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Our reference: NC

Date: 4<sup>th</sup> September 2017

## **AGENDA**

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

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

A Meeting of the Joint Audit & Standards Committee will take place on **Wednesday 13<sup>th</sup> September 2017** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **10:00am**.

In the afternoon, a development session will be held (**1 – 3 pm**)\*, providing updates in respect of Police and Fire (Blue Light) collaboration, and the Police and Crime Plan.

Members are asked to note that consideration of the Grant Thornton Annual Audit Letter has been deferred to the November meeting.

**V Stafford**  
**Temporary Chief Executive**

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

Please note – there will be a private members meeting from 9.30am – 10.00am

### **COMMITTEE MEMBERSHIP**

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

\*Please note change to previously notified time.

## **AGENDA**

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

**1. APOLOGIES FOR ABSENCE**

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

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

**3. DISCLOSURE OF PERSONAL INTERESTS**

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

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

To receive and approve the minutes of the committee meeting held on 21<sup>st</sup> July 2017.

**5. ACTION SHEET**

To receive the action sheet from previous meetings.

**6. CORPORATE UPDATE**

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

**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 the Joint Chief Finance Officer)*

**8. INTERNAL AUDIT – PROGRESS REPORT**

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

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

To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee.

*(To be presented by the Audit Manager)*

- (i) Offender Management

**10. STRATEGIC RISK REGISTER**

To consider the COPCC strategic risk register as part of the Risk Management Strategy.

*(To be presented by the Chief Executive / Governance & Business Services Manager)*

**11. TREASURY MANAGEMENT ACTIVITIES**

To receive for information reports on Treasury Management Activity - Quarter 1.

*(To be presented by the Deputy Chief Finance Officer)*

**Future Meeting Dates (For Information)**

22 November 2017 @ 10:00 - Conference Room 2

21 March 2018 @ 10:00 - Conference Room 2

24 May 2018 @ 10:00 – Conference Room 2

19 July 2018 @ 10:00 – Conference Room 2

12 September 2018 @ 10:00 – Conference Room 2

22 November 2018 @ 10:00 – Conference Room 2

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## Agenda Item 4

### CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY

#### JOINT AUDIT & STANDARDS COMMITTEE

Minutes of a Joint Meeting of the Joint Audit & Standards Committee and the Police and Crime Commissioner held on Friday 21st July 2017 in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 10.30 am

#### **PRESENT**

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

#### **Also present:**

Deputy Chief Finance Officer (Michelle Bellis)  
Financial Services Trainee (Neil Collins)  
Financial Services Assistant (Dawn Cowperthwaite)  
Chief Executive, Office of the Police and Crime Commissioner (Stuart Edwards)  
Chief Constable (Jeremy Graham)  
Principal Financial Services Officer - Capital & Technical (Lorraine Holme)  
Joint Chief Finance Officer (Roger Marshall)  
Police and Crime Commissioner (Peter McCall)  
Senior Manager, Grant Thornton (Richard McGahon)  
Director, Grant Thornton (Robin Baker)  
Deputy Chief Constable (Michelle Skeer)  
Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Emma Toyne)

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

It was agreed that agenda items 11 to 13 would be considered before agenda items 5 to 10 in order to allow the Police and Crime Commissioner (PCC) and Chief Constable (CC) to leave at that point if necessary.

#### **333. APOLOGIES FOR ABSENCE**

No apologies for absence were received.

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

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

### **335. DISCLOSURE OF PERSONAL INTERESTS**

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

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

The draft minutes of the meeting held on 24<sup>th</sup> May 2017 had been circulated with the agenda. The minutes were first reviewed for factual accuracy and approved as a true record of the meeting by the committee.

**RESOLVED**, that the minutes of the meeting held on 24<sup>th</sup> May 2017 be approved.

### **337. AUDIT FINDINGS REPORT**

Grant Thornton's Audit Findings Report was introduced by the Director, who began by explaining the purpose of the report, which sets out the findings and conclusions of the audit and is presented to the Committee prior to approval and adoption of the accounts by the PCC and CC.

The Director then explained that there were three key messages from the report. Firstly, the audit of the financial statements was drafted a week or two ago, the draft stating that there were one or two matters still outstanding. The Director confirmed that all outstanding matters had since been resolved. All risks that were set out in the audit plan had been addressed, and were the standard risks that would be addressed for any police client. It was also noted that a materiality figure of £2.75m was set for the audit.

The most important risk related to the valuation of net liability on the pension fund, which stands at £1.2bn. This includes liabilities on both the Police Pension Fund and the Local Government Pension Fund. The Director reported that following detailed work, there were no matters to bring to the attention of the Committee and that the figure was materially accurate.

The second important risk factor related to land and buildings, the valuation of which currently stands at approximately £52m. The Director commented that it was very helpful that almost half of assets have been revalued during the year by external valuers. Again, there were no matters to bring to the Committee's attention.

The Director then explained that there was a new requirement for 16/17, generally known as 'Telling the story' – a new way of presenting the spend figures in the comprehensive income and expenditure accounts. The Director commented that the auditors were clear about the way that the figures were presented and that it met with their expectations.

The Director commented that the accounts were produced to a very high standard, with excellent working papers and no material errors or inaccuracies. Subject to the PCC's and CC's willingness to sign the accounts and letters of representation, Grant Thornton would therefore issue an unqualified audit opinion.

The Director also noted that the Annual Governance Statements and narrative associated therewith met the required standard with minor amendments and that there were no issues to raise.

Turning to value for money, the Director explained that the audit focussed specifically on whether the arrangements in place were appropriate. Two risk areas were addressed: managing the financial position, and the Constabulary's response to HMIC reports. The Director confirmed that Grant Thornton again intended to issue an unqualified conclusion.

The final key issue discussed by the Director related to fees and independence. The Director stated that the fee for the audit was in line with the figure set by Public Sector Audit Appointments plus £11k for non-audit services, such as tax and VAT advice services. However, it was noted that ethical standards have been tightened and so Grant Thornton will be unable to advise on tax and VAT in future.

The Director lastly thanked Grant Thornton and Constabulary staff for their work and noted that the speed at which the work had been completed was excellent. He advised that Grant Thornton would wish to continue as auditors going forward.

The Committee welcomed the report, one member commenting that it was the cleanest audit report he had seen from external auditors. It was also noted that accuracy had been maintained.

In response to a question from the PCC, the Director stated that there was no real distinction between a clean and an unqualified audit opinion.

A member stated that the Committee had spoken to the auditors for 45 minutes prior to the meeting and that the clear message from these discussions was the very high quality of the work of the Finance Department.

In response to a further question from the PCC, the Senior Manager (SM) confirmed that Grant Thornton had noticed no difference arising from the merger of the two CFO roles into a Joint CFO.

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

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

The CFO introduced the report, stating that its purpose was to provide assistance to the Committee in their role in scrutinising the accounts, by providing commentary on the wider assurance framework, and to bring out some of the key challenges and the changes that have taken place in preparing the accounts.

The CFO noted the external auditors' opinion and stated that he was very pleased with it. The CFO also noted that the other sources of assurance, including internal audit and the work of the Committee, had not raised any significant issues. The key challenge facing the Finance Department was the required timescale, but processes put in place over last two to three years have allowed this to be met and the CFO expressed his confidence that they would be met in future. Very few changes were made to the Statement of Accounts this year, other than the inclusion of 'Telling the Story.'

The CFO recognised the work of Finance Department, especially the Deputy CFO and Principal FSO, but emphasized that the Statement of Accounts had been a team effort.

A member pointed out that in the Letters of Representation, Mr Marshall was listed Joint CFO in the PCC letter and simply as CFO in the Chief Constable's.

The Chair and the PCC thanked the CFO for his efforts. The PCC also thanked the audit teams for their diligence.

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

### **345. ANNUAL STATEMENT OF ACCOUNTS**

The Deputy CFO presented a report on the Annual Statement of Accounts, which included a narrative on the financial statements.

Taking items 13 (i) and (ii) together, the Deputy CFO advised the Committee that they had been provided with a set of papers that had been marked up to show changes made. Changes in green represented those that had been pointed out by the auditors, those marked in red were made by the Finance Department, and those in purple were those made as a result of internal audit of the Annual Governance Statement. It was also explained that one item (the Expenditure Funding Analysis) had had to be moved due to confusing guidance. It was then explained that 13 (iii) and (iv) represented summary documents of the foregoing.

There were no comments or questions. The Chair thanked the Deputy CFO again for her efforts and added that she was very confident in recommending that the accounts be signed off.



Regarding items 13 (v) and (vi), the CFO explained that they represented summarised Annual Governance Statements and had been included at the request of Grant Thornton. The CFO also stated that any comments on the new format would be welcomed.

A member commented that as a layman, he much preferred the level of detail shown in the summary documents, but would be interested to hear the opinion of the auditors. The SM replied that this is a growing trend and further commented that the inclusion of links to online sources of would be a useful way of achieving brevity. He added that he would recommend using the Annual Governance Statement to bring out issues specific to the organisation. The Audit Manager (AM) concurred.

A member noted that PCC document does not refer to itself as a summary, unlike the Constabulary document. (Note – this was amended following the meeting, prior to publication on the website.)

In summary, the Chair stated that the Committee's view was that they liked the new format and that it makes much more sense than that used previously. She added that it would be worthwhile to measure whether others find it useful e.g. by monitoring whether it has been viewed often and whether any positive feedback has been received. The CFO replied that it was likely that this would be implemented for the following year.

A member queried how the final desired outcome for action points is determined and suggested that it would be worthwhile making these points 'snappier' with the inclusion of 'milestones'. The CFO replied that this would be noted.

The Chair confirmed on behalf of the Committee that the Statement of Accounts could now be signed.

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

Note – the Grant Thornton auditors, Chief Constable, Police and Crime Commissioner and Principal FSO left the meeting at 1110.

### **346. ACTION SHEET**

The action sheet of the meeting held on 24<sup>th</sup> May 2017 had been circulated with the agenda. The following comments were made:

- Action 321 – A member thanked the AM for the information that she had provided. A member noted that this links with action 288 in terms of training requirements, regarding which the Deputy CFO confirmed that instructions have been issued to the Finance Department and that a member of the Department is now monitoring this as part of her

role. The Assistant CFO is also delivering training sessions on financial rules and regulations. It was agreed that both actions could be closed.

- Action 302 – In response to a question from a member, the CFO confirmed that the new CFO arrangements would be advised in writing in time for the March 2018 meeting. The Deputy CFO advised that this would be included in the annual review of the role of the CFO. It was agreed that a verbal update regarding would be provided at the November JASC meeting, but that the full discussion would take place at the March 2018 meeting, when a fuller picture would be available. The Deputy CFO will also circulate to members a copy of the Conflict of Interest Report that went to the Police and Crime Panel.
- Action 308 – A revised target date of 31<sup>st</sup> August 2017 has been implemented for Recommendation 3. All other actions are complete; therefore it was agreed that the action could be closed.
- Action 313 – No further action required – action closed.
- Action 328 – It is anticipated that an update will be provided at the September meeting, as the Ethics and Integrity Panel due to meet in August. The action point will therefore to remain.
- Action 316 – Members are to arrange for the action plan to be completed before the next meeting. The action's status will be amended to ongoing.

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

### **347. CORPORATE UPDATE**

The CFO advised that Committee that no update on the Funding Formula had been received, largely due to the outcome of the general election and the appointment of a new Policing and Fire Minister. No change is therefore anticipated for the next financial year due to the timescales involved. However, a possible relaxation of the Public Sector Pay Cap could create difficulties if funding does not follow. This has been reflected in the Risk Register. The DCC added that police forces nationally have stressed the need for increased funding following recent terror attacks and the 10 per cent increase in crime figures.

The DCC gave an update on Vision 2025, the Constabulary's corporate plan to 2025. Officers and staff have been involved in the formulation of the draft document, which has been seen by Joint Collaborative Board. Officer and staff involvement has been via a series of performance conferences and focus groups, which have brought up a number of good ideas. A strategy day will follow at the beginning of September, with a series of roadshows in October. The five key areas on which the document focusses are: local policing, specialist capabilities, workforce, digital, and whole business support. The document considers investment decisions that may be needed, whilst remaining mindful of the need for savings.

In response to queries from members, the DCC confirmed that Blue Light initiative will be incorporated into the final document, which will be launched in October. It will also be tabled at a JASC meeting, probably in November.

The OPCC Chief Executive announced that he would be retiring in September and so consideration is currently being given to how the role will be filled. The preferred option – for the role to be covered alternately by the Head of Partnerships and Commissioning and the Head of Communications and Business Services for the next 12 months (six each), with the other serving as Deputy - was discussed at the Police and Crime Panel meeting on Tuesday.

A revised draft of Blue Light Options Appraisal Paper was received yesterday, and the outcome of this process will determine how the Chief Executive post is filled on a permanent basis.

The Chair thanked the Chief Executive on behalf of the Committee for his contribution, and commented that this now leaves quite a small OPCC organisation. It was also noted that the proposed replacements possess a strong public finance background and several years' experience with the organisation.

Members suggested that the loss of both the CFO and Chief Executive from the OPCC should now feature on the risk register, it being noted that this is especially desirable given that both roles are statutory functions. This was agreed, along with a requirement for an update at a future meeting.

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

The AM informed the Committee that up to 30<sup>th</sup> June, the audit is progressing as planned and that the report on Command and Control has now been finalised. The review of the PCC's Annual Governance Statement for the 2017/18 plan has also been completed and six audits for the first two quarters of 2017/18 have been scoped. In response to a query from a member, she advised that the offender management document has not yet been published and is still in draft form.

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

### **349. INTERNAL AUDIT REPORTS**

During the last quarter, six audit reports were circulated to members.

Members asked for two of these reports to be included for discussion at the meeting.

- Command and Control
- Annual Governance Statement 2016/17

Members agreed that the four remaining reports did not need to be included on the JASC agenda

for discussion but that the minutes should note that members had received these reports and were content with these reports, copies of which are on the OPCC website. These reports related to:

- Audit of Payroll
- Audit of Information Security
- Police Pensions
- Business Continuity Follow Up

(i) Command and Control

Internal audit undertook a review of Command and Control. An overall level of assurance of 'reasonable' was given.

A member observed that there had been debate as to whether or not this report should be tabled at the meeting but added that the Committee sought additional reassurance as to how seriously the issue was being taken. The DCC replied that it is being monitored through weekly performance meetings, with very positive feedback having been received from HMIC. There are no issues with 999 response levels, but there is still work to do on 101 response levels, as only a 'reasonable' grade has so far been achieved. External agencies have been brought in to report on this.

A member commented that this is not clear from the Constabulary's response to the report. The DCC advised that she would arrange for a more detailed response to be provided. The Committee was much reassured by this. The Chief Executive added that this is a high priority for the PCC.

(ii) Annual Governance Statement 2016/17

Internal audit undertook a review of the Annual Governance Statement 2016/17. An overall level of assurance of 'reasonable' was given.

There was one medium priority recommendation relating to this. A member commented that it is not always clear exactly what action was required. The CFO replied that some improvements were acted upon immediately but that he would ensure that objectives and desired outcomes were made clearer in the document. This will be implemented for next year.

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

### **350. STRATEGIC RISK REGISTER**

The Chief Executive informed that Committee that a new strategic risk has been added to the register in addition to the existing risk relating to strategic finance. The new risk relates to the emergency service mobile communications system that is to replace Airwave. The concern centres on the delivery of a system with the required amount of coverage. This is especially relevant to Cumbria due to presence of blind spots in mobile communications coverage. It is the responsibility of the Home Office to address this, which may require planning permission within the National Parks. There are also concerns over funding and timing, as some neighbouring forces (e.g. Police Scotland) will continue to use Airwave following the introduction of the new system here.

A member asked how this links to the Blue Light initiative. The Chief Executive replied that it is linked in so far as it brings the emergency services together, but that it will go ahead regardless of the outcome of Blue Light.

A member asked if it would therefore be necessary to ensure mobile coverage throughout the Cumbria area, to which the DCC replied that it was only necessary to ensure that coverage is at least as good as with the present system.

A member asked whether the creation of the People Department has mitigated some of the HR risks associated with Risks 7, 11 and 12. The Chief Executive advised that this would be reviewed.

A member also noted that strategic risk no. 2 had not been given its own headline description within the document.

The DCC stated that there had been few changes to the Constabulary's Risk Register, other than the inclusion of a new risk to reflect potential changes to the Public Sector Pay Cap. She added that the Constabulary is comfortable with the other risks listed on the register.

A member asked whether the creation of the People Department has mitigated some of the HR risks associated with Risks 11 and 23. The DCC confirmed that the wording would be amended.

Regarding Risk 22, a member queried how the revised corporate plan links to Vision 2025. The DCC confirmed that they are the same.

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

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

The CFO noted there was an unusually large number of actions. Seven of these have been completed, with the majority of remainder either ongoing or with a future-dated deadline. Specific updates were as follows:

- Digital case preparation – most recommendations have been implemented or are close to being implemented, with a report due to go to COG shortly, with further actions arising.
- Stingers – actions due to be completed within the next month.
- Procedures – the majority of the actions have been completed.
- Safeguarding hub – the DCC advised that this has been taken up by ACC. The initial report from the consultants' report has recently been received, but additional work is required in order to give more detail regarding context as the report focusses heavily on process at present. The ACC has also held meetings with Children's Services to formulate an action plan. It is anticipated that these documents will be finalised by the time of the September meeting.

In response to a question from a member, the DCC advised that it was anticipated that the score for protecting vulnerable people would rise to 'good' on the next review, following feedback from the two visits by the HMIC Child Protection Team since the previous review.

A member noted that the front page states that no timescales were exceeded, but commented that this is because some of the timescales had been revised. She suggested that this should therefore perhaps be reflected in the wording so that it can be determined whether or not the timescales suggested are realistic. A member commented that 90 per cent was a good accuracy result for the Digital Case File Preparation.

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

### **352. JOINT AUDIT AND STANDARDS COMMITTEE – ANNUAL REPORT**

The Chair proposed including reference in the JASC Annual Report to the creditable performance of the Finance Team and the comments made earlier regarding the unqualified audit opinion so that this could be tabled at the Police and Crime Panel Meeting. This amendment will be drafted by the Chair.

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

The date of the next meetings were confirmed as follows:

13 September 2017 @ 1000 – Conference Room 2  
22 November 2017 @ 1000 – Conference Room 2  
21 March 2018 @ 1000 – Conference Room 2  
24 May 2018 @ 1000 – Conference Room 2  
19 July 2018 @ 1000 – Conference Room 2  
13 September 2018 @ 1000 – Conference Room 2  
22 November 2018 @ 1000 – Conference Room 2

**Meeting ended at 12.30 pm**

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

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

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## Joint Audit & Standards Committee – Action Update and Plan

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
<b>DATE OF MEETING: 15<sup>th</sup> March 2017</b>					
302	Item 6 – Corporate Update Review of new CFO arrangements	Roger Marshall / Michelle Bellis	November 2017 / March 2018	A review of the CFO arrangements will be provided in March 2018, once arrangements have settled in. Verbal update to be provided at November 2017 meeting.	On-going
<b>DATE OF MEETING: 24<sup>th</sup> May 2017</b>					
328	Item 12 – Ethics and Integrity Governance Members to receive an update on what the Ethics and Integrity Panel thought about the control room review.	Joanne Head	<del>September 2017</del> November 2017	Paper to be submitted to the meeting in September.  The Ethics and Integrity Panel meeting for August has been delayed until 21/09/17 and as such the report on the Control Room Review will now come to JASC at the November meeting.	On-going
316	Item 16 – Joint Audit and Standards Committee – Review of Effectiveness Agenda Item 5 – JASC Action Sheet to include members plan	Michelle Bellis	September 2017	The areas for improvement identified in the review of effectiveness have been formulated into an action plan and are provided on the next page of this action plan update (agenda item 5).  The JASC action plan has been populated/completed by members (see below)	Complete

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
<b>DATE OF MEETING: 21<sup>st</sup> July 2017</b>					
347	Item 6 – Corporate Update Loss of CFO and Chief Executive from OPCC to be added to Risk Register. Update to be provided at future meetings.	Vivian Stafford	September 2017	The risk register has been updated to incorporate this risk.	Complete
349	Item 8 – Command and Control More detailed response to audit report to be provided	Michelle Skeer	<del>September 2017</del> November 2017	An update will be provided as part of the development session at the November meeting.	Ongoing
349	Item 8 – Annual Governance Statement Objectives and desired outcomes to be clarified.	Vivian Stafford	September 2017	The AGS action plan was reviewed with the aim of making objectives clear and linked to outcomes. The Chief Executive has further reviewed the action plan following the July JASC meeting.	Complete
352	Item 14 – Joint Audit and Standards Committee – Annual Report Paragraph to be added to Foreword regarding high performance of Finance Team and unqualified audit opinion.	Fiona Daley	October 2017	FD provided update to MB and this has been incorporated into the finalised version that FD will present to the Police and Crime Panel on 16/10/17.	Complete

# Joint Audit & Standards Committee – Review of Effectiveness

## Improvement Action Plan 2017/18

Ref	Improvement Area	Planned Action	Action Owner	Target Date	Status
JASC1	Helping to improve the outcome focus of the new Police and Crime Plan so that delivery can be measured more effectively.	Consider the arrangements for monitoring delivery of the Police and Crime Plan	JASC	March 2018	
JASC2	Exploring ways to strengthen partnership working with the Police and Crime Panel and the Ethics and Integrity Panel where appropriate.	Increase awareness of the issues and concerns of the Police and Crime Panel to the extent that they might inform the work of the Joint Audit and Standards Committee.	JASC	March 2018	
JASC3	Support and monitor the OPCC and Constabulary plans to address the increasingly stringent funding environment.	Attend training session and consider as appropriate the arrangements flowing from significant changes in funding levels.	JASC	March 2018	
JASC4	Support and challenge any new governance arrangements, for example, from restructuring, greater collaboration with other organisations or joint working on delivery of services.	Consider the arrangements for the Joint Chief Finance Officer and the rotating appointment of Monitoring Officer.	JASC	March 2018	

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# Monitoring Key Audit Recommendations

## Introduction

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

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

## Report Summary

Summary of Actions	PCC	CC	Joint	Total
Open actions b/fwd from last report	1	14	0	15
New actions since last report	0	6	0	6
<b>Total actions this report</b>	<b>1</b>	<b>20</b>	<b>0</b>	<b>21</b>
Actions completed since last report	1	6	0	7
<b>Open actions c/fwd to next report</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>14</b>

Summary of Total Actions by Status	PCC	CC	Joint	Total
Completed	1	6	0	7
Ongoing (within original timescale)	0	7	0	7
Ongoing (original timescale exceeded)	0	6	0	6
Overdue/ timescale exceeded	0	0	0	0
Not yet due	0	1	0	1
<b>Total</b>	<b>1</b>	<b>20</b>	<b>0</b>	<b>21</b>

**Key to Grade:*****Cumbria Shared Internal Audit Service***

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

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

***External Audit – Grant Thornton***

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

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report Of	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Cumbria's Multi-Agency Safeguarding Hub (CC)	04/11/2016	04/11/2016	24/11/2016	Shared Internal Audit Service	R1 Hub resources should be fully considered in terms of the skills, qualifications and experience required to fulfil defined responsibilities, operate the Hub effectively and deliver improvements. The agreed requirements and individual partner contributions should be formally reflected in a signed funding agreement that is properly communicated, including to individual partner leadership boards.	Medium	Chair of the Programme Board  DI Dan StQuintin	<p>The Programme Board, which met on 27th October, established a Task and Finish Group which met on 27th October 2016 and will ensure that the updated MOU is in place by 5th January 2017 and is agreed / endorsed by the Board. The MOU will capture the issue regarding multi-agency resourcing.</p> <p>February 2017 - Issues of Hub governance are dealt with by the programme board. the MOU is currently under discussion. This is not yet complete because health are a statutory partner and are currently undergoing significant restructure under the strengthening families programme of which their contribution to the hub is part.</p> <p>June 2017 - The partnership has commissioned an external review of the hub process and model which is currently under way, the company doing the review are Ad Esse and their report is expected to be available around mid-July.</p> <p>August 2017 - Ad Esse have completed their assessment and we are awaiting the full report back from them. However, they have shared list of recommendations for the safeguarding hub. These recommendations are wide ranging and have triggered significant discussion by LSCB partners. These discussions will move forwards over the next few months at various LCSB programme board meetings. Once decisions on these recommendations have been made. Decisions on resourcing can be made once the future role and structure of the hub has been agreed. A 3 month extension to the deadline has been requested.</p>	31/01/2017	<del>31/08/2017</del> 31/10/2017	Ongoing (Original timescale exceeded)
Self Service Travel Expenses & Overtime (CC)	22/02/2017	22/02/2017	15/03/2017	Shared Internal Audit Service	R3 Procedures should give greater clarity with regard to the roles and responsibilities of officers, managers and CSD in respect of driver licence details.	Medium	Head of Central Services  Ann Dobinson	<p>New forms are being devised in line with the new procedures along with a full review of all officers and staff claiming mileage. The new form includes the requirement to submit insurance and MOT documentation; this will be completed in the next couple of months.</p> <p>June 2017 - Work is ongoing to create self-service forms within the payroll system and a full review of all claimant records is underway. This should be completed and implemented by the end of August 2017.</p> <p>August 2017 - All recommendations have now been completed with the procedure and process documents updated and circulated to all relevant staff and available on the CSD intranet site. In addition to the recommendations, CSD are in the process of doing a full data cleanse of all vehicles on the system and ensuring all users are authorised. This data cleanse will be completed in 2 – 3 stages to avoid an overload of certificates for CSD to process. All current casual and essential users have already been contacted and asked to provide certificates and CSD intend to roll this out over Sept to all general users. When complete CSD will remove any vehicles we have not received documentation for and system will only hold current valid users.</p> <p>If you require anything further from me please give me a call.</p>	31/05/2017	31/08/2017	Complete
Digital Case File Preparation (CC)	08/05/2017	08/05/2017	24/05/2017	Shared Internal Audit Service	R1 Arrangements to ensure the robustness of digital case files at an earlier stage should be strengthened taking into consideration the outcomes of the Strategic Development Unit's review.	High	Temp Supt CIU/Partnerships  Gordon Rutherford	<p>The Chief Officer commissioned review will report to COG in May 17.</p> <p>The evidence-gathering phase took place from January to March, with the team now considering data analysis and findings.</p> <p>Once recommendations as to future structure of CIU and the file checking function are considered and approved by Chief Officers, then they will be implemented before September 30th 2017.</p> <p>June 2017 - The primary causes of file quality issues was identified as a training/knowledge gap, together with a number of national developments. To address this gap, Chief Officers approved a number of measures, increased in staffing within CJ, introduced Area Compliance Teams and a CJ trainer post. The trainer has worked to deliver a comprehensive package of training for all front line officers. This training is informed by issues raised in the file quality process. A recent example, raised by CPS, relates to lack of understanding about disclosure of undermining material. The trainer has developed a package of learning material on the subject that is being rolled out now. Further to that there will be a day's file quality training given to all officers from September 2017.</p> <p>August 2017 - No change since June update apart from the review paper will be taken to COG on September 4th.</p>	June 2017 to 30 Sept 2017		Ongoing (within original timescale)
Digital Case File Preparation (CC)	08/05/2017	08/05/2017	24/05/2017	Shared Internal Audit Service	R3 (1) Management should ensure that digital case file training is rolled out to all appropriate officers across the force.	Medium	Temp Supt CIU/Partnerships  Gordon Rutherford	<p>The Constabulary Training Panel has approved the file quality training proposal and this will be delivered Sept to Nov 17 to all staff. In the meantime, the CIU trainer is continuing to deliver training across the force utilising Area Training Days.</p> <p>June 2017 - The trainer has worked to deliver a comprehensive package of training for all front line officers. This training is informed by issues raised in the file quality process. The trainer has developed a package of learning material on the subject that is being rolled out now. Further to that there will be a day's file quality training given to all officers from September 2017.</p> <p>August 2017 - No change to June review.</p>	30/09/2017		Ongoing (within original timescale)
Digital Case File Preparation (CC)	08/05/2017	08/05/2017	24/05/2017	Shared Internal Audit Service	R4 Defined policies and procedures should be prepared and approved in accordance with the Constabulary's established process.	Medium	Temp Supt CIU/Partnerships  Gordon Rutherford	<p>The National Manual of Guidance is currently being redrafted to reflect changes in national digital file transfer processes. The Constabulary work needs to take cognisance of the national requirement. This work can be picked up via the ACTs and CIU Trainer. Embedded processes exist but for new recruits and staff it is accepted that these need to be made explicit in the form of written documentation.</p> <p>June 2017 - The national Manual of Guidance (MOG) is the single reference document for how to prepare court cases. This document is under national review at this time. To simplify basic file submission processes an electronic reference document is being created. This in principle will condense the requirements within the MOG in an easier to understand and navigate, reference document. This is a considerable task but will prove to be a valuable resource for officers. This should be available by September 2017.</p> <p>August 2017 - No change to June review.</p>	30/09/2017		Ongoing (within original timescale)

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report Of	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Digital Case File Preparation (CC)	08/05/2017	08/05/2017	24/05/2017	Shared Internal Audit Service	R5 Management should continue to explore the reason for the error rate and explore options for improving the efficiency of the oversight / review mechanisms.	Medium	Chief Officer Group	<p>Chief Officers have commissioned Strategic Development Unit to undertake an activity analysis of the file QA process covering Area Compliance Teams, training and CJU structure. This review will report to COG in May with recommendations for implementation before the end of September 2017.</p> <p>July 2017 - A report is due to be presented to COG in July 2017.</p> <p>August 2017 - A report is due to be presented to COG in early September, a verbal update will be provided to the JASC meeting on 13th September.</p>	30/09/2017		Ongoing (within original timescale)
Receipt, Handling and Disposal of Drugs (CC)	08/05/2017	08/05/2017	24/05/2017	Shared Internal Audit Service	R1 A policy and supporting procedures should be in place in respect of the arrangements for receiving, recording, storing and disposal of seized drugs.	High	DCI Stalker	<p>We recognise there is a weakness in relation to policy and procedure re seized drugs and work is being undertaken in force to remedy this. Policy and procedure is being written and will be approved at Ops Board. One agreed it will be disseminated to staff. We will put arrangements in place to ensure compliance with policy and procedure.</p> <p>June 2017 - The procedures document has been written, to reflect our practices and some amendments around role/ responsibilities. This has gone to consultation with some affected parties and now sits with the Head of Crime, Mr Slattery for final sign off. Once approved it will be submitted to the next Operations Board (next meetings 21/07 or 17/08).</p> <p>August 2017 - The new process / procedure document was presented to Operations Board on 17 August 2017 and was agreed/adopted.</p>	30/06/2017	-	Complete
Use of Stingers (CC)	08/05/2017	08/05/2017	24/05/2017	Shared Internal Audit Service	R1 A mechanism should be developed to give management assurance that stingers are being deployed in accordance with national guidance.	High	<p>Superintendent Operations</p> <p>Mark Pannone</p>	<p>A policy document will be prepared to be agreed at Executive level. The document will incorporate the areas identified as part of the audit.</p> <p>We will implement systems to ensure compliance with the policy document and national guidance.</p> <p>June 2017 - In order to formalise activity taking place a procedural document is being completed. This will provide a clear process for procedures, roles, responsibilities and review of the use of stingers.</p> <p>August 2017 - The policy document has been prepared and will be considered at TP SMT w/c 4/9/17 before being approved at Operations Board on 15/09/17. Once approved the new policy document will be circulated.</p>	31/08/2017	30/09/2017	Ongoing (Original timescale exceeded)
Use of Stingers (CC)	08/05/2017	08/05/2017	24/05/2017	Shared Internal Audit Service	R2 The wider arrangements around stinger usage should be clearly defined and communicated to those involved and give greater clarity around procedures, roles and responsibilities.	High	<p>Superintendent Operations</p> <p>Mark Pannone</p>	<p>An operational framework for stingers will include named roles and responsibilities and will be communicated to officers.</p> <p>June 2017 - In order to formalise activity taking place a procedural document is being completed. This will provide a clear process for procedures, roles, responsibilities and review of the use of stingers.</p> <p>August 2017 - As above, the policy document has been prepared and will be considered at TP SMT w/c 4/9/17 before being approved at Operations Board on 15/09/17. Once approved the new policy document will be circulated.</p>	31/08/2017	30/09/2017	Ongoing (Original timescale exceeded)
Use of Stingers (CC)	08/05/2017	08/05/2017	24/05/2017	Shared Internal Audit Service	R3 The arrangements for ensuring that the driver training system alerts are actioned and the necessary refresher training is delivered on a timely basis should be clearly defined and communicated.	Medium	<p>Superintendent Operations</p> <p>Mark Pannone</p>	<p>We will rationalise the procedures in place within our operating framework for current systems with a view to implementing the Chronicle system over a longer period.</p> <p>June 2017 - Cumbria are in the process of implementing a driver training software program which will allow greater scrutiny and management of training in this area.</p> <p>August 2017 - Prior to the full implementation of the Chronicle system, a process of using the 5 &amp; 15 week review process to bring attention to training and authorities that are due to expire. Officers undertaking any specialist driver training or in relation to the use of stingers will be advised that in the situation where their authority expires, they are not permitted to undertake the particular activity.</p>	31/08/2017	-	Complete
Use of Stingers (CC)	08/05/2017	08/05/2017	24/05/2017	Shared Internal Audit Service	R4 There should be mechanisms in place to review pursuit information involving stingers so that management can be assured that improvement opportunities are maximised.	Medium	<p>Superintendent Operations</p> <p>Mark Pannone</p>	<p>The extent and frequency of debriefs will be outlined and delivered as part of driver training. Specific expectations on when debriefs will take place and in what format will be documented.</p> <p>June 2017 - In order to formalise activity taking place a procedural document is being completed. This will provide a clear process for procedures, roles, responsibilities and review of the use of stingers.</p> <p>August 2017 - As above, the policy document has been prepared and will be considered at TP SMT w/c 4/9/17 before being approved at Operations Board on 15/09/17. Once approved the new policy document will be circulated. This document includes guidance in relation to briefing and de-briefing.</p>	31/08/2017	30/09/2017	Ongoing (Original timescale exceeded)



Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report Of	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Information Security (CC)	13/04/2017	13/04/2017	-	Shared Internal Audit Service	R1 The responsibility of managers to adjust the access permissions of staff who change jobs in the constabulary should be clearly defined and communicated.	Medium	The Head of People (incl Professional Standards)  Supt. Sarah Jackson	The responsibility of managers to adjust the access permissions of staff who change jobs within the constabulary will be defined within the Information Security Policy. June 2017 - These responsibilities are not currently included in Policy, and are dealt with on behalf of the business only sporadically in that the removal of access is largely reliant on ICT Dept picking up requirements for changes where they are able: (a) ICT Dept have created a weekly task to identify and amend permissions for leavers / role-changers for some systems, or as part of service requests relating to other matters. However, the only core systems currently covered by this are: PoliceWorks, SLEUTH, STORM, Duties Management System (b) Caroline Patterson is now formalising these processes such that ICT Dept will continue to act as a back-stop for these systems, but this is a supplementary process and does not replace the need for effective management of change by the business. Actions Taken 1. Responsibilities will be documented in Section 4.3 of Information Management Strategy at next revision in Nov 2017, reflecting the following improvements to current processes: Make clear that managing access permissions is an IAO (i.e. business) responsibility, not ICT Dept or HR. 2. Revised processes have been introduced for supervisors within the business to own responsibility for managing access permissions for all personnel under their command, and to ensure that permissions for role-changers and leavers are revoked where no longer needed, in a timely fashion. Specifically: (a) Internal staff and officer moves into new roles or new departments happen frequently. Managers inform the HR Department of moves by submitting an establishment change form. A section has been added on to this form requiring current managers to check the permissions of their officers / staff and remove any which are not relevant to their new role. Where appropriate, requests to remove permissions are to then be submitted by the manager direct to the ICT Service Desk portal. (b) Any internal staff recruitment into new roles will be captured by CSD Employee Services who will send an email to new line managers requiring them to review permissions and check if previously held permissions are required in their new role. This will specifically include reviewing: i. Access to group e-mail accounts, ii. Access to shared Sharepoint folders, iii. Access to G (Group) drives  August 2017 - The changes to the responsibilities will be incorporated at the next revision in November 2017. The new process for the Records and Security Information Manager role to review personnel access permissions to core systems managed by IAOs is now under way. The CSD processed have been updated, forms revised and changes communicated.	31/05/2017	31/12/2017	Ongoing (Original timescale exceeded)
Command and Control (CC)	26/06/2017	26/06/2017	21/07/2017	Shared Internal Audit Service	R1 Management should have arrangements in place to demonstrate that decisions taken in relation to performance data / information are subject to scrutiny and challenge and are formally approved.	Medium	Chief Inspector Control Room  Ben Swinson	Command and Control will have a specific agenda item on the Operations Board meetings moving forward to ensure that decisions on performance data can be demonstrated.  August 2017 - Command and control performance is now part of the standing agenda for update on performance at the Operations Board.	31/07/2017		Complete
Command and Control (CC)	26/06/2017	26/06/2017	21/07/2017	Shared Internal Audit Service	R2 Management should ensure that expectations regarding frequency and focus of quality assurance checks within the Command and Control room are clearly defined and communicated.	Medium	Chief Inspector Control Room  Ben Swinson	A piece of work is being undertaken in the Command and Control Room to bring all its quality assurance arrangements together. This includes formalising the process for quality assurance checks and updating the guidance manual and other relevant documents accordingly.  August 2017 - This action has now been tasked and work is ongoing as part of the dedicated training team to review and consolidate all areas of QA work.	31/10/2017		Ongoing (within original timescale)
Annual Governance Statement (PCC)	05/07/2017	05/07/2017	21/07/2017	Shared Internal Audit Service	R1 a) Areas included in the Development and Improvement plan should readily link back to the narrative in the AGS. b) Actions in the Development and Improvement plan should be clearly defined and measurable so that achievement can be monitored. c) Longer term actions spanning more than one year in the Development and Improvement plan should be updated to reflect progress made and action still to be taken to achieve the required outcome.	Medium	Joint Chief Finance Officer  Roger Marshall	The Annual Governance Statement will be amended to incorporate actions in the main body of the report.  For the future we will seek to provide a better cross check between the statement narrative and the action plan.  Having reviewed the development and improvement plan actions for 2017-18 the majority of actions have clear and measurable outcomes, however the statement will be amended to provide greater clarity where this is not the case. For longer term actions spanning more than one year and update on progress is generally made at the end of each year.  August 2017 - Amendments to the AGS action plan as presented to the July meeting of JASC were incorporated into the final AGS. Cognisance of the audit recommendations will be taken in preparing the 2017/18 AGS.	31 July 2017 for amendments to specific actions 30 April 2018 for more general cross referencing.		Complete
Offender Management (CC)	01/08/2017	02/08/2017	13/09/2017	Shared Internal Audit Service	R1 Management should ensure that the actions and outcomes to assess and manage the delivery of the IOM aims and priorities are clearly defined. Arrangements should include regularly monitoring and reporting progress on these.	High	Detective Chief Inspector – Public Protection  Dave Pattinson	Annual IOM Strategy to be drawn up and agreed. It will include the actions and outcomes to assess and manage the delivery of the aims and priorities detailed in the 2016-2020 IOM Strategy.  Detective Chief Inspector will obtain assurance that the progress on actions and outcomes are regularly monitored and reported.	30/09/2017		Not yet due
Offender Management (CC)	02/08/2017	02/08/2017	13/09/2017	Shared Internal Audit Service	R2 Arrangements should be put in place to demonstrate discussions, decisions taken and actions arising relating to the: • review of risks including MAPPA risks for inclusion in the Crime Command and TPA's risk register; and • regular review of the PVP monthly performance report and progress on delivering MAPPA strategic aims.	Medium	Detective Inspector – MOSOVO  Helen Harkins	Agreed management action: PVP Forum is currently under review to incorporate this and other risk management processes. Risk Register is now a standing item at the Crime Command SMT and a record of decisions taken will be documented.  MAPPA SMB records the details. It was recognised that they are not formally recorded by police (only as stated) they will now go to Crime Command SMT where a record of decisions taken will be documented.  This is being considered as part of the on-going PVP Forum review. A record of decisions relating to review and challenge of performance reports will be documented.  Decisions taken at these meetings will be documented and fed into Crime Command SMT and MAPPA SMB as appropriate.  August 2017 - The PVP forum format is now being finalised and the Crime Command Risk Register will be a standing item. As will the progress of MAPPA strategic aims. The outcomes will be highlighted to Crime command SMT and MAPPA SMB. The target date is still current, a further update will be provided after Sept PVP.	30/09/2017		Ongoing (within original timescale)

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report Of	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Offender Management (CC)	03/08/2017	02/08/2017	13/09/2017	Shared Internal Audit Service	R3 Management should obtain and review the latest update on the two overdue offender management HMIC inspection recommendation actions, be assured that there are arrangements in place to provide a revised date and once completed to verify that these are implemented.	Medium	Chief Inspector - Business Improvement Unit  Carl Patrick	Actions Complete and embedded into existing processes. The Chief Inspector BIU has been assured that these actions are now completed.	30/06/2017		Complete
Offender Management (CC)	04/08/2017	02/08/2017	13/09/2017	Shared Internal Audit Service	R4 A timescale should be set for the review and updated of the Police Staff Offender Manager's job description including its approval.	Medium	Detective Inspector – MOSOVO  Helen Harkins	Job description currently being reviewed and expected to be complete by 09/2017.  August 2017 - The job description is currently being reviewed by DS Andy Myers.	30/09/2017		Ongoing (within original timescale)
Offender Management (CC)	05/08/2017	02/08/2017	13/09/2017	Shared Internal Audit Service	R5 Management should be assured that staff's performance relating to their roles and responsibilities are being appropriately assessed, evaluated and there is evidence that performance issues are reported with corrective action is taken.	Medium	Detective Inspector – MOSOVO  Helen Harkins	15 Week Reviews adapted by the department to cover salient issues including HMIC. 15 Week reviews now tailored to Offenders Managers individual roles and responsibilities.  August 2017 - Action complete	30/09/2017		Complete
Offender Management (CC)	06/08/2017	02/08/2017	13/09/2017	Shared Internal Audit Service	R6 Arrangements should be in place for regularly reviewing and updating the Constabulary's responsibilities and accountabilities detailed in the MOU to ensure that they accurately reflect its current working arrangements and to fulfil its statutory requirements for sharing information.	Medium	Detective Inspector – MOSOVO  Helen Harkins	MAPPA Coordinator to ensure that the Constabulary's responsibilities and accountabilities detailed in the MOU are reviewed as part of their core role. This will be done annually in line with the review of the MOU  The Chief Superintendent PPU will obtain assurance that MOU is annual reviewed.  August 2017 - The MAPPA coordinator has had a long term absence she is due back to work on 14th August, this is her priority piece of work please extend target date to end Dec 2017	30/06/2017	31/12/2017	Ongoing (Original timescale exceeded)



***systems of governance, risk management and internal control are in place in support of the delivery of the PCC and Constabulary's priorities.***

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

### ***3.0 RECOMMENDATION***

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

## 3.2 BACKGROUND

- 3.3 The PCC and Chief Constable must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 3.4 Internal audit is responsible for providing independent assurance to the PCC and Chief Constable's senior management and to the Joint Audit and Standards Committee on the systems of governance, risk management and internal control.
- 3.5 It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls are operating effectively.
- 3.6 The internal audit plan for 2017/18 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage is focused on the areas of highest risk to both organisations. The plan has been prepared to allow the production of the annual internal audit opinion as required by the PSIAS.
- 3.7 This report provides an update on the work of internal audit for the five months to August 2017. It reports progress on the delivery of the 2017/18 audit plan in the period and includes a summary of the outcomes of audit reviews completed in the period.

### **Status of internal audit work as at 18 August 2017**

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

Audit plan year	Audit Status	Number of reviews
2017/18	<u>Audits completed:</u>	<b><u>3</u></b>
	Risk based audits (2016/17 WIP)	2
	Risk based audits	0
	Governance work	1
	Follow up	0
	<u>Audits in progress:</u>	<b><u>7</u></b>

	Risk based audits (2016/17 WIP)	0
	Risk based audits	6
	Financial systems	1
	Follow up	0
	<u>Audits to be started</u>	<u>11</u>
	Risk based audits	7
	Financial systems	2
	Follow up	2
	<u>Audits in plan</u>	<u>21*</u>

\* The number of audits in the plan has been reduced from 22 to 21 as we have been asked to defer the audit of Digital Media Investigation Unit for operational reasons. We are satisfied that the request is appropriate and will undertake this work in 2018/19. The change to the plan has been approved by the PCC's Chief Finance Officer (Joint CFO) in line with the Internal Audit Charter. The deferral of this piece of work will not impact on our ability to provide an annual opinion for 2017/18 as our plan was designed to ensure sufficient coverage through the remainder of the plan.

### **Outcomes from Final Audit Reports to 18 August**

3.8 Audits completed to 18 August comprise three risk based audits and the review of the PCC's Annual Governance Statement.

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

### **Draft Reports Issued to 18 August**

3.10 There are no reports issued in draft.

### **Other Internal Audit activity**

3.11 The Shared Internal Audit service will receive its first External Quality Assessment (EQA) in October 2017. The EQA is a requirement of the PSIAS. Meetings for the assessor to discuss the audit service with the Deputy Chief Constable, Joint Chief Finance Officer and Chair of the JASC have been arranged. We will share the outcome of the EQA at a future meeting.

3.12 We are reviewing the assurance descriptions in the report appendices to more closely align with the broader focus of internal audit over governance and risk management as well as internal control. Once formalised these will be updated on the Internal Audit report template.

**Emma Toyne**  
**Audit Manager**  
18<sup>th</sup> August 2017

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## **APPENDICES**

***Appendix 1: Final reports issued to 18 August 2017***

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

***Appendix 3: Internal audit performance measures to 18 August 2017***

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## Appendix 1 – Final reports issued to 18 August 2017

Assignments	Status	Assessment
Command and Control (2016/17 WIP)	Report presented to Joint Audit and Standards Committee at the 21 <sup>st</sup> July 2017 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable
OPCC Annual Governance Statement	Report presented to Joint Audit and Standards Committee at the 21 <sup>st</sup> July 2017 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable
Offender Management (2016/17 WIP)	Report presented to Joint Audit and Standards Committee at the 13 <sup>th</sup> September meeting. Report included in Committee papers and available on the Commissioner's website.	Partial
<p>In addition to the above, a member of the Internal Audit team attended the Police Audit Group Conference in July 2017. The event provided an opportunity to network with other Internal Auditors in the Policing sector and provided an overview of a number of areas including:</p> <ul style="list-style-type: none"> <li>• The policing landscape (a Chief Executive's perspective on key strategic developments in policing and the challenges and opportunities ahead)</li> <li>• Update from the College of Policing</li> <li>• Topical sector developments (including assurance frameworks and collaborative reviews)</li> <li>• Promoting Internal Audit and raising standards (IIA)</li> <li>• Cyber security</li> <li>• Police and crime plan reviews</li> <li>• Developments in Internal Audit and Governance (CIPFA)</li> </ul> <p>We will incorporate learning from the event into both current audit work and in preparing the 2018/19 Internal Audit plan.</p> <p>The Group Audit Manager and Audit Manager attended a finance team training session and the Corporate Support Senior Management Team in August to present key points arising from national governance reports. This was well received and prompted discussion on wider governance issues.</p>		



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

OPCC / Constabulary Review	Audit	Stage	Feedback form returned
Constabulary (WIP from 2016/17)	Command and Control	Complete	Yes
Constabulary (WIP from 2016/17)	Offender Management	Complete	Yes
Constabulary	Finances (Funding formula)	Fieldwork underway	N/A
Constabulary	Vulnerability	Not started	N/A
Constabulary	Firearms Licencing	Fieldwork underway	N/A
Constabulary	Use of Force	Fieldwork underway	N/A
OPCC	Commissioning	Fieldwork underway	N/A
Constabulary	Five and fifteen week reviews / Professional Development Reviews (PDRs)	Scoping meeting arranged	N/A
Constabulary	Resourcing – Duty Management	Scoping meeting arranged	N/A
Constabulary	IT capacity	Scoping meeting arranged	N/A
Constabulary	Fleet	Fieldwork underway	N/A
Constabulary	Digital media investigation unit	Deferred to 2018/19	N/A
Constabulary	Business Improvement Unit	Work scoped	N/A
OPCC	Information security	Not started	N/A
OPCC	Annual Governance Statement	Complete	N/A
OPCC/Constabulary	Creditors	Not started	N/A
OPCC/Constabulary	Treasury Management	Fieldwork underway	N/A

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

<b>OPCC / Constabulary Review</b>	<b>Audit</b>	<b>Stage</b>	<b>Feedback form returned</b>
OPCC/Constabulary	Cash receipting	Not started	N/A
OPCC	Procurement – detailed testing	Not started	N/A
Constabulary	Procurement – detailed testing	Not started	N/A
Constabulary	Procurement follow up	Not started	N/A
Constabulary	Safeguarding hub follow up	Not started	N/A

### Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Completion of audit plan	% of audits completed to final report	19% 95% (annual target)	14%	Target is based on the same period last year.  The plan is progressing as intended at this early stage in the year.
	Number of planned days delivered	281 (annual target)	61	Fieldwork is underway for all audits scheduled for quarters 1 and 2. Scoping meetings are being organised for quarter 3 work.
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	100%	
Timeliness of final reports	% of final reports issued for Chief Officer / Director comments within five working days of management response or closeout meeting.	90%	100%	
Recommendations agreed	% of recommendations accepted by management	95%	100%	

### Appendix 3 – Internal audit performance measures

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

## Cumbria Shared Internal Audit Service

### Internal Audit Report for Cumbria Constabulary



### Audit of Offender Management

Draft Report Issued: **21 June 2017**

Final Report Issued: **1 August 2017**

## Audit Resources

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Lead Auditor(s)	Pauline Connolly	<a href="mailto:pauline.connolly@cumbria.gov.uk">pauline.connolly@cumbria.gov.uk</a>	01228 226270

## Audit Report Distribution

For Action:	Andy Slattery - Chief Superintendent, Crime Command.
For Information:	Mark Webster – Assistant Chief Constable.
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 13 September, will receive the report.

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

### Cumbria Shared Internal Audit Service

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



## 1. Background

- 1.1. This report summarises the findings from the audit of **Offender Management**. This was a planned audit assignment which was undertaken in accordance with the 2016/17 audit plan.
- 1.2. The Constabulary are required to manage offenders in an efficient and consistent manner to ensure that national and local objectives are met.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

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

### 2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Chief Superintendent – Crime Command. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
  - ARMS (Active Risk Management System) risk assessment.
  - Administration of workload of offender managers – allocation, methodology/criteria, and monitoring and reporting
  - Inspections – arrangements for implementing recommendations/agreed actions.
- 2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3. Assurance Opinion

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

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

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

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There are 7 audit recommendations arising from this audit review and these can be summarised as follows:

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



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

- The Managing Sexual Offenders, Dangerous Offenders and other potential dangerous persons' policy is regularly reviewed and updated.
- Regular team meetings are held to raise awareness and train staff on new guidance and legislation relating to offender management ie Integrated Management Offender "IOM" strategy, MOSOVO guidance etc.
- Administration of offender managers' caseload is regularly assessed and reviewed to ensure it complies with best practice.

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

4.4.1. *High priority issues:*

- The actions and outcomes to manage and measure the delivery of the IOM strategy and the Constabulary's strategic priority on managing offenders have not been identified.

4.4.2. *Medium priority issues:*

- There is not always a record retained of discussions, decisions taken and action arising from management's review of potential risks including MAPPA risks that impact on the service objectives, of PVP monthly performance reports and progress in delivering MAPPA strategic aims.
- Two HMIC inspection recommendation actions are overdue and no revised delivery date or update has been received since the last update in January 2017.
- Staff's roles and responsibilities relating to the administration of offender managers' caseload and implementation of HMIC inspection report recommendations are not considered as part of their 15 weekly performance reviews.
- The Cumbria MAPPA Memorandum of Understanding "MOU" that details the Constabulary and other partners' arrangements for sharing information to assess the risk posed by certain offenders was last reviewed and updated in 2012 is out of date.
- There is a list of checks to verify the accuracy and completeness of ARMS risk assessments and risk management plans however these have not been formally documented or approved.

4.4.3. *Advisory issues:*

- Police Staff Offender Manager's job description that details their roles and responsibilities relating to offender management was last reviewed and updated in 2009; following recent changes to this role it is recognised that there a need to review and update it.

**Comment from the Assistant Chief Constable**

The recommendations highlighted in this audit report are accepted and will provide a number of helpful areas where internal processes and controls can be improved. Some of the necessary actions have already been completed to meet the recommendations made, and all others are in train to do so.

In considering the recommendations made I have looked into the overall approach to IOM within the constabulary, and I am satisfied that the above recommendations do not reveal systemic weaknesses in our overall approach to IOM; rather that they highlight a handful of areas where documentation can be improved to move comprehensively evidence the good work that is going on in this area.

In making this point, it's relevant to reflect the comments of HMIC in March this year when they rated the force 'Good' in this area and stated that:

*"Cumbria Constabulary is effective at investigating crime and reducing re-offending. The constabulary is proactive about managing those offenders who pose a risk to the public."*

And...

*"...the constabulary has made good progress in introducing new arrangements with other organisations to reduce offending and to monitor offenders under its integrated offender management programme."*

It is for this reason that I have queried the audit reports assurance rating of 'partial' as this seems at odds with HMIC's findings and my own assessment. I understand that the current audit methodology rigidly applies a 'partial' rating if there is one high priority issue highlighted, regardless of how many other areas are assessed positively. My view is that the methodology would be far more informative if it was less rigidly formulaic. This point however should be taken as a constructive comment as to the audit process, not as evidence of resistance to the recommendations which are accepted and will be implemented.

## 5. Matters Arising / Agreed Action Plan

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

• High priority

Audit finding	Management response
<p><b>(a) Service objectives</b></p> <p>The Integrated Offender Management (IOM) Strategy details the aims and priorities for offender management covering the period 2016-2020.</p> <p>The audit review found that the actions and outcomes to assess and manage the delivery of the IOM strategy and the Constabulary's strategic priority on managing offenders have not been identified.</p> <p>Defining and quantifying expectations for delivering operational and strategic aims and priorities and how resources are used and decisions are made to deliver these is recognised as good management practice in the Constabulary's performance management framework.</p> <p><b>Recommendation 1:</b></p> <p>Management should ensure that the actions and outcomes to assess and manage the delivery of the IOM aims and priorities are clearly defined. Arrangements should include regularly monitoring and reporting progress on these.</p>	<p><b>Agreed management action:</b></p> <p>Annual IOM Strategy to be drawn up and agreed. It will include the actions and outcomes to assess and manage the delivery of the aims and priorities detailed in the 2016-2020 IOM Strategy.</p> <p>Detective Chief Inspector will obtain assurance that the progress on actions and outcomes are regularly monitored and reported.</p>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>IOM aims and priorities are not delivered because the performance framework to manage these has not been effectively implemented.</li> <li>Senior management are unaware of poor performance that needs to be escalated.</li> </ul>	<p><b>Responsible manager for implementing:</b></p> <p><b>Detective Chief Inspector – Public Protection</b></p> <p><b>Date to be implemented:</b></p> <p><b>09/2017</b></p>

- Medium priority

Audit finding	Management response
<p><b>(b) Record of decisions taken on identified risks and performance reports</b></p> <p>A risk relating to offender management, in particular ViSOR (Violent and Sexual Offences Register), was identified and reviewed for inclusion in the Crime Command and Territorial Policing Area's (TPA) risk register. The audit review identified that there is not always a record retained of the decision taken and action arising relating to risks that have been identified. Audit were informed that the Crime Command's Senior Management Team (SMT) agenda had previously included an item to review risks however this had been removed. It was reinstated during the period of our audit.</p> <p>The Constabulary has a process in place to regularly review MAPPA (Multi Agency Public Protection Arrangements) risks and escalate these to the Crime Command and TPA's risk register. The audit review identified that there is no record of the discussions, decisions taken and actions arising relating to this review. Audit were informed that in future the Crime Command SMT's agenda item to review risks will also include a review of MAPPA risks that impact on the Constabulary's objectives.</p> <p>Performance monitoring reports are in place and are regularly presented to Operational Protection of Vulnerable People (PVP) meetings to inform them of the progress of measuring ARMs risk assessments and visits. Audit testing identified that the Operational PVP minutes detail discussions on individual offender cases however there is no record of the decisions taken and actions relating to the review and challenge on the PVP performance reports. Audit were informed that these performance reports are discussed however as there were no exceptions to report there are no actions recorded.</p> <p>The Constabulary's progress in delivering its MAPPA strategic aims is regularly reviewed and any performance issues are discussed at 1:1 meetings with the Chief Superintendent of Crime Command. Audit were informed that these meetings are diarised however decisions taken and</p>	<p>Agreed management action:</p> <p>PVP Forum is currently under review to incorporate this and other risk management processes. Risk Register is now a standing item at the Crime Command SMT and a record of decisions taken will be documented.</p> <p>MAPPA SMB records the details. It was recognised that they are not formally recorded by police (only as stated) they will now go to Crime Command SMT where a record of decisions taken will be documented.</p> <p>This is being considered as part of the on-going PVP Forum review. A record of decisions relating to review and challenge of performance reports will be documented.</p> <p>Decisions taken at these meetings will be documented and fed into Crime Command SMT and MAPPA SMB as appropriate.</p>

actions arising from these that relate to the review of MAPPA strategic aims are not formally documented.	Actions Complete as above.
<p><b>Recommendation 2:</b></p> <p>Arrangements should be put in place to demonstrate discussions, decisions taken and actions arising relating to the:</p> <ul style="list-style-type: none"> <li>review of risks including MAPPA risks for inclusion in the Crime Command and TPA's risk register; and</li> <li>regular review of the PVP monthly performance report and progress on delivering MAPPA strategic aims.</li> </ul>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Decisions taken and actions arising that relate to managing the potential risks that impact on service priorities and operational performance reports cannot be demonstrated.</li> </ul>	<p>Responsible manager for implementing: <b>DI MOSOVO</b></p> <p>Date to be implemented: <b>09/2017</b></p>

● **Medium priority**

Audit finding	Management response
<p><b>(c) Performance management and reporting</b></p> <p>There is a process in place to regularly review progress on implementing HMIC inspection recommendations relating to offender management. Audit testing confirmed that 2016/17 HMIC inspection recommendations relating to offender management had been updated and reviewed with the last update made in January 2017. Audit testing identified all actions had been implemented with the exception of two:</p> <ul style="list-style-type: none"> <li>MO 5.1 "Develop the performance dashboard to reflect the BIG 6, MANAGE OFFENDERS including automation where possible (with IT) and to reflect the new Management Information Strategy with regard to data content"; and</li> <li>MO 5.2 "Assist Corporate Improvement as required to develop the performance dashboard to reflect the BIG 6, PREVENT CRIME, RTC and ASB including automation where possible</li> </ul>	<p>Agreed management action:</p> <p>Actions Complete and embedded into existing processes. The Chief Inspector BIU has been assured that these actions are now completed.</p>

<p><i>(with ICT) and to reflect the new Management Information Strategy with regard to data content”.</i></p> <p>The timescale for delivering both these actions is overdue and no revised timescale or update has been provided since January 2017. We were informed that both actions had been transferred to the Corporate Improvement Group and management were aware that these are outstanding.</p>	
<p><b>Recommendation 3:</b></p> <p>Management should obtain and review the latest update on the two overdue offender management HMIC inspection recommendation actions, be assured that there are arrangements in place to provide a revised date and once completed to verify that these are implemented.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Service priorities are not achieved because there are not effective arrangements to manage progress of delivering HMIC inspection recommendations.</li> </ul>	<p>Responsible manager for implementing: <b>Chief Inspector BIU</b></p> <p>Date to be implemented: <b>06/2017</b></p>

● **Advisory issue (R4)** ● **Medium priority (R5)**

<b>Audit finding</b>	<b>Management response</b>
<p><b>(d) Roles and Responsibilities and appraisals</b></p> <p>The Police Staff Offender Manager’s job description detailing roles and responsibilities relating to offender management was last reviewed and updated in 2009. Audit were informed that following recent changes to this role it is recognised that there a need to review and update this job description.</p> <p>Audit were informed that staff’s roles and responsibilities are assessed and evaluated as part of their 15 weekly reviews. The audit review confirmed that the roles and responsibilities relating to ARMs risk assessments and home visits had been assessed and evaluated in their 15 weekly reviews. Audit testing identified that roles and responsibilities relating to the administration of caseload and implementation of HMIC inspection report recommendations had not been assessed</p>	<p><b>Agreed management action:</b></p> <p>R4: Job description currently being reviewed and expected to be complete by 09/2017.</p> <p>R5: 15 Week Reviews adapted by the department to cover salient issues including HMIC. 15 Week reviews now tailored to Offenders Managers individual roles and responsibilities.</p>

<p>and evaluated as part of the 15 weekly reviews. We were informed that the 15 weekly reviews are not role specific.</p>	
<p><b>Recommendation 4:</b> A timescale should be set for the review and updated of the Police Staff Offender Manager's job description including its approval.</p> <p><b>Recommendation 5:</b> Management should be assured that staff's performance relating to their roles and responsibilities are being appropriately assessed, evaluated and there is evidence that performance issues are reported with corrective action is taken.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Service priorities are not achieved because staff roles and responsibilities for offender management are not clearly defined.</li> <li>• Roles and responsibilities are not effectively managed because the relevant job description is out of date.</li> <li>• Service priorities are not achieved because there is not an effective evaluation process of staff performance against these and performance issues may remain undetected.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>DI MOSOVO</b></p> <p><b>Date to be implemented:</b> <b>09/2017</b></p>

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

● **Medium priority**

Audit finding	Management response
<p><b>(a) Memorandum of Understanding</b></p> <p>The Cumbria MAPPA Memorandum of Understanding “MOU” between Cumbria MAPPA Responsible Authorities (RAs) and Duty to Co-operate (DTC) Agencies is in place. The MOU details the Constabulary and other partners’ arrangements to fulfil their statutory requirements for sharing information to assess the risk posed by certain offenders. The MOU states that it “<i>will be reviewed annually and the partners agreed that Cumbria Constabulary will hold the original signed copy of the agreement, but will provide copies electronic copies (including copies of signatures) to all partners upon request.</i>” Audit testing identified that the MOU was last reviewed and updated in 2012 so is out of date. Audit has since been informed that the MOU is currently being reviewed and updated.</p>	<p><b>Agreed management action:</b></p> <p>MAPPA Coordinator to ensure that the Constabulary’s responsibilities and accountabilities detailed in the MOU are reviewed as part of their core role. This will be done annually in line with the review of the MOU</p> <p>The Chief Superintendent PPU will obtain assurance that MOU is annual reviewed.</p>
<p><b>Recommendation 6:</b></p> <p>Arrangements should be in place for regularly reviewing and updating the Constabulary’s responsibilities and accountabilities detailed in the MOU to ensure that they accurately reflect its current working arrangements and to fulfil its statutory requirements for sharing information.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Constabulary information sharing risks are not effectively managed because the MOU is out of date.</li> <li>• Reputational damage arise from non-compliance with statutory information sharing requirements because the application of out of date MOU.</li> </ul>	<p><b>Responsible manager for implementing:</b></p> <p><b>DI MOSOVO</b></p> <p><b>Date to be implemented:</b></p> <p><b>06/2017</b></p>

● **Medium priority**

Audit finding	Management response
<p><b>(b) Checks on ARMs risk assessments and risk management plans</b></p> <p>A process is in place to review and check the accuracy and completeness of ARMS risk</p>	<p><b>Agreed management action:</b></p> <p>Now in place with quality assurance audits.</p>



<p>assessments and risk management plans. Audit testing confirmed that there is a list of checks that are undertaken however these have not been formally documented or approved. Audit were informed that the College of Policing is to issue new guidance relating to the review of ARMs risks assessments and that this will be made available to relevant officers.</p>	<p>DI MOSOVO now completes 4 quality assurance checks per month on a random of ARMs risk assessments and risk management plans that have already been reviewed by Supervisors; this increases the confidence that the completion and supervision is fit for purpose.</p>
<p><b>Recommendation 7:</b> Arrangements should be put in place to assure management that the ARMS risk assessments and risk management plans are verified in accordance with their requirements and that where any issues are identified these are reported and corrective action taken where appropriate.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Service priorities are not achieved because there is not effective monitoring and reporting over the ARMs risk assessments and risk management plans.</li> <li>• Non-compliances with procedures to follow may remain undetected.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>DI MOSOVO</b> <b>Date to be implemented:</b> <b>06/2017</b></p>

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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

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Peter McCall

# Joint Audit & Standards Committee

## OPCC Risk Management Monitoring

**Date:** September 2017

**Agenda Item No:** 10 (i)

**Originating Officer:** Vivian Stafford

### **Executive Summary:**

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

### **Recommendation:**

That, the Committee notes the OPCC's Strategic Risk Register, the planned oversight to be undertaken of the Constabulary's risk management arrangements; and the OPCC's Operational Risk Register.

### **1. Introduction & Background**

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

### **2. Issues for Consideration**

- 2.1 Appended to this report at Appendix 1 is the OPCC's Strategic Risk Register which is to be reviewed by the Executive team on 15 September 2017.

- 2.2 The OPCC has reviewed its Operational Risk Register. At the July meeting of JASC members expressed concern at the loss of governance expertise at a senior level as a result of the CEO's retirement and the CFO's resignation. The Committee asked that their concern be added as a risk to the Risk Register. To meet that request an additional risk has been added it in as a further sub-risk in the section on "Non-Financial Governance". The Operational Risk Register is presented to the Committee to provide assurance that other areas of risk are being considered and regularly monitored. A copy of the Operational Risk Register is attached at Appendix 2.
- 2.3 The Chief Executive will meet with the Constabulary's lead for Risk Management, the Director of Corporate Improvement, on 18 September 2017 and as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.

### **3. Implications**

- 3.1 Financial - the inability of the OPCC to successfully identify and manage its organisational and strategic risks could impact financially on not only the OPCC but Cumbria Constabulary and other partner organisations which are financially dependent upon OPCC funding.
- 3.2 Legal - the OPCC could face legal challenge on some areas of its business, therefore it is essential that these are identified at an early stage and effectively mitigated and managed.
- 3.3 Risk - if the OPCC does not identify and mitigate risks then it may mean that the OPCC cannot carry out its statutory function efficiently and effectively.

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

Agenda item – 10 (i)

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

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

			Risk Owner		Actions		Reviews
Risk No.	Risk Title	Total Score	Risk Owner	Action Owner	Any outstanding actions YES/NO	Date for actions to be completed	Date of next review
<b>R1</b>	Strategic Finance	12	Chief Executive	Chief Finance Officer	No		September 2017
<b>R2</b>	The Emergency Services Mobile Communications Programme (ESMCP)	12	Chief Executive	Chief Executive	No		September 2017

Scores:

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

<b>Risk No:</b> <b>R1</b>	<b>Risk Title:</b> <b>STRATEGIC FINANCE</b>	The Police and Crime Commissioner is required to set a balanced budget. Resources from central Government formula grant provide the significant majority of funding to deliver police services. Reductions in that funding will have a substantial impact on the level of policing that can be provided and on the potential to deliver the Commissioner's wider responsibilities.
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Risk Mitigation Strategies:	
<b>Avoid</b>	Stop the risk completely or stop it having an impact.
<b>Reduce</b>	Reduce the likelihood and/or impact of the risk
<b>Transfer</b>	Outsource, use contractors or insure against things going wrong
<b>Accept</b>	The risk is tolerable/accepted

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

		Unmitigated Score			Mitigated Score				Actions					
What is the cause of the risk? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date	
Lack of resources within the medium term budget to provide sufficient funding for the Constabulary to deliver current levels of policing service. High levels of funding uncertainty are impacting on this risk from 2018/19 (the government’s current implementation date for the new formula). Announcements are expected from March 2017 regarding a proposed formula. An emerging potential risk is the loosening of the public sector cap which would put additional pressure on budgets if it was unfunded.	This risk may lead to a reduction in the level of police services and/or result in Cumbria Constabulary not being viable as an independent force. Alternative options for delivering a police service in Cumbria may have to be considered. This may impact on the extent to which services respond to local needs in Cumbria. During the period of change there may be reductions in public assurance/confidence.	4	4	16	3	4	12	Chief Executive (Reduce)	The Commissioner has joined the National Rural Crime Network through which work has been commissioned to demonstrate weakness in the proposed funding model. A paper has been submitted to the TRG and external support has been commissioned on developing a cost model for community policing. The budget has been balance in the short term and longer term decisions on the budget and policing model are being deferred pending announcements.	Budget monitoring processes and internal controls are in place to manage financial commitments. The financial control environment is tested annually by internal and external audit. HMIC Peel inspections and external auditors review overall financial resilience and the track record of delivering savings.		Chief Finance Officer	September 2017	
The Emergency Services Mobile Communications Programme (ESMCP) is a collaboration between the police, fire and ambulance Emergency Services (3ES) in England, Scotland and	This risk may result in significant additional costs and impact upon the Commissioner’s ability to ensure Cumbria has an efficient and effective force, which could lead to reputational risk.	4	3	12	3	4	12	Chief Executive (Reduce)	The Commissioner is working regionally with other North West Commissioners and nationally through the APCC to highlight concerns	Work being undertaken regionally and nationally provides some assurance. The critical nature of this national project means it will be a priority.		Chief Executive	September 2017	



Wales, to replace the existing mobile radio system known as Airwave. ESCMP will deliver the Emergency Services Network (ESN) which will provide integrated critical voice and broadband data over an enhanced 4G commercial network. This is a significant project. At the present time there are concerns around cost, coverage and timescales for delivery.									and seek to have them addressed. Officers within the OPCC are also engaged through attendance at regional events and through the APCC.				
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# OFFICE OF THE POLICE & CRIME COMMISSIONER – OPERATIONAL RISK REGISTER

Agenda item – 10 (ii)

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

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
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8 – 16	Review within 3 months
4 - 6	Review within 6 months
3 or less	Review within 12 months

			Risk Owner		Actions		Reviews
Risk No.	Risk Title	Total Score	Risk Owner	Action Owner	Any outstanding actions YES/NO	Date for actions to be completed	Date of review
<b>FINANCE</b>							
01	Budget Management	9	Chief Finance Officer	Deputy CFO	No		Sept 17
02	Investment Counterparty Risk	3	Chief Finance Officer	Deputy CFO	No		May 18
03	Financial Governance	2	Chief Finance Officer	Deputy CFO	No		Mar 18
04	Shared Services	2	Chief Executive	Deputy Chief Executive	No		Mar 18
05	Asset Management	2	Chief Executive	Chief Finance Officer	No		Sep 17
06	Insurance	4	Chief Executive	Chief Finance Officer	No		Nov 17
<b>PARTNERSHIPS &amp; COMMISSIONING</b>							
07	Performance / delivery of the police and crime plan	4	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		Nov 17
08	Partnerships & Collaboration	6	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		Nov 17
09	Commissioning of Services	6	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		Nov 17
<b>COMMUNICATION AND BUSINESS SERVICES</b>							
10	Public Engagement / Consultation	2	Head of Communications & Business Services	Engagement Officer	No		Nov 17
11	Reputation	4	Head of Communications & Business Services	Engagement Officer	No		Nov 17
12	Complaints	6	Head of Communications & Business Services	Governance Manager	Yes	Awaiting guidance	Nov 17
13	Diversity	3	Head of Communications & Business Services	Governance Manager	No		Nov 17
14	Independent Custody Visiting Scheme & Animal Welfare Scheme	2	Head of Communications & Business Services	Governance Manager	No		Nov 17
<b>CHIEF EXECUTIVE / MONITORING OFFICER</b>							
15	Non-Financial Governance	2	Chief Executive	Head of Communications & Business Services	No		Nov 17
16	Efficient and Effective Policing	6	Chief Executive	Chief Executive	No		Nov 17

<b>Risk Number:</b>	<b>Risk Title:</b>	Budget management concerns the arrangements for monitoring and reviewing our actual expenditure against the budget and taking corrective action to manage areas of under or overspend.
<b>01</b>	<b>Budget Management</b>	

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Failure to effectively manage budgets resulting in under or overspend	Reputational damage Financial pressures resulting in the need to cease services or recruitment	3	4	12	3	3	9	Chief Finance Officer Reduce	Financial Regulations Budget monitoring arrangements Close working between finance and HR to manage recruitment Use of Reserve	Financial regulations reviewed by JASC External and internal audit review budget management	The Constabulary budget proposal includes funding the 16-17 overspend within the overall funding envelope for 2017-18.	Deputy CFO	Sept 2017

<b>Risk Number:</b>	<b>Risk Title:</b>	We invest with a number of counterparties to provide security and returns on the cash balances we hold as a result of having reserves and timing differences between our income and expenditure
<b>02</b>	<b>Investment Counterparty Risk</b>	

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There is risk that the counterparty we invest in fails or under banking regulations is required to restructure capital, resulting in the loss of our investment or a reduction in value	Reputational damage – there may be an assumption that our treasury management activities have not been carried out responsibly. Financial loss – a complete or partial loss of the funds invested.	4	2	8	3	1	4	Chief Finance Officer Reduce	Procurement of external specialist advisors on counterparty risk Spread of investment and limits for investment categories and individual counterparties in the treasury management strategy Controls over authorisation of investments Monitoring of TM Activity	Internal Audit of TM function JASC review the strategy & activity reports External audit of year end balances		Deputy CFO	May 18

<b>Risk Number:</b> <b>03</b>	<b>Risk Title:</b> <b>Financial Governance</b>	A number of financial governance arrangements are in place to ensure the proper administration of financial affairs. This includes financial regulations, financial rules and structural governance e.g. CFO, Deputy CFO, JASC, audit. It is basically a framework for robust financial control and rules supported by checks and balances that ensure it is operating effectively.
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A failure in financial governance	Reputational damage Potential Financial loss Unlawful expenditure	4	4	16	2	1	2	CFO Reduce & transfer	Arrangements for financial governance as detailed in the Code of Corporate Governance	Annual Governance Statement subject to audit Internal and External Audit Specific insurance for fraud risk on investments	Internal Audit commencing in Nov of Code of Corporate Governance	Deputy CFO	Mar 18	

<b>Risk Number:</b>	<b>Risk Title:</b>	The OPCC is dependent on partner organisations for a number of key support services to enable it to deliver its functions. This includes legal services, financial services inc internal audit, HR, procurement, estates.
<b>04</b>	<b>Shared Services</b>	

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Failure of the partner organisation to deliver a sufficiently qualitative and responsive service.	Lack of sufficiently/timely/robust information has implications regarding the ability to make decisions, potential risk regarding the quality of decision making In some cases areas of work may not be able to be delivered.	3	1	4	2	1	2	Chief Executive	Shared Service Agreement & Annual Resource Planning with Audit NW employers subscription (HR) Named on legal frameworks/OPCC networks CC Funding agreements includes controls on resource changes to support services	Progress on the annual audit plan is monitored by JASC/CFO attends shared service board meetings CCCFO/PCCCFO have statutory decision making powers in respect of finance resources	The shared services agreement for internal audit is subject to renewal by March 2017 and will be reviewed between November and March to ensure it meets on-going requirements.	Deputy Chief Executive	Mar 2018	

<b>Risk Number:</b> <b>05</b>	<b>Risk Title:</b> <b>Asset Management</b>	The Commissioner is the owner of all capital assets procured and used by the commissioner and the constabulary – the estate, ICT, and fleet. Assets are managed by the Constabulary on behalf of the Commissioner.
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Failure of the Constabulary to manage the commissioner’s assets resulting in breach of regulations and/or public/employee liability, loss or damage to the asset, failure to secure value for money from the use of assets	Accident or injury by employee or the public resulting from use of inadequately maintained assets Loss/damage to the asset as a result of inadequate security/management of the asset. Financial and reputational implications regarding the use of public money.	3	1	4	2	1	2	Chief Executive Reduce Transfer	Public and employer liability Insurance Insurance for fleet, estates and ICT assets Insurance reserve and provision Financial regulations include rules for managing assets – including authorisation for write off CC Funding agreement places requirements on the CC with regard to asset management and security	Procurement of a broker to provide professional advice on insurance Bi-annual actuarial review of levels of insurance liability Internal audit of asset management/asset safeguarding		Chief Finance Officer	Sept 17



<b>Risk Number:</b> <b>06</b>	<b>Risk Title:</b> <b>Insurances</b>	The Commissioner and Chief Constable take out insurance to transfer the financial risks in respect of a range of liabilities/risks including public and employee liability, assets, investment fraud.
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Failure to adequately insure the organisation against all of the risks that it faces and/or failure to procure sufficient insurance cover/failure of the insurance provider	Potential significant financial implications should either the insurer fail commercially or the insurance cover taken fall short of the full liability incurred	4	2	8	4	1	4	Chief Executive Reduce/Accept	An insurance broker is procured to provide specialist advice on the level of cover. Broker advice includes a rating for the financial stability of the insurance provider. Deputy CFO provides detailed insurance schedules to ensure broker and insurers have a full understanding of the business and risks Business managers in specialist areas are asked to advise on options regarding additional/bespoke insurance policies Annual report from the Director of Legal in respect of significant public and employee liability claims.	Bi-annual external actuarial review of levels of insurance liability against existing provision and reserves.  Decisions on level of cover and whether to self-insure are taken for review to the Executive Board and determined by the Commissioner and Chief Constable providing further scrutiny.		Chief Finance Officer	Nov 17

<b>Risk Number:</b> <b>07</b>	<b>Risk Title:</b> <b>Performance / delivery of the police and crime plan</b>	The Commissioner is required to set out his vision, priorities and objectives for policing and crime within the police and crime plan. The production and publishing of the plan is a core statutory planning requirement as defined by the Police and Social responsibility Act 2011. The plan sets out the resources and assets that the commissioner will make available to the Chief Constable for policing and the mechanisms by which the Chief Constable will report on performance and be held to account.
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Lack of financial and human resource may lead to a failure to:  • Deliver against targets set out in the Police and Crime Plan  • Contract Manage projects robustly to ensure delivery of project outcomes.	Resulting in no legal compliance leading to possible:  • Government Intervention • Loss of Public confidence • Increased crime rates • Failure to target resources towards changing performance and crime trends	3	3	9	2	2	4	Head of Partnerships and Commissioning  Reduce	• Dedicated resource in OPCC and Constabulary Corporate Development • Strategic Planning and Commissioning processes • Public Consultation • Executive Board team meetings • Accountability board • Executive Board public meetings	Police and Crime Panel scrutiny  Accountability framework  HMIC  Audit	No further controls required at this stage		Nov 17	
Lack of planning for staff handover when secondments begin would result in a failure to continue work that delivers the police and crime plan objectives	Results in missed opportunities and work remaining incomplete against delivery of police and crime plan.	2	2	4	1	1	2	Head of Partnerships and Commissioning  Avoid	Handover date will be put in diaries prior to commencement of secondment.	One to One and regular meetings will be held.		Partnerships and Strategy Manager	Nov 17	
Lack of skilled staff will result in an inability to monitor performance against the police and crime plan objectives, if there are not enough staff to liaise with grant and contract service providers.	Results in the potential for money not being used appropriately and project objectives not being delivered on. This will lead to a loss of commissioned services within the community and reputational damage to the PCC.	3	3	9	2	2	4	Head of Partnerships and Commissioning  Reduce	Control of grant monitoring sits within the department. This covers all grants (public and partnership – CSP, Safer Cumbria for example) and commissioned services.  Grant monitoring framework/ policy will be developed and then reviewed periodically ensuring fit for purpose.		Review performance and accountability framework to make sure fit for purpose with Chief Officers and Strategic Executive.	Partnerships and Strategy Manager	Nov 17	

<b>Risk Number:</b>	<b>Risk Title:</b>	The Commissioner has a statutory duty to deliver in partnership the Victims Code and Community Safety. The Victims Code ensures all victims and witnesses of crime have access to support and redress to help them cope and recover. The commitment to partnership working ensures an approach of shared accountability and services providing value for money.
<b>08</b>	<b>Partnerships &amp; Collaboration</b>	

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A lack of capacity within the team leads to failure to spot innovative opportunities and themed countywide approaches led through CSP and Safer Cumbria.	Results in a failure to identify potentially more effective and efficient ways of working to reduce demand on police and statutory partners. This will lead to a lack of opportunity to design innovative commissioned services for Cumbria. This could also lead to solution building opportunities that address gaps in services being missed.	4	3	12	3	2	6	Head of Partnerships and Commissioning  Reduce	We have key partnership collaboration through Safer Cumbria within the team.  Ensure effective handover between Constabulary secondees and Partnership and Strategy Manager.  Liaison with the Community Safety lead within the Constabulary to explore steps that can be taken to ensure local problem solving groups remain effective, if police and OPCC cannot be present.	Maintain an integrated partnership working approach with attendance at Safer Cumbria and other key strategic and operational board meetings.		Partnerships and Strategy Manager	Nov 17	
Lack of PCC money leads to lack opportunities to influence outcomes and structures through the Safer Cumbria partnership	Results in silo working, ineffective use of budgets and countywide approaches.	4	3	12	3	2	6	Head of Partnerships and Commissioning  Reduce	Our key partnership collaboration is currently through Safer Cumbria, Head of Partnerships and Commissioning to ensure OPCC Executive team know and understand the	Key partnership working will be maintained through the Safer Cumbria structure and attendance at strategic and operational board meetings		Partnerships and Strategy Manager	Nov 17	

									contribution the Partnerships and Commissioning team makes towards partnership collaboration . Any reductions will seriously impact on the ability of the team to function in this area.	will be built into the team's framework.			
Failure to ensure the continuation of the Victims and Witnesses Group would result in agencies not having a platform to co-ordinate and promote their services to victims and witnesses.		2	3	6	2	2	4	Head of Partnerships and Commissioning  <b>Reduce</b>	The Witness & Victims Group has been re-established and an action plan has been developed. Continuing to liaise with third sector organisations to obtain their buy in and provide them with a platform to promote their services.	The OPCC would look to assess what issues caused the group to fail. Try to re-establish partnership working with stakeholders.	Set up a Focus Group of victims to consult with them, obtain their views on what services could and should be provided, identifying current gaps in provision. Promotion of the work of the group when meeting with stakeholders and partners. Specifically target third sector organisations to join the group.	Victims Advocate	Nov 17

<b>Risk Number:</b>	<b>Risk Title:</b>	The Commissioner sets out their priorities in the Police and Crime Plan including how he will work in partnership to ensure delivery of priorities and commissioning or services. The Commissioner ensures robust project management frameworks are in place to mitigate risk, of partners failing to deliver on services or problems associated with mobilisation.
<b>09</b>	<b>Commissioning Services</b>	

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Lack of capacity and resilience within the Partnership and Commissioning team leads to an inability to successfully contract manage service providers. This will lead to a reduction or lack of service delivery	Will result in reputational damage due to inefficient service outcomes and a reduction in cost savings to public and private sector organisations. Resulting in an inability to deliver the objectives and commitments set out in the Police and Crime Plan	4	3	12	3	2	6	Head of Partnerships and Commissioning  Reduce	Ensure contract management meetings and evaluations are embedded in the Commissioning Framework	Partnership and Commissioning team have portfolio responsibilities for contract management	Commissioning Strategy currently under review which will ensure we are working to best practice	Partnerships and Strategy Manager	Nov 17	
Lack of staff reduces the capacity to apply for external funding opportunities and reduces the capacity within the team to develop, maintain, manage and evaluate existing contracts.	Results in the commissioning of unserviceable and ineffective interventions and services which leads to inefficient and ineffective outcomes and loss of revenue.  Leads to an inability to deliver the objectives in the police and crime plan due to reduction in external resources and funding, will hinder and restrict partnership working.	3	3	9	2	2	4	Head of Partnerships and Commissioning  Reduce	Update 14/10/2015. Business cases are built through mapping exercises and partnership consultation. Partners involved in Procurement bid marking process.	A Victim’s Needs Assessment has been completed and refreshed.  Partnership and Commissioning Team have portfolio responsibility’s to engage with partners and attend operational board meetings	Ensure business cases are robust and the advice of experts sought during the process of preparing and marking bids.	Partnerships and Strategy Manager	Nov 17	
Lack of capacity and resilience within the procurement department leads to a failure to ensure contracting and grant agreements are progressed in a timely manner.	Will result in reputational damage due to inefficient service outcomes and a reduction in cost savings to public and private sector organisations.  Results in an inability to deliver the objectives and commitments set out in the Police and Crime Plan.	4	3	12	3	2	6	Head of Partnerships and Commissioning  Reduce	Ensure continued guidance and support from Procurement and also look into possibility of developing a flexible supplier framework.	Procurement now regularly attends Partnership and Commissioning team meetings. Procurement Regulations have been reviewed this will ensure we are working to best	Team to ensure Commissioning pipeline is updated regularly and shared with Head of Procurement thereby providing a strategic outline of work.	Partnerships and Strategy Manager	Nov 17	

										practice and within a legal framework			
Lack of staff will result in a failure to bring together different agencies to support and maintain the Cumbria Together website would result in the website not providing Victims with the required information or support.	Result in a lack of victim focus and reduced support, this would go against the PCC commitment to ensure victims have access to support redress	3	3	9	2	2	4	<b>Head of Partnerships and Commissioning</b>  <b>Reduce</b>	The Cumbria Together website is now functioning. Funding for 3 years was secured by the OPCC. 'Buy in' from Stakeholders continues by way of the website being a standard agenda item for the Victims and Witness Group Meetings. New services and items are regularly updated onto the website. Credit sized cards promoting the website have been widely distributed to all Police Officers and Police Stations for distribution to members of the public. Stakeholders and other agencies are also distributing the cards.	The OPCC would look to assess what the issues were and if necessary amend the website accordingly, providing more limited information and support to victims until an alternative solution could be found.	Support continues to be provided from media company to further develop the website. Continue to keep Cumbria Together as a standard agenda item for the Victims and Witness Group Meetings. Continue to promote the website at every opportunity e.g.PCC surgeries, public engagement opportunities.	Victims Advocate	Nov 17
Failure to set up an effective Focus Group would result in victims and witnesses not being able to provide their insight and knowledge of services and experiences to assist in the development of the future provision of such services.		2	3	6	2	3	6	<b>Head of Partnerships and Commissioning</b>  <b>Reduce</b>	The Focus Group is now functioning and meets on a quarterly basis. Consultation by the group has contributed to a number of issues raised by the PCC, OPCC and the Police. Continuing to promote the Focus Group within the Victims and Witnesses Group to ascertain if stakeholders can identify individuals who would be willing to join the Focus Group is a standard agenda item.	The OPCC would look to assess the issues causing the group to fail. Look at other options on how to obtain victims and witnesses views. Liaise with other OPCC's and/or stakeholders to ascertain how they have achieved gathering victims and witnesses views.	Continuous recruitment to the group to ensure that victims are able to move on from their experience. Feed the views and opinions of the Focus Group back into the Victims and Witness Group to enable appropriate services to be provided or further developed.	Victims Advocate	Nov 17



<b>Risk Number:</b>	<b>Risk Title:</b>	The PCC has a statutory obligation to engage with communities under the Police Reform and Social Responsibility Act 2011. He also is required to demonstrate how he has fulfilled this obligation, and illustrate how he has responded to feedback, ie. 'We asked, You said, We did'
<b>10</b>	<b>Public Engagement/ Consultation</b>	

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If the PCC does not engage with the public effectively, and is not able to provide evidence that he has done so, there is a risk that he could be found to not be fulfilling his legal obligations.	<ul style="list-style-type: none"><li>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.</li><li>This may also damage the PCCs reputation.</li><li>Loss of public confidence</li></ul>	3	1	3	2	1	2	Head of Communications and Business Services  Avoid	<ul style="list-style-type: none"><li>The Office of Public Engagement (OPE) was set up in order to ensure that the PCC fulfils this element of his statutory function.</li><li>An Engagement Strategy is in place (and reviewed annually) which identifies and describes what communications and engagement methods will be undertaken, and each year a plan of engagement activity is drawn up.</li><li>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.</li><li>PCC publishes an Annual Report each</li></ul>	<ul style="list-style-type: none"><li>Police and Crime Panel agreed with the recommendation regarding the 2015-16 police precept increase, due to the extensive and statistically significant consultation exercises</li><li>Police and Crime Panel endorsed the PCC’s Annual Report</li><li>Police and Crime Panel endorsed the Police and Crime Plan</li></ul>		Engagement and Comms officer	Nov 17	

									year which sets out how he has engaged/consulted with the public; and how this has shaped policy and plans. • The Police and Crime Plan is published annually.				
Risk of failure to comply with legislation and regulations in respect of requirements for statutory reports, publications and information.	<ul style="list-style-type: none"> <li>This may also damage the PCCs reputation.</li> <li>Loss of public confidence</li> <li>May be called to appear before a Home Office Select Committee</li> </ul>	4	3	12	4	2	8	Head of Communications and Business Services  Avoid	<ul style="list-style-type: none"> <li>The Governance Manager ensures requirements in respect of transparency/published information is kept under review and met through the PCC website.</li> <li>Individual officers responsible for ensuring any published documents within their area of responsibility meet statutory requirements.</li> <li>Subscriptions to professional bodies ensure relevant guidance is received on the requirements.</li> <li>Take part in all the reviews to ensure that we are meeting our statutory obligations.</li> </ul>	HMIC and Internal Audit reviews		Engagement and Comms Officer	Nov 17



<b>Risk Number:</b>	<b>Risk Title:</b>	The PCC has a number of statutory obligations, and failure to deliver these is likely to compromise the PCC's reputation.
<b>11</b>	<b>Reputation</b>	

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

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

		Unmitigated Score			Mitigated Score				Actions					
What is the cause of the risk? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date	
Failure to deal with conduct issues promptly, fairly and properly.	<ul style="list-style-type: none"><li>Potential damage to reputation or public perception of the OPCC and the Commissioner.</li><li>This could also result in loss of public confidence.</li><li>Negative impact on staff</li></ul>	4	1	4	4	1	4	Head of Communications and Business Services  Avoid	<ul style="list-style-type: none"><li>There is a Code of Conduct for members and officers.</li><li>Independent Audit and Standards committee.</li><li>Ethics and Integrity Panel.</li></ul>	Independent Audit and Standards committee. Ethics and Integrity Panel		Engagement and Comms Officer  Governance manager?	Nov 17	
Failure to robustly deal with an incident.	<ul style="list-style-type: none"><li>Potential damage to reputation or public perception of the OPCC and the Commissioner.</li><li>This could also result in loss of public confidence.</li></ul>	4	1	4	4	1	4	Head of Communications and Business Services  Avoid	<ul style="list-style-type: none"><li>The Office of Public Engagement has a strategy.</li><li>Reputational issues are discussed at weekly joint OPCC / Constabulary Comms Management.</li><li>Where necessary the OPCC will develop individual strategies to cover specific reputational issues.</li></ul>			Engagement and Comms Officer	Nov 17	
Failure to scrutinise and hold to account Constabulary performance	<ul style="list-style-type: none"><li>Potential damage to reputation or public perception of the OPCC, the Commissioner and the Constabulary.</li><li>This could also result in loss of public confidence.</li></ul>	4	1	4	4	1	4	Head of Communications and Business Services  Avoid	<ul style="list-style-type: none"><li>The Office of Public Engagement has a strategy.</li><li>Reputational issues are discussed at weekly joint OPCC / Constabulary Comms meeting.</li><li>Where necessary the OPCC will develop individual strategies to cover specific reputational issues.</li><li>Executive Boards are held in public, with all Decisions, Minutes and Agendas published on the PCC website. This provides transparency regarding the PCC holding the Chief Constable to account.</li></ul>			Engagement and Comms Officer	Nov 17	

<b>Risk Number:</b> <b>12</b>	<b>Risk Title:</b> <b>Complaints</b>	Members of the public contact the Office of the Police and Crime Commissioner to complain or raise concerns regarding policing issues. It is important the OPCC deals with these in line with the relevant legislation and where appropriate signpost individuals to the correct body to investigate the matter.
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Risk Mitigation Strategies:	
<b>Avoid</b>	Stop the risk completely or stop it having an impact.
<b>Reduce</b>	Reduce the likelihood and/or impact of the risk
<b>Transfer</b>	Outsource, use contractors or insure against things going wrong
<b>Accept</b>	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
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		Unmitigated Score			Mitigated Score				Actions					
What is the cause of the risk? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date	
Lack of appropriate action or processing of managing quality of service issues or complaints against members of staff, ICV's or the Chief Constable could result in a failure to deal with complaints appropriately, in accordance with legislation or be subject to legal challenge.	This risk could result in financial penalty or claims against the OPCC / PCC, or a reduction in public confidence in the processing of complaints.	3	2	6	3	1	3	Head of Communications and Business Services	Clear policies and procedures are in place to deal with complaints. Legal guidance and support if provided by the Force solicitor or external professionals. Mentoring and support is provided to staff who deal with this area of business.	Internal Audit carried out an audit of the OPCC's complaints system. No issues were found and systems were found to be substantial. The Ethics and Integrity Panel oversee performance of complaints and QSPI's on a quarterly basis and have the ability to dip sample both of these areas of business.		Governance Manager	Nov 17	
The Policing and Crime Act received Royal Ascent on 31 January 2017. One element is to make it a mandatory roll for PCC's to consider police complaint appeals	This could result in an increased workload for the OPCC to process and consider appeals. It may also increase the number of complaints made against the PCC should a complainant be dissatisfied about the outcome of their appeal.	3	3	9	2	2	4	Head of Communications and Business Services	Some preparatory work has been undertaken in what the potential workload for the OPCC would be. The IPCC and College of Policing are to provide guidance on the changes to the complaint process and misconduct process respectively		Further work will be required following the issuing of guidance from the IPCC and COP The OPCC will deal with Appeals from June 2018 onwards	Governance Manager	Sept 17	
Following a misconduct hearing the officer can appeal the Panel's decision.	This could result in LQCs and/or IPM's becoming subject to legal challenge and personally liable.	4	3	12	3	1	3		The Deputy Chief Finance Officer has had confirmation from the PCC's insurers that LQCs/IPMs are indemnified against the cost of any legal proceedings arising out of a misconduct hearing.			Governance Manager	Nov 17	

<b>Risk Number:</b> <b>13</b>	<b>Risk Title:</b> <b>Diversity</b>	<p>The Police and Crime Commissioner under the Equality Act 2010 has a responsibility to raise awareness and promote equality and diversity. As part of this role they have due regard to:</p> <ul style="list-style-type: none"> <li>• Eliminate discrimination, harassment and victimisation</li> <li>• Advance equality of opportunity between people who share a relevant protected characteristic and those who do not;</li> <li>• Foster good relations between such groups</li> </ul>
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Risk Mitigation Strategies:	
<b>Avoid</b>	Stop the risk completely or stop it having an impact.
<b>Reduce</b>	Reduce the likelihood and/or impact of the risk
<b>Transfer</b>	Outsource, use contractors or insure against things going wrong
<b>Accept</b>	The risk is tolerable/accepted

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

		Unmitigated Score			Mitigated Score				Actions				
What is the cause of the risk? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date
The OPCC has a responsibility to develop policy and operational practices in line with Equality legislation, including the undertaking of Equality Impact Assessments, failure to do so would result in the OPCC not complying with its statutory requirements.	Failure to do so could lead to legal challenge, public criticism or loss of public confidence, and some groups and communities being adversely affected or discriminated against.	3	2	6	3	1	3	Head of Communications and Business Services	Equality Impact Assessments undertaken for policies and procedures. Reports contain a section to highlight issues relating to diversity.	Internal Audit inspections undertaken throughout 2015 did not raise any issues in relation to equality or diversity.	Equality statement and strategy reviewed in 2016 Diversity refresher training and Equality Impact Assessment training was provided to all OPCC staff on 14.10.2016	Governance Manager	Nov 17

<b>Risk Number:</b>	<b>Risk Title:</b>	The Police and Crime Commissioner is required to operate an effective Independent Custody Visiting Scheme in line with legislation.
<b>14</b>	<b>Independent Custody Visiting &amp; Animal Welfare Schemes</b>	

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

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		Unmitigated Score			Mitigated Score				Actions					
What is the cause of the risk? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date	
The Police and Crime Commissioner has a statutory responsibility to operate an Independent Custody Visiting Scheme. Including the successful recruitment and training of volunteers. Failure to do so could place the oversight of custody standards and facilities at risk. The actions or inactions of a volunteer could compromise the safety of ICVS, custody staff or detainees when carrying out their visits.	Issues are not identified, progressed and addressed. Volunteers are not recruited and trained to operate the scheme effectively. Could cause irreparable damage to the reputation of the scheme or that of the Commissioner and/or Constabulary.	2	3	6	2	1	2	Governance Manager	Panels currently run at optimum numbers. Any reduction can be covered by the remaining panel members or members from another panel. Induction training is provided to all new panel members, including personal safety guidance when doing visits. Conferences and training seminars are regularly held to provide up to date information.	HMIC & HMP recent inspection of custody suites complimented the operation of the ICV Scheme. New custody visitors have recently been inducted and carrying out visits.	Business continuity on the running of the panels is included within the role profiles for the Panel Chairs and Vice-Chairs.	Governance Manager	Nov 17	
The Commissioner also operates an Animal Welfare Scheme failure to recruit and train the volunteers could result in the scheme failing to operate effectively for oversight of the Constabulary and for Civil Nuclear Constabulary.	The welfare and accommodation provided for police dogs with the Constabulary and at Sellafield will have no oversight or accountability. This may cause reputational damage to all organisations.	3	2	6	3	1	3	Governance Manager	The scheme appoints Animal Welfare Visitors (AWV) from the ICV scheme. Should numbers fall below required levels further recruitment from within the 4 ICV panels can be undertaken. Training is provided to all AWV's upon appointment and on a rolling programme.	The scheme has been complimented by both the Constabulary and Sellafield on its operation.	If no volunteers for AWV role recruitment from the wider community could be undertaken. An exception to existing rules would be required as AWV's need to part of the ICV scheme.	Governance Manager	Nov 17	

<b>Risk Number:</b>	<b>Risk Title:</b>	The Police and Crime Commissioner has an obligation to adhere to legislation to ensure that the business of the Office of the Police and Crime Commissioner is carried out in accordance with such legislation and agreed policies.
<b>15</b>	<b>Non-Financial Governance</b>	

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

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		Unmitigated Score			Mitigated Score				Actions					
What is the cause of the risk? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date	
A lack of robust governance/ internal control arrangements, including arrangements for managing risk, could result in areas of OPCC business not operating effectively or in line with legislation and ultimately failing.	Decision making fails to take account of relevant information, procedures and/ or inherent risks resulting in unexpected consequences/poor decision making or judicial challenge. Failure of such controls could result in risks materialising and the potential for fraud, error or irregularity.	3	2	6	2	1	2	Chief Executive	Internal control arrangements are subject to annual review. Reports are required to follow specific formats that takes cognisance of risk, financial, legal implications. The OPCC has processes in place for Business Continuity should a situation occur and normal business practices are suspended for a period of time either wholly or in part.	Internal inspections undertaken by Internal Audit – risk management, business continuity Unannounced testing of business continuity practices by the Chief Executive has not highlighted any issues		Chief Finance Officer / Governance Manager	Nov 17	
Lack of adequate oversight of the Constabulary to ensure they have robust governance/internal control arrangements	The Constabulary fail to carry out their business or business on behalf of the OPCC/Commissioner in an effective or in extreme cases legal way.	3	2	6	2	1	2	Chief Executive	Joint Audit & Standards Committee and the OPCC CFO lead on arrangements for internal audit for both organisations. The chief constable is required to adopt financial regulations and procurement regulations as part of the funding arrangements. The Constabulary must appoint a professionally qualified CFO. The OPCC Governance Manager has specific responsibilities to confirm assurance on force risk management practices.	An internal audit of the Constabulary and OPCC risk management has been undertaken. There were no findings for the Constabulary and the OPCC recommendations are being actioned.		Chief Finance Officer/ Governance Manager	Nov 17	

Failure by the PCC, OPCC staff to conduct themselves within agreed protocols and codes	Reputational damage to PCC and potentially OPCC. Unlawful actions or decisions taken.	2	3	6	2	1	2	Chief Executive	The OPCC has a number of codes, protocols and frameworks which cover integrity and ethical behaviour. The Governance Manager provides staff with regular reminders about the expectations on them at Team Meetings and via e-mail. In addition registers are reviewed and cross checked regularly.	JASC Internal Audit PCC mandated to act impartially Ethics & Integrity Panel		Governance Manager	Nov 17
Lack of governance expertise at a senior level within the OPCC. Both of the OPCC's statutory officers left on 31 August.	A governance failure in a significant area of non-financial governance leading to potential reputational damage or flawed decision making that doesn't take account of relevant information, procedures and/ or inherent risks resulting in unexpected consequences/poor decision making or judicial challenge. It could also result in risks materialising and the potential for fraud, error or irregularity.	4	2	6	3	1	3	Chief Executive	Both the incoming Chief Executive and Deputy Chief Executive have considerable experience in public sector bodies. They have both enrolled on a CIPFA governance course for September 2017. The Governance Manager has many years' experience and will continue to fulfil the role of Deputy Monitoring Officer. The Joint CFO also bring considerable governance expertise at a senior to the OPCC team. APACCE have appointed a "buddy" to provide external support to the incoming Chief Executive.	JASC. Internal Audit. Ethics and Integrity Panel. The Police and Crime Panel.		Deputy Chief Executive/ Head of Communications and Business Services	Nov 17



<b>Risk Number:</b>	<b>Risk Title:</b>	It is in the interests of taxpayers generally and the people of Cumbria in particular for Cumbria to have an efficient and effective police force; There is also a legal requirement for the Police and Crime Commissioner to maintain an efficient and effective police force.
<b>16</b>	<b>Efficient &amp; Effective Policing</b>	

Risk Mitigation Strategies:	
<b>Avoid</b>	Stop the risk completely or stop it having an impact.
<b>Reduce</b>	Reduce the likelihood and/or impact of the risk
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What is the cause of the risk? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date
The Police and Crime Commissioner has a legal obligation to maintain an efficient and effective police force for Cumbria. At the present time this particularly links to the financial risk identified above, but even without financial uncertainty a police force could become inefficient and/or ineffective.	Taxpayers paying more than they might need to for policing services. Inefficient use of resources being highlighted in external and internal inspections resulting in reputational harm.	3	3	9	3	2	6	Chief Executive (Avoid)	Consideration of reports by HMIC – in particular the PEEL inspection reports and annual VfM report - and the internal and external auditors; monitoring of Constabulary performance, budget monitoring and the Change Programme.	External inspections by HMIC and the external auditors. Internal inspections by internal audit. Work undertaken by the OPCC CFO. Scrutiny by the Police and Crime Panel and Joint Audit and Standards Committee.	Continued monitoring of the Constabulary by the Commissioner; use of VfM data and PEEL inspection reports from HMIC; continued independent scrutiny by the Police and Crime Panel and Joint Audit and Standards Committee.	Chief Executive	Nov 17

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Peter McCall

# Treasury Management Activities 2017/18

## Quarter 1 (April to June 2017)

PCC Decision Meeting 21 July 2017 and JASC Meeting 13 September 2017

### Purpose of the Report

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

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

### Recommendations

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

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

### Economic Background

Reaction from the markets to the general election in June have been fairly muted, confidence now hinges on Brexit negotiations. Commodity prices have fallen during the quarter with oil falling below \$50 a barrel, primarily as a result of oversupply.

The Bank of England (BOE) made no change to monetary policy at its meeting on 15 June. The Base Rate has been maintained at **0.25%** since 4 August 2016. Quantitative Easing (QE) has also been maintained at **£435bn** since that date.

The treasury advisor's Arlingclose central case is for the Bank Base Interest Rate to remain flat at 0.25%, however, there is a downside risk for rates to be cut to 0.00% in the short and medium term, and scope for rates to be increased from 2019 onwards, albeit modestly to 0.50%.

Consumer Price Index (CPI) inflation rose over the first quarter and the data for May showed CPI at 2.9%, its highest since June 2013. The effect of the fall in fuel prices was offset by a number of other rises in the CPI

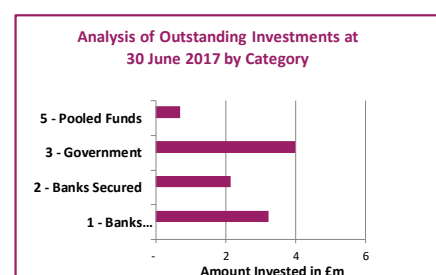
'basket' as the fall in sterling post Brexit continues to impact on import prices.

### TM Operations and Performance Measures

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

**Outstanding Investments:** As at 30 June 2017 the total value of investments was **£10.070m** and all were within TMSS limits.

The chart below shows the outstanding investments at 30 June by category.



A full list of the investments that make up the balance of £10.070m is provided at **Appendix A**.

**Investment Activity:** During quarter 1 there were no investments made within TM categories 1-3 (banks unsecured, banks secured and Government). There were however, regular smaller investments in category 5 (money market pooled funds).

**Non-specified investments:** The TMSS sets a limit for investments with a duration of greater than 364 days at the time the investment is made (known as non-specified investments), this limit is £5m. At 30 June the Commissioner had two investments meeting this description with a combined total of £4.2m. Of these two, only 1 has an outstanding duration of over 364 days. These investments are:

- Leeds Building Society £2.2m 887 days (13/07/16 to 17/12/18)
- Lloyds Bank £2m 366 days (11/08/16 to 11/08/17)

**Investment Income:** The budget for investment interest receivable in 2017/18 is £75k. The current forecast against this target is that the actual will be on budget although it is still relatively early in the financial year to provide an accurate estimate. Factors such as

future interest rates available and investment balances will impact.

The average return on investment at the end of quarter 1 is 0.48%. As a measure of investment performance the rate achieved on maturing investments of over 3 months in duration is compared with the average BOE base rate.

The table below illustrates the rate achieved on the one maturing investment of over three months duration in quarter 1 compared with the average base rate for the duration of the investment.

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Highland Council	£2m	6	0.30%	0.25%

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

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	91	3,226	108,681
Days Overdrawn	0	0	0

The bank account had large un-invested balances on one occasion. The largest un-invested balance occurred on the 26 April (£109k) where a BACS deposit was received late in the afternoon in respect of the sale of the former police station at Cleator Moor.

During quarter 1 there were no occasions when the bank balance was overdrawn.

### Prudential Indicators

In accordance with the Prudential Code, the TMSS includes a number of measures known as Prudential Indicators which determine if the TMSS meets the requirements of the Prudential Code in terms of

**Affordability, Sustainability and Prudence.**

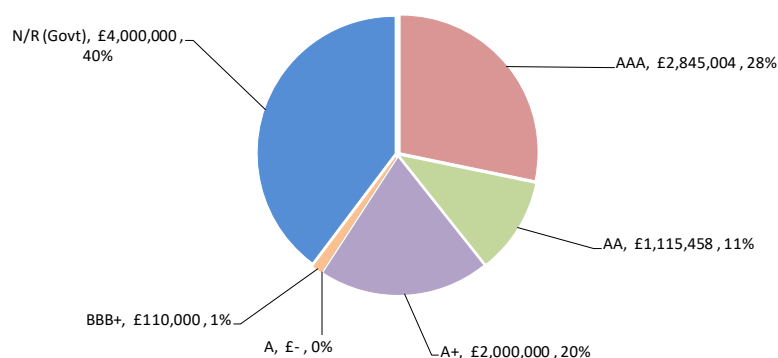
An analysis of the current position with regard to those prudential indicators for the financial year 2017/18 is provided at **Appendix B**. The analysis confirms that the Prudential Indicators set for 2017/18 are all being complied with.

## Appendix A

### Investment Balance at 30 June 2017

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
<b>Category 1 - Banks Unsecured (Includes Banks &amp; Building Societies)</b>							
Lloyds Bank Plc	A+	11/08/2016	11/08/2017	42	1.00%	2,000,000	2,000,000
Svenska (Deposit Account)	AA	Various	On Demand	N/A	0.30%	1,115,458	1,115,458
NatWest (Liquidity Select Account)	BBB+	30/06/2017	01/07/2017	O/N	0.10%	110,000	110,000
						<b>3,225,458</b>	<b>3,225,458</b>
<b>Category 2 - Banks Secured (Includes Banks &amp; Building Societies)</b>							
Leeds Building Society (Bond)	AAA	13/07/2016	17/12/2018	535	0.68%	2,141,288	2,141,288
						<b>2,141,288</b>	<b>2,141,288</b>
<b>Category 3 - Government (Includes HM Treasury and Other Local Authorities)</b>							
East Dunbartonshire Council	NR	07/03/2017	06/03/2018	249	0.50%	2,000,000	2,000,000
Lancashire County Council	NR	18/04/2017	17/04/2018	291	0.60%	2,000,000	2,000,000
						<b>4,000,000</b>	<b>4,000,000</b>
<b>Category 4 -Registered Providers (Includes Providers of Social Housing)</b>							
None						0	0
						<b>0</b>	<b>0</b>
<b>Category 5 -Pooled Funds (Includes AAA rated Money Market Funds)</b>							
Fidelity	AAA	Various	On demand	O/N	0.16%	3,716	3,716
Aberdeen Asset Management	AAA	Various	On demand	O/N	0.18%	100,000	100,000
Standard Life (Formally Ignis)	AAA	Various	On demand	O/N	0.25%	600,000	600,000
						<b>703,716</b>	<b>703,716</b>
<b>Total</b>						<b>10,070,462</b>	<b>10,070,462</b>

**Analysis of Outstanding Investments by Credit Rating of Counterparty at 30 June 2017  
(Minimum Criteria per TMSS A-)**



Note – The credit ratings in the table & chart relate to the standing as at 30 June 2017, these ratings are constantly subject to change.

## Appendix B

### Prudential Indicators 2017/18

Prudential Indicator - With Targets To Review			Approved Limits TMSS £m	Recalculated Limits at Jun-17 £m	Actual £m	Within Target
1	<b>The Authroised Limit</b> <i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not sustainable. It is the expected amximum borrowing need with some headroom for unexpected movements. This is a</i>	Total Authorised Limit	24.478	24.478	4.887	✓
2	<b>The Operational Boundry</b> <i>The operational boundry respresents and estimate of the most likely but not worse case scenario it is only a guide and may be breached temporarily due to variations in cashflow.</i>	Total Operational Boundry	22.978	22.978	4.887	✓
3/4	<b>Interest Rate Exposure</b> <i>The purpose of this indicator is to contain the Commissioners exposure to unfavourable movements in future interset rates.. This represents the position that all of the Commissioner's auhorised external borrowing may be at a fixed rate at any one time.</i>	Net Principal sums Outstanding at Fixed Rates	24.478	24.478	4.887	✓
		Net Principal sums Outstanding at Variable Rates	1.500	1.500	0.000	✓
5	<b>Upper Limit for total principal sums invested for over 364 Days</b> <i>The purpose of this indicator is to ensure that the commissioner has protected himself against the risk of loss arising from the need to seek early redemption of princiapl sums invested.</i>	Non Specified Investments with a maturity greater than 364 days	5.000	5.000	4.200	✓
Prudential Indicator - To Note						
6	<b>Net Borrowing and the Capital Financing Requirement</b> <i>This indicator is to ensure that net borrowing will only be for capital puposes. The commissioner should ensure that the net external borrowing does not exceed the total CFR requirment from the preceeding year plus any additional borrowing for the next 2 years.</i>	Net Debt (section 12 below provides analysis)	(15.280)	(17.477)	(17.477)	
		Capital Financing Requirement as at 31 March	17.978	17.978	17.978	
		Net external Borrowing	0.000	0.000	1.000	
7	<b>Capital Expenditure and Capital financing</b> <i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2016/17</i>	Expenditure	6.521	6.768	6.768	
		Financing and Funding	0.000	0.000	0.000	
8	<b>Ratio of Financing Costs to Net Revenue Stream</b> <i>This is an indicator of affordability and highlights the revenue impliations of exisiting and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs</i>	Financing Costs	0.348	0.348	0.348	
		Net Revenue Stream	96.178	96.178	96.178	
		Ratio	0.36%	0.36%	0.36%	
9	<b>Capital Financing Requirement</b> <i>The CFR is a measure of the extent to which the commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i>	CFR including PFI & other long term liabilties	17.978	17.978	17.978	
		CFR excluding PFI & other long term liabilities	13.091	13.091	13.091	
10	<b>Actual External Debt</b> <i>It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing</i>	External Debt including PFI & other long term liabilities	4.887	4.887	4.887	
		External Debt excluding PFI & other long term liabilities	0.000	0.000	0.000	
11	<b>Impact of capital investment decisions on the Council Tax</b> <i>This indicates the incremental impact of the capital investment decisions funded from prudential borrowing proposed for the period 2016/17 based on a Band D property in line with the proposed council tax level.</i>	Capital Expenditure funded from revenue	1.584	1.552	1.552	
		Incremental Impact on Band D Council Tax	9.485	9.294	9.294	
12	<b>Gross and Net Debt</b> <i>The purpose of this indicator is highlight a situation where the Commissioner is planning to borrow in advance of need.</i>	Outstanding Borrowing (at notional value)	0.000	0.000	0.000	
		Other Long Term Liabilities (PFI & Finance Lease)	4.887	4.887	4.887	
		Less Investments	20.167	22.364	22.364	
		Net Debt	(15.280)	(17.477)	(17.477)	
13	<b>Maturity Structure of Borrowing</b> <i>The indicator is designed to exercise control over the Commissioner having large consentrations of fixed rate debt needing to be repaid at any one time.</i>	Not Applicable - currently no external debt				