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22 August 2013

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 **Monday 2nd December 2013** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **11 am**.

S Edwards
Chief Executive

Note: Members are advised that allocated car parking for the meeting is available in the Visitors Car Park to the left of the main Headquarters building.

Please note there will be a Treasury Management session for members from 9.30am to 10.30am

COMMITTEE MEMBERSHIP

Mr Patrick Everingham (Chair)
Mrs Fiona Daley
Mr Andy Hampshire
Mr Jack Jones

Audit and Standards Committee Terms of Reference

Audit Activity

- To approve, but not direct the Annual Audit Plans.
- To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity and the level of assurance it can give over the PCC's and Chief Constable's corporate governance arrangements.
- To consider internal and external audit and inspection reports and a report on the implementation of agreed audit recommendations.
- To consider reports dealing with the management and performance of the providers of internal audit services.
- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance, ie the PCC and the Chief Constable, including the Annual Governance Statement and any changes to the local code of governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To commission and monitor the effectiveness of the work of the internal and external audit services.
- Advising on the appointment of external auditors.
- To meet privately and separately with External Auditors and Internal Auditors as required.
- To request relevant information from offices and seek their attendance at meetings.
- To review and determine Internal Auditors Terms of Reference.

Regulatory Framework

- To maintain an overview of the constitution in respect of contract procedures rules, financial regulations and codes of conduct and behaviour.
- To review any issue referred to it by the statutory officers of the PCC and/or the Constabulary statutory officers.
- To oversee the production of the PCC's and Chief Constable's Governance Statement and to recommend its adoption.
- To monitor OPCC and Constabulary arrangements for anti-fraud and corruption and the OPCC and Chief Constable's complaints processes.
- To oversee the arrangements for corporate governance and agree necessary actions to ensure compliance with best practice.
- To consider the PCC and Chief Constable's compliance with its own and other published standards and controls.

Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns

arising from the financial statements or from the audit that need to be brought to the attention of the PCC/Chief Constable.

- To consider the external auditor' report to those charged with governance on issues arising from the audit of accounts and to report these to the OPCC and Chief Constable.
- To scrutinise reports dealing with treasury management activity in compliance with the treasury management code of practice and prior to their approval by the Police & Crime Commissioner.

Corporate Risk Management

- To monitor the effective development and operation of risk management within the OPCC and Constabulary.
- Approving the OPCC and Constabulary corporate risk management strategy and framework; ensuring that an appropriate framework is in place for assessing and managing key risks to the OPCC and Constabulary.
- To assess, monitor and manage risks as to the Committee's effectiveness.

Standards Activity

- Monitoring the operation and effectiveness of the PCCs' Code of Conduct
- Monitoring the operation and effectiveness of the PCC's /Officer Protocol.
- Granting dispensation to the PCC from requirements relating to interest set out in the PCC's Code of Conduct.
- To hear and determine appeals in relation to the OPCC's personnel policies and decisions of the Chief Executive where appropriate.
- To hear and determine appeals by Independent Custody Visitors and Independent Members of Police Misconduct Panels from decisions of the Chief Executive.

Miscellaneous

- To receive any reports as necessary to the fulfilling of the statement of purpose and terms of reference
- To periodically review the effectiveness of the committee in fulfilling its role.
- Update from the Chief Finance Officers on current financial issues/developments.

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

To receive and approve the minutes of the meeting held on Monday 24th June 2013 and committee action sheet (copies enclosed)

5. ACTION PLAN – SOUTH WALES POLICE INVESTIGATION

To receive a report from the Chief Executive

6. EXTERNAL AUDITORS – GRANT THORNTON UK

To receive a copy of the Annual Audit letter (letter enclosed)

7. 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 Constabulary Chief Finance Officer (copy enclosed) (*Committee to consider*)

8. INTERNAL AUDIT PLAN 2013-14 – PROGRESS REPORT

To receive a report from the Management Audit Unit regarding the progress of the Internal Audit Plan - To be presented by Audit Manager (copy enclosed) (*Committee to consider*)

9. INTERNAL AUDIT REPORTS

To receive reports from the Management Audit Unit regarding audits undertaken (copies enclosed) (*Committee to consider*)

- i. Integrity – OPCC
- ii. Integrity - CC

10. TREASURY MANAGEMENT ACTIVITIES 2013-14 – AUGUST AND SEPTEMBER 2013

To receive a report on treasury management activities for August - September 2013 (copy enclosed) – To be presented by the Accountancy Services Manager (*Committee to scrutinise*)

11. STRATEGIC RISK

To receive the Strategic Risk Registers for:

- (i) Office of the Police & Crime Commissioner (copy enclosed)

PART 2 – ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC

12. STRATEGIC RISK

To receive the Strategic Risk Registers for:

- (i) Cumbria Constabulary (copy enclosed)

13. FINANCIAL SERVICES TEAM STRUCTURE

To receive a report from the Financial Services Manager

**Agenda Item 4****CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY****JOINT AUDIT & STANDARDS COMMITTEE**

Minutes of a Meeting of the Joint Audit & Standards Committee held on
Monday 23rd September 2013 in Conference Room 2, Police Headquarters,
Carleton Hall, Penrith, at 11 am

PRESENT

Mr Patrick Everingham (Chair)
Mrs Fiona Daley
Mr Andy Hampshire
Mr Jack Jones

Also present:

Audit Manager, Management Audit Unit, Cumbria County Council (Emma Toyne)
Engagement Lead, Grant Thornton UK (Gina Martlew)
Assistant Chief Constable (Michelle Skeer)
Constabulary Chief Finance Officer (Roger Marshall)
Accountancy Services Manager (Michelle Bellis)
OPCC Chief Finance Officer (Ruth Hunter)
Budget & Finance Assistant (Dawn Cowperthwaite)
Chief Executive (Stuart Edwards)
Temporary Chief Constable (Bernard Lawson)
Police and Crime Commissioner (Richard Rhodes)

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC**44. APOLOGIES FOR ABSENCE**

No apologies for absence were received as all members were present.

45. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC

There were no items of urgent business to be considered by the Committee.

RESOLVED, that under section 100A(4) of the Local Government Act 1972, (as amended), the press and public be excluded from the meeting during consideration of the following items on the grounds that they involve the likely disclosure of exempt information as defined in the paragraph indicated in Part 1 of Schedule 12A to the Act –

Item No	Item	Paragraph No
15	Strategic Risk Registers	3 & 7

16 (Constabulary)
Investigation into Temporary 3 & 7
Chief Constable Stuart Hyde –
Conduct Matters

46. DISCLOSURE OF PERSONAL INTERESTS

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

47. MINUTES OF MEETING

The minutes of the meeting held on 24th June 2013 had been circulated with the agenda.

RESOLVED, that, the minutes of the meeting held on 24th June 2013 be approved,

The Chief Constable's Chief Finance Officer asked that items 6 and 7 be deferred until the Temporary Chief Constable and Police and Crime Commissioner were able to attend the meeting at 12pm.

48. MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS

The Constabulary's Chief Finance Officer took members through the report and highlighted that there were a total of 18 audit recommendations, 7 of which had been brought forward from the last meeting and provided further details on the items which had past deadline.

Creditors: update of the financial rules and regulations has been delayed due to finance staff being heavily involved in the preparation of final accounts, it is anticipated that this work will be able to commence in the very near future.

Partnerships/Value for Money: it was confirmed that there were just a couple of pieces of work needing to be finished with regards to partnership as the vast majority of work has previously been completed. The final work has been delayed due to unforeseen staff absences but it is expected to be completed by the next committee meeting.

Data Quality: The Assistant Chief Constable advised that work to improve data quality was still on-going with a series of audits being undertaken which was a step in the right direction. A complaints department had been set up to support crime management internally. It was confirmed that this is the number one priority.

A member asked how many partnerships had been removed from the organisation. The Chief Constable's Chief Finance Officer replied that he did not have this information to hand but that

he would check and get back to the committee. The Assistant Chief Constable advised that the initial piece of work has focussed on large partnerships and that it was difficult to end these as they had proved to be mutually beneficial.

A member asked if a new deadline had been set for the improvement of performance with regards to data quality and if there was a target for an acceptability range. The Assistant Chief Constable commented that this was an on-going piece of work as whatever was implemented needed to be sustainable so that they could maintain a steady level of performance. Increased compliance levels support that there has been a general improvement. The Commissioner's Chief Finance Officer commented that data performance is currently graded as 'fair' although the aim is to make further improvements to ensure that performance can remain at the level of a high 'fair' rating.

A member commented that some recommendations appear not to be getting addressed due to staffing levels and that the committee should be doing more to ensure that audit recommendations are being completed. Looking ahead to next year it did not seem as though there would be a lull in work that would allow this work to be completed.

The Commissioner's Chief Finance Officer commented that we would have a better idea of what needed to be done in the next financial year once we had completed the current accounts process. To produce three sets of accounts had taken a lot more work and the Annual Governance Statements were also more complex to produce than they used to be. Conversations are on-going with the Chief Constable's Chief Finance Officer to look at capacity within finance.

A member commented that they supported everything that had been said and that a tremendous job had been done by the finance team but didn't see that this level of work was sustainable and another member commented that the financial items in the risk registers may need to be looked at in light of this. Another member asked that an update be given at the next meeting on the results of the above deliberations.

The Chair confirmed his support for the above and stated that the organisation had reached a point where serious consideration needed to be given to the on-going situation. The organisation has proved itself to be very conservative with spending money but there were funds available to increase staffing if this were deemed necessary.

RESOLVED, that, the update be noted.

49. PUBLIC SECTOR INTERNAL AUDIT STANDARDS PAPER

The Audit Manager provided an overview of the public sector internal audit standards report which became mandatory for all UK public sector internal auditors from 1st April 2013 and highlighted the following key points.

- i) A revised definition of internal auditing focusing on the role of internal audit in providing independent assurance over the systems of Governance, Risk management and Internal control.
- ii) A mandatory code of ethics which must be adopted by all internal auditors working in the UK public sector.
- iii) The preparation of an audit charter setting out the role and purpose of internal audit, as well as the nature of the head of internal audit's functional reporting relationship with the Audit and Standards committee and affirms internal audit's rights of access to all records, information, premises relevant to internal audit assignments.
- iv) The requirement for a quality assurance and improvement programme for internal audit.
- v) The preparation of annual risk-based audit plans designed to allow an annual opinion to be given over the PCC and Chief Constable's arrangements for Governance, Risk Management and Internal Control
- vi) The duty placed on the Head of Internal Audit to escalate to senior management and Governance Committee any instances where he/she considers that management have accepted a level of risk that may be unacceptable to the PCC or Chief Constable.

RESOLVED, that the contents of the report be noted.

50. INTERNAL AUDIT PLAN 2012-13 – PROGRESS REPORT

The Audit Manager presented a progress report which summarised the internal audit work which had been carried out up to the end of August 2013. At that time 21% of the internal audit plan had been completed with 131 days still outstanding, this was a favourable position when measured against last year when 11% of the audit had been completed in the same timeframe.

There has been three pieces of audit work completed so far, Treasury Management (good), Territorial Policing Areas (satisfactory) and Data Quality (fair). There was also a piece of work completed on the Appleby Incident, which surmised that policies were not always reviewed in line with their stipulated review dates.

Reviews to be completed in the coming months included Seized/held property and Integrity.

The Commissioner's Chief Finance Officer confirmed that meetings between internal audit and the organisation were on-going to provide full input from managers to ensure a more rounded audit service and a better overall understanding of the organisation.

51. INTERNAL AUDIT REPORTS

(i) Data Quality

In June 2013 internal audit undertook a review of serious violent crime data. An overall evaluation of 'fair' had been given. The following recommendations were made.

- i. Grade 1 – There should be close monitoring and supervision of Central Crime Management Unit crime re-classifications in respect of serious violent crime.
- ii. Grade 2 – The risk for serious violent crime data quality should be re-assessed and managed accordingly to ensure acceptable data quality standards.
- iii. Grade 1 – Consideration needs to be given to determine the cost / benefits of reviewing all serious violent crimes during this period and re-classifying crimes to less serious codes where necessary.

A member commented that they had concerns around members of crime staff auditing their own work and asked if it wouldn't be better to have two separate groups so that bias wouldn't be a factor. The Assistant Chief Constable confirmed that the staff conducting the audits were different from those staff who had input the data.

A member had concerns that recommendation three was shown as 'Recommendation not agreed' and asked for clarification on the matter. The Assistant Chief Constable confirmed that the issue was related to the feasibility of carrying out the recommendation rather than the recommendation actually being agreed, as they had needed to ascertain what benefits might be forthcoming and if any value would be added.

(ii) Territorial policing areas

An Internal Audit in relation to a review of financial management systems at the West, North and South Territorial Policing Areas (TPA's) had been undertaken as part of the internal audit plan. There were three Grade 2 and three Grade 3 recommendations.

A member commented that, in general, this appeared to be a good report given the changes that have occurred recently compared to what could have gone wrong. The Chief Constable's Chief Finance Officer agreed with these comments. The Financial Services Manager commented on the VAT issues and stated that a VAT receipt would not be required for small amounts and doubted that VAT would have been claimed incorrectly although it would be classed as a housekeeping issue that receipts were not always obtained for petty cash purposes.

(iii) Treasury Management

As part of the internal audit plan an audit review of Treasury Management has been carried out. The overall evaluation was 'Good' with no recommendations being made.

The Chairperson commented that he would have been surprised if there had been any issues with treasury management.

(iv) Police Appleby Incident

In July 2013 internal audit undertook a review of policies, procedures and standing orders in place nationally, force wide and specifically for Appleby Fair in respect of events such as the school bus incident in Appleby. The main conclusions drawn were: -

- Policy development arrangements for the Constabulary could be improved
- Review dates stipulated were not always adhered to

The Chairperson asked for clarification on the issues and the Assistant Chief Constable gave the members a review of what had happened regarding the Appleby Incident. The Chairperson concluded that making recommendations in this instance would have been difficult as this was an isolated event.

RESOLVED, that the contents of the internal audit reports be noted.

Note – The Police and Crime Commissioner and the Temporary Chief Constable joined the meeting at this point.

52. AUDIT FINDINGS REPORT 2012-13

The Engagement Lead stated that a tremendous job had been done by staff to produce the accounts with special thanks to the Financial Service Manager, Commissioner's Chief Finance Officer and Chief Constable's Chief Finance Officer. The main points reviewed in the report are given below: -

- The Engagement Lead expected to provide an unqualified opinion on the accounts.
- One recommendation was made around Internal Controls regarding related party transactions although these issues have been addressed
- Revenue and Capital underspend of £4.3 million – it is important to have plans to use this money, what are the implications of not spending this money.

A member voiced their appreciation to the finance team for their effort in preparing the reports and the quality of the work completed, this was agreed by the rest of the committee. It was also noted that the committee took a high level of assurance from both the accounts and the auditor's report.

A member asked about the practicalities of having an underspend and as the establishment (number of employees) was mainly to blame for the underspend, asked if the organisation budgeted for 100% of establishment.

The Chief Constable's Chief Finance Officer confirmed that a turnover factor of around 5% was taken into account when budgeting.

A member then commented that the reports gave the suggestion that the Constabulary would be at establishment by October and asked for clarification as to what the current position was.

The Assistant Chief Constable stated that the organisation anticipated being eight officers over establishment by October as a result of both new starters and transferees currently in the pipeline.

A member asked how capital projects were monitored and/or managed. The Chief Constable's Chief Finance Officer confirmed that each project has a project board which meet regularly, from this a highlight report was sent on a monthly basis to the Chief Officer Group (COG) and then quarterly reported to the Police and Crime Commissioner.

A member asked if it would be possible for the committee to receive regular update reports on the capital situation and the Commissioner's Chief Finance Officer confirmed that these would be recorded in the Audit Monitoring Recommendation report from now on.

The Temporary Chief Constable voiced his appreciation of comments passed regarding staff by the external auditors.

RESOLVED, that, the Members note the reports

53. STATEMENT OF ACCOUNTS 2012-13

The Commissioner's Chief Finance Officer led the committee through the accounts for the Police and Crime Commissioner and the Group Accounts. The Chairperson confirmed that following the committee's earlier meeting with external auditors, the Engagement Lead was happy with the approach that had been taken to preparing the accounts.

A member stated that they had taken a high level of assurance from the Statement of Accounts and adjoining reports although they had noted a small discrepancy between the notes in the Group and Chief Constables Accounts. The Financial Services Manager confirmed that she would make the suggested corrections.

A member commented that whilst finance were doing an exemplary job there were clearly issues around some of the housekeeping tasks and that they wanted to put on record in front of the Commissioner and Chief Constable that they strongly believed there to be capacity issues.

The Chief Constable's Chief Finance Officer formally recognised the hard work of the Financial Services Manager and the finance team in the preparation of the accounts. He confirmed that the Chief Constable's reports were mirror images of those already discussed for the Police and Crime Commissioner although there were differences in the Annual Governance Statements and the letters of representation.

A member stated he found the reports extremely useful and asked if there had been any interest in the Statement of Accounts from the public, the Commissioner's Chief Finance Officer confirmed that there had not.

The Police and Crime Commissioner stated that there were a number of pieces of work underway which would make a difference to the capacity issues by the end of the financial year.

The Financial Services Manager stated that she would make a couple of amendments to the accounts and then give them to the Chief Constable and Police and Crime Commissioner for sign off.

- RESOLVED,** that,
- (i) the members recommend the signing of the accounts by the Police and Crime Commissioner and the Chief Constable
 - (ii) concerns are highlighted
 - a. Slippage of ICT Projects (Capital Underspend)
 - b. Capacity issues

Note - The Commissioner, Temporary Chief Constable and the Engagement Lead left the meeting at this point. There was a break from 12.55 pm to 1.00 pm when with the exception of the above all the same members were present.

54. TREASURY MANAGEMENT ACTIVITIES 2013-14 – APRIL TO JULY 2013

The Accountancy Services Manager presented to members the Treasury Management Activities for April to July 2013. It was highlighted that the budget for investment income was originally set at £82k; this was now forecasted to exceed this by around £25k following the decision made by the Commissioner in June 2013 to change the investment strategy.

- RESOLVED,** that,
- (ii) Treasury Management Activities for April to July 2013 be noted.

55. STRATEGIC RISK

- (ii) Office of the Police & Crime Commissioner Strategic Risk Register

The OPCC Chief Finance Officer presented a copy of the OPCC's strategic risk register and asked for any comments on the items or the scoring.

A member commented that the capacity levels in finance may affect the chances of risk or increase the levels of risks.

A member asked if it was planned for there to be a deputy for the Chief Finance Officers. The Commissioner's Chief Finance Officer confirmed that the intention was for the Financial Services Manager to act as deputy to both officers but that their workload was too large at the moment to support this. The Chairperson asked if it were the plan to spread the knowledge throughout the existing team or to increase staffing levels, the Commissioner's Chief Finance Officer confirmed that this was part of current discussions.

A member commented that the score for risk number four (reputational risk) should be higher given the recent history, another member agreed with this although the transparency of the information put into the public domain had mitigated this somewhat.

The Commissioner's Chief Finance Officer noted that it would be useful in future to not only look at the risk scores on an annual basis but also to look at them in relation to the recent history.

RESOLVED, that, the contents of the report be noted.

Note - The Commissioner's Chief Finance Officer left the meeting at this point.

(ii) Joint Audit & Standards Committee

The members met privately to discuss the risks identified within their risk register and then scored the risks appropriately.

PART 2 – ITEMS CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC

56. STRATEGIC RISK

(i) Cumbria Constabulary Strategic Risk Register

The Assistant Chief Constable guided members through the risk register for the Constabulary and commented that a lot of work was currently being done around several of the risks and that it was expected that their scores would be reduced in the short term.

RESOLVED, that the Constabulary's Strategic Risk Register be noted.

Note – The Chief Executive and the Commissioner's Chief Finance officer entered the meeting. The Assistant Chief Constable and the Chief Constable's Chief Finance Officer left the meeting.

57. INVESTIGATION INTO TEMPORARY CHIEF CONSTABLE STUART HYDE – CONDUCT MATTERS

The Chief Executive gave a report and briefing in respect of the investigation findings arising from the allegations made against Temporary Chief Constable Stuart Hyde.

RESOLVED, that the report be noted.

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

58. FUTURE MEETING DATES

The Commissioner's Chief Finance Officer commented that as there had now been a full cycle of meetings it would be useful to schedule in the next year's meeting dates and asked the committee if there were any particular requests/comments with regards to setting the meeting dates. A member commented that Monday meetings would be best for them and the other members confirmed that this was suitable for them as well.

RESOLVED, that the Budget and Finance Assistant would contact the members with potential meeting dates for feedback.

Meeting ended at 2.20 pm

Signed: _____ **Date:** _____



Cumbria Office of the Police and Crime
Commissioner

Action Plan: South Wales Investigation Report

Report of the Chief Executive

Introduction

The purpose of this report is to set out for members of the Audit and Standards Committee the work that has been undertaken to develop action plans following the recommendations of the South Wales investigation report. Members received a copy of the Executive Summary of the report including the investigations findings and recommendations at the Committee meeting in September.

Action Planning

The South Wales investigation report contained a total of 36 recommendations. Of those 36, only one recommendation related specifically to the Commissioner. The work undertaken to develop action plans has however not only considered the specific findings and recommendations within the South Wales report, but also the wider governance implications. Those implications have been considered both in respect of the Constabulary and the Office of the Police and Crime Commissioner, with the aim of ensuring that our arrangements for integrity are robust and incorporate the learning from the investigation findings.

In addition to the South Wales Report our Annual Governance Statement made reference to plans that had been made to conduct an audit of integrity arrangements. The audit reports into the arrangements for integrity of both the Commissioner and Constabulary are included on this agenda. The audit findings have been extremely helpful in supporting our work to adopt best practice. The recommendations have been taken into consideration when developing the action plans presented with this report.

The Commissioner's action plan is set out at appendix A. The plan sets out the recommendations from the South Wales investigation and includes at a high level the direct and wider implications of the investigation findings in addition to the specific actions that will be undertaken with timescales and responsibilities. Within the Commissioner's plan the actions incorporate consideration of the applicability of the South Wales recommendations to the Commissioner's own arrangements as well as oversight of the Constabulary arrangements. The Chief Constable has developed an equivalent plan to implement recommendations within the Constabulary. Where recommendations have implications for both entities lead officers will work to ensure a collaborative and consistent approach.

Monitoring and Implementation

A number of actions within the plan have already been implemented. Those relating to the wider arrangements for governance are being incorporated, alongside the recommendations from the integrity audit, into the work to review and update governance codes, regulations, policy and procedures. Some of this work will be undertaken as part of the arrangements for the stage 2 transfer. Members of the Committee will receive information on the implementation of actions as part of their scheduled monitoring reports. In addition, all governance documents that are subject to review will be presented to the Committee for challenge and scrutiny at a special meeting in February, prior to their approval by the Chief Constable and Commissioner in March.

Recommendations

Members are asked to:

- i. review the action plan and consider whether the actions provide an appropriate response to the findings of the South Wales investigation report
- ii. incorporate the monitoring of actions within the plan as part of the Committee's scheduled work on monitoring audit and inspection recommendations

Allegations / Recommendations from South Wales Police

Police and Crime Commissioner Action Plan

Allegation A - Spending an unreasonable amount of time outside the Cumbria Constabulary area, including making a number of business trips abroad and periods of absence at times of important operational and corporate need.

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
A.1 Whilst at a time when Mr Hyde should have been leading his organisation through the largest financial challenges and most significant structural changes, he chose to absent himself from the force area. The perception being that he would accept appointments abroad at the expense of Cumbria Constabulary and leave the difficult decisions to his subordinates, which should in fact have been addressed by himself. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Undertake a review of arrangements in place for holding the chief constable to account for performance matters pertaining to leadership and management. Consider what arrangements should be in place for authorising international visits and ensuring an appropriate balance of local and national out of force commitments	Chief Executive	<p>(i) The Chief Constable to be required on a quarterly basis to report on leadership and management matters to the PCC, inc international travel for DCC & ACC, as part of Stage 2 governance arrangements this to be consolidated.</p> <p>(ii) Review of authorisation process of annual leave and international visits for the Chief Constable to ensure that there is one central point within the OPCC and a register summarising all authorised travel. Authorisation form to include out of force commitments for the two month period covering the overseas travel.</p> <p>(iii) Chief Constable shares diary commitments on a monthly basis with a weekly update.</p>	<p>(i) Immediate effect</p> <p>(ii) Immediate effect</p> <p>(iii) Immediate effect</p>
A.2 Whilst performing in the role of Temporary Chief Constable, Mr Hyde appeared in the media in swimming attire prior to the 'Swim for Peace' event in Tunisia. The local community knew Mr Hyde to be the current Chief Constable of Cumbria Constabulary and his appearance in such a manner was believed to have created	Undertake a review of arrangement in place for holding the Chief Constable to account for performance matters pertaining to professionalism; determine whether any further guidance/codes are required to provide clarity in respect of media and the management of	Chief Executive / Comms & Media Executive	<p>(i) The Chief Constable to be required on a quarterly basis to report on professionalism issues to the PCC and Chief Exec to raise with the Chief Constable any professionalism issues, integrity or any other matters of concern that have come to light. As part of Stage 2 governance arrangements.</p> <p>(ii) Force be requested to review policies in</p>	<p>(i) Immediate effect</p> <p>(ii) 31.12.2013</p>

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
'perception issues' in relation to his professionalism, as well as creating the impression that this activity was being undertaken in duty time. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	personal/professional interests and their applicability to the Constabulary/OPCC. Develop, approve and communicate changes.		relation to management of media, personal/professional interests (including gifts and hospitality policy) and be provided to the OPCC. (iii) Within the Constabulary media policy and guidelines specific responsibilities in relation to the role of Chief Constable to be included. (iv) OPCC to review the policies and decide if they are applicable to the OPCC.	(iii) 31.12.2013 (iv) 31.01.2014
A.3 Regular meetings should be held between the Police and Crime Commissioner (PCC) and Chief Officer Group (COG), to enable travel authority requests to be discussed, ensuring all parties are fully briefed prior to approval being provided. This will enable the PCC and COG to identify any conflict in relation to times of important operational and corporate need and in so doing, Chief Officers will be able to avoid out of force travel during potentially critical periods.	Consider what arrangements should be in place for authorising international visits and ensuring an appropriate balance of local and national out of force commitments; document, approve and communicate a clear procedure.	Chief Executive	See A.1 actions (i) to (iii) above.	
A.4 The authorisation process in relation to 'out of force' and overseas travel should be reviewed. Requests for travel should not be self-authorised and should be scrutinised and authorised only by the Police and Crime Commissioner and Chief Constable. Prior to such authorisation being granted, the exact nature of the trip should be established, to include whether the event is in connection with core business, or alternatively whether the requirement falls within responsibilities as	Put in place a policy and procedure for out of force and overseas travel that sets out the information requirements prior to approval. Re-design the authorisation form to incorporate all relevant information identified within the recommendation. Incorporate within the form a section to record gifts and hospitality as part of the approval process to ensure appropriateness and compliance	Chief Executive	For overseas travel see A.1 actions (i) to (iii) above. Re Gifts & Hospitality see A.2 above.	

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
part of a national portfolio. Detailed travel requests should be prepared to include full details of the journey, the organisation or agency concerned, the area of business identified and importantly, the details of the organisation or individual funding the travel arrangements. All gifts and gratuities received throughout the journey should be entered within the 'Register of Gifts and Hospitality'.	with gifts and hospitality policy.			
A.5 A review should be conducted on the annual leave agreement in relation to the Chief Officer Group at Cumbria Constabulary, along with the revised process of authorising and recording the amount of annual leave taken throughout the financial year. For clarity, Regulation 33 (Annex O) of the Police Regulations 2007 state that officers above the rank of Chief Superintendent with over 10 years' service are entitled to ' <i>not less than 48 days</i> ' annual leave per year.	Review terms and conditions within the contract for the Chief Constable against that offered by similar forces (statistical neighbours). Ensure all relevant terms and conditions are formally determined and recorded for incorporation within the contracts for future Chief Constable appointments.	Chief Executive	(i) Review terms and conditions with similar forces and formally determine contractual arrangements. (ii) Ensure that holiday entitlement is incorporated within any future contracts for future Chief Constable appointments. (iii) Annual Leave card held within the OPCC for the Chief Constable to be authorised by the Chief Executive.	(i) 31.01.2014 (ii) 31.01.2014 (iii) 31.01.2014
A.6 It is clearly evident that relationships and levels of communication between Mr Hyde, his COG and Cumbria Police Authority were ineffective, adding to the feeling of a lack of openness and transparency surrounding Mr Hyde's professional behaviour. These difficulties should be addressed immediately with the assistance of the PCC, with a view of improvements being made	Undertake a review of arrangements in place for holding the chief constable to account for performance matters pertaining to leadership and management of the force. Consider what arrangements should be in place to ensure and support the effectiveness of the senior leadership team.	Chief Executive	(i) See (A.2) above. (ii) Chief Constable to brief PCC on purpose and function of COG. (iii) PCC to receive a monthly update from the Chief Constable to enable him to scrutinise the arrangements in place to support the effectiveness of COG. (iv) The necessity for such reports to be reviewed in 12 months.	

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
to the efficiency and effectiveness of the COG.				

Allegation B - Conducting a high volume of meetings with contractors and external companies, including providing preferential treatment to business partners, encouraging the involvement of specific contractors in Cumbria Constabulary projects and failing to disclose meals and entertainment received in the Gifts and Hospitality Register.

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
B.1 Mr Hyde had contact with a large number of private companies and whilst the investigation has revealed no issues of Misconduct, Mr Hyde should reflect on the impression this created within Cumbria Constabulary and in particular within the Chief Officer Group and support staff members. This situation was compounded by Mr Hyde's lack of interaction with Chief Officer's and Personal Assistants, therefore creating a lack of transparency in relation to his duties. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Undertake a review of arrangements in place for holding the Chief Constable to account for his/her management of relationships with private companies and the wider management of business interactions between the Constabulary and private companies. Implement arrangements for the Chief Constable and Constabulary to record any such relationships (register of contacts). Review the applicability of new policy and procedures to arrangements within the OPCC.	Chief Executive	<p>(i) See (A.2) above</p> <p>(ii) Develop a system to cross reference business interests with the contracts register and diary commitments for the PCC, Chief Constable and staff within the OPCC. Revised policy to specify specific responsibilities.</p> <p>(iii) Review all new policies and procedures developed by the force. These to be provided to the Accountability Board.</p> <p>(iv) Consider the applicability of these policies and procedures within the OPCC.</p>	

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
B.2 Policy in relation to Gifts and Hospitality should be reinforced to My Hyde and the need for all gifts and hospitality to be recorded in the Register of Gifts and Hospitality. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Review arrangements for holding the Chief Constable to account for the management of integrity and transparency with regard to gifts and hospitality within the Constabulary. Ensure all policies and procedures are appropriate and effective and apply to all staff and officers. Review the applicability of new policy and procedures to arrangements within the OPCC.	Chief Executive	(i) Review the Constabulary policy to ensure it is sufficiently robust and applies to the Chief Constable. (ii) Review the applicability of new policy and procedures to arrangements within the OPCC.	
B.3 The investigation revealed that Mr Hyde has breached the Cumbria Constabulary 'Anti-Fraud and Corruption Procedure' dated 29/06/12. In respect of the Register of Gifts and Hospitality. This document states that 'Officers' and 'Police Staff' should record offers of hospitality (accepted or declined) on the 'Gratuities Form', found on the Professional Standards Department intranet page. Enquiries reveal that Mr Hyde had failed to do so. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Consider what arrangements can be put in place to provide appropriate assurance/ scrutiny that the Chief Constable is complying with approved policies. Determine whether those arrangements can be more widely adopted for all officers/staff within the Constabulary and OPCC.	Chief Executive	(i) Review arrangements to ensure Chief Constable complies with approved policies. Instigate appropriate procedures following the review. (ii) Scrutinise Constabulary activity with regard to ensuring compliance with policies at the Accountability Board. (iii) The Chief Executive to scrutinise OPCC staff compliance with policies.	
B.4 Cumbria Constabulary should ensure consistent application and adherence to sound public procurement policies.	Consider what arrangements can be put in place to provide appropriate assurance/ scrutiny that procurement policy is applied and adhered to in all relevant business transactions.	Chief Finance Officer	(i) As part of Stage 2 undertake a fundamental review of all procurement policies and procedures.	

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
B.5 Cumbria Constabulary should maintain a central register of all contracts awarded to suppliers and a register of contact with Chief Officers by suppliers on potential goods/services provision.	Oversee the Constabulary's arrangements to maintain a central register and register of contact with suppliers. Review arrangements for contract registers from stage 2 transfer and implement a contact with supplier register for OPCC staff.	Chief Finance Officer	<p>(i) Put in place arrangements to oversee the Constabulary's process for maintaining a central register of contract with suppliers and publish in line with the statutory requirements of the Elected Bodies (Specified Information) Order 2011.</p> <p>(ii) Review arrangements for contract registers from stage 2 transfer.</p> <p>(iii) Review Constabulary arrangements for registering contact with suppliers.</p> <p>(iv) Implement a contact with supplier register for OPCC staff.</p>	<p>(iii) 31.12.2013</p> <p>(iv) 31.12.2013</p>
B.6 The Cumbria Constabulary 'Anti-Fraud and Corruption Policy' should be revised to highlight that staff should not utilise any reward points accrued through business purposes for private or personal gain, as highlighted within the 'ACPO Guidance on Gifts, Gratuities and Hospitality' document published in 2012. This document clearly states ' <i>Gratuities which amount to individual gain from a points scheme when purchasing services, items or fuel are not acceptable</i> '.	Ensure that the Constabulary and OPCC makes the recommended changes to its 'Anti-Fraud and Corruption Policy'; ensure an interim communication is issued to all staff advising of the change to policy and its immediate implementation pending issue of the revised document.	Chief Finance Officer	(i) As part of the arrangements for stage 2 transfer review the Constabulary and OPCC Anti-Fraud and Corruption policy to come into effect on 1 st April in line with the staff transfer.	(i) 31.03.2014
B.7 All staff within Cumbria Constabulary should be reminded of the 'Register of Gifts and Hospitality' and the need to record the offer of gifts and/or hospitality whether accepted or not.	Develop a protocol that ensures and appropriate level of on-going communication to staff on all matters of integrity for adoption by the Constabulary and OPCC.	Chief Executive / Gov & Business Services Manager	<p>(i) As part of quarterly dip sampling process scrutinise the Constabulary's protocol and awareness raising activity of the Gifts and Hospitality register.</p> <p>(ii) Ensure OPCC staff are reminded quarterly at the team meeting of their</p>	

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
			obligations under the Gifts and Hospitality policy.	
B.8 The Register of Gifts and Hospitality should be published on the Force intranet as part of the Publication Scheme.	Develop a protocol that ensures and appropriate level of on-going communication to staff on all matters of integrity for adoption by the Constabulary and OPCC.	Chief Executive / Gov & Business Services Manager	(i) On a quarterly basis monitor that the Force publish Gifts and Hospitality register for Chief Officers on the intranet and internet in line with Publication Scheme .	
B.9 Cumbria Constabulary should develop a clear policy on organisation or product endorsements.	Oversee the development of policy and procedures regarding product endorsement/applications for product endorsement within the Constabulary. Consider the applicability of adopting the same/similar policy and procedures within the OPCC.	Chief Executive	(i) Ensure that the Constabulary develops an appropriate policy. (ii) Consider adopting the same or similar for OPCC. (iii) Develop a process to scrutinise the implementation and adoption of policies in both organisations.	
B.10 The meal of £51.70 should be entered in the Cumbria Constabulary's Register of Gifts and Hospitality.	Ensure the meal has been recorded.	Gov & Business Services Manager	(i) Scrutinise the recording and updating of the Constabulary's Gifts and Hospitality register on a quarterly basis. Report the findings to the PCC.	

Allegation C - Displaying questionable judgement whilst on duty, including attendance at political events and the manner of entertaining business visitors.

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
C.1 Staff within Cumbria Constabulary raised concerns regarding Mr Hyde ' <i>displaying questionable judgement whilst on duty</i> '. Further investigation into this matter identified that these concerns were specific to (1) Cancelling meetings at short notice (2) Failing to maintain a record of contact with the media. My recommendation is that Mr Hyde should receive appropriate advice in relation this performance issues.	Undertake a review of arrangements in place for holding the Chief Constable to account for performance matters pertaining to leadership and perception. Consider the requirement for a protocol or code to provide clarity in respect of expected behaviours and conduct.	Chief Executive	See A1 and A2 above. (i) In addition to police regulations define a protocol/ code in respect of expected behaviours and conduct. To be included within induction arrangements. (ii) To be reviewed annually as part of the PDR process.	
C.2 My Hyde has clearly breached the Cumbria Constabulary policy surrounding the purchase of refreshments for internal meetings. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Undertake a review of arrangements in place for holding the Chief Constable to account for performance matters pertaining to leadership and perception. Consider the requirement for a protocol or code to provide clarity in respect of expected behaviours and conduct.	Chief Executive	See C1 above.	
C.3 The investigation revealed a clear lack of transparency surrounding Mr Hyde's attendance at political events and involvement with political organisations. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Undertake a review of arrangements in place for holding the Chief Constable to account for performance matters pertaining to leadership and perception. Consider the requirement for a protocol or code to provide clarity in respect of expected behaviours and conduct.	Chief Executive	See C1 above	

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
C.4 Evidence suggests that Mr Hyde has created a negative perception within his staff surrounding the manner in which he entertains business visitors and guests, as well as the unconventional and unprofessional approach to business practices in general terms. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Undertake a review of arrangements in place for holding the Chief Constable to account for performance matters pertaining to leadership and perception. Consider the requirement for a protocol or code to provide clarity in respect of expected behaviours and conduct.	Chief Executive	See C1 above	
C.5 The Cumbria Constabulary 'Press and Media policy' should specify details of how staff who are not required to keep pocket note books should record their contact with the media.	Ensure the Constabulary press and media policy is updated in line with the recommendation. Ensure policy covers arrangements for all officers and staff. Consider applicability of the policy or similar for OPCC.	Chief Executive	(i) Develop a process to scrutinise the Constabulary Press and Media policy and its implementation. (ii) Develop an OPCC media policy, taking into consideration the contents of the Constabulary policy.	(i) 31.12.2013
C.6 Cumbria Constabulary should devise a system whereby all contact between the Chief Officer Group and the media is recorded.	Ensure the Constabulary press and media policy is updated in line with the recommendation. Ensure policy covers arrangements for all officers and staff. Consider applicability of the policy or similar for OPCC.	Chief Executive	(i) Ensure that the Constabulary Press and Media Policy includes a system to record media contact by the Chief Officer Group. (ii) Scrutinise the policy and system to ensure that it is updated appropriately. (iii) Monitor the implementation of the system through the Accountability Board. (iv) Monitor Chief Officer media contact through the Accountability Board. (v) Ensure OPCC media policy addresses identified issues.	

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
C.7 The Personal Development Review (PDR) of the Chief Constable should be addressed by the Police and Crime Commissioner (PCC) at the earliest opportunity at the conclusion of each financial year, so that the Chief Constable's performance may be reviewed appropriately. The PDR should be signed as agreed by both the Chief Constable and the PCC.	Undertake a review of the arrangements for the PCC to undertake the Chief Constable's PDR process as part of the overall review of performance management arrangements between the OPCC and Chief Constable.	Chief Executive	(i) Undertake a review of PDR arrangements and implement the outcome. (ii) PCC to set annual objectives with a six monthly interim review. (iii) PCC and Chief Constable to meet monthly to discuss progress and performance.	
C.8 The £100 fee paid on behalf of Mr Hyde for attendance at the Conservative Party Conference should be recorded in Cumbria Constabulary's Register of Gifts and Hospitality.	Ensure the fee has been recorded.	Gov & Business Services Manager	(i) As part of the dip sampling process scrutinise the recording and updating of the Constabulary's Gifts and Hospitality register on a quarterly basis. Report the findings to the PCC.	

Allegation D - Encouraging patronage of a specific hotel due to the proximity to his home address and in return for accrued benefits from the owner.

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
D.1 All arrangements in relation to planned meetings outside Cumbria Constabulary premises should be arranged by the Business Unit, ensuring that such premises are selected in an open, fair and transparent manner.	Oversee the Constabulary's arrangements for ensuring procurement of hospitality complies with policy and procedure. Ensure policy and procedures are fit for purpose and appropriately manage integrity issues regarding premises and the provision of hospitality.	Chief Finance Officer	(i) Chief Finance Officer to scrutinise the Constabulary's policy and arrangements, ensuring they are fit for purpose. (ii) Accountability Board to monitor procurement to ensure that it takes place in accordance with the agreed policy and procedures.	

D.2	All accommodation for the official visitors to Cumbria constabulary should be arranged by the Business Unit, ensuring that such accommodation is also selected in an open, fair and transparent manner.	Oversee the Constabulary's arrangements for ensuring procurement of hospitality complies with policy and procedure. Ensure policy and procures are fit for purpose and appropriately manage integrity issues regarding premises and the provision of hospitality.	Chief Finance Officer	See D1 above.
D.3	Mr Hyde has breached the Cumbria Constabulary's 'Corporate Card Procedures for Chief Officers & Staff Officers', in respect of his failure to provide VAT receipts for expenditure on his corporate credit card. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Oversee the Constabulary's arrangements for Corporate Credit Cards ensuring policy and procedure is clear, appropriate and capable of being audited for compliance. Determine appropriate arrangements in respect of the Chief Constable's credit card.	Chief Finance Officer / Chief Executive	(i) CFO to scrutinise the Constabulary arrangements for Corporate Credit cards, including reviewing policy and procedure. (ii) CE to determine arrangements in respect of oversight of the Chief Constable's credit card usage.
D.4	Mr Hyde has breached the Cumbria Constabulary's 'Corporate card Procedures for Chief Officers' & Staff Officers', in respect of his purchase of items which should have been purchased by other means (i.e) Odeon Cinema tickets and Sport Relief donation. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Oversee the Constabularies arrangements for Corporate Credit Cards ensuring policy and procedure is clear, appropriate and capable of being audited for compliance. Determine appropriate arrangements in respect of the Chief Constable's credit card.	Chief Finance Officer/ Chief Executive	(i) see D.3 .
D.5	Throughout the course of the investigation, concerns were raised regarding My Hyde's use of social media, in that he may have created a poor public perception surrounding comments regarding (1) His personal activities such as swimming, walking and 'eating pies' whilst on duty (2) Promoting local products and businesses. My recommendation is that Mr Hyde should receive appropriate advice in relation to this	Undertake a review of arrangements in place for holding the Chief Constable to account for performance matters pertaining to leadership and perception. Consider the requirement for a protocol or code to provide clarity in respect of expected behaviours and conduct.	Chief Executive	(i) See A1 and A2 above (ii) Scrutinise the implementation of the Constabulary's social media policy and ensure it is applicable to the Chief Constable. (iii) Monitor the Chief

performance issue.		Constable's use of social media on a weekly basis. (iv) Develop a protocol clearly setting out the appropriate standards for use of social media for OPCC staff.		
D.6	Cumbria Constabulary should review the rate at which private mileage is deducted from Chief Officer's salary, as the 'Chief Officer's Provided Car Scheme' document states that private mileage will be deducted at a rate of ' <i>11p per mile</i> ', whilst the Finance Manager states that the agreed rate is ' <i>15p per mile</i> '.	This recommendation relates to an error of understanding on the part of the South Wales Investigation team. Mileage is deducted at the appropriate rate in accordance with policy.	Chief Finance Officer	(i) CFO to confirm that the agreed mileage rate is paid at the appropriate level set by the HMRC.

Allegation E - Breach of force policies, such as use of social media and the corporate credit card.

Recommendation	OPCC Action	OPCC Officer	Action	Timescale
E.1 The Police and Crime Commissioner should consider more stringent monitoring of the Chief Constable's social networking profile, to ensure that policy is not being breached.	Implement arrangements for monitoring the Chief Constable's social network profile and holding the CC to account for the social network profiles of Constabulary staff and officers.	Chief Executive	(i) See D.5 above (ii) Scrutinise the Constabulary's monitoring of social media usage by police officers and staff to be undertaken via quarterly dip sampling process. (iii) CE to scrutinise OPCC staff usage of social the official social media.	

E.2	Cumbria Constabulary should consider the use of a 'No receipt Authorisation Form' in respect of the use of corporate credit cards, when a receipt is unavailable or has been lost.	Oversee the Constabulary's arrangements for Corporate Credit Cards ensuring policy and procedure is clear, appropriate and capable of being audited for compliance. Determine appropriate arrangements in respect of the Chief Constable's credit card.	Chief Finance Officer	See D.3 and D.4 above
E.3	Cumbria Constabulary should consider revisiting the 'Corporate Card Procedures for Chief Officers & Staff Officers' document. This document currently stipulates that the corporate credit card may only be used to purchase a specified list of nine items. My Hyde has previously and correctly purchased non-specified items relating to business use not listed within the document. The document should be refreshed to provide greater clarity on items which may or may not be purchased.	Oversee the Constabularies arrangements for Corporate Credit Cards ensuring policy and procedure is clear, appropriate and capable of being audited for compliance. Determine appropriate arrangements in respect of the Chief Constable's credit card.	Chief Finance Officer	See D.3 and D.4 above
E.4	Cumbria Constabulary should develop a clear policy in relation to the purchase of alcohol by use of the corporate credit card. It would appear that there is an 'assumption' that alcohol purchased on the corporate credit card will be reimbursed by the card holder, however this is not clarified or stipulated in any policy or document.	Oversee the Constabularies arrangements for Corporate Credit Cards ensuring policy and procedure is clear, appropriate and capable of being audited for compliance. Determine appropriate arrangements in respect of the Chief Constable's credit card.	Chief Executive	<p>(i) Ensure that Constabulary policies are consistent, that they prohibit either the purchase of alcohol using the corporate credit card or the reclaiming of the cost of purchasing alcohol through the expenses procedure and are amended to include the Chief Officers.</p> <p>(ii) The policy to include reference to the Chief Constable's monthly in force allowance not being available for the purchase of alcohol. Review continued appropriateness of the in-force allowance prior to the appointment of a new Chief</p>

Constable.

E.5	A more accurate system of recording corporate credit card expenditure, receipts and reimbursements should be maintained by the Cumbria Constabulary.	Oversee the Constabulary's arrangements for Corporate Credit Cards ensuring policy and procedure is clear, appropriate and capable of being audited for compliance. Determine appropriate arrangements in respect of the Chief Constable's credit card.	Chief Finance Officer	(i) Ensure that an appropriate system for monitoring and recording usage of all corporate credit cards is implemented. (ii) Monitor corporate credit card usage.
E.6	The process for managing expenditure on corporate credit cards should be reviewed. It is clear that Mr Stuart Edwards is currently the counter signatory for Temporary Chief Constable Bernard Lawson's corporate credit card expenditure, whereas the role was previously undertaken by a Staff Officer. This change requires process formalisation and should be written into Cumbria Constabulary's 'Corporate Card Procedures for Chief Officers' & Staff Officers'.	Oversee the Constabulary's arrangements for Corporate Credit Cards ensuring policy and procedure is clear, appropriate and capable of being audited for compliance. Determine appropriate arrangements in respect of the Chief Constable's credit card.	Chief Finance Officer/ Chief Executive	(i) Ensure that the recommendation is incorporated within the review of the corporate credit card policy as at D.3 and D.4 above. (ii) Chief Executive to approve all Chief Constable's corporate credit card usage and expenses.

Allegations / Recommendations from South Wales Police

Cumbria Constabulary Action Plan

All policies and procedures apply to all members of staff and police officers of all ranks.

Allegation A - Spending an unreasonable amount of time outside the Cumbria Constabulary area, including making a number of business trips abroad and periods of absence at times of important operational and corporate need.

Agenda Item 5 (II)

Recommendation	Police Action		Comments/ Action	Timescale
A.1 Whilst at a time when Mr Hyde should have been leading his organisation through the largest financial challenges and most significant structural changes, he chose to absent himself from the force area. The perception being that he would accept appointments abroad at the expense of Cumbria Constabulary and leave the difficult decisions to his subordinates, which should in fact have been addressed by himself. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Consider arrangements that need to be in place to ensure an appropriate balance of local and national out of force commitments for chief officers	DCC	1. The Annual Leave authorisation process since September 2012 has meant that all ACC and DCC applications for annual leave are signed off by CC. The Constabulary leave policy will apply to the Chief Constable, Chief Officers and Directors of Corporate support and Improvement. CC will notify OPCC (Chief Executive) of any proposed leave including dates, this will be formally authorised by the OPCC and a copy placed in the CC diary. Other chief officers will notify CC and the Directors will notify Deputy CC.	Complete
			2. There is a weekly meeting between the Police and Crime Commissioner and the Chief Constable. One meeting per month will contain a formal element where relevant key performance issues will be discussed. An agenda will be prepared for this meeting.	January 2014
			3. Accountability Board between OPCC and Chief Officer Team meet on a monthly basis.	Complete
			4. Mr Hyde received words of advice	

Recommendation	Police Action		Comments/ Action	Timescale
			from Temporary Chief Constable Lawson and a development plan was put in place	
A.2	Whilst performing in the role of Temporary Chief Constable, Mr Hyde appeared in the media in swimming attire prior to the 'Swim for Peace' event in Tunisia. The local community knew Mr Hyde to be the current Chief Constable of Cumbria Constabulary and his appearance in such a manner was believed to have created 'perception issues' in relation to his professionalism, as well as creating the impression that this activity was being undertaken in duty time. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Consider arrangements that need to be in place to ensure that police officers of all ranks and police staff demonstrate professional behaviour at all times, including when dealing with the media. This to include a review of policy, procedure and guidance and communication of the standards expected as part of policy change	Head of PSD Cath Thundercloud/ Marketing and Communications Manager - Helen Lacey	<p>1. There is a weekly meeting between the Police and Crime Commissioner and the Chief Constable. One meeting per month will contain a formal element where relevant key performance issues will be discussed. An agenda will be prepared for this meeting. In addition there is Accountability Board which meets on a monthly basis. On-going</p> <p>2. Media policy in place and business/professional interests policies have been reviewed and have been implemented June 2013 Complete</p> <p>3. Mr Hyde received words of advice from Temporary Chief Constable Lawson and a development plan was put in place. Complete</p> <p>(Policies and procedures refer to all members of Police staff and officers at all ranks)</p>
A.3	Regular meetings should be held between the Police and Crime Commissioner (PCC) and Chief Officer Group (COG), to enable travel authority requests to be discussed, ensuring all parties are fully briefed prior to approval being provided. This will enable the PCC and COG to identify any conflict in relation to times of important operational and corporate need and in so doing, Chief Officers will be able to avoid	Ensure that there is an appropriate mechanism for the Chief Constable and PCC to discuss in/out of force commitments	DCC	<p>1. There is a weekly meeting between the Police and Crime Commissioner and the Chief Constable. One meeting per month will contain a formal element where relevant key performance issues will be discussed. An agenda will be prepared for this meeting. On-going</p> <p>2. Accountability Board between OPCC and Chief Officer Team meet on a</p>

Recommendation	Police Action	Comments/ Action	Timescale
out of force travel during potentially critical periods.		monthly basis	
A.4 The authorisation process in relation to 'out of force' and overseas travel should be reviewed. Requests for travel should not be self-authorized and should be scrutinised and authorised only by the Police and Crime Commissioner and Chief Constable. Prior to such authorisation being granted, the exact nature of the trip should be established, to include whether the event is in connection with core business, or alternatively whether the requirement falls within responsibilities as part of a national portfolio. Detailed travel requests should be prepared to include full details of the journey, the organisation or agency concerned, the area of business identified and importantly, the details of the organisation or individual funding the travel arrangements. All gifts and gratuities received throughout the journey should be entered within the 'Register of Gifts and Hospitality'.	Ensure that the current policies and procedures are fit for purpose and can provide enough information to make appropriate decisions about international travel and registering of gifts and hospitality.	Head of PSD Cath Thundercloud	<ol style="list-style-type: none"> 1. All gifts and gratuities are entered on "Register of Gifts and Hospitality" Constabulary policy is in draft form due for consultation with the PCC. March 2014 2. Constabulary Anti-fraud and Corruption Policy regarding gifts received whilst out of force to be reviewed. OPCC to produce separate Policy. January 2014 3. Chief Officer's gifts and hospitalities received/refused are updated on the external Police website for transparency on a monthly basis. Complete
A.5 A review should be conducted on the annual leave agreement in relation to the Chief Officer Group at Cumbria Constabulary, along with the revised process of authorising and recording the amount of annual leave taken throughout the financial year. For clarity, Regulation 33 (Annex O) of the Police Regulations 2007 state that officers above the rank of	Ensure that there are appropriate arrangements in place to authorise annual leave for chief officers in line with Police Regulations 2007.	DCC	<ol style="list-style-type: none"> 1. The current Annual Leave authorisation process applies to the Chief Constable, Chief Officers and Directors of Corporate support and Improvement. Where practicable CC will notify OPCC (Chief Executive) of any proposed leave including dates, this will be formally recorded by the OPCC and a copy placed in the CC Complete

Recommendation	Police Action	Comments/ Action	Timescale
Chief Superintendent with over 10 years' service are entitled to ' <i>not less than 48 days</i> ' annual leave per year.		<p>diary. Other chief officers will notify CC and the Directors will notify Deputy CC.</p> <p>2. There is a weekly meeting between the Police and Crime Commissioner and the Chief Constable. One meeting per month will contain a formal element where relevant key performance issues will be discussed. An agenda will be prepared for this meeting.</p> <p>3. Current Annual Leave procedures for Chief Officers comply with Police Regulations.</p>	<p>On-going</p> <p>Complete</p>
A.6 It is clearly evident that relationships and levels of communication between Mr Hyde, his COG and Cumbria Police Authority were ineffective, adding to the feeling of a lack of openness and transparency surrounding Mr Hyde's professional behaviour. These difficulties should be addressed immediately with the assistance of the PCC, with a view of improvements being made to the efficiency and effectiveness of the COG.	Ensure that access, governance and meeting arrangements are appropriate so that communications between Chief Officers and PCC are transparent and effective for the running of the force and OPCC for the benefit of the people of Cumbria.	DCC <p>1. There is a weekly meeting between the Police and Crime Commissioner and the Chief Constable. One meeting per month will contain a formal element where relevant key performance issues will be discussed. An agenda will be prepared for this meeting.</p> <p>2. Accountability Board between OPCC and Chief Officer Team meet on a monthly basis to discuss key strategic issues.</p> <p>3. Informal COG meets every Monday with Chief Officer Team to review strategic issues.</p>	<p>On-going</p> <p>On-going</p> <p>Complete</p>

Allegation B - Conducting a high volume of meetings with contractors and external companies, including providing preferential treatment to business partners, encouraging the involvement of specific contractors in Cumbria Constabulary projects and failing to disclose meals and entertainment received in the Gifts and Hospitality Register.

Recommendation	Police Action	Head of PSD - Cath Thundercloud	Comments/Action	Timescale
B.1 Mr Hyde had contact with a large number of private companies and whilst the investigation has revealed no issues of Misconduct, Mr Hyde should reflect on the impression this created within Cumbria Constabulary and in particular within the Chief Officer Group and support staff members. This situation was compounded by Mr Hyde's lack of interaction with Chief Officer's and Personal Assistants, therefore creating a lack of transparency in relation to his duties. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Review policies and procedures in relation to business interests and management of relationships with private companies by Constabulary staff and police officers.	Head of PSD - Cath Thundercloud	1. A review of the policy and procedures relating to Business interests and contracts has taken place and checks are made for business interest applications with procurement as part of the process	Complete
			2. Internal Audit Report dated 22 November 2013 reviewed Gifts and Hospitality and highlights many examples of good practice. Three recommendations arising out of the review are presently being progressed through an agreed action plan	On-going
			3. Any breaches by senior managers to be raised at Accountability Board	On-going
			4. Mr Hyde received words of advice from Temporary Chief Constable Lawson and a development plan was put in place.	Complete

Recommendation	Police Action		Comments/Action	Timescale
B.5	Cumbria Constabulary should maintain a central register of all contracts awarded to suppliers and a register of contact with Chief Officers by suppliers on potential goods/services provision.	Compile a centralised contracts' register - to be submitted on to the "Blue Light Protocol database"	Director of Corporate Support – Stephen Kirkpatrick 	

Recommendation	Police Action		Comments/Action	Timescale	
			<p>external Website and all other staffs gifts and hospitalities are recorded on SharePoint. Access to the SharePoint information is for Senior Managers. PSD audit gifts and hospitality on a quarterly basis.</p> <p>2. Internal Audit Report dated 22 November 2013 reviewed Gifts and Hospitality and highlights many examples of good practice. Three recommendations arising out of the review are presently being progressed through an agreed action plan</p>	On-going	
B.8	The Register of Gifts and Hospitality should be published on the Force intranet as part of the Publication Scheme.	Develop a protocol that ensures appropriate level of on-going communication to all police officers and staff on all matters of integrity	Head of PSD - Cath Thundercloud	<p>1. Details of gifts/hospitality offered to all officers and staff are recorded on SharePoint, this is not published on the external website due to operational reasons, however is subject to scrutiny from senior managers.</p> <p>2. The Register of Gifts and Hospitality is published on the Cumbria Constabulary website in respect of Chief Officers</p>	Complete
B.9	Cumbria Constabulary should develop a clear policy on organisation or product endorsements.	Add requirement for organisational and product endorsements to an existing policy. Communicate these changes to staff and all police officers.	Head of PSD - Cath Thundercloud	Cumbria Constabulary Anti-Fraud and Corruption” policy and procedure have been reviewed and is presently in draft form for consultation with OPCC. OPCC to produce their own separate “Anti-Fraud and Corruption” policy	February 2014
B.10	The meal of £51.70 should be entered in the Cumbria Constabulary's Register of Gifts and	Ensure the meal has been recorded	Head of PSD - Cath	<p>1. The meal for £51.70 has been recorded on the “Register of</p>	Complete

Recommendation	Police Action	Comments/Action	Timescale
Hospitality.	Thundercloud	<p>Gifts and Hospitality“</p> <p>2. Professional Standards Department were audited by Internal Audit in November 2013, and with the exception of Mr Hyde, all officers and staff complied fully with the requirements. PSD complete quarterly audits.</p>	Complete

Allegation C - Displaying questionable judgement whilst on duty, including attendance at political events and the manner of entertaining business visitors.

Recommendation	Police Action		Comments/Action	Timescale
C.1 Staff within Cumbria Constabulary raised concerns regarding Mr Hyde ' <i>displaying questionable judgement whilst on duty</i> '. Further investigation into this matter identified that these concerns were specific to (1) Cancelling meetings at short notice (2) Failing to maintain a record of contact with the media. My recommendation is that Mr Hyde should receive appropriate advice in relation this performance issues.	Ensure that relevant policies and the recent Code of Ethics are communicated clearly to police staff and officers of all ranks	Head of PSD - Cath Thundercloud	<ol style="list-style-type: none"> 1. The Chief Constable has to abide by Police Regulations and Code of Conduct. 2. Awaiting Code of Ethics from College of Policing. 3. The Confidential Reporting policy is currently being updated to reflect the transfer from Police Authority to PCC. 4. Any issues should be identified and highlighted at the weekly PCC and CC Meeting 5. Mr Hyde received words of advice from Temporary Chief Constable Lawson and a development plan was put in place. 	<p>Complete</p> <p>On-going</p> <p>On-going</p> <p>On-going</p> <p>Complete</p>
C.2 My Hyde has clearly breached the Cumbria Constabulary policy surrounding the purchase of refreshments for internal meetings. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Ensure that relevant policies and the recent Code of Ethics are communicated clearly to police staff and officers of all ranks	Director of Corporate Support – Stephen Kirkpatrick	C.1 above Mr Hyde received words of advice from Temporary Chief Constable Lawson and a development plan was put in place	Complete
C.3 The investigation revealed a clear lack of transparency surrounding Mr Hyde's attendance at political events and involvement with political organisations. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Ensure that relevant policies and the recent Code of Ethics are communicated clearly to police staff and officers of all ranks	DCC	C.1 above Mr Hyde received words of advice from Temporary Chief Constable Lawson and a development plan was put in place	Complete

	Recommendation	Police Action	DCC	Comments/Action	Timescale
C.4	Evidence suggests that Mr Hyde has created a negative perception within his staff surrounding the manner in which he entertains business visitors and guests, as well as the unconventional and unprofessional approach to business practices in general terms. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue	Ensure that relevant policies and the recent Code of Ethics are communicated clearly to police staff and officers of all ranks	DCC	C.1 above Mr Hyde received words of advice from Temporary Chief Constable Lawson and a development plan was put in place.	Complete
C.5	The Cumbria Constabulary 'Press and Media policy' should specify details of how staff who are not required to keep pocket note books should record their contact with the media.	Ensure that the Constabulary's Media Policy is updated to reflect the recommendation	Marketing and Communications Manager - Helen Lacey	The media policy currently states that police officers should note media contact in pocket notebooks and police staff in their personal record. It will be amended to reflect that where police officers do not use pocket notebooks, a personal record must be made, full details within the policy document.	End November 2013
C.6	Cumbria Constabulary should devise a system whereby all contact between the Chief Officer Group and the media is recorded.	Ensure that the Constabulary's Media Policy reflects this recommendation	Marketing and Communications Manager - Helen Lacey	<ol style="list-style-type: none"> 1. Chief Officers will have member from the press office present when meeting with media companies to document discussion. (Already noted in current policy) 2. Any critical/reputational issues will be discussed at weekly PCC /CC meeting. 	Complete
C.7	The Personal Development Review (PDR) of the Chief Constable should be addressed by the Police and Crime Commissioner (PCC) at the earliest opportunity at the conclusion of each financial year, so that the Chief Constable's performance may be reviewed appropriately. The PDR should be signed as agreed by both the Chief Constable and the PCC.	Chief Constable's performance to be reviewed appropriately	DCC	Chief Constable and Police and Crime Commissioner to set annual objectives and meet on a quarterly basis to discuss progress and performance of PDR objectives.	December 2013

	Recommendation	Police Action		Comments/Action	Timescale
C.8	The £100 fee paid on behalf of Mr Hyde for attendance at the Conservative Party Conference should be recorded in Cumbria Constabulary's Register of Gifts and Hospitality.	Ensure the fee has been recorded	Head of PSD - Cath Thundercloud	<p>The fee of £100 has been recorded in the constabulary "Register of Gifts and Hospitality"</p> <p>Professional Standards department were audited by Internal Audit in November 2013, and with the exception of Mr Hyde, all officers and staff complied fully with the requirements.</p>	Complete

Allegation D - Encouraging patronage of a specific hotel due to the proximity to his home address and in return for accrued benefits from the owner.

Recommendation	Police action		Comments/Action	Timescale
D.1 All arrangements in relation to planned meetings outside Cumbria Constabulary premises should be arranged by the Business Unit, ensuring that such premises are selected in an open, fair and transparent manner.	Central Services Department to arrange all meeting venues in accordance with current procurement policy and procedures	Director of Corporate Support - Stephen Kirkpatrick	<ol style="list-style-type: none"> 1. CSD (Business Services) will ensure that premises are selected in an open, transparent manner 2. A procedure will be implemented to allow staff who have any issues with any requests to escalate concerns through their department managers to the Director of Corporate Support , who can provide challenge 3. Accountability Board to monitor procurement to ensure adherence to policy and procedures 	<p>Dec 2013</p> <p>December 2013</p> <p>December 2013</p>
D.2 All accommodation for the official visitors to Cumbria constabulary should be arranged by the Business Unit, ensuring that such accommodation is also selected in an open, fair and transparent manner.	Central Services Department to arrange all accommodation for visitors in accordance with current procurement policy and procedures	Director of Corporate Support - Stephen Kirkpatrick	D1 above.	Complete

				line manager and if further escalation is required, to the Chief Financial Officer.	
				3. Mr Hyde received words of advice from Temporary Chief Constable Lawson and a development plan was put in place.	Complete
D.5	Throughout the course of the investigation, concerns were raised regarding My Hyde's use of social media, in that he may have created a poor public perception surrounding comments regarding (1) His personal activities such as swimming, walking and ' <i>eating pies</i> ' whilst on duty (2) Promoting local products and businesses. My recommendation is that Mr Hyde should receive appropriate advice in relation to this performance issue.	Ensure that Social Media policy is being adhered to	E-Communications Manager – Marilyn Farrugia	1. Social media policy in place 2. Marketing and Communications Department monitor all of the Constabulary's social media being used by all police officers and police staff and have procedures in place to raise issues with line managers and the Chief Officer in charge of Media. (NB The Constabulary does not and cannot monitor individuals' private social media) 3. Mr Hyde received words of advice from Temporary	Complete Complete Complete

			Chief Constable Lawson and a development plan was put in place.	
D.6	Cumbria Constabulary should review the rate at which private mileage is deducted from Chief Officer's salary, as the 'Chief Officer's Provided Car Scheme' document states that private mileage will be deducted at a rate of ' <i>11p per mile</i> ', whilst the Finance Manager states that the agreed rate is ' <i>15p per mile</i> '.	This recommendation relates to an error of understanding on the part of the South Wales Investigation team. Mileage is deducted at the appropriate rate in accordance with policy.	The agreed private mileage rate is always deducted based on HM Revenue & Customs Advisory Fuel Rates and in line with the Chief Officers Provided car scheme.	Complete

Allegation E - Breach of force policies, such as use of social media and the corporate credit card.

Recommendation	Police Action		Comments/Action	Timescale
E.1 The Police and Crime Commissioner should consider more stringent monitoring of the Chief Constable's social networking profile, to ensure that policy is not being breached.	Ensure that Social Media policy is being adhered to	E-Communications Manager – Marilyn Farrugia	Marketing and Communications Department monitor all of the Constabulary's social media being used by all police officers and police staff and have procedures in place to raise issues with line managers and the Chief Officer in charge of Media. (NB The Constabulary does not and cannot monitor individuals' private social media)	Complete
E.2 Cumbria Constabulary should consider the use of a 'No receipt Authorisation Form' in respect of the use of corporate credit cards, when a receipt is unavailable or has been lost.	Consider the use of a 'No receipt Authorisation Form'	Chief Financial Officer – Roger Marshall	Although the use of a no receipt authorisation form was considered it is felt that 'on balance' this would be bureaucratic and that the processes introduced to challenge when a receipt is not produced see D3 will provide effective control.	Complete
E.3 Cumbria Constabulary should consider revisiting the 'Corporate Card Procedures for Chief Officers & Staff Officers' document. This document currently stipulates that the corporate credit card may only be used to purchase a specified list of nine items. My Hyde has previously and correctly purchased non-specified items relating to business use not listed within the document. The document should be refreshed to provide greater clarity on items which may or may not be purchased.	Ensure that policy and procedures for use of Corporate Credit Cards are clear and can be audited for compliance	Chief Financial Officer – Roger Marshall	The Constabulary will review its Credit Card procedures to determine whether it is appropriate to extend the categories of business expenditure which can be undertaken by corporate card.	January 2014

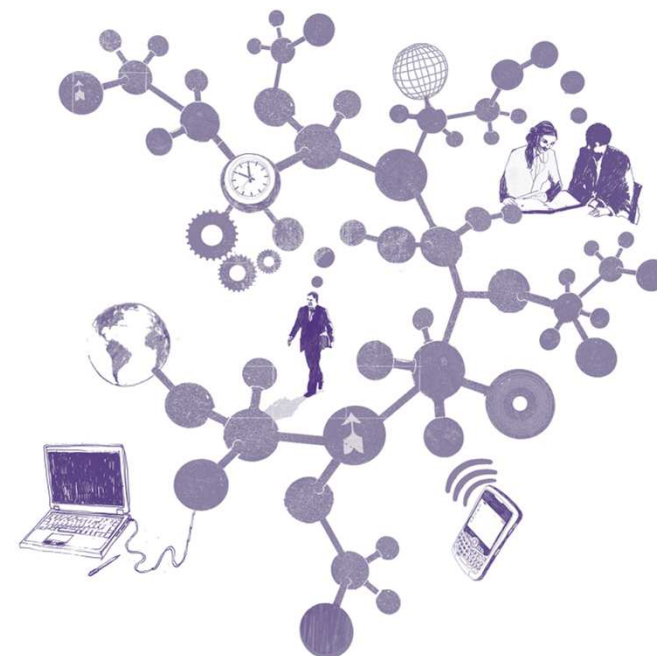
The Annual Audit Letter for The Police and Crime Commissioner for Cumbria and for The Chief Constable for Cumbria Constabulary

Year ended 31 March 2013

October 2013

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Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at The Police and Crime Commissioner for Cumbria ('the PCC') and The Chief Constable for Cumbria Constabulary ('the CC') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the PCC's and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources (Section three).

The Letter is intended to communicate key messages to the PCC, the Chief Constable and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance (the PCC and the Chief Constable) in the Audit Findings Report on 23 September 2013. Our report was presented to the Joint Audit and Standards Committee which was attended by the PCC and CC on 23 September 2013.

Responsibilities of the external auditors and the PCC and the Chief Constable

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The PCC and Chief Constable are responsible for preparing and publishing their accounts, accompanied by their Annual Governance Statements. They are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 12 June 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which gave a true and fair view of the PCC's (including the PCC Group) financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified opinion on the accounts which gave a true and fair view of the Chief Constable's financial position as at 31 March 2013 and its income and expenditure for the year
- unqualified conclusions in respect of the PCC's arrangements for securing economy, efficiency and effectiveness in their use of resources
- unqualified conclusions in respect of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources
- an unqualified opinion on the PCC's Whole of Government Accounts submission.

Key messages from the audit of the Police and Crime Commissioner

We summarise here the key messages arising from our audit of the PCC's annual accounts:

- overall the accounts produced by the PCC (including the group accounts) were of a good quality and supported by well evidenced working papers; and
- we made one significant amendment to the PCC group accounts to change the classification of £1,043 million of the Chief Constable's reserves from unusable to usable.

Key messages from the audit of the Chief Constable

We summarise here the key messages arising from our audit of the Chief Constable's annual accounts:

- overall the accounts produced by the Chief Constable were of a good quality and supported by well evidenced working papers; and
- we made one significant amendment to the Chief Constable's accounts to change the classification of £1,043 million of the Chief Constables reserves from unusable to usable. This reflected the fact that the Chief Constable is not deemed to be a local authority and therefore does not have a statutory override so these need to be shown as real costs.

Key areas for both the PCC's and the Chief Constable's attention

We summarise here the key messages that are relevant to both the PCC and Chief Constable:

- changes brought in under the Police Reform and Social Responsibility Act 2012 have made this a challenging year for police finance teams who have needed to invest considerable time and effort preparing separate financial statements for the PCC (including the PCC group) and for the Chief Constable which reflect developing local governance and working arrangements and emerging accounting guidance. Stage 1 of the transfer is now complete, police authorities having ceased to exist and the assets, liabilities and staff having been transferred from the police authority to the newly created PCC. The PCC and Chief Constable are now in the process of discussing the stage 2 transfer which will involve the transfer of certain staff, property, rights and liabilities from the PCC to the Chief Constable;
- South Wales Police completed their investigation into allegations made against the Temporary Chief Constable and concluded there were no criminal acts or gross misconduct. The report included 36 recommendations to improve arrangements and these are included within an action plan which will be monitored by the Joint Audit and Standards Committee.

-
- there was an underspending of revenue monies of over £4.3 million in 2012/13; the unspent monies were added to reserves. This pattern of significant underspending against the net budget has continued for some years. Underspending is continuing with an expected underspend of over £2.3 million for 2013/14. Action has been taken by the Constabulary to increase officer numbers up to establishment but the full financial impact of this will not be seen until 2014/15;
 - at the end of 2012/13 the total available reserves, funded from revenue underspends, was £26.7 million. Reserves have been reviewed and some earmarked in an 'investment fund' for managing the on-going changes, development of services and capital schemes which will help to improve the efficiency of the service; and
 - the capital budget was also underspent in 2012/13 by over £3.9 million. Slippage on capital schemes is relatively common but again there has been slippage on schemes for some years. New project management arrangements are being brought in to ensure that the budget is more realistic and momentum is maintained to ensure schemes progress on time.

Acknowledgements

This Letter has been agreed with the PCC's Chief Finance Officer/Deputy Chief Executive and the Chief Constable's Head of Financial Services and will be presented to the Joint Audit and Standards Committee on 2 December 2013.

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

Grant Thornton UK LLP
October 2013

Section 2: *Audit of the accounts*

01. Executive summary

02. Audit of the accounts

03. Value for Money

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The PCC and Chief Constable presented us with draft accounts on 29 June 2013, in accordance with the national deadline. Good quality working papers were made available from the start of the audit fieldwork, which commenced on 19 July 2013.

Issues arising from the audit of the accounts - PCC

We did not identify any adjustments which would affect the PCC's reported financial position. However, we made one significant classification amendment in the PCC's group accounts. The Chief Constable does not have local authority status and therefore a statutory override cannot be applied. Therefore, any liabilities are real cost and should be negative usable reserves. The impact on consolidation in the PCC group accounts is on the balance sheet which was amended to show a negative Chief Constable usable reserve of £1,042.937 million with a corresponding reduction in unusable reserves. We also made a small number of other adjustments to improve the presentation of the financial statements and ensure that they fully comply with the Code of Practice on Local Authority Accounting 2012/13.

Issues arising from the audit of the accounts – Chief Constable

We did not identify any adjustments which would affect the Chief Constable's reported financial position. We made one significant classification amendment in the Chief Constable's accounts. The balance sheet and Movement in Reserves Statement (MiRS) showed the pension liability for LGPS (£28.802 million) and Police Officers (£1,010.490 million), and the accumulated absences liability (£3.645 million) as unusable reserves. This is in effect applied a statutory override to remove these as real costs. However, the Chief Constable does not have local authority status and therefore a statutory override cannot be applied. These were therefore amended to be shown as negative usable reserves. We also made a small number of other adjustments to improve the presentation of the financial statements and ensure that they fully comply with the Code of Practice on Local Authority Accounting 2012/13.

Annual governance statements

Both the PCC and Chief Constable have updated their Annual Governance Statements to reflect the outcome of the investigation into the allegations made against the Temporary Chief Constable.

Audit of the accounts

Conclusion

Before we gave our opinion on the accounts, we were required to report significant matters arising from the audit to 'those charged with governance' (defined as the PCC and the Chief Constable.) We presented our report to the Joint Audit and Standards Committee on 23 September 2013, with the PCC and Chief Constable in attendance, and summarise only the key messages in this Letter.

We issued an unqualified opinions on the PCC's (including the PCC's Group) 2012/13 accounts, and the Chief Constable's 2012/13 accounts, on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinions confirmed that the accounts gave a true and fair view of the PCC's (and the PCC's Group) and the Chief Constable's financial position and of the income and expenditure recorded.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

Value for Money

Scope of work

The PCC and Chief Constable are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

The Audit Commission determined that our Value for Money (VFM) Conclusion work should focus on the risks relating to the abolition of police authorities and the transition to the offices of the PCC and the CC. We have undertaken our audits in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, we have considered the results of the following for both bodies:

- our review of the annual governance statements; and
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities.

Key VFM findings for the PCC

Review of the Annual Governance Statements

We have reviewed the Annual Governance Statement (AGS) and confirmed it is compliant with the relevant guidance and consistent with our knowledge of the governance arrangements in place. The Development and Improvement plan clearly outlines a range of reviews to be undertaken in 2013/14 to assess how current arrangements are working and develop new arrangements. The AGS was updated to reflect the outcome of the investigation into the allegations made against the Temporary Chief Constable.

Review of the work of other regulatory bodies or inspectorates

In July 2012 Her Majesty's Inspectorate of Constabulary (HMIC) reported positively on Cumbria's preparation for the introduction of the PCC.

Overall Value for money conclusion – PCC

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the PCC put in place proper arrangements to secure economy, efficiency and effectiveness in The Police and Crime Commissioner for Cumbria's use of resources for the year ending 31 March 2013.

Key VFM findings for the Chief Constable

Review of the Annual Governance Statements

We have reviewed the Annual Governance Statement and confirmed it is compliant with the relevant guidance and consistent with our knowledge of the governance arrangements in place. The Development and Improvement plan clearly outlines a range of reviews to be undertaken in 2013/14 to assess how current arrangements are working and develop new arrangements. The AGS was updated to reflect the outcome of the investigation into the allegations made against the Temporary Chief Constable.

Review of the work of other regulatory bodies or inspectorates

Our review of reports issued by HMIC did not highlight any significant risks that would impact on our VFM Conclusion. HMIC has reported positively on Cumbria's response to austerity (2012) and the savings challenge (2013).

Overall Value for money conclusion – Chief Constable

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in The Chief Constable for Cumbria Constabulary's use of resources for the year ending 31 March 2013.

Other issues

Outcome from the investigation into the Temporary Chief Constable

South Wales Police completed their investigation into allegations made against the Temporary Chief Constable and concluded there were no criminal acts or gross misconduct. He has returned to work in his substantive post as Deputy Chief Constable until his retirement in December 2013. The report included 36 recommendations to improve arrangements and these are included within an action plan which will be monitored by the Joint Audit and Standards Committee. The PCC and Chief Constable updated their Annual Governance Statements to reflect the findings in the report.

Revenue underspending

Revenue underspending was over £4.3 million in 2012/13, and would have been some £6 million except that £1.7 million of revenue was used to fund capital expenditure in the year. The unspent monies were added to reserves. This pattern of significant underspending against the net budget has continued for some years and has been partly caused by the number of Police Officers being below establishment and also as a result of additional unplanned income. In September 2013 the PCC's Chief Finance Officer reported an expected underspend of over £2.3 million on the 2013/14 budget. Action has been taken by the Constabulary to increase officer numbers up to establishment but the full financial impact of this will not be seen until 2014/15.

At the end of 2012/13 the total available reserves, which have been funded from revenue underspends, was £26.7 million which represents around 25% of the gross revenue expenditure. Reserves have been reviewed and some earmarked in an 'investment fund' for managing the on-going changes and capital schemes which will help to improve the efficiency of the service. The reserves will provide a source of funding for special projects such as further spending on reducing domestic violence and also to support the building of the new police station in Barrow.

Capital underspending

The capital budget was also underspent in 2012/13 by over £3.9 million. Slippage on capital schemes is relatively common but again there has been slippage on schemes for some years. The planned spending on schemes was to help the police provide better services and to improve efficiency recognising that the total available resources is being cut. Again this slippage has been recognised and new project management arrangements are being brought in to ensure that the budget is more realistic and momentum is maintained to ensure schemes progress on time.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
The Police and Crime Commissioner audit	45,000	45,000
Chief Constable audit	20,000	20,000
Total fees	65,000	65,000

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	June 2013
Audit Findings Report	September 2013
Annual Audit Letter	October 2013



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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

Open actions b/fwd from last report	7
New actions since last report	8
Total actions this report	15
Actions completed since last report	7
Open actions c/fwd to next report	8

Key to actions:



Completed



Ongoing



timescale exceeded







not yet due



Key to Grade:


1. Major recommendation that indicates a fundamental control weakness that must be addressed
2. Recommendation to be addressed in order to establish a satisfactory level of internal control
3. Minor recommendation made to improve the system under review




Members have requested that this summary of recommendations report provides an update on actions where the recommendation was graded 1 or 2 only. Minor grade 3 recommendations are monitored by individual managers.






Recommendation	Grade/Person Responsible	Agreed / Intended Action / Progress Update	Target Date	
Partnerships, November 2011 (Shared Internal Audit Service)				
A value for money exercise should be carried out for all joint-working arrangements. Those arrangements that do not demonstrate added value to the constabulary should be ceased.	2 Strategic Development	<p>The work is completed for all but 2 of the major partnerships. The 2 outstanding partnership assessments are work in progress.</p> <p>March 2013 – the outstanding assessments are scheduled to be completed by end March 2013.</p> <p>June 2013 – One VFM exercise is still to be completed as future responsibilities in relation to this partnership are currently being assessed.</p> <p>September 2013 – Due to unplanned and significant resourcing issues, one VFM exercise is still to be completed. The resource issue was resolved at the end August and, subject to any recommendations from Office of PCC about the function concerned, the work has been rescheduled to start in October 2013.</p> <p>November 2013 - The final VfM assessment has been completed and the assessment resulted in a positive outcome regarding value for money. No actions for improvement were identified.</p>	March 2013	
VFM and Efficiency Savings, November 2011 (Shared Internal Audit Service)				
The approach to delivering VFM should be reflected in an updated strategy document and this should be linked to the detail held within the VFM statement	2 Director of Corporate Improvement & Head of Financial Services	<p>The present strategy runs until 2012 and will be refreshed for the forthcoming financial year. A large element of the strategy is the Change Programme work which is regularly reported to the Authority. VFM work is continuing in the form of delivering the Change Programme.</p> <p>March 13 – A revised VFM strategy which will incorporate the objectives within the Policing Plan, the Constabulary's Change Programme, the workforce plan, Police Objective Analysis and HMIC VFM profiles is being developed. This will be presented to the Constabulary's Chief Officer Group by the end of the current financial year. This will subsequently be communicated to the Police and Crime Commissioner.</p> <p>June 2013 – A revised VFM strategy has been produced and agreed by the DCC Senior Management Team in March. Subsequent communication to the Commissioner is still to take place.</p> <p>September 2013 – Following approval at DCC's Senior Management Team, the revised Value For Money Strategy will be presented to the Constabulary's Chief Officer Group in October 2013. This will subsequently be communicated to the Police and Crime Commissioner.</p>	March 2013	


		November 2013 - The Continuous Improvement, Efficiency and Value for Money Strategy has been approved at Chief Officer Group and will be communicated to the OPCC. The document will be available to the public on the Constabulary website.		
Creditors, February 2012 (Shared Internal Audit Service)				
<p>Staff should be reminded of the Financial Regulations, to ensure that:</p> <ul style="list-style-type: none"> Only authorised staff, as per the budget delegation sheet, authorise orders; Order are completed for all purchases; <p>There is segregation of duties in the ordering and receiving process</p>	<p>2</p> <p>Roger Marshall – Head of Financial Services</p>	<p>May 2012 update - The new oracle I-procurement module of the upgraded finance system was implemented on 01/04/12. September Update – new budget protocols were agreed by the Chief Officer Group and have been communicated to budget holders. Revised budget responsibilities and delegations are being formalised.</p> <p>March 13 – A formal list of budget-holders and their agreed delegations, including limits and areas of responsibility has been prepared and communicated to the Central Services Dept (CSD). The budgetary responsibilities have been built into the approval hierarchy in the financial system. It has also been amended to reflect revised Directorate structures. CSD staff have been reminded of the importance of ensuring that requisitions are attached to the correct expenditure category, which will ensure that systems orders are correctly approved and coded. The same budget authorisations are applied to non order expenditure, however it is aimed that as many orders as possible are placed through the system. An exercise to formally communicate the revised Financial Regulations and Rules to relevant staff will be undertaken once they have been agreed by the PCC and Constabulary.</p> <p>June 13 – The release of the budget for 2013-14 was delayed whilst funding arrangements were finalised between the PCC and the Constabulary. Budget delegations are in the process of being collated and will be incorporated into approval hierarchies in the Oracle system as soon as practicable. Financial Regulations and Rules are still in the process of development and will be communicated once this is complete. An update on progress will be provided to the next meeting and a revised target for this work of the end of September is proposed.</p> <p>September 2013 – Changes to budget delegations for 2013-14 are substantially reflected in the oracle electronic approvals hierarchy. Some technical difficulties have been encountered in combining the management of budgets by cost codes (departments/sections) and others by main code (subjective detail). A solution is currently being developed.</p> <p>Whilst the finance team have been heavily engaged in producing the annual statutory accounts only a limited amount of progress has been made in updating the financial rules & regulations. The intention is to re-vamp the rules and regulations and make these more relevant to users and more easily understood.</p>	June 2013	

		<p>Once work completed documents will be published on the financial services intranet site and a further communication strategy will be developed.</p> <p>November 2013 – Work on updating the financial regulations and rules will be undertaken in January 2014 alongside the preparation of the whole suite of governance documents to reflect stage 2 PCC transfers. The updated documents are to be presented to a special meeting of the JASC in February when members will be asked to scrutinise the documents prior to formal approval in time for the stage 2 transfer date 1 April 2014.</p>		
Data Quality – Crime and Incident Recording, December 2012 (Shared Internal Audit Service)				
R1 Ongoing monitoring is required to assess the effectiveness of quality assurance arrangements and make reasonable adjustments to secure an acceptable level of data quality.	1 Force Crime Registrar	<p>Following publication of this report and an internal audit report (Nov 12) a further retrospective audit of data will be instigated by the Force Crime Registrar in Feb/Mar 2013 to measure data quality compliance. This audit together with findings to date will inform and assist the on-going implementation of activities within the Constabulary Improvement Plan for this area of the business.</p> <p>November 2013 - The audit as documented was put on hold in order to address a recording issue with serious violent crime and to carry out an audit of that data. Crime & Incident recording data quality audit carried out in October 2013 with findings and recommendations forwarded to ACPO/senior command for their attention. (see summary below).</p> <p>In October 2013 three crime quality assurance officers were identified for the Force to work with a central Sergeant on the quality around crime recording and compliance of processes. Their first focus is in the high risk areas of Domestic Violence, Sexual offences and Hate Incidents. These officers will be in post for 18 months and report to C/Supt Johnson.</p> <p>For a period of 6 months all crime files will be quality assured with the Sleuth crime system and the data reviewed to address any performance areas highlighted.</p>	Feb / Mar 2013	
R2 Data quality risks should be managed according to the Constabulary's risk appetite.	1 Force Crime Registrar	<p>The results of the above action will inform how data quality is managed by the Constabulary in the future. This may result in maintaining current audit levels or a return to 'real time' audit in an effort to manage data quality more effectively.</p> <p>November 2013 - Real time audit is conducted by operational Inspectors in the high risk areas of Domestic Violence, Sexual offences and Hate Incidents.</p> <p>Retrospective audits are carried out by operational supervisors of during officers performance reviews.</p>	Feb / Mar 2013	

Comments in relation to All Data Quality Actions		<p>June 13 - In relation to the 2 Data Quality audit recommendations above the following actions have been taken :-</p> <ul style="list-style-type: none"> · A Crime Management Governance Board has been set up to oversee the approach to improving crime management processes. · A Crime Desk Review and Implementation team has been established. · The Crime Management Unit has been re-located into the Communications Centre to improve connectivity. · Live time audits have been re-introduced for priority crimes. · Introduction of a Performance Framework. · Regular updates to raise staff awareness. <p>September 2013 Update:</p> <ul style="list-style-type: none"> · Performance is improving however work is still in progress to sustain the necessary standards. · The Force Registrar and his team have had to suspend live time audits to undertake necessary national audits and returns. · Operational Commanders have in place a system of live time audits by inspectors and sergeants. · The Crime Desk Improvement Group are looking at other initiatives to improve and sustain performance. <p>October 2013 update:</p> <p>An internal audit of crime & incident data was completed in October 2013 inclusive of both the recording and classification of serious violent crime. The results showed that the Constabulary had been able to maintain the 80% compliance rate as recorded in the November 2012 internal audit and there is an expectation by the Force Crime Registrar that compliance levels will continue to rise as the work carried out by the Crime Desk Review and Implementation team takes effect. As part of the overall audit, the review of the Crime Management unit functions showed clear integrity and quality assurance against the data categories examined. A further measurement of improvement will be available to the Constabulary following the external audit by HMIC in early 2014.</p>		
Oracle Financials Security, June 2013 (Shared Internal Audit Service)				
R3 Audit trails (logs) should be subject to regular review with specific focus on user accounts that have system administrator privileges	2 Richard Unwin (ICT) & Mark Carter (Financial	The approach to production and monitoring of system logs will be reviewed on a risk basis. A balance will be sought between benefits and the resources required (including systems resource). For low risk activities a reactive policy may be appropriate where the log is generated but only examined in the case of a problem arising. When deciding what information will be reviewed an emphasis will be placed on system administration activities and users.	July 2013	

	Services)	<p>September 2013 – Discussions on which items should be reviewed and frequency of reviews are currently ongoing.</p> <p>November 2013 – progress on this action has been delayed due to work being undertaken on an upgrade to the HR system and work on the payroll project. It is anticipated that this work will be resumed in January 2014.</p>		
R6 System roles should be adequately documented to include the levels of access they allow to the system.	<p>2</p> <p>Mark Carter Financial Services Officer</p>	<p>Documentation, including a description of the activities allowed by each responsibility to be produced.</p> <p>September 2013 – Documentation underway to include menu access, activities which can be carried out using the responsibility and the roles within the organisation who would be given access.</p> <p>November 2013 – Work is underway and continues to progress on documentation, it is anticipated that the work will be completed by 31 December 2013.</p>	July 2013	
Data Quality – Serious Violent Crime Reporting, July 2013 (Shared Internal Audit Service)				
R1 there should be close monitoring and supervision of Central crime Management Unit crime re-classifications in respect of serious violent crime.	<p>1</p> <p>Force Crime Registrar</p>	<p>As documented within the report the Force Crime Registrar will continue to audit and supervise serious violent crime, both through monitoring of the category by exception and through specific audit.</p> <p>November 2013 - All serious violent crime has been reviewed and the Central Crime Management Unit have received training and guidance around classifications in respect of serious violent crime. It will now form part of the role of the supervisor in the department to monitor all crime classifications</p> <p>This category of crime was measured in the October 2013 audit report and will remain an integral part of the audit process. (please see audit summary above).</p>	This is an ongoing function which will initially be measured against the Constabulary NCRS audit in August 2013.	
R2 The risk to serious violent crime data quality should be re-assessed and managed accordingly to ensure acceptable data quality standards.	<p>2</p> <p>Force Crime Registrar</p>	<p>As at present, this category will continue to be assessed as part of the Constabulary audit of “violence against the person” crimes.</p> <p>November 2013 - This category of crime was measured in the October 2013 audit report and will remain an integral part of the audit process. (please see audit summary above)</p> <p>A DCI/DI will review all serious violent crime.</p>	Ongoing crime management role.	

R3 Consideration needs to be given to determining the cost/benefits of reviewing all serious violent crimes during this period and reclassifying crimes to less serious codes where necessary.	1 Force Crime Registrar	This recommendation is not considered feasible in light of the resource requirement and subsequent financial cost required to both identify and quality assure data across this period. November 2013 - No Change	Recommendation not agreed.	
Territorial Policing Areas, July 2013 (Shared Internal Audit Service)				
R1 All income received should be receipted.	2 Alison Hunter (Central Services)	Procedures to be sent out as a reminder to all areas. November 2013 – A team meeting was held on 4 September 2013 with all areas based staff, procedures were reiterated and the importance of compliance explained.	31 August 2013	
R5 VAT should only be reclaimed where appropriate receipts are retained.	2 Alison Hunter (Central Services)	Reminder and procedures to be sent out to all areas. November 2013 – A team meeting was held on 4 September 2013 with all areas based staff, procedures were reiterated and the importance of compliance explained.	31 August 2013	
R6 All staff involved with found property should be reminded of the process to be followed and the importance of maintaining the found property database accurately.	2 TPA Chief Inspectors	Findings to be sent out to area chief inspectors responsible for front desk found property store. November 2013 – Area staff involved with found property have been briefed and reminded of process.	31 August 2013	
Statement of Accounts 2012-13 Audit Findings Report, September 2013 (Grant Thornton, External Audit)				
R1 Ensure that improvements are made to the system for identifying related party transactions (RPTs). Where returns are not received ensure that alternative procedures are	Medium	A detailed procedure has been developed in relation to related party transaction collation and disclosure. The procedure/guidance will be distributed to relevant staff and key dates will be incorporated into the final accounts timetable for 2013-14 and beyond. The actions taken to ensure as many returns as possible will be fully documented as will any action taken to gain assurances following non receipt of forms. All working will be included in the annual audit file. November 2013 – Action completed at time of issue being raised by auditors, procedure written and will	September 2013	

used to assess whether any potential RPT exists. Where disclosures on individual returns are made ensure that your consideration of whether these need disclosed in the financial statements is fully documented.		be incorporated into year-end process for 2013-14 accounts.		
R2 The PCC and Chief Constable need to take steps to minimise the risk of future significant revenue and capital underspending.	Medium	<p>As part of the 2013/14 budget process, the PCC has put in place a funding agreement with the Chief Constable that places priority on the Constabulary maintaining officer numbers at the level set within the budget. The Chief Constable has made structural changes to support more robust workforce planning and the capacity to better manage recruitment. The Executive Board has received assurances that the officer establishment will be at or above the budget target by October 2013. This will result in a reduced level of underspend in 2013/14 due to timing.</p> <p>A significant amount of work has been undertaken to realign the capital programme for 2013/14. The budget is already evidencing a stepped reduction in the level of slippage within the programme and changes have been made to ICT staffing to address capacity issues. There will always be instances where in-year changes are made to the ICT programme as a consequence of slippage at a national level and the nature of technology schemes. Decisions will continue to be made to slip schemes into future years where better value for money and technical benefits can be derived from doing so.</p> <p>November 2013 - Revenue budget update – the forecast financial position as at 30 September was a combined underspend on Constabulary and Commissioner budgets of £2.9m, of this sum £2.6m relates to underspend on employee related budgets as a result of operating below establishment numbers for police officers and PCSOs and a number of vacant police staff posts in the early part of 2013/14. A considerable amount of work on the workforce plan and recruitment activity has been undertaken and the Constabulary reached the establishment of police officers by the end of October 2013. Police officer numbers are now expected to be maintained on or around establishment for the remainder of 2013/14 and throughout 2014/15 meaning that further underspends should be avoided. In addition all non-staff budgets have been subject to review as part of the 2014/15 budget cycle.</p> <p>Capital budget update – the capital programme position reported to the PCC Executive Board as at the end of September showed forecast spend of £7.7m against a revised budget of £9.1m, the difference in the main relates to forecast slippage into future years of approx. £1.3m. The slippage is mainly as a</p>	On-going	

		result of delays in schemes whilst robust business cases are developed in conjunction with the wider corporate investment strategy. The Director of Corporate Support is now meeting project managers on a monthly basis to ensure that forecasts are robust, schemes are progressing to plan and that spend profiles for future years are realistic and deliverable.		
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JOINT POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT & STANDARDS COMMITTEE	Paper No. **
Meeting Date: 2 DECEMBER 2013	
From: AUDIT MANAGER	

INTERNAL AUDIT PROGRESS REPORT ON AUDIT PLAN 2013/14

1.0 EXECUTIVE SUMMARY

- 1.1 This report summarises internal audit work carried out for the Cumbria Office of the Police and Crime Commissioner and Cumbria Constabulary for the first seven months of the year. At the end of October 2013, 40% of the plan had been completed.

2013/14 PLAN DAYS	ACCREDITED DAYS	% PLAN ACHIEVED
166	67	40

- 1.2 The position compares favourably to the previous year when 38% of the plan had been completed by this point.
- 1.3 Planned audit days are weighted towards the second half of the year to accommodate work on the main financial systems. There is also time set aside to carry out emerging and reactive work as it arises.

2.0 RECOMMENDATION

- 2.1 The Audit and Standards Committee is recommended to note this report and the proposals to ensure delivery of the audit plan for 2013/14.

3.0 SUMMARY OF WORK COMPLETED

- 3.1 The following table summarises the total number of audit evaluations made during 2013/14.

	Total	%
Good	1	20
Satisfactory	3	60
Fair	1	20
Weak	-	-
Total to date	5	100

3.2 The summary below gives a brief outline of the audit assignments undertaken to date from the 2013/14 plan. Shaded items have been reported to this Committee previously.

Assignments	Main Points	Assessment	Current Status
Annual report 12/13	Presented to Audit and Standards Committee 24 June 2013.	N/A	Complete
Annual Governance Statements 12/13	Presented to Audit and Standards Committee 24 June 2013.	N/A	Complete
Data Quality – Serious Violent Crime recording	<p>The Constabulary is aware of data quality issues and is addressing data quality risks highlighted.</p> <p>Home Office changes to police recorded crime classifications in April 2012 has caused some misinterpretation, particularly with regard to weapon usage. Whilst guidance material is available an element of subjective interpretation remains.</p> <p>Audit tests showed that a relatively high proportion of crimes had been classified incorrectly. In most cases the classification had been made correctly by Police Officers and then incorrectly reclassified by the Central Crime Management Unit.</p> <p>Internal Audit considers that the risk to data quality in this area needs to be reassessed and managed accordingly to ensure an acceptable level of data quality.</p>	Fair	To Audit and Standards Committee 23/09/13

Assignments	Main Points	Assessment	Current Status
Territorial Policing Areas	<p>The audit covered income, petty cash, property records and inventory at North, South and West area offices.</p> <p>Banking takes place regularly to ensure that insurance limits are not breached. There were two occasions identified where banked income had not been receipted.</p> <p>Petty cash expenditure was appropriate. It was highlighted that North area did not provide receipts and change promptly to ensure records are complete and that VAT had been reclaimed despite the receipt not being a valid VAT receipt.</p> <p>Items could not always be traced from the property database to store.</p> <p>South and West Areas did not have inventory records and North Area's was incomplete. A central review of inventories is taking place.</p>	Satisfactory	To Audit and Standards Committee 23/09/13
Treasury Management	Controls over treasury management are well established and continue to operate well.	Good	To Audit and Standards Committee 23/09/13

Appleby Incident – review of policies	<p>Internal Audit reviewed policies and procedures considered relevant to the Appleby Incident at the request of the Chief Executive.</p> <p>Given the limited scope we were not required to conclude on whether the policies and procedures were followed.</p> <p>Our work identified that not all of the policies were reviewed in line with their stipulated review date and that it was not always clear which body had approved the policy and when.</p> <p>The report will be considered as part of the Police and Crime Commissioner’s review of the incident.</p>	N/A	To Audit and Standards Committee 23/09/13
Integrity – Cumbria Office of the Police and Crime Commissioner	<p>Policies and procedures are in place covering the acceptance of gifts and hospitality and declaration of business interests and secondary occupations to provide safeguards, and ensure clarity in these areas of concern.</p> <p>Some recommendations were made to enhance existing controls.</p>	Satisfactory	To Audit and Standards Committee 02/12/13
Integrity – Cumbria Constabulary	<p>The Constabulary has taken steps to address police integrity and corruption concerns by establishing clear boundaries, checking mechanisms, governance and oversight in the areas highlighted by HMIC. This audit has identified many examples of good practice.</p> <p>There is scope to improve existing processes, notably the need to establish a routine mechanism for cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations to ensure processes are not open to corruption</p>	Satisfactory	To Audit and Standards Committee 02/12/13

3.3 In addition to the above, a member of the Internal Audit team attended the Police Audit Group conference in July. This was a useful networking opportunity and provided an insight into current developments and emerging areas where internal audit involvement may be useful and will inform our audit planning for 2014/15.

- 3.4 In August 2013 the Group Audit Manager and Audit Manager met with Senior Management at the Constabulary as part of an exercise to map the Audit Universe. This will be the basis of the 2014/15 audit planning.

4.0 GRADE 1 RECOMMENDATIONS – PROGRESS ON AGREED ACTIONS

- 4.1 Two grade 1 recommendations were made in the review of crime and incident recording data quality. Both recommendations were agreed by Management. The target date for implementation of both recommendations was February / March 2013. Internal audit will follow up the implementation of the agreed action plan in December 2013.

5.0 WORK PLANNED FOR NEXT PERIOD

- 5.1 Work is scheduled as follows:

Assignment	Provisional date	Current Status
Seized / held property handling and claims	Fieldwork carried out in October 2013	Draft report issued 11 November 2013.
Payroll	04/11/13	Fieldwork complete
Pensions	25/11/13	Fieldwork due to start
Capital programme & asset register	December 2013	
Data Quality – Anti social behaviour	December 2013	
Debtors / income / banking/ imprests / creditors	January 2104	
Main Accounting System	February 2014	
Budget management	February 2014	
Data Quality – Public / customer satisfaction	TBA	
Remaining contingency	TBA	

Emma Toyne
Audit Manager
November 2013



Serving the People of Cumbria

SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**A REPORT FOR
THE CUMBRIA OFFICE
OF
THE POLICE & CRIME COMMISSIONER**

**A REPORT ON
INTEGRITY**

Draft Report Issued: 6th November 2013
Final Report Issued: 19th November 2013

1.0 INTRODUCTION

- 1.1 In October 2013 Internal Audit undertook a review of integrity within Cumbria Office of the Police & Crime Commissioner. The review was carried out in accordance with the Internal Audit Plan 2013/14.
- 1.2 The review was requested following key integrity issues raised nationally by Her Majesty's Inspectorate of Constabulary (HMIC) in their report 'Without Fear or Favour' issued in 2011, and subsequent update report in 2012. The reports highlighted the need for the service to further strengthen integrity and 'give the public cause to have high levels of confidence that the police will act without fear or favour in delivering a responsive and accountable service'.
- 1.3 Integrity issues have had a high profile in the media in recent years. Her Majesty's Inspectorate of Constabulary (HMIC) have also raised police integrity and corruption concerns and highlighted specific areas of unease such as corporate credit cards, gifts and gratuities and business interests and secondary occupations. Cumbria Office of the Police & Crime Commissioner acknowledges that weak controls in these areas can leave the organisation vulnerable to significant risks and undermine public confidence in the integrity of the service.
- 1.4 The main contact for this review was the Governance and Business Services Manager.

2.0 SCOPE

- 2.1 The following table identifies the areas reviewed by Internal Audit and the associated risks for each individual area:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Corporate Credit Cards	<ul style="list-style-type: none"> • Misuse of corporate credit cards. • Maximum value is not derived from their use. • Inadequate supervision / review.
Gifts & Hospitalities	<ul style="list-style-type: none"> • Lack of clarity around the acceptance of gifts & hospitality. • Lack of transparency, inadequate recording systems. • Inadequate supervision / review.
Contracting & Secondary Employment	<ul style="list-style-type: none"> • Conflicts of interest, tax and other legal implications of police officers and staff having second jobs or other business interests.

3.0 SUMMARY

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.
- 3.1.2 The overall evaluation for the controls operated in this area is **satisfactory**.

3.2 CONCLUSION

- 3.2.1 Policies and procedures are in place covering the acceptance of gifts and hospitality and declaration of business interests and secondary occupations to provide safeguards, and ensure clarity in these areas of concern. A number of recommendations have been made to enhance existing controls in these areas and further secure the trust and confidence of the public in the integrity and impartiality of the organisation.

3.1 RECOMMENDATIONS

- 3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:
- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed.
 - Grade 2: Recommendation which should be addressed in order to establish a satisfactory level of internal control.
 - Grade 3: Minor recommendation made to improve the system under review.
- 3.3.2 Recommendations are included to this report as Appendix A – Summary of Recommendations and Action Plan (for the attention of Cumbria Office of the Police and Crime Commissioner).

4 DETAILED FINDINGS & RECOMMENDATIONS

4.1 Corporate Credit Cards

- 4.1.1 Corporate credit cards are not currently utilised by the Cumbria Office of the Police & Crime Commissioner.

4.2 Gifts & Hospitality

- 4.2.1 Cumbria Office of the Police and Crime Commissioner (COPCC) sets out its expectations regarding the acceptance of gifts and hospitality in two documents:

- The Anti-Fraud and Corruption Policy and Plan within section H of Financial Regulations 2012-13.
- Police & Crime Commissioner and Deputy Police & Crime Commissioner Code of Conduct

Policies are to be reviewed as part of 'Stage 2' transfer process arrangements.

- 4.2.2 The Anti-Fraud and Corruption Policy makes it clear that all individuals, and organisations associated with the Force and the OPCC are expected to act with integrity. Particular mention is made of the requirement for any offers of gifts or hospitality related to the performance of their duties to be declared in a public register. The Police & Crime Commissioner and Deputy Police & Crime Commissioner Code of Conduct requires gifts and hospitality with an estimated value of at least £25 to be declared.
- 4.2.3 The Anti-Fraud and Corruption Policy and Code of Conduct do not provide any clarity to staff on the types of offers that are considered acceptable and those that are considered unacceptable. Given that policies are due to be reviewed this would be an opportune time to produce more detailed guidance in this area and help staff to better determine the boundaries of acceptability of any gift, gratuity or hospitality. Cumbria Constabulary's updated Anti-Fraud & Corruption Policy and Procedures (2013) based on ACPO guidance would provide useful reference material in this field (**see R1**).
- 4.2.4 Policies require that offers should be the subject of a declaration in a register. In accordance with best practice electronic gifts and hospitality registers have been developed, one register for the Police & Crime Commissioner and a separate register for Cumbria Office of the Police & Crime Commissioner staff. Both registers record offers whether they have been accepted or declined to ensure transparency and better demonstrate integrity.
- 4.2.4 Consistent information is required on all offers made including the financial value, description of the offer and reason for the offer. The register includes a field to record other comments against each offer. In many instances this field is used to provide rationale for accepting or declining offers, but not consistently. The rationale behind accepting and declining offers is a key element in demonstrating a common sense approach to the boundaries of acceptability. Consideration should be given to including a mandatory rationale field within the registers (**see R2**).
- 4.2.5 A review of the registers showed 24 entries in the Commissioner's register since inception in November 2012, 18 of which had been accepted (75%). There were only 3 entries in the staff register, 2 of which had been accepted. Guidance regarding the types of offers to accept and decline has been followed. The majority of offers accepted relate to speaking engagements inclusive of lunch / dinner valued between £25 and £50. Offers declined include high value offers and those from existing / potential contractors and entities unrelated to Office of Police & Crime Commissioner business.
- 4.2.6 To date there has been no cross checking to procurement / contract records as part of the scrutiny process because direct involvement in procurement within the Office of the Police & Crime Commissioner has been limited. There is the potential for both staffing numbers and procurement involvement to increase following the 'Stage 2'

transfer process. In which case there would be a need to develop a mechanism for cross checking between gifts and hospitality register entries, business interests and existing / potential providers to ensure effective scrutiny and governance of the register. This will be particularly important for those staff who become involved in procurement activity and decisions **(see R3)**.

4.2.7 Both registers are published on the Cumbria Office of the Police & Crime Commissioner's website monthly for public scrutiny. The latest version of the Commissioner's register covers the period to July 2013 and the staff register to October 2013. This level of transparency is good practice in demonstrating high standards of professional behaviour, openness and integrity.

4.2.8 The staff register is scrutinised on a monthly basis by the Chief Executive. It was last reviewed on the 13th September 2013 (two weeks before the audit review) and this is clearly recorded on the register. However it should be noted that two of the three entries in the register relate to offers made to the Chief Executive. There is no evidence of review in respect of the Commissioner's register. The Anti-Fraud and Corruption Policy and Code of Conduct do not specify responsibilities for supervisory monitoring and challenge of register entries, including peer review arrangements for senior staff. There is a need for supervisors / peers to actively monitor and question offers received, provide advice and seek clarification where necessary. This supervisory activity should be clearly evidenced **(see R4)**.

4.2.9

RECOMMENDATIONS		
Ref	Recommendation	Grade
R1	Staff should be provided with a framework to determine the boundaries of acceptability regarding the receipt of gifts, gratuities and hospitality.	2
R2	Consideration should be given to including a mandatory rationale field within the registers.	3
R3	Mechanisms for routinely cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations should be explored.	2
R4	Responsibilities for supervisory / peer review and challenge of register entries should be clearly defined. Supervisory activity should be clearly evidenced.	2

4.3 Contracting & Secondary Employment

4.3.1 Cumbria Office of the Police & Crime Commissioner has adopted an Anti-Fraud and Corruption Policy and Code of Conduct for the Police & Crime Commissioner and Deputy Police & Crime Commissioner covering areas such as standards of conduct and conflicting business interests. Staff are notified of the policies as part of their induction process, reminders about declaring business interests / secondary occupations are issued on a quarterly basis by the Governance & Business Services Manager and the topic is raised annually at the team meeting. The Anti-Fraud and Corruption Policy is currently under review.

- 4.3.2 In accordance with policy, all staff within the Cumbria Office of the Police & Crime Commissioner are required to complete 'Staff Register of Interests' forms on at least an annual basis, including nil returns. The forms must be signed by the member of staff and their line manager before being passed to the Chief Executive for review and retention. Similarly the Police & Crime Commissioner and Deputy Police & Crime Commissioner are required to complete a 'Notification of Disclosable Interests' form for the monitoring officer.
- 4.3.3 The declaration forms are designed to capture information regarding all possible business interests and secondary employments for disclosure purposes. There is no indication that the forms are part of an application process to register business interests or request approval for additional occupations. The forms do not indicate that any checks are undertaken for instance with procurement and there is no suggestion that any consideration is given as to whether the type of interest or additional occupation is compatible with the individual's role in the Cumbria Office of the Police & Crime Commissioner and the ethos and values of the organisation **(see R5)**.
- 4.3.4 Whilst the declaration forms require signatures and dates they do not clearly specify what the staff members and line managers are signing for. Given that the Anti Fraud and Corruption Policy is currently under review this would be an opportune time to revise the declaration form and prepare supporting procedures to tighten controls in this area. For instance staff signatures could be required to indicate their understanding and acceptance of the policy and their agreement to promptly report any changes to declarations. Furthermore line manager signatures could be used to confirm full consideration and support for (or otherwise) the declaration made. Cumbria Constabulary's updated Business Interest and Additional Occupations Policy and Procedures (2013) based on ACPO guidance would provide useful reference material in this field **(see R6)**.
- 4.3.5 Declaration forms are retained electronically for reference and quarterly review by the Chief Executive. The information is not used to populate a central register of business interests and secondary occupations for publication on the Cumbria Office of the Police & Crime Commissioner's website. Instead the current declaration forms are published. Tests show that the Chief Executive and Deputy Chief Executive's declaration forms are available on the website for public scrutiny. There remains a need to upload the Police & Crime Commissioner's current declaration to the PCC website **(see R7)**.
- 4.3.6 Tests confirm that current disclosures are on file for all staff of the Cumbria Office of the Police & Crime Commissioner. Two points are noted in respect of these disclosures: one disclosure has not been signed and dated by the member of staff and three disclosures have not been signed by a line manager. There is a need to ensure declaration forms are signed and dated accordingly.
- 4.3.7 The declaration forms require individuals to disclose interests that may give rise to suspicion of favouritism or breach one of the seven principles of public life established by the Nolan Committee. This puts the onus on the individual completing the declaration to judge whether or not to disclose a business interest or secondary occupation. Good practice would be for individuals to disclose all business interests and secondary occupations for consideration to ensure fairness, consistency and transparency **(see R8)**.

4.3.8

RECOMMENDATIONS		
Ref	Recommendation	Grade
R5	Declarations should be subject to a full consideration and approval system. Individuals should be required to disclose all business interests and additional occupations for consideration.	2
R6	Declaration forms should clearly state what individuals and their line managers are signing for.	2
R7	The Police & Crime Commissioner's current declaration form should be uploaded to the OPCC website.	2
R8	The review of the Anti-Fraud & Corruption Policy should cover procedures and guidance regarding acceptable business interests and secondary occupations, supervisory consideration of disclosures and the level of information to disclose.	2

**CUMBRIA OFFICE OF THE POLICE & CRIME COMMISSIONER
INTEGRITY**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN (J310019)
(FOR THE ATTENTION OF CUMBRIA OFFICE OF THE POLICE AND CRIME COMMISSIONER)**

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	Staff should be provided with a framework to determine the boundaries of acceptability regarding the receipt of gifts, gratuities and hospitality.	2	Chief Finance Officer / Partnership & Strategy Manager	OPCC policies will be reviewed and updated for stage two transfer to take effect from April 2014 and this will be included within that work.	1 st April 2014
R2	Consideration should be given to including a mandatory rationale field within the registers.	2	Governance & Business Manager	The form has been amended and staff advised that this field needs to be completed for every entry.	5 November 2013
R3	Mechanisms for routinely cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations should be explored.	2	Chief Finance Officer	Process to be developed following the finalisation of policies and procedures for the Stage 2 process.	1 st April 2014
R4	Responsibilities for supervisory / peer review and challenge of register entries should be clearly defined. Supervisory activity should be clearly evidenced.	2	Governance & Business Manager	Chief Executive currently reviews the registers on a monthly basis. Chief Finance Officer to review any entries relating to the Chief Executive. Responsibilities will be documented in the revised policy and procedure.	11 November 2013 1 st April 2014

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R5	Declarations should be subject to a full consideration and approval system. Individuals should be required to disclose all business interests and additional occupations for consideration.	2	Governance & Business Manager	The Register of Interests Form will be reviewed and updated as part of an annual process.	March 2014
R6	Declaration forms should clearly state what individuals and their line managers are signing for.	2	Governance & Business Manager	Form to be updated with a declaration notice.	March 2014
R7	The Police & Crime Commissioner's current declaration form should be uploaded to the OPCC website.	2	Governance & Business Manager	This has been done. Due to an error the wrong form was attached to the link on the website.	5 November 2013
R8	The review of the Anti-Fraud & Corruption Policy should cover procedures and guidance regarding acceptable business interests and secondary occupations, supervisory consideration of disclosures and the level of information to disclose.	2	Chief Finance Officer / Partnership & Strategy Manager	Our current policy will be reviewed as part of the arrangements for stage 2 transfer with plans to take the policy with other governance documents to the audit and standards committee for pre-scrutiny in February and approval by the PCC in March so they come into effect on 1 st April in line with the staff transfer.	1 April 2014
ACTION PLAN COMPLETED BY:		Joanne Head			DATE: 6.11.2013
ACTION PLAN APPROVED BY		Ruth Hunter			DATE: 18.11.2013



Serving the People of Cumbria

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INTERNAL AUDIT REPORT

**A REPORT FOR
THE CUMBRIA OFFICE
OF
THE POLICE & CRIME COMMISSIONER**

**A REPORT ON
Cumbria Constabulary: Integrity**

Draft Report Issued: 6th November 2013
Final Report Issued: 22 November 2013

1.0 INTRODUCTION

- 1.1 In October 2013 Internal Audit undertook a review of integrity within Cumbria Constabulary. The review was carried out in accordance with the Internal Audit Plan 2013/14.
- 1.2 The review was requested following key integrity issues raised nationally by Her Majesty's Inspectorate of Constabulary (HMIC) in their report 'Without Fear or Favour' issued in 2011, and subsequent update report in 2012. The reports highlighted the need for the service to further strengthen integrity and 'give the public cause to have high levels of confidence that the police will act without fear or favour in delivering a responsive and accountable service'.
- 1.3 Police integrity issues have had a high profile in the media in recent years. Her Majesty's Inspectorate of Constabulary (HMIC) have also raised police integrity and corruption concerns and highlighted specific areas of unease such as corporate credit cards, gifts and gratuities and business interests and secondary occupations. Cumbria Constabulary has clearly acknowledged that weak controls in these areas can leave the force vulnerable to significant risks and undermine public confidence in the integrity of the service.
- 1.4 The contacts for this review were:-
 - Cath Thundercloud - Detective Superintendent, Head of Professional Standards
 - Ann Dobinson – Head of Central Services
 - Emma Cowper – Employee Services Team Leader
 - Allison Lee – Intelligence Analyst
 - Jo Bellas – Systems Auditor

2.0 SCOPE

- 2.1 The following table identified the areas reviewed by Internal Audit and the associated risks for each individual area:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Corporate Credit Cards	<ul style="list-style-type: none"> • Misuse of corporate credit cards. • Maximum value is not derived from their use. • Inadequate supervision / review.
Gifts & Hospitality	<ul style="list-style-type: none"> • Lack of clarity around the acceptance of gifts & hospitality. • Lack of transparency, inadequate recording systems. • Inadequate supervision / review.
Contracting & Secondary Employment	<ul style="list-style-type: none"> • Conflicts of interest, tax and other legal implications of police officers and staff having second jobs or other business interests.

- 2.2 The review also considered the findings and recommendations of the South Wales Police investigation into the Temporary Chief Constable's conduct matters.

3.0 SUMMARY

3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.
- 3.1.2 The overall evaluation for the controls operated in this area is **satisfactory**.

3.2 CONCLUSION

- 3.2.1 The Constabulary has already taken steps to address police integrity and corruption concerns by establishing clear boundaries, checking mechanisms, governance and oversight in the highlighted areas. This audit has highlighted many examples of good practice such as improved clarity around the acceptance of gifts and hospitality, the close scrutiny of corporate credit card expenditure since April 2013 and updated policies.
- 3.2.2 There is scope to improve existing processes, notably the need to establish a routine mechanism for cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations to ensure processes are not open to corruption. A number of other recommendations are made to enhance existing controls.

3.1 RECOMMENDATIONS

- 3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:
- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed.
 - Grade 2: Recommendation which should be addressed in order to establish a satisfactory level of internal control.
 - Grade 3: Minor recommendation made to improve the system under review.
- 3.3.2 Recommendations are included to this report as Appendix A – Summary of Recommendations and Action Plan (for the attention of Cumbria Constabulary).

4 DETAILED FINDINGS & RECOMMENDATIONS

4.1 Corporate Credit Cards

4.1.1 Twelve corporate credit cards are currently issued to police and staff officers within Cumbria Constabulary. An up to date list is maintained by the Head of Central Services showing card numbers and relevant details such as card and transaction limits and expiry dates. There are three types of corporate credit card in circulation:

- General (procedures updated April 2012)
- Business Continuity Planning (procedures updated April 2012)
- Chief Officers & Staff Officers (procedures effective from March 2013)

Procedures and spending category blocks vary according to card type. Card holders are required to sign corporate credit card acceptance forms when they collect their cards. The signature indicates receipt of the card and responsibility for the security, use and maintenance of the card. It also signals receipt of a copy of the Corporate Card Procedures and adherence to them. Tests confirm that card holders sign written agreements and copies are retained.

4.1.2 The Corporate Card Procedures provide information and clarity in a number of areas including security requirements, appropriate types of expenditure, supporting documentation / records and monitoring arrangements. They also specify the posts that can hold each type of card. Audit checks on the security of a sample of three corporate credit cards confirmed that cards are held securely, in accordance with procedure.

4.1.3 The Corporate Card Procedures require that card holders maintain a payment record of card expenditure to support each monthly card statement and attach relevant VAT receipts. The card holder is required to reconcile their payment record to their card statement each month and then sign the payment record to confirm that the transactions were purchased and necessarily incurred for the benefit of the Constabulary. Payment records then require scrutiny and a signature of authorisation at an appropriate level, as specified in the relevant Corporate Card Procedures before being passed to Central Service Department for payment.

4.1.4 In total there has been almost £13k of corporate credit card expenditure in the first five months of 2013/14. Audit testing was undertaken on a sample of monthly credit card payment records / statements submitted for payment during the current financial year. Sample selection ensured coverage of card types, months of the year and values.

4.1.5 Tests showed that the majority of corporate credit card expenditure is on attendance at courses and conference and accommodation for these events. Other expenditure includes road toll charges, parking fees, copy birth certificates, books, subscriptions, software and small items of operational equipment. Overall this type of expenditure is appropriate and in accordance with procedure. Payment records are completed correctly, reconciled to statements, signed and authorised properly and in most cases VAT invoices / receipts are attached so that VAT can be reclaimed by the constabulary.

4.1.6 As part of their investigation into the Temporary Chief Constable's conduct matters the South Wales Police recommended that Cumbria Constabulary revisit the Corporate Credit Card Procedures for Chief Officers & Staff Officers and update a number of aspects. These include:

- a) To provide greater clarity regarding items which may or may not be purchased,
- b) To stipulate that alcoholic purchases must be reimbursed by card holders.
- c) To specify that Chief Constable expenditure must be authorised by the Police & Crime Commissioner.

Audit tests show that recommendations a and c were actioned prior to the publication of the South Wales Police report. The recommendation regarding alcoholic purchases remains outstanding **(R1)**.

4.1.7 The corporate credit card payment records and monthly statements submitted to the Central Services Department for payment are subject to further scrutiny by the Head of Central Services. There was evidence of this scrutiny process on payment records where, for instance, additional information was sought to clarify / justify specific purchases and reminders were issued to card holders regarding the requirement to obtain and attach VAT receipts.

RECOMMENDATIONS		
Ref	Recommendation	Grade
R1	The outstanding recommendation of Chief Constable Vaughan, South Wales Police regarding corporate credit card alcoholic purchases should be fully addressed.	2

4.2 Gifts & Hospitality

4.2.1 Cumbria Office of the Police and Crime Commissioner (COPCC) and Cumbria Constabulary have a joint Anti-Fraud and Corruption Policy and Supporting Procedure that covers offers and acceptance of gifts, gratuities and hospitality. Following the HMIC Integrity Review a new version of the policy has been drafted for approval and will replace the original policy that was agreed in 2007. The Policy is owned by the Director of Professional Standards Department and is administered by the Anti Corruption Unit.

4.2.2 The Anti-Fraud and Corruption Policy applies to all police officers, special constables, police staff, members and employees of the COPCC, volunteers, agency staff and third parties with whom the COPCC and Constabulary have dealings.

4.2.3 The updated procedures regarding gifts, gratuities and hospitality closely reflect Association of Chief Police Officer (ACPO) guidelines on this subject area published in 2012. They attempt to provide sufficient clarity to staff on what is acceptable and what is not acceptable. Procedures require that offers should be the subject of a declaration in the force register whether they have been accepted or declined. In accordance with best practice an electronic force wide gifts and hospitality register has been developed to replace the series of manual and spreadsheet registers that

were previously in use across the force. This improves completeness and consistency in record keeping. The South Wales Police recommended the publication of the Register of Gifts and Hospitality on the force intranet as part of their report.

- 4.2.4 A 'Gratuities Declaration Form' can be accessed via a new Acceptance of Gifts and Gratuities intranet page alongside advice on how to complete the form. The form automatically updates a gratuities database (register) maintained by the Professional Standards Department. The Force Newsletter and Professional Standards Department Newsletter have been used on different occasions to publicise the updated Anti Fraud and Corruption Policy and Procedure and highlight the electronic recording system. The Professional Standards Department also has ongoing input into training programmes such as courses for new recruits and Territorial Policing Area training days covering various aspects of standards, values and integrity.
- 4.2.5 The Gratuities Declaration Form captures comprehensive information on offers made including the financial value and rationale for accepting or declining the offer. Many of the fields on the form are mandatory but the rationale field is not. This is a key field in demonstrating a common sense approach to the boundaries of acceptability and consideration should be given to making it a mandatory field. When a form is submitted for processing a notification is automatically sent to the member of staff's supervisor for information and consideration of the appropriateness of the offer. The Intelligence Analysts (PSD) reported that requests have been submitted to the Professional Standards Department to amend entries (e.g. add rationale), decline previously accepted offers and provide monitoring reports as part of this review process.
- 4.2.6 A review of the register showed 181 entries since inception in August 2012, 97 of which were made by Senior Police Officers. In total 35% of offers were declined. Overall guidance regarding the types of offers to accept and decline has been followed. For instance gifts of chocolates, flowers, books and invitations to community events offering meals and refreshments have been accepted whilst offers from existing or potential contractors have been declined. The only points to raise are as follows:
- There are two retrospective register entries where the offers were made in March and October 2012 but not recorded in the register until September 2013. There is a requirement to declare any gifts or gratuities offered to the Professional Standards Department within 14 days of the offer. We are pleased to note that the entries were added to the register retrospectively as recommended by the South Wales Police as part of their report. The offers had been made to the Temporary Chief Constable at that time.
 - There are several entries where bottles of alcoholic beverages have been accepted as gifts. Procedures state that alcoholic gifts should not be accepted. It is understood that these bottles are generally donated to Police Federation raffles but this cannot be determined from register entries. There is a need to make this explicit within the register as confirmation and to demonstrate high standards of professional behaviour and transparency. **(R2)**
- 4.2.7 The register is scrutinised on a monthly basis by the Intelligence Analyst (PSD) whereby trends, issues, repeat officers, repeat organisations, significant offers etc. are reviewed. To date cross checking with procurement / contract records has been limited and this is acknowledged by the Professional Standards Department. These

sorts of checks are often undertaken as part of Anti Corruption Unit investigations into the conduct of officers and staff but not on a routine basis. At the time of the audit review meetings were underway to establish links with the Procurement Unit and develop mechanisms for cross checking between register entries, business interests and existing / potential providers. Such checks will protect against corrupt practices and improper relationships. This was also recommended by the South Wales Police as part of their investigation. The outcome of the monthly review process feeds into the Director of Professional Standards Department's Reputational Document for senior officer review. **(R3)**

4.2.8 A summarised version of Senior Officer Gifts & Hospitality register is published on the Constabulary website periodically for public scrutiny. The latest version covers the period April to September 2013. This level of transparency is good practice in demonstrating high standards of professional behaviour and integrity.

4.2.9 The Anti-Fraud and Corruption Policy and Supporting Procedure do not specify responsibilities for supervisory monitoring and challenge of register entries, including peer review arrangements for senior officers. There was little evidence of advice being sought from supervisors regarding offers and there was no evidence of challenge. There is a need for supervisors to actively monitor and question offers received, provide advice and seek clarification from the Professional Standards Department. This supervisory activity should be properly evidenced. **(R4)**

4.2.10

RECOMMENDATIONS		
Ref	Recommendation	Grade
R2	Further clarity is needed regarding the acceptance of alcoholic beverages as gifts and specific recording practices for this.	2
R3	Mechanisms for cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations should be fully documented with responsibilities clearly defined.	2
R4	Responsibilities for supervisory / peer review and challenge of register entries should be clearly defined. Supervisory activity should be properly evidenced.	2

4.3 Contracting & Secondary Employment

4.3.1 Cumbria Constabulary updated its Business Interest and Additional Occupations Policy and Supporting Procedures in 2012 following the publication of new ACPO guidance in this area. The Policy is owned by the Director of Professional Standards Department and applies to police officers and staff. Responsibility for the registration of business interests and additional occupations passed to the Professional Standards Department in June 2013.

4.3.2 The Force Newsletter and Professional Standards Department Newsletter have been used on different occasions to publicise the new Business Interest and Additional Occupations Policy and Supporting Procedures and issue guidance material. As mentioned in paragraph 4.2.4 above the Professional Standards Department also has ongoing input into training programmes such as courses for new recruits and

Territorial Policing Area training days covering various aspects of standards, values and integrity. These actions ensure all staff are aware of the policy and their individual responsibilities.

- 4.3.3 The Professional Standards Department has developed an electronic 'Application to Register Business Interest or Additional Occupation' form on the intranet to capture all necessary information to fully consider whether the type of interest or additional occupation is compatible with the individual's service in Cumbria Constabulary. Police officers and staff who have previously registered business interests or additional occupations have been asked to submit new declarations for review.
- 4.3.4 The application form is comprehensive and requires a number of separate signatures of acceptance from applicants in relation to compliance with the policy, submitting tax returns as required to H.M. Inspector of Taxes, reporting changes immediately to the Chief Constable and acknowledging familiarity with the Police Regulations (Police Officers only). The Head of Professional Standards Department commits to reviewing each application (and supporting information) within 28 days of receipt of the fully completed and signed form. Applications require comments and signatures from the applicant's supervisor / line manager, Territorial Policing Area / Department Head and Human Resources. Any performance issues raised and discussed in performance development reviews (PDRs) are taken into account. The Head of Professional Standards then seeks final authorisation from the ACPO appropriate authority.
- 4.3.5 Central Services Department has developed a central electronic register of business interests and secondary occupations. The register is updated as declaration forms pass through all the necessary authorisation channels. Declaration forms are retained electronically for reference.
- 4.3.6 The HMIC Integrity Review highlighted inconsistencies in policies and guidance across forces and significant variations in and between forces in decisions on what constitutes compatible secondary employment. A more unified decision making model was required for consistency and this was provided within the ACPO guidance published in 2012. Cumbria Constabulary's Business Interest and Additional Occupations Policy and Supporting Procedures are based on this guidance establishing 6 key principles for considering applications: impartiality, impact on the force, current performance of the individual, proportionality, equality & diversity and health, safety & wellbeing. These categories are expanded upon in detail within the guidance material.
- 4.3.7 Central Services Department has received 27 applications from Police Staff and 98 declarations from Police Officers since the request went out in August 2013 and 82 are currently awaiting approval / rejection from the ACPO appropriate authority. The Professional Standards Department review each application and perform relevant checks with Procurement, the Force Intelligence Bureau and Estates. The procedures also states that routine checks will be undertaken to ensure that refusals are adhered to.
- 4.3.8 A sample of 15 completed applications was selected for review. Tests showed that application forms pass through the appropriate channels for review and sign off and all applications are approved by the Head of Professional Standards Department and or the ACPO appropriate authority. All applications in the sample examined had been

SHARED INTERNAL AUDIT SERVICE

approved. Twelve applicants had provided additional information on their business interests / secondary occupations such as the nature of the work and hours worked. This additional information is vital to the assessment and approval process.

- 4.3.9 Overall information and comments on application forms indicate that the six key principles of consideration recommended by ACPO have been adhered to. These principles ensure forces make reasoned and sound judgements in relation to applications for Business Interests and Additional Occupations. The only issue to note relates to the submission of a number of earlier version, hard copy application forms rather than the updated (and more comprehensive) electronic application form. It is understood that hard copies of earlier version application forms remain in circulation and a number were submitted in response to the recent request for a refresh of business interests and additional occupations. There is a need to take old versions of the hard copy application form out of circulation and remind all staff of the electronic form on the force intranet. This will guarantee that comprehensive information is captured to ensure applications receive full consideration and that all necessary signatures of acceptance / authorisation are obtained. **(R5)**

RECOMMENDATIONS		
Ref	Recommendation	Grade
R5	Only the latest version of the Application to Register Secondary Employment or a Business Interest should be available to staff.	2

**CUMBRIA CONSTABULARY
INTEGRITY**

**SUMMARY OF RECOMMENDATIONS & ACTION PLAN (J310019)
(FOR THE ATTENTION OF CUMBRIA CONSTABULARY)**

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	The outstanding recommendation of Chief Constable Vaughan, South Wales Police regarding corporate credit card alcoholic purchases should be fully addressed.	2	Ann Dobinson Head of Central Services	All Corporate Cards procedures to be amended to include instructions that the purchase of alcohol is prohibited.	31 December 2013
R2	Further clarity is needed regarding the acceptance of alcoholic beverages as gifts and specific recording practices for this.	2	D/Supt Cath Thundercloud PSD	The rationale field will be made mandatory with a note added that this is especially pertinent if the gift is alcohol	31 December 2013
R3	Mechanisms for cross checking contract / procurement records with gifts & hospitality registers and registers of business interests / secondary occupations should be fully documented with responsibilities clearly defined.	2	D/Supt Cath Thundercloud PSD Karen Crump Head of Procurement	Mechanisms for cross checking contract/ procurement records with gifts & hospitality register will be instituted and documented. Mechanisms for cross checking contract/ procurement records with register of business interests/ secondary occupations will be instituted and documented.	31 December 2013 31 December 2013

REPORT REF	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R4	Responsibilities for supervisory / peer review and challenge of register entries should be clearly defined. Supervisory activity should be properly evidenced.	2	D/Supt Cath Thundercloud PSD	Enquiries will be made with ICT Department with the intention of the form being submitted through a supervisor stage, rather than as present they are copied in. This will allow review and where appropriate challenge of items received.	31 March 2014
R5	Only the latest version of the Application to Register Secondary Employment or a Business Interest should be available to staff.	2	D/Supt Cath Thundercloud PSD	Only some initial old style forms had been received but access to the old style application form was removed in August 2013.	Completed August 2013

ACTION PLAN COMPLETED BY:	D Supt Cath Thundercloud, PSD, Ann Dobinson, Head of Central Services and Karen Crump, Head of Procurement	DATE:	22/11/2013
ACTION PLAN APPROVED BY	Roger Marshall, Head of Financial Services	DATE:	22/11/2013



Cumbria Office of the Police and Crime Commissioner

Title: Treasury Management Activities 2013-14 for the period August and September 2013

PCC Executive Board: 06 November 2013

Joint Audit and Standards Committee: 02 December 2013

Agenda Item No: 10

Originating Officer: Michelle Bellis, Financial Services Manager

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 August and September 2013 in accordance with 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 in December where members will be asked to scrutinise the contents of the report.
- 2.2. Members are asked to scrutinise the contents of this report.

3. Economic Background

- 3.1. Recently, the UK economy has showed some signs of improvement, with consumer spending boosting growth. GDP for the first quarter of 2013 was revised up to +0.4% and for the second quarter was +0.7%. Recent data suggests a stronger rate in quarter three. Revisions by the Office of National Statistics to GDP back-data showed the UK avoided a double-dip recession in 2012, but that the downturn in 2008-09 was deeper than previously estimated. Growth is now still over 3% below its peak back in 2007.

Some positive signs for household spending emerged. The deterioration in real earnings growth (i.e. earnings less inflation) slowed, which implied a slower erosion of purchasing power. Consumer confidence improved. Household savings rates remained high, which is unsurprising given the uncertain economic outlook, but appear to be on a downward track, suggesting spending was being driven by borrowing or lower savings. This raises questions about the sustainability of the recovery at these rates of growth.

- 3.2. The latest inflation data at the end of August (published September) showed a slight decline in the Consumer Price index (CPI) to 2.7%. Inflation fell in line with expectations and is expected to remain close to this level throughout the autumn. In the longer term, inflation should fall back towards the Bank of England's 2% target as external price pressures fade and a revival in productivity growth curbs domestic cost pressures. However the potential for external events to impact on these forecasts is illustrated by the fact that the oil price (Brent Crude) climbed above \$100 per barrel on the back of political unrest in Egypt and the unresolved crisis in Syria.

- 3.3. There was no change to UK monetary policy during August and September with official interest rates and asset purchases maintained at 0.5% and £375bn respectively. The main development for UK monetary policy was the start of Mark Carney's tenure as Governor of the Bank of England and the implementation of forward guidance. Within the August Inflation Report, the Bank stated its forward guidance, the main element of which is to defer monetary tightening at least until the International Labour Organisation (ILO) Unemployment Rate falls to a threshold of 7% (among a raft of caveats). The Bank projected that the probability of this happening would remain below 50% until 2016.

A graph showing past UK Bank of England Base Rate movements together with Arlingclose projections for the next two years is shown for information as **Appendix 1**.

- 3.4. The fact that base rates are likely to remain at their current historically low levels until at least 2016 means that interest receipts on the Commissioner's investments (as a result of reserves and working

capital balances) are also likely to continue to yield relatively low returns for the foreseeable future. The investment strategy will continue to be reviewed on an on-going basis to ensure that returns are maximised subject to complying with the overarching consideration that security of sums invested is of paramount importance.

In addition, the Commissioner's prudential indicators identify that the Commissioner has an underlying need to borrow to finance the capital programme (known as the capital financing requirement). As a result of the current low level of interest rates for short term investment, there would be a significant revenue cost in undertaking long term borrowing at the current time. As a consequence, the Commissioner will continue to utilise cash balances to meet the underlying borrowing requirement and will review market conditions to determine the most opportune time to undertake long term borrowing.

4. Treasury Management Operations and Performance Measures

4.1. The Commissioners day to day treasury management activities are undertaken on behalf of the Commissioner's Chief Finance Officer (PCCFO) by the financial services team under the management of the Chief Constable's Chief Finance Officer (CCCFO). Authority to transact is set out in the Commissioner's scheme of delegation.

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 August and September 2013 for the Commissioner's main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	59	1,356	4,692
Days Overdrawn	2	(422)	(699)

The largest un-invested balance occurred on 1 August and was as a result of seized cash being deposited after the daily treasury management transactions had been undertaken. The interest forgone as a result of the non-investment of this sum for one day would be approximately £0.09.

The largest overdrawn balance occurred on the 10 September and was as a result of the bank correcting an error they had made with a cash/cheque deposit the previous day whereby a deposit had effectively been credited twice. We were not made aware of the error or the correction so we did not anticipate the withdrawal. As a result of the bank account pooling arrangements where all accounts are amalgamated for calculation of interest, no interest was incurred as a result of this overdrawn balance.

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 of August and September 2013, the balance was within the £2k limit for 51 out of 61 days (84%).

4.3. Investment Activity

The table below illustrates the number and value of investments made with Major UK Banks (category 1), other Local Authorities (category 3) and the Debt Management Office (category 4) of the approved investment counterparties during the months of August and September 2013:

Month	Number of Investments	Total Value of Investments £m
August 2013	1	4.2
September 2013	3	6.0

In addition to the above there are regular smaller investments made via liquidity funds (category 2).

A schedule detailing the individual investments that make up the £29.815m total invested at 30 September 2013 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. The Commissioner's current policy is that investment counterparties have minimum credit rating of A-. (The greater the number of A's the higher the credit rating).

The Commissioner sets a limit for “non-specified” investments of over 364 days at time of investment. The maximum of all investments with outstanding maturities greater than 364 days is set at a limit of £5m for 2013-14. The Commissioner currently has no investments that have an outstanding maturity of greater than 364 days.

However there are currently four investments which at the time of investing, were for a period of just over 364 days. These are set out in the table below:

Borrower	Value £m	Investment Period (Days)	Date Invested	End Date	Period Remaining to maturity (days)	Actual Rate (%)
Barclays Bank PLC	1.0	366	27/02/2013	28/02/2014	151	0.91%
Barclays Bank PLC	1.0	365	04/04/2013	04/04/2014	186	0.88%
Barclays Bank PLC	1.0	365	09/05/2013	09/05/2014	221	0.85%
Barclays Bank PLC	1.5	365	03/07/2013	03/07/2014	276	0.87%
Total	4.5					

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 (%)
August 2013	14,962	34,296,226	0.51%
September 2013	13,293	32,888,833	0.49%
TOTAL	28,255	33,592,530	0.50%

Total interest earned during August and September amounted to £28k, bringing the total earned in the first two quarters of 2013/14 to £68k. The current forecast of interest receipts which will be generated in 2013/14 is £146k which represents a significant increase over the original estimate of £82k. A comparison of this figure against the budget and previous forecasts is outlined in the table below:

	Amount (£000's)
Original Estimate 2013-2014	82
Forecast Position July 2013	107
Forecast Position September 2013	146
Forecast increase compared to Estimate	64

The increase in forecast interest receipts is largely associated with the change in investment strategy approved by the Commissioner in June.

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 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 months duration at time of investment) for the months August and September 2013:

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Lloyds TSB	1	6	0.80%	0.50%

5. Compliance with Prudential Indicators

- 5.1. The Commissioner can confirm that he has to date complied with his treasury related Prudential Indicators for 2013-14, which were set in February 2013 as part of the annual Statement of Treasury Management Strategy. Further details can be found at **Appendix 4**.

6. Implications

- 6.1. Financial – As detailed in main body of report above.
- 6.2. Legal – None
- 6.3. Risk – The report advises 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 – Non

6.5. I.T – None

6.6. Procurement – None

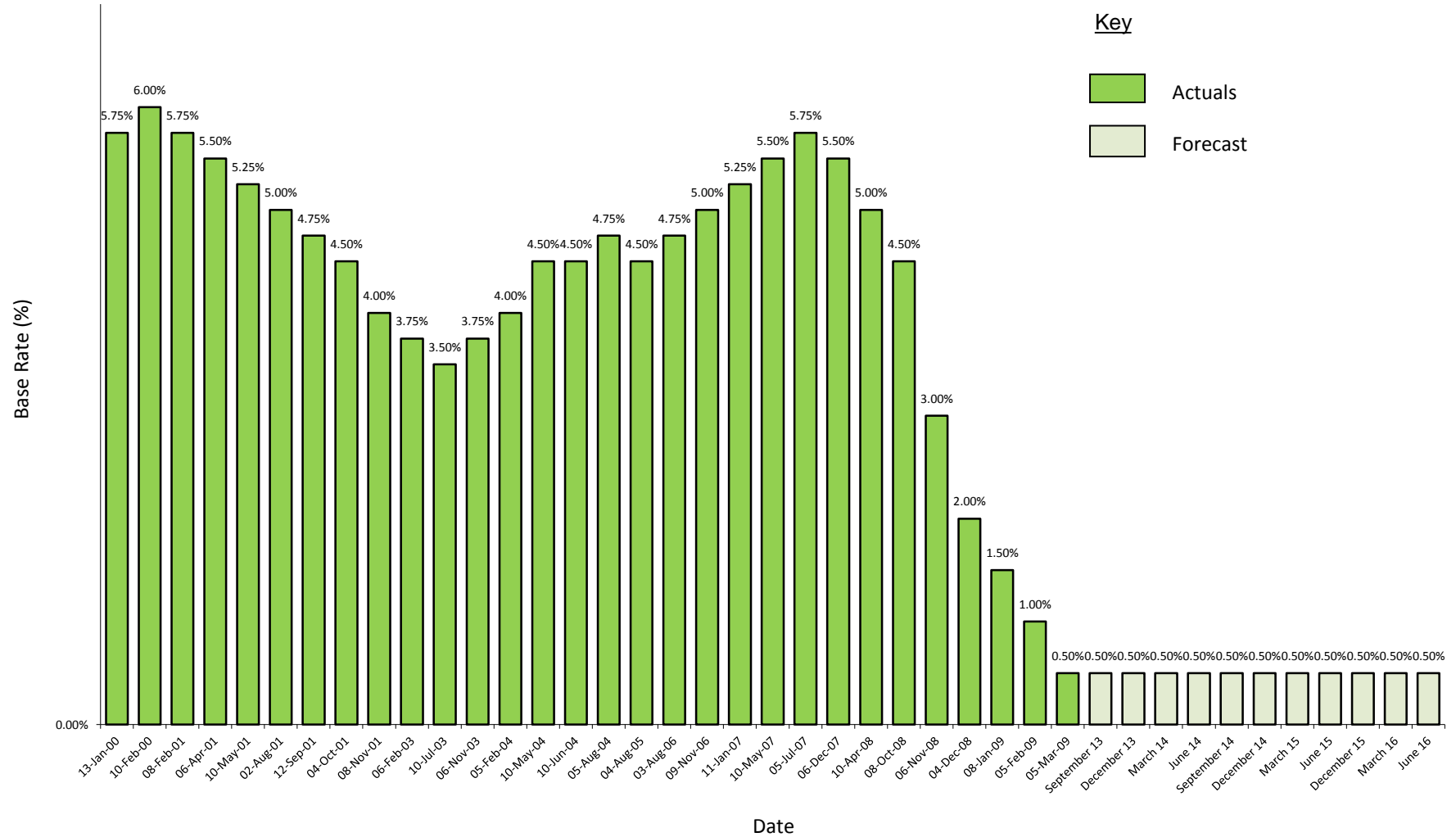
7. Supplementary information

Attachments

Appendix 1	Recent history and projections of Bank Base Rates
Appendix 2	Schedule of Investments as at 30 September 2013
Appendix 3	Analysis of Investments as at 30 September 2013
Appendix 4	Prudential Indicator Compliance

Appendix 1

Bank of England Base Rates (%s)



Appendix 2

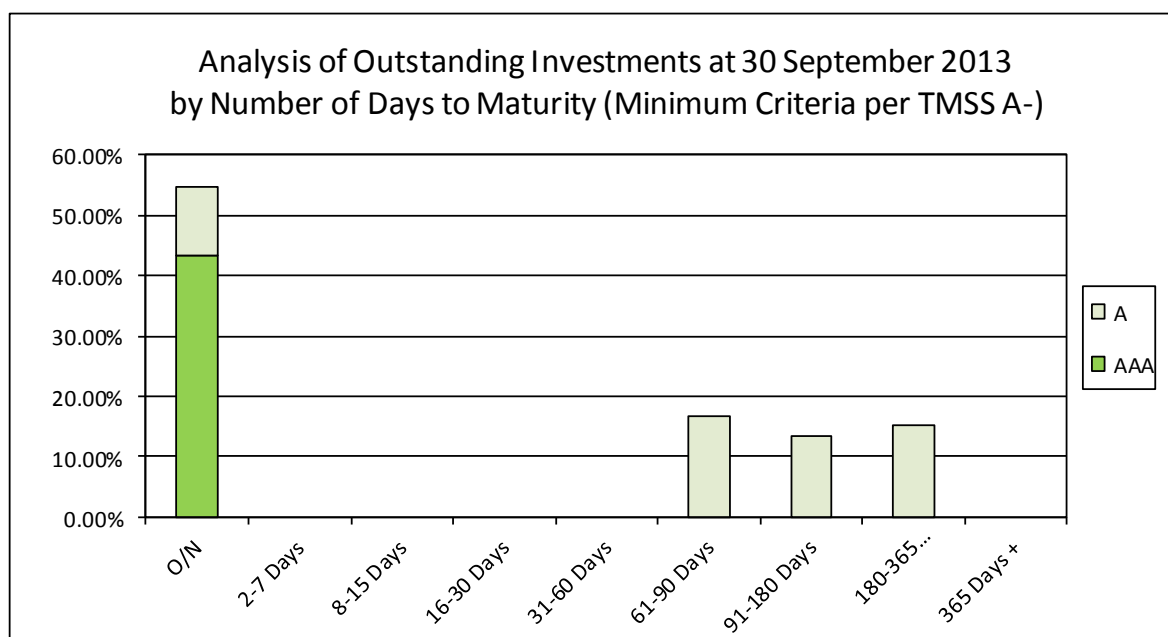
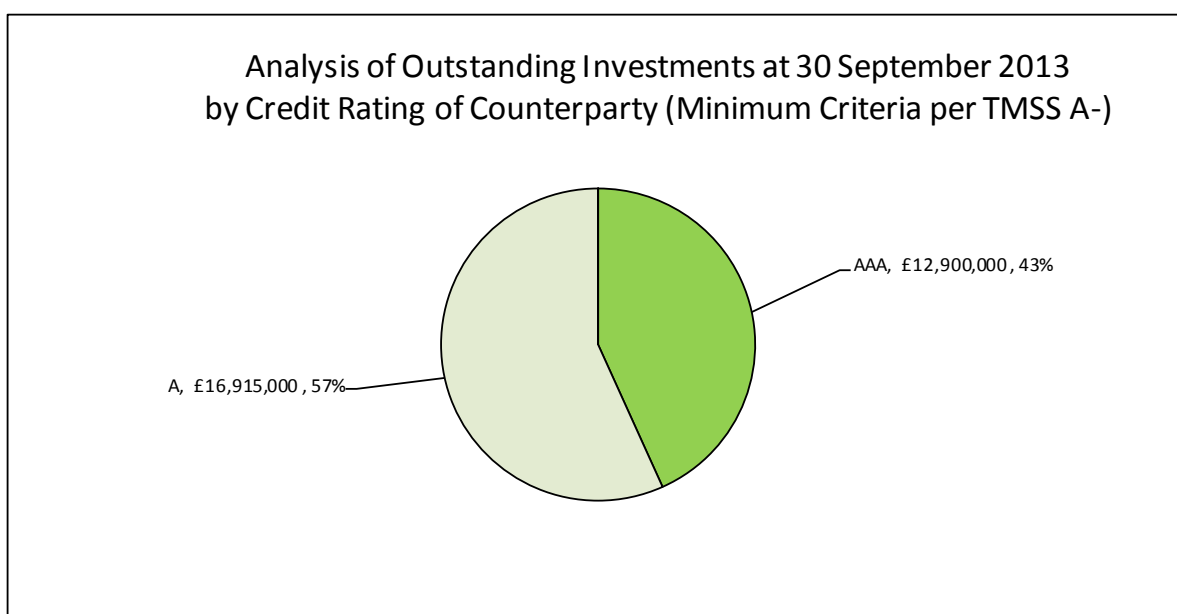
Schedule of Investments as at 30 September 2013

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Major Banks & Building Societies							
Lloyds	A	09/05/2013	11/11/2013	42	0.800%	1,000,000	
Lloyds	A	30/09/2013	31/03/2014	182	0.750%	1,000,000	
Lloyds	A	03/10/2013	03/01/2014	95	0.700%	1,500,000	
Lloyds	A	30/09/2013	31/12/2013	92	0.700%	1,000,000	4,500,000
Barclays	A	27/02/2013	28/02/2014	151	0.910%	1,000,000	
Barclays	A	09/05/2013	09/05/2014	221	0.850%	1,000,000	
Barclays	A	04/04/2013	04/04/2014	186	0.880%	1,000,000	
Barclays	A	03/07/2013	03/07/2014	276	0.870%	1,500,000	4,500,000
Nationwide	A	30/09/2013	30/12/2013	91	0.440%	1,500,000	
Nationwide	A	03/07/2013	31/10/2013	31	0.460%	3,000,000	4,500,000
NatWest Bank (Liquidity Select Account)	A	30/09/2013	01/10/2013	O/N	0.500%	3,415,000	3,415,000
						16,915,000	16,915,000
Category 2 - Money Market Funds (AAA Rated)							
AIM	AAA	Various	On demand	O/N	Various	1,000,000	1,000,000
BlackRock	AAA	Various	On demand	O/N	Various	1,600,000	1,600,000
Fidelity	AAA	Various	On demand	O/N	Various	1,900,000	1,900,000
Goldman Sachs	AAA	Various	On demand	O/N	Various	2,900,000	2,900,000
Scottish Widows	AAA	Various	On demand	O/N	Various	3,000,000	3,000,000
IGNIS	AAA	Various	On demand	O/N	Various	2,500,000	2,500,000
						12,900,000	12,900,000
Category 3 - Other Local Authorities							
						0	0
Category 4 - Debt Management Office							
						0	0
Total						29,815,000	29,815,000

Note – the credit ratings shown in the above table relate to the standing as at 30 September 2013, 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 are currently set at £4.5m per institution/banking group in category 1 (total £18m category limit) and £3m per Money Market Fund in category 2 (total £15m category limit). The limit for other Local Authorities is set at £2m (no category limit) and there is no limit for investments with the DMO. The above table illustrates that these limits have not been exceeded.

Appendix 3

Analysis of Outstanding Investments as at 30 September 2013

Note – the credit ratings shown in the above charts relate to the standing as at 30 September 2013, 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 Commissioner's Affordable Borrowing Limit was set at £26.15m for 2013-14.
- 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 2013-14 was set at £24.65m.
- The actual amount of external borrowing as at 30 September 2013 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 2013-14 £m	Actual Borrowing at 30 Sept '13 £m	Compliance with limits
Upper Limit for Fixed Rate Exposure	26.15	0.00	Yes
Upper Limit for Variable Rate Exposure	1.50	0.00	Yes

(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 30/09/13	% Fixed Rate Borrowing as at 30/09/13	Compliance with Set Limits?
	%	%	£m	%	
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 2013-14 was set at £5m.
- As at 30 September 2013, the PCC had four investments totalling £4.5m which were for a duration greater than 364 days at the time of investment. None of which have outstanding maturities greater than 364 days. Please see additional details within paragraph 4.3 above.

CUMBRIA POLICE AND CRIME COMMISSIONER STRATEGIC RISK REGISTER

Risk Mitigation Strategies:

Avoid : Stop the risk completely or stop it having an impact.

Reduce : Reduce the likelihood and/or impact of the risk

Transfer : Outsource, use contractors or insure against things going wrong

Accept : The risk is tolerable/accepted

STRATEGIC RISK REGISTER

Risk Score:	Impact	Likelihood
5	Very High	Very High > 90% probability
4	High	High 65% > 90% probability
3	Medium	Medium 20% > 65% probability
2	Low	Low 5% > 20% probability
1	Very Low	Very Low < 5% probability

Risk Description	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions					Review Date
	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)		
R1 - Governance/Internal Control													
Failure of governance/internal controls resulting in risks materialising & potential for fraud, error, irregularity.	5	4	20	4	2	8	Chief Executive (reduce)	Internal control arrangements subject to annual review; Internal and external audit arrangements; Section 151 Officer post; annually reviewed financial regulations, contract standing orders, scheme of delegation and code of governance. Risk management strategy and risk register in place. Further assurance through Independent Audit and Standards Committee.		Review of the the control environment; specific internal audit investigation; implementation of revised control procedures.	Chief Finance Officer	Jun-14	
Decision making fails to take account of all relevant information and inherent risks or fails to follow procedure resulting in unexpected consequences/poor decision making or judicial challenge.	5	4	20	5	2	10	Chief Executive (avoid)	Reports are required to follow a specific format that takes cognisance of risk, financial, legal, HR implications etc. Reports are considered by the commissioners staff prior to decision making. Procedure standing orders are in place. The governance manager has responsibility for ensuring compliance with the requirements. The Chief Executive is the Commissioner's monitoring officer with oversight of the arrangements.		Consider the need for any training of staff as appropriate. Time allowing, reports will be returned to the author for the inclusion of implications within reports.	Governance Manager	Jun-14	
Risk - Failure to hold the Constabulary to account for having robust governance/internal control arrangements including arrangements for managing risk.	4	4	16	4	2	8	Chief Executive (reduce)	Joint Audit and Standards Committee, Commissioners CFO leads on arrangements for internal audit for both organisations. The Commissioner requires the Chief Constable to adopt financial regulations & contract standing orders/business code of conduct as part of the funding arrangements. Information sharing protocol. Chief Constable must appoint a statutory CFO who is professionally qualified and has statutory/professional responsibilities. The Commissioners Governance manager has specific responsibilities with regard to assurance on Constabulary risk management practices.		A review of would be undertaken to establish whether there are any weaknesses in the control framework that may need improving. Consideration would be given to further internal audit review either to investigate a specific area or as part of the annual audit.	Governance Manager	Jun-14	

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	Unmitigated Score			Mitigated Score				Actions				
Risk Description	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions Already Taken to Mitigate the Risk	Further Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date
R2 - Strategic Finance												
Failure to meet the statutory requirement to deliver a robust balanced budget.	4	5	20	3	2	6	Chief Executive (Reduce)	Medium term capital and revenue plans align resources and expenditure; balances and reserves annually assessed to ensure financial risks are provided for; in year monitoring ensures an understanding of actual costs and income against budget and provides information for future budget cycles; subscriptions to the technical information service ensures regular updates on funding assumptions at a national level and modelling on their potential local implications.		Use of balances and reserves to manage any unexpected funding loss. Recruitment/expenditure freeze could be implemented to reduce costs and allow time for the delivery of planned savings.	Chief Finance Officer	Jun-14
Potential for challenge/judicial review on setting a legal budget:	4	2	8	3	1	3	Chief Executive (Reduce)	Annual community engagement exercise to determine priorities. Budget consultation process and service change constulation process for measures where public views should be sought. Procedure standing orders and professional input into all reports. Monitoring officer oversight of decision making process.		Legal advice would need to be sought on the likelihood of the challenge being successful. Implementation of an individual savings proposal may need to be put on hold and alternative savings sought or use of reserves pending the outcome of the challenge.	Chief Finance Officer	Jun-14
Failure to manage expenditure within the annual budget:	4	4	16	3	2	6	Chief Executive (Reduce)	Budget monitoring processes; accurate budget setting process; financial regulations/budget holder responsibilities; financial systems and processess provide for early identification of pressuress and mitigating action; balances and reserves can be utilised.		fund overspend from balances and/or implement recrutment/expenditure freeze. Review the reasons for the overspend and make decisions on permanent mitigations.	Chief Finance Officer	Jun-14
Failure to meet statutory, regulatory and professional requirements and dealines including the arrangement for the statement of accounts and arrangements for financial systems, monitoring, budgeting and other key processess. The inability to do this can result in reputational damage, poor internal control and an inability to comply with statutory and professional requirements.	3	5	15	3	3	9	Chief Finance Officer (Reduce)	Appropriately qualified and experience staff, detailed accounts closure process overseen by PCCCFO and CCCFO, external auditors engage with and monitor the process, internal audit review underlying systems that produce the financial information to assure its reliability and robustness. The CFO and Deputy CFO will keep under review and advise on the level of finance staff required.	Additional resources have been agreed for the finance function and the team is currently being restructured to improve capacity and resilience. The risk will remain higher until these actions have been implemented.	A fundamental review of the process and issues resulting in this risk materialising would need to be undertaken. This would aim to establish the underlying causes and ensure appropriate controls/resources are put in place in future years.	Deputy Chief Finance Oficer	Jun-14

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Risk Description	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions					Review Date
	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)		
R3 - Diversity													
Failure to ensure OPCC / Constabulary effectively promote and take into account equality and diversity in developing policy / operational practices in line with the Equalities Act 2010	4	2	8	2	2	4	Chief Executive (Avoid)	Equality Analysis undertaken for all new policy / operational practices. Following consultation the Police & Crime Plan has been amended to focus on hate crime and this will then be linked to the performance framework	None	To take appropriate advice from the Strategic Independent Advisory Group and the Constabulary Diversity Manager	Communications and Engagement Executive	Nov-13	
Failure to meet statutory requirements and public expectations in respect of diversity, including the adoption and review of an Equality Scheme may lead to legal challenge, public criticism and/or loss of public confidence.	4	3	12	4	2	8	Chief Executive (Avoid)	Policies and procedures are in place to ensure statutory requirements are met. Subscriptions to national bodies ensure advice and guidance is available. An equality statement and strategy is used as the basis for compliance with the Equality Act.		Immediate action to address any issues of non-compliance and review of systems and processes for determining the cause of the failure to comply.	Governance Manager	Nov-13	
Failure by the OPCC to undertake an Equality Impact Assessment of its policies and understand the implications may result in particular groups and communities being adversely affected or discriminated against.	4	3	12	4	2	8	Chief Executive (Avoid)	Full equality impact assessments are included with PCC new policies and strategic decisions and are requested in respect of Constabulary policies/decisions.		Immediate action to address any issues of non-compliance and review of systems and processes for determining the cause of the failure to comply. Change policies as appropriate.	Governance Manager	Nov-13	
Failure to hold the Constabulary to account for their arrangements in respect of diversity may result in particular groups and communities being adversely affected or discriminated against.	4	3	12	4	2	8	Chief Executive (Avoid)	The requirements in respect of Constabulary equality practices and information is included in within the Constabulary/COPCC information sharing protocol and made a requirement of the PCC/Force funding agreement.		Consider possible legal or financial penalties.	Governance Manager	Nov-13	

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	Unmitigated Score			Mitigated Score				Actions					
Risk Description	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date	
R4 - Reputation													
Failure to deal with conduct issues promptly, fairly and properly.	4	3	12	3	2	6	Chief Executive (Avoid)	code of conduct for members and officers; independent audit and standards committee; membership of cumbria and lancashire standards group.		Review conduct issue and take corrective action. Communications and media support where the issue is public/reputational. Legal advice where appropriate.	Communications & media Executive	Nov-13	
Failure to robustly deal with an incident that significantly damages the reputation or public perception of the OPCC and the Commissioner.	4	2	8	3	2	6	Chief Executive (Avoid)	The office of public engagement has a strategy. Reputational issues are discussed at weekly Exec Board and joint OPCC / Constabulary Comms Management		Strategic Working Group to be established with clear corporate objectives led by the Commissioner or Chief Executive. To be supported by a pro-action media strategy.	Communications & media Executive	Nov-13	
Failure to scrutinise the Constabulary significantly that results in the Constabulary suffering damage to its reputation	4	2	8	3	2	6	Chief Executive (Avoid)	The office of public engagement has a strategy. Reputational issues are discussed at weekly Exec Board and joint OPCC / Constabulary Comms Management		Strategic Working Group to be established with clear corporate objectives led by the Commissioner or Chief Executive. To be supported by a pro-action media strategy.	Communications & media Executive	Nov-13	

CUMBRIA POLICE AND CRIME COMMISSIONER STRATEGIC RISK REGISTER

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	Unmitigated Score			Mitigated Score				Actions					
Risk Description	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date	
R5 - Priorities and Objectives													
Failure to achieve the organisational objectives and priorities set out within the Police and Crime Plan and Service Plan	4	5	20	4	3	12	Chief Executive (reduce)	Plans are monitored through out the year. Performance data and actions are carefully considered as to their deliverability when setting the plans. Dedicated Partnerships and Strategy Manager works closely with the Constabulary to consult and agree targets and outcomes and the information requirements in year to ensure delivery is on track. Performance monitoring arrangements are in place for the Constabulary. Funding agreements developed with partners which provide performance reporting arrangements.		A fundamental review of the process and issues resulting in this risk materialising would need to be undertaken. This would aim to establish the underlying causes and ensure appropriate action is taken. The area of underperformance would be reviewed and appropriate action taken.	Partnerships and Strategy Manager (Constabulary performance)	Mar-14	

CUMBRIA POLICE AND CRIME COMMISSIONER STRATEGIC RISK REGISTER

CUMBRIA POLICE AND CRIME COMMISSIONER

VERSION CONTROL NO:

STRATEGIC RISK

REGISTER

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	Unmitigated Score			Mitigated Score				Actions					
Risk Description	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date	
R6 - Consultation / Engagement													
There is a risk that the Office of Public Engagement doesn't deliver in line with its agreed strategy and this negatively impacts on the effectiveness of the OPCC and the reputation / public perception of the OPCC and the Commissioner this includes (community engagement, communications, complaints/standards) There is a risk that the OPCC may not have sufficient capability and capacity to deal with a major incident.	4	3	12	4	2	8	Communication and Media Executive (Avoid)	A Community Engagement Strategy is reviewed on an annual basis. The strategy encompasses consultation to gain public perception on such areas as local policing priorities. It includes a media strategy. The assistance of the Constabulary's Community Advisors' Group and external agencies may be used to ascertain how best to engage and communicate with some ethnic groups. Consultation surveys are conducted in the summer and autumn of each year seeking public views on policing priorities.		There is a comprehensive Office of Public Engagement strategy that covers all of the relevant areas of Communications / Community Engagement, Complaints / Standards with key deliverables over a rolling program of the next year and the following 3 years. This is supported by weekly updates to Exec Board on media and quarterly complaint / Standard and community engagement reports as well.	Communication & Media Executive	Mar-14	
There is a risk of judicial challenge which may result in a decision being over-turned with consequent financial implications if the PCC fails to consult appropriately or fails to take into account consultation responses when decision making.	4	3	12	3	2	6	Communication and Media Executive (Avoid)	Consultation processes are used to support all decisions with service user implications and final decisions take these into account. When required Legal advice is sought on consultation processes.		Legal and communications advice to manage the risk.	Community Engagement Manager	Mar-14	
Risk of failure to comply with legislation and regulations in respect of requirements for statutory reports, publications and information.	4	2	8	4	1	4	Comms and Media Executive (Reduce)	Communications & Engagement Executive ensures that the statutory publication requirements of the annual report and Police and Crime Plan are met and kept under review. Post of Governance Manager ensures requirements in respect of transparency/published information is kept under review and met through the PCC website. Individual officers responsible for ensuring any published documents within their area of responsibility meet statutory requirements. Subscriptions to professional bodies ensure relevant guidance is recieved on the requirements.		Take immediate action to provide the required information.Review of systems and processes to determine the reasons for failing to meet requirements.	Governance Manager	Mar-14	