deliver systems to improve productivity. ICT workload prioritised quarterly via FSDB. Resourcing of Change and Business Plans has been completed. Revised governance arrangements have been implemented to improve strategic oversight and delivery. Dedicated planning day held on 29 January 2016 to schedule all the complex and interdependent change across the Constabulary with plan for delivery. Appointment of chief superintendent to deliver change in the operational organisation, coordinating business change. Revised ICT Strategy approved in January 2016.

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
								Revised Change Strategy approved in Nov 2015 which includes capacity building. Recruitment to full establishment is complete. Additional resource into Change and ICT following planning days.
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 Inspector of Constabulary (HMIC).	Medium	Medium	20	8	All	<p>The Change Programme coordinates all change activities and manages risk at programme level and review level.</p> <p>There are robust governance arrangements in place for the Change Programme strategies. There is a comprehensive Communications Strategy for the Change Programme.</p> <p>Unison and the Federation are fully engaged in the change management processes.</p> <p>Effectiveness of Dec 2014 Performance Development Conferences has been evaluated and actions have been completed.</p> <p>A revised communications strategy has been developed to improve awareness and engagement, internally and externally.</p> <p>The Constabulary is driving forward the national well-being agenda, following attendance at a conference facilitated by the University of Central Lancashire. The Constabulary has developed a local strategy to support officers and staff, including notification of access to services.</p> <p>Plan on a Page for 2016/17 and the associated BIG6 strategies, with supporting business improvement strategies have been approved.</p> <p>The Delivering Excellence Strategy has been approved. Delivered Plan on a Page.</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>The Business Improvement Unit is up and running, focusing on Quality Counts, and carrying out reality checks.</p> <p>May PDCs have been held, best practice and actions have been incorporated into a plan which was sent out to senior management on 20th May 2016. The actions will be reviewed as part of the next round of PDCs in 4 months' time.</p>
23	The Deputy Chief Constable and Head of Professional Standards	There may be reduced public confidence in the Constabulary and reduced engagement with frontline police officers and staff due to a perceived (because of current national media focus and government communication) or actual lack of integrity amongst police officers and staff. This would result in significant reputational damage and a potential drop in performance because of less public support.	Medium	Low	9	6	All	<p>Action Plan from HMIC Fear or Favour Police Integrity Inspection 2012 and 2013, including roll out of the integrity Model.</p> <p>Comprehensive policy framework including confidential reporting line and whistleblowing. Regularly reviewed and updated.</p> <p>Training and awareness as a direct result of specific incidents that have happened in the force.</p> <p>Significant proactive comprehensive communication and media strategies for specific cases, involving use of Gold groups led by chief officers.</p> <p>Ethical audits – business interests and internet usage.</p> <p>User satisfaction, including treatment by officers and staff, as part of performance framework and processes.</p> <p>Quarterly reports to PCC on all professional standard issues and complaints.</p> <p>PCC audit through dip sampling of complaints cases.</p> <p>HMIC Integrity Inspection 2014 recommendations have been implemented.</p> <p>CoP Code of Ethics has been rolled out and incorporated into individual and organisational</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>performance meetings. Feedback from the HMIC Effectiveness and Legitimacy Inspection in November 2015 said the Constabulary has well embedded the Code of Practice and the National Decision Model across the organisation. There is a PSD control strategy in place which is reviewed every 6 months.</p> <p>A revised communications strategy has been developed to improve awareness and engagement. Development of transparency arrangements with public.</p> <p>Well Being Strategy approved by COG in May 2016. Ongoing scrutiny by independent Ethics Panel and actions</p>

**Risk Tolerance Levels**

<p><b><u>Risk Score 1-4</u></b></p> <p>Acceptable. No action is required but continue monitoring.</p>	<p><b><u>Risk Score 5-12</u></b></p> <p>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><u>Risk Score 15-25</u></b></p> <p>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. COG will be presented with the strategic risk register for approval in early September 2016.

## 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

9.1 List any relevant documents and attach to report

<b>Appendix 1</b>	Risk Scoring Matrix
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9.2 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

# Investigative Control Framework

## Report Summary

This report sets out actions undertaken to improve the Constabulary's investigative control framework regarding safeguarding in response to recent high profile cases and Her Majesty's Inspectorate of Constabulary (HMIC) recommendations.

## Recommendations

The Committee are asked to note and provide comment on the actions put in place to improve investigative processes and controls.

## Detail

In response to failings identified in recent high profile cases investigated by the Constabulary and reports issued by HMIC, the Constabulary has put in place a number of actions to improve the quality and control of investigations particularly where safeguarding issues are identified. These actions form part of the Constabulary's Big Six Improvement Plan which covers all areas of activity.

The principal areas for improvement which were identified related to scene preservation and investigation.

In essence a three strand approach to improving investigative performance has been adopted which involves:-

1. Ensuring that all officers involved in conducting investigations into serious crime are adequately trained to ensure that they have the appropriate skills, knowledge and experience to perform this role.
2. Improvements to the investigative process including greater oversight of work by senior officers.
3. Checks regarding the implementation of actions and the operation of processes and procedures by the Business Improvement Unit within the Constabulary.

The following sections will provide greater detail on the actions which have been implemented in each of the areas highlighted above.

## Training

In relation to training all Senior Investigating Officers (SIOs) and their Deputies (DSIOS) are required to attend SIO and DSIO courses which are of three week duration and cover all

aspects of investigation where the need for improvement was identified, including management of investigations, forensic strategies, witness strategies, family liaison and policy writing. In addition all SIOs and DSIOs are required to attend a specific 4 day course on child death.

The above courses have been further supported with a one day compulsory CPD event focusing on child death for DSIOs, Detective Sergeants and Detective Constables. A one day conference has also taken place jointly between Cumbria Constabulary and Lancashire Constabulary focusing on child homicide, with the aim of promoting best practice and learning from each other's experience.

All officers that are new into the role of SIO or DSIO, must now be shadowed by an experienced officer until they have been signed off as competent in the role.

All Frontline supervisors are receiving training on the initial actions at the scene of a crime or sudden / suspicious death, known as the golden hour actions. This will also include all call handling officers and staff.

Following implementation of these actions there is assurance that investigating officers have had significant training to ensure they have a thorough knowledge of child death investigations, scene management and management of investigations.

### **Investigative Processes**

In relation to investigative processes, actions have concentrated on ensuring that there is greater oversight of investigations at all stages to give assurance that they are being carried out efficiently, effectively and ethically.

Specific Actions which have been implemented include:-

- Initial communication and subsequent monthly updates for sudden / suspicious death investigations (particularly in relation to children) are given to Crime Command senior management and TPA senior managers.
- Improved clarity of responsibilities in relation to the initial management of sudden / suspicious deaths, which is also incorporated in mandatory elements of the Leadership and Development Programme.
- Aide memoirs have been developed and are available on the force mobile devices to assist officers in dealing with child deaths.
- Documented forensic submission strategies.
- Collaboration with partner agencies to ensure that scenes of crime are better preserved.
- Officers attending post-mortems now have greater understanding of their role and must complete a form that is sent to the head of crime command for review.
- Review of initial post mortem findings to determine future actions.
- Officers have been trained to peer review investigations and a review can now be commissioned by the SIO or head of crime command to ensure no investigative lines of enquiry are missed and the investigation remains focused.



## **The Role of Corporate Improvement**

Areas for improvement within the Force and actions arising from HMIC inspection and Serious Case Reviews, are added to the Cumbria Constabulary Improvement Plan. Progress against individual actions within the plan are tracked, quality assured and tested by the Business Improvement Unit. The Business Improvement Unit is an independent team of experienced Police officers who work within Corporate Improvement, and report to the Deputy Chief Constable, through the Force Strategic Delivery Board. The Business Improvement Unit also provides updates to the ACC for the Operations Delivery Board. The Head of the Business Improvement Unit also meets with the Chief Constable on a monthly basis to identify areas of significant underperformance or risk, which need to be addressed.

The Business Improvement Unit reality checks all actions which are completed within the Cumbria Constabulary Improvement Plan to ensure actions have been discharged correctly. If the action has been discharged correctly it is marked as completed. If the actions has not been discharged correctly, it is returned to the action owner / professional lead (a Supt or above) who then have to undertake remedial action to ensure the action is discharged correctly.

The Business Improvement Unit also undertake risk based reality checking to ensure that new process / procedures are being adhered to and are working effectively, to improve the performance across the organisation.