



---

Enquiries to: Mrs J Head  
Telephone: 01768 217226

Our reference: JH

13 March 2013

## **AGENDA**

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

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

A Meeting of the Joint Audit & Standards Committee will take place on **Monday 24<sup>th</sup> June 2013** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **10.30 am**.

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

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

**Please note – there will be a private internal audit meeting between the members and Management Audit Unit 09.30am – 10.30am**

### **COMMITTEE MEMBERSHIP**

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

## Audit and Standards Committee Terms of Reference

### Audit Activity

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

### Regulatory Framework

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

### Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether

appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the PCC/Chief Constable.

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

### **Corporate Risk Management**

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

### **Standards Activity**

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

### **Miscellaneous**

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

# **AGENDA**

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

### **1. APOLOGIES FOR ABSENCE**

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

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

### **3. DISCLOSURE OF PERSONAL INTERESTS**

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

### **4. MINUTES OF MEETING**

To receive and approve the minutes of the meeting held on Thursday 7<sup>th</sup> February 2013 and committee action sheet (copies enclosed)

### **5. ARRANGEMENTS FOR GOVERNANCE 2012-13**

#### **(a) Effectiveness of arrangements for audit**

A joint report of the Commissioner and Chief Constable's Chief Finance Officers on the effectiveness of arrangements for audit (copy enclosed) - To be presented by the Commissioners Chief Finance Officer

#### **(b) Effectiveness of Governance arrangements**

A report of the Chief Executive and Chief Finance Officer of the Commissioner on the effectiveness of Governance arrangements (copy enclosed) - To be presented by the Commissioners Chief Finance Officer

#### **(c) The Commissioner's Code of Corporate Governance**

A report of the Chief Finance Officer of the Commissioner on The Commissioner's Code of Corporate Governance (copy enclosed) - To be presented by the Commissioners Chief Finance Officer

**(d) The Commissioner's Annual Governance Statement**

A statement of the Chief Finance Officer of the Commissioner on the Annual Governance Statement (copy enclosed) - To be presented by the Commissioners Chief Finance Officer

**(e) Corporate Governance and Annual Governance Statement**

A joint report on report on the Code of Corporate Governance and Annual Governance Statement for the former Police Authority and Constabulary (copy enclosed) – To be presented by the Commissioners Chief Finance Officer

**(f) Effectiveness of Governance arrangements**

A report of the Chief Finance Officer of the Constabulary on the effectiveness of Governance arrangements (copy enclosed) - To be presented by the Constabulary's Chief Finance Officer

**(g) The Chief Constable's Code of Corporate Governance**

A report of the Chief Finance Officer of the Commissioner on The Commissioner's Code of Corporate Governance (copy enclosed) - To be presented by the Constabulary's Chief Finance Officer

**(h) The Chief Constable's Annual Governance Statement**

A statement of the Chief Finance Officer of the Constabulary on the Annual Governance Statement (copy enclosed) - To be presented by the Constabulary's Chief Finance Officer

**6. GRANT THORNTON FEES 2012-13**

To receive from Grant Thornton UK LLP the External Audit Fee 2012-13 for

- (i) Office of the Police & Crime Commissioner; and
- (ii) Cumbria Constabulary

**7. GRANT THORNTON – JOINT AUDIT PLAN 2012-13 (DRAFT)**

To receive from Grant Thornton UK LLP a draft Joint audit plan for 2012-13

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

To receive an updated summary of actions implemented in response to audit and inspection recommendations – To be presented by Constabulary Chief Finance Officer (copy enclosed)

**9. INTERNAL AUDIT – ANNUAL REPORT**

To receive an annual report from the Management Audit Unit including the progress of the Internal Audit Plan

**10. INTERNAL AUDIT REPORTS**

To receive reports from the Management Audit Unit regarding audits undertaken (copies enclosed)

- (i) Budget Management and Main Accounting system
- (ii) Debtors and income
- (iii) Oracle Financials Security
- (iv) Allowances and Special payments – winsor review

**11. INTERNAL AUDIT - ANNUAL GOVERNANCE STATEMENT**

To receive reports from the Management Audit Unit regarding the Annual Governance Statements 2012-13

- (i) Cumbria Police and Crime Commissioner
- (ii) Cumbria Constabulary

**12. TREASURY MANAGEMENT STRATEGY STATEMENT 2013/14 & PRUDENTIAL INDICATORS 2013/14 TO 2015/16**

To receive a joint report from the OPCC Chief Finance Officer and Cumbria Constabulary's Chief Finance Officer (copy enclosed) – To be presented by the Financial Services Manager.

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

**13. STRATEGIC RISK**

To receive the Strategic Risk Registers for:

- (i) Cumbria Constabulary (copy enclosed)
- (ii) Office of the Police & Crime Commissioner (copy enclosed)
- (iii) Joint Audit & Standards Committee (copy enclosed)



## Cumbria Office of the Police and Crime Commissioner

**Audit and Standards Committee**  
**June 24<sup>th</sup> 2013**  
**Agenda Item No 5**

### Arrangements for Governance 2012/13

The attached suit of papers set out for members of the Committee:

A Joint report of the Commissioner and Chief Constable's Chief Finance Officers on the effectiveness of arrangements for audit

The report of the Chief Executive and Chief Finance Officer of the Commissioner on the effectiveness Governance arrangements 2012/13

The Commissioner's Code of Corporate Governance

The Commissioner's Annual Governance Statement

The Joint Code of Corporate Governance and Annual Governance Statement for the former Police Authority and Constabulary

The report of the Chief Finance Officer of the Chief Constable on the effectiveness of Governance arrangements 2012/13

The Chief Constable's Code of Corporate Governance

The Chief Constable's Annual Governance Statement

Alongside the report and opinion of the Head of Internal Audit within her Annual Audit Report, these reports form the collective of the review of Governance arrangements for 2012/13.

These reports, in accordance with the requirements of the Accounts and Audit Regulations 2011, have been presented to the Executive Board, as the body charged with Governance.

In line with the terms of reference of the Committee, they are presented to members for review and scrutiny.

The Executive Board has provided delegated Authority to the Chief Executive with regard to any non-material amendments arising from any recommendations the Committee may wish to make.



## Cumbria Office of the Police and Crime Commissioner

Joint Audit & Standards Committee  
Monday 24<sup>th</sup> June 2013  
Agenda Item No 5(a)

### Review of effectiveness of the arrangements for Audit

A Joint Report by the Chief Finance Officers of the Police and Crime Commissioner and Chief Constable

#### 1. Introduction and Background

1.1 The Accounts and Audit Regulations 2011, Regulation 6 (3) make a requirement upon relevant bodies to conduct, at least once in each year, a review of the effectiveness of its Internal Audit. The findings from the review must be taken into account as part of consideration of the effectiveness of the system of internal control and approval of the annual governance statement.

1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines the system of Internal Audit as the entirety of the arrangements for audit put in place by the authority, including the activities of any oversight committee, and that is the basis on which the present arrangements have been reviewed.

1.3 The review seeks to provide assurance that the arrangements are adequate and effective by assessing their compliance with the requirements of the CIPFA Code of Practice for Internal Audit and the CIPFA checklist for Audit Committees. The review further provides assurance in respect of the reliance that can be placed on the opinion given by the Head of Internal Audit in her annual report for the Annual Governance Statement (AGS).



## **2. Effectiveness of the Internal Audit Function**

2.1 The effectiveness of the internal audit function is reviewed on the basis of compliance by the Management Audit Unit (MAU) of Cumbria County Council as the Internal Audit shared service provider, with the requirements of the CIPFA Code of Audit Practice for Internal Audit in Local Government in the UK. Appendix A to this report sets out the standards within the CIPFA Code and the current position of the Audit Unit against each standard. The appendix also sets out the characteristics of 'effectiveness' within the Code and the ways in which the Audit Unit comply with those characteristics. The review identifies that the internal audit function is further reviewed annually by the external auditors who provide an opinion. The review and the opinion of the external auditors provide assurance that the Internal Audit Function operates within the CIPFA Code of Practice for Internal Audit and is effective.

2.2 From 1<sup>st</sup> April 2013 the arrangements for audit are required to be conducted in accordance with a common set of Public Sector Internal Audit Standards (PSIAS). The PSIAS have been adopted by CIPFA, as one of the Relevant Internal Audit Standard Setters (RIASS) and form the basis on which audit arrangements will be delivered by the MAU from 1<sup>st</sup> April to approval of the AGS and the on-going financial year. Appendix B provides a summary of the standards and requirements of the PSIAS. The MAU will be formally assessed against compliance with those standards for the 2013/14 review of effectiveness.

## **3. Effectiveness of arrangements for an Audit Committee**

3.1 During 2012/13 and to the date of approval of the Statement of Accounts, there have been two bodies discharging the responsibilities and functions of an Audit Committee, reflecting the statutory abolition of Police Authorities and the introduction of Police and Crime Commissioners.

3.2 Arrangements to 21<sup>st</sup> November 2012: The Governance Committee discharged the role and responsibilities defined by CIPFA as the functions of an Audit Committee for the

Police Authority. Committee members reflect membership of the three political parties together with Independent Members and were determined by the full Authority at its annual meeting in June. The Committee met on four occasions in the year to 21st November 2012.

3.3 Arrangements from 22<sup>nd</sup> November 2012: The Joint Independent Audit and Standards Committee discharge the role and responsibilities defined by CIPFA as the functions of an Audit Committee for both the Police and Crime Commissioner and the Chief Constable. Members are appointed through a competitive recruitment process that incorporates role profiles and person specifications to ensure members have the experience and skills necessary to be effective as audit committee members. The Committee met on three occasions between 22<sup>nd</sup> November 2012 and the date of this meeting as an audit committee in addition to undertaking a session for induction.

3.4 To provide assurance for the full financial year, and to the date of approval of accounts, the arrangements for both Committees have been reviewed against the checklist provided by CIPFA as part of guidance on arrangements for Audit Committees. This review is set out at appendix C. In addition, consideration has been given to the work of each Committee as evidence of the scrutiny and challenge provided by the Committee in fulfilling its functions. The Committee work programmes for the 2012/13 financial year are set out at appendix D.

3.5 The arrangements for audit provide that the Audit Committee receives and considers the full version of all audit reports and the annual report of the Head of Internal Audit detailing the work of the audit function against the Internal Audit Plan approved at the start of the year. The change of arrangements in year have meant that the Joint Independent Audit and Standards Committee members have received a significant proportion of audit reports arising from the audit plan approved by the Police Authority Governance Committee. Continuity between the arrangements has been maintained as a consequence of two members of the former Governance Committee being appointed as members of the Joint Independent Audit and Standards Committee. One of those members is the

Committee Chair. At the first meeting of the Joint Independent Audit and Standards Committee members were presented with the Audit Plan as approved in May 2012 by the Governance Committee.

3.6 Based on Internal Audit reports relating to 2012/13, the Audit Committee has received high levels of assurance in respect of overall compliance with control areas. In total, 14 audits have been concluded. 8 of those have concluded that compliance with controls is 'good', of the remaining reports 5 have been awarded a 'satisfactory' conclusion and 1 has received a 'fair' conclusion. No audits classed the control environment as weak. Internal audit found it necessary to issue only 2 grade 1 recommendations. The findings of these audits provide a high degree of confidence in internal control arrangements and the wider governance framework. The annual report of the Head of Internal Audit is provided as an accompanying report to this agenda. The report details the delivery of the audit service to the Police and Crime Commissioner for Cumbria, the Chief Constable and former Police Authority during 2012-13, providing assurance in respect of the coverage of audit work and a summary of audit findings. The report includes the independent opinion of the Head of Internal Audit on the effectiveness of the arrangements for governance and internal control.

#### **4. Audit Plans & Developments 2013-14**

4.1 The current review of the audit function against the CIPFA Code for Internal Audit demonstrates compliance with requirements against arrangements in respect of the management of the service within the County Council as the shared service provider. Whilst this provides assurance, a greater level of assurance can be provided by reviewing the service in the specific context of the Police and Crime Commissioner and Chief Constable as clients. Section 2.2 of this report sets out the requirements from 2013 for public sector internal audit to comply with the new Public Sector Internal Audit Standards. The assessment of the service for the 2013-14 financial year will be undertaken against this standard and will consider how the function meets the standard with specific reference to the Police and Crime Commissioner and the Chief Constable.

4.2 During 2013/14 the governance arrangements between the Police and Crime Commissioner and the Chief Constable will be subject to review to take account of transfers of staff/assets from the Commissioner to the Constabulary and legislative changes that are anticipated to provide the Chief Constable with Local Government status. These changes will have significant implications for the governance arrangements, internal control and risk. The internal audit service will be working with senior managers during 2013/14 to review the risk environment and develop the approach to audit planning. This aims to make further improvements to the level of assurance and ensure audit strategy effectively encompasses all strategic and key operational risks across functional responsibilities following staff/asset transfer.

## **5. Conclusions**

5.1 From the reviews described above, it is concluded that:-

(i) MAU as our Internal Auditors comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK in respect of the areas covered by the Code

(ii) The annual review of the arrangements for an Audit Committee demonstrates compliance with the criteria of an effective audit committee as defined by CIPFA.

(iii) The Annual Report of the Head of Audit, Cumbria County Council, accurately describes the delivery of the Internal Audit service to the Police and Crime Commissioner for Cumbria, the Chief Constable and former Police Authority during 2012-13

5.2 When taken together, there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2013, or to the date of this meeting.

## **6. Recommendations**

6.1 The Commissioner and Chief Constable are asked to consider this report and:

(a) Determine whether they are satisfied with the effectiveness of Internal Audit for the year to 31 March 2013 and to the date of this meeting, and

(b) Consider any areas where they might wish to see improvements or changes in 2013-14.

**Stuart Edwards**  
**Commissioner's Chief Executive**

**Ruth Hunter**  
**Commissioner's Chief Finance Officer/Deputy Chief Executive**

**Roger Marshall**  
**Chief Constable's Chief Finance Officer**

**11th June 2012**

**Human Rights Implications:** None Identified

**Race Equality / Diversity Implications:** None Identified

**Personnel Implications:** None Identified

**Financial Implications:** None Identified

**Risk Management Implications:**

The Annual Governance Statement and the underpinning reviews, including the effectiveness of arrangements for audit are designed and intended to provide assurance on and compliance with high standards of corporate governance, including effective control and mitigation of the risk environment in which the Commissioner and Constabulary discharge their respective responsibilities.

**Contact points for additional information**

Ruth Hunter – Commissioner's Chief Executive/ Deputy Chief Executive  
Tel: 01768 217734  
E Mail: [ruth.hunter@cumbria-pcc.gov.uk](mailto:ruth.hunter@cumbria-pcc.gov.uk)

Roger Marshall – Chief Constable's Chief Finance Officer

## Appendix A

## Internal Audit Compliance with CIPFA Code of Practice for Internal audit in Local Government in the United Kingdom: Review of the County Council MAU

Position at May 2013

CIPFA Code Standard	Current Position
<b>1. Scope of internal audit</b>	
Terms of reference for internal audit	Terms of reference which are compliant with the Code requirements are approved as part of the audit strategy and plan considered by the Audit and Assurance Committee in March 2013 and June 2013.
Scope	Scope of internal audit work takes into account the key strategic risks facing the Council as well as coverage of main financial systems, systems development and other areas of importance (such as single status).
Other work	Internal Audit has sufficient skills and resources to undertake consultancy and fraud/corruption work. The former is by request from Council managers. Specialist fraud/corruption support is provided by NHS Cumbria Counter Fraud team.
Fraud and corruption	The Council's counter fraud policy requires the Head of Audit to be informed of any suspected fraud, corruption or impropriety.
<b>2. Independence</b>	
Principles of Independence	Internal Audit is independent of the activities it audits.
Organisational independence	The Head of Audit (Group Manager - Audit from May 2013) has direct access to those charged with governance through the Audit and Assurance Committee. Meetings are also held with Chair and Vice Chair.
Status of Head of Internal Audit	The Head of Audit is managed by a member of the Corporate Management Team and has direct access to the Chief

	Executive all members of the Corporate Management Team.
Declarations of interest	A Register of Interests is maintained for all staff in Internal Audit. This is updated on an annual basis. In addition the Head of Audit declares interests on an annual basis through the related party transactions process.
<b>3. Ethics</b>	
Integrity Objectivity Confidentiality	<p>All staff are aware of the requirement for integrity, objectivity and confidentiality in carrying out audit work. Most staff are members of professional bodies which have their own ethics codes with which their members must comply.</p> <p>To ensure continued objectivity (and to enhance staff skills) auditors are rotated on a regular basis.</p>
Competence	Competencies are set out in individual job descriptions for each grade of staff. The Council's appraisal process incorporates a review of training needs and all staff are encouraged to become professionally qualified and continually update their skills by attending specific training or undertaking new areas of work.
<b>4. Audit Committee</b>	
Purpose of the Audit Committee	The County Council has an independent audit committee and its terms of reference have been formally approved and included in the Council's Constitution.
Internal audit's relationship with the Audit Committee	<p>The Audit and Assurance Committee approves audit strategy and plan annually and monitors progress against the plan on quarterly basis.</p> <p>The Head of Audit attends Committee meetings, reports on the outcome of internal audit work, identifies necessary changes to the audit plan, and presents an annual report, including an opinion on the internal control and risk</p>

	<p>management framework.</p> <p>The Head of Audit meets privately with the Audit Committee on an annual basis (March 2013).</p>
<b>5. Relationships</b>	
with management	Responsibilities of management in relation to internal audit are set out in the terms of reference for internal audit.
with other internal auditors	Internal Audit is a member of the Cumbria Audit Group which includes the District Councils and the NHS. The Head of Audit participates in the County Councils Audit Network
with external auditors	Regular meetings are held between the Head of Audit and External Audit's Senior Manager.
with other regulators and inspectors	Internal Audit work closely with external inspectors and regulators, for example where the County Council is the accountable body.
with elected Members	The Head of Audit meets regularly with the Chair and Vice Chair of the Audit and Assurance Committee. All Members are able to raise concerns with the Head of Audit and do so.
<b>6. Staffing, training and development</b>	
Staffing, training and development	<p>Training needs are assessed on an annual basis via appraisals and following this an annual training &amp; development plan is produced, which links training to the objectives of the Unit. Completed training is documented in the training &amp; development plan.</p> <p>Where skills are not available in-house these are purchased from elsewhere eg counter fraud/investigatory skills.</p> <p>The Head of Audit is professionally qualified and has wide experience of audit, finance and management.</p>



	All staff have up-to-date job descriptions.
<b>7. Audit Strategy and Planning</b>	
Audit Strategy and Planning	<p>An updated Audit Strategy is formally approved by the Audit Committee on an annual basis.</p> <p>The risk-based audit plan is prepared in accordance with the strategy. The Audit Plan takes into account the corporate risk register, Council budgets and previous audit assessments of systems.</p> <p>Consultation on the audit plan is carried out with relevant senior management.</p> <p>The Internal Audit budget is set by the Assistant Director - Finance.</p> <p>The internal audit plan is agreed by the Audit and Assurance Committee annually.</p>
<b>8. Undertaking Audit Work</b>	
Planning	An audit brief is prepared and agreed with management for each audit. Audit briefs include objectives, scope, timing, resources and reporting arrangements.
Approach	A risk-based approach is used and there is a quality review process. Issues are discussed with management as they arise
Recording and Assignments	<p>Standards of working papers are specified and checked as part of the independent file review.</p> <p>Adequate working papers supporting conclusions drawn and recommendations made are maintained and retained.</p>
<b>9. Due professional care</b>	
Responsibilities of the individual auditor	All internal auditors are aware of their individual responsibilities for due professional care.

Responsibilities of the Head of Internal Audit	<p>The Head of Audit has established a monitoring &amp; review process to ensure that due professional care is achieved.</p> <p>Working papers and draft reports are reviewed.</p>
<b>10. Reporting</b>	
Reporting on audit work	<p>All internal audit reports give an opinion on risks and controls, using an agreed methodology which attributes an assurance level to the controls in place. Reports are generally in a standard format and include the audit scope, overall evaluation, detailed findings and an action plan with recommendations which are graded according to risk.</p> <p>Draft reports are discussed with management and action plans agreed in response to recommendations made. Final reports are issued to appropriate managers</p> <p>Assurances are sought from managers to confirm that recommendations to address the highest risks (Grade 1 recommendations) have been fully implemented.</p>
Annual reporting	<p>An annual internal audit report and a report to support the Annual Governance Statement are presented to the Audit and Assurance Committee.</p> <p>The report includes an opinion on the control environment and any qualifications on that opinion</p> <p>The work on which the opinion is based is set out in the report.</p> <p>The report highlights any significant issues.</p>
<b>11. Performance, quality and effectiveness</b>	
Principles of performance, quality and effectiveness	<p>Policies and procedures are defined in the Internal Audit Manual.</p>

Quality assurance of audit work	Staff carrying out audits are supervised appropriately and working papers/draft reports are reviewed.
Performance and effectiveness of the internal audit service	The overall effectiveness of Internal Audit is mainly assessed by completion of the plan, impact of audit reports, including opportunities for savings, and results from client surveys. In addition an annual assessment of the work of internal audit is undertaken by the external auditor.

## CIPFA Code of Practice - Characteristics of Effectiveness

Characteristic of 'effectiveness'	Current position
Understand its position in respect to the organisation's other sources of assurance and plan its work accordingly.	Internal Audit identifies other sources of assurance and takes this into account when preparing the internal audit plan and when reviewing the preparation of the Annual Governance Statement. Examples are annual health and safety and scrutiny reports.
Understand the whole organisation, its needs and objectives.	Internal audit work takes into account the Council plan and individual Directorate service plans. Another information source is the corporate risk register.
Be seen as a catalyst for change at the heart of the organisation.	Audit recommendations include suggestions for improving processes and controls.
Add value and assist the organisation in achieving its objectives.	Each audit report includes a section which explains how the audit will assist the Council in achieving its objectives.  Internal Audit has developed its value for money work in recent years and plans to extend the work in future.
Be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.	Internal Audit provides help and advice on request and supports specific projects identified in plan and on <i>ad hoc</i> basis. Internal Audit has significant input into IT Development projects. Internal Audit has contributed to key new systems such as procurement cards, e procurement, payroll, HR etc.
Be innovative and challenging – shaping the values and standards of the organisation; providing internal inspection and validation and encouraging service managers	Internal Audit provides an internal controls self-assessment questionnaire on an annual basis for Directorates to complete to improve their awareness of their control environment and the potential gaps that may exist.

to take ownership of processes, systems and policy.	The aim of this is to encourage greater ownership of the control environment amongst managers.
Ensure the right resources are available – the skills mix, capacity, specialism and qualifications/experience requirements all change constantly.	<p>Internal Audit continually assesses its skills mix to ensure that it is appropriate to the demands placed on internal audit.</p> <p>This includes the provision of specialist IT in-house support.</p> <p>Several staff in the shared internal audit service are studying for professional qualifications.</p>

## Appendix B

## Public Sector Internal Audit Standards (PSIAS)

### Introduction

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognized throughout the UK public sector. The PSIAS support the delivery of Audit Services that meet those requirements and apply to all public sector internal audit service providers, whether in-house, shared services or outsourced.

The PSIAS achieve this through a set of Attribute and Performance Standards. The Attribute Standards address the characteristics of organisations and parties performing internal audit activities. The Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of these can be evaluated. The PSIAS encompass all the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary)

To comply with the PSIAS Internal audit in UK public sector organisations must conform to the Code of Ethics set out within the standards. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

## Code of Ethics

The Code of Ethics comprises:

### **Integrity**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

### **Objectivity**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

### **Confidentiality**

Internal auditors respect the value of ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

### **Competency**

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

### **Attribute Standards**

The attribute standards within the PSIAS are:

### **Purpose, Authority and Responsibility**

The purpose authority and responsibility of the internal audit activity must be formally defined in an internal audit charter.

### **Independence and Objectivity**

The internal audit activity must be independent and internal auditors must be objective in performing their work.

### **Proficiency and Due Professional Care**

Engagements must be performed with proficiency and due professional care.

### **Quality Assurance and Improvement Programme**

The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

## **Performance Standards**

The performance standards within the PSIAS are:

### **Managing the Internal Audit Activity**

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.

### **Nature of Work**

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

### **Engagement Planning**

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.

### **Performing the Engagement**

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.

### **Communicating Results**

Internal auditors must communicate the results of engagements.



**Communicating the Acceptance of Risks**

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

## Appendix C

<b>CIPFA Position on features of effective Audit Committees</b>	<b>Governance Committee/Joint Independent Audit and Standards Committee Arrangements</b>
<p><b>1. A Statement of Purpose</b></p> <p><b>The local authority should formally approve a Statement of Purpose, along the following lines:</b></p> <p>The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.</p>	<p>The approved Terms of Reference include a Statement of Purpose meeting the CIPFA requirements.</p>
<p><b>2. Core Functions</b></p> <p><b>Audit Committees will:</b></p> <p>Consider the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anticorruption arrangements.</p>	<p>Terms of reference include responsibility for monitoring and reviewing the effectiveness of risk management and anti- fraud and corruption arrangements, including the risk management strategy and framework for the Police Authority/Commissioner and Constabulary.</p>
<p>Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.</p>	<p>Issues arising from all inspection and audit reports are monitored in 'follow up' reports for compliance with and delivery of action</p>

	points. Arrangements for the Joint Independent Audit and Standards Committee provide for monitoring of grade 1 and 2 audit recommendations. Grade 3 recommendations are monitored by the Commissioner's Office.
Be satisfied that the assurance statements, including the Annual Governance Statement; properly reflect the risk environment and any actions required to improve it.	Assurance on compliance with Internal Controls is reported as part of the Annual Governance Statement which is audited and reported upon to the Committee by Internal Audit
Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.	Committee receives a <b>full</b> copy of every audit report, which is presented by Internal Audit and a monitoring report on implementation of recommended actions.
Receive the annual report of the head of internal audit	The Annual Report by Head of Internal Audit is presented to the Committee in each financial year
Consider the reports of external audit and inspection agencies.	All external audit and inspected reports are considered by Committee.
Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.	There is effective liaison between the auditors and inspectors and the audit process is valued and promoted by the Committee. The Job Profile for the Joint Independent Audit and Standards Committee Chair incorporates responsibility for ensuring effective relationships.
Review the financial statements, external auditor's opinion and reports to Members,	The Police Authority Governance Committee reviews the financial statements on behalf of

and monitor management action in response to the issues raised by external audit.	the authority, approves them for purposes of audit, receives the opinion, Governance Report, and Annual Audit Letter' and approves and monitors action plan(s). The Joint Independent Audit and Standards Committee reviews the financial statements and the external auditor's report to those charged with Governance as part of the assurance arrangements provided to the Commissioner and Chief Constable. Actions are monitored within the Committee's Audit and Inspection monitoring reports.
<b>3. Features</b> <b>Good audit committees will be characterised by:</b>  A strong chair – displaying a depth of skills and interest	The Police Authority Governance Committee is chaired by the Vice-Chair of the Authority. The Chair has good committee experience and has received specific training in the role and responsibilities of an effective 'Audit Committee.'  The Chair of the Joint Independent Audit and Standards Committee is recruited against a role profile that requires leadership skills and experience of chairing or leading an Audit Committee as essential criteria for the role.
Unbiased attitudes – treating auditors, the executive and management equally	Committee members are required to comply with a code of conduct. Role profile requirements for membership of the Joint Independent Audit and Standards Committee incorporate this characteristic.
The ability to challenge the executive (leader/chief executive/mayor or whatever combination) when required ( for Police	Governance Committee members as members of the Police Authority fulfill a legal duty to 'hold their Chief Constable to

<p>Authorities/the Police and Crime Commissioner – this is the Commissioner and/or Chief Constable)</p>	<p>account.’ Joint Independent Audit and Standards Committee members are recruited to a person specification that includes the ability and confidence to challenge and hold to account. The recruitment process incorporates psychometric testing of aptitudes of applicants against the person specification.</p>
<p>A membership that is balanced, objective, independent of mind, and knowledgeable</p>	<p>Police Authority Members reflect a wide range of interests, either as County Councilors or as independent members subject to an appointment process which embraces these objectives. Joint Independent Audit and Standards Committee are recruited. The recruitment process places limitations on candidates who may apply to ensure independence. Role profile and person specification requirements ensure members are able to operate objectively and have suitable knowledge and experience for the role.</p>
<p><b>4. Structures and Administration</b></p> <p>Although no single model of audit committee is prescribed, all should:</p> <p>Be independent of the executive and scrutiny functions</p>	<p>The independence of the Police Authority Governance Committee derives from the legal separation of the Constabulary from the Authority. The Joint Independent Audit and Standards Committee has complete independence from the Commissioner and Constabulary, being independently recruited with limitations on candidates who can apply. The scrutiny function is fulfilled by the Police and Crime Panel ensuring independence from</p>

	the scrutiny function.
Have clear reporting lines and rights of access to other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups	The Police Authority Governance Committee members were members of the Police Authority. The arrangements for the Joint Independent Audit and Standards Committee provide for the Chair to manage effective relationships with the Chief Constable and Commissioner and to report to the accountability board where concerns arise. The accountability board is a joint board of the Commissioner/Chief Constable whose members include the Deputy Chief Constable and the Commissioner's Chief Executive.
Meet regularly – about four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.	The Committee is scheduled to meet quarterly. Only items which meet LGA 1972 act criteria (as amended) are heard in part 2 of agendas.
Meet privately and separately with the external auditor and head of internal audit	An annual private meeting is held with the 'Appointed' (external) Auditor and with the Head of Internal Audit.
Include, as regular attendees, the chief finance officer or deputy, head of internal audit and appointed external auditor and relationship manager. Other attendees may include the monitoring officer (for standard issues), chief executive and the head of resources (where such a post exists). These officers should also be able to have access to the committee, or the chair, as required. The committee should have the right to call any other officers or	The Chief Finance Officer(s) attends all meetings of the Committee. Other Chief and Senior officers of the Constabulary attend as appropriate. All internal audit reports and the annual audit plan/report are presented by the Principal / Audit Manager (MAU) or Head of Audit.

agencies of the council as required.	
Be properly trained to fulfill their role.	Police Authority Governance Committee members were provided with IPF / CIPFA standard training on the role and responsibilities of an Audit Committee. The recruitment process for the Joint Independent Audit and Standards Committee ensure that candidates are assessed against a relevant background of experience and skills appropriate to the terms of reference of the Committee. The arrangements for both Committees' incorporate further training/seminar sessions in advance of Committee meetings as appropriate to the agenda and to ensure skills remain current.

## Appendix D

## Police Authority Governance Committee: With effect to 21st November 2012

15 MAY 2012	29 JUNE 2012	11 SEPTEMBER 2012	16 OCTOBER 2012
<p><b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS</b> To receive an updated summary of responses from the Treasurer</p> <p><b>INTERNAL AUDIT REPORT</b> To receive a report from the Management Audit Unit regarding:</p> <ul style="list-style-type: none"> <li>Internal Audit annual report on the 2011/12 action plan</li> <li>Capital Programme and asset register</li> <li>Financial Management – Professional Standards Department</li> <li>Management of Change costs</li> <li>Main Accounting System</li> </ul> <p><b>PROPOSED INTERNAL AUDIT PLAN 2012-13</b> To consider the proposed Internal Audit Plan for 2012-13</p> <p><b>TREASURY MANAGEMENT ACTIVITIES – ANNUAL REPORT</b> To receive a report by the Chief Constable and Treasurer</p> <p><b>POLICE OBJECTIVE ANALYSIS REPORT</b> To receive a report by the Chief Constable</p> <p><b>ENVIRONMENTAL STRATEGY ACTION PLAN</b> To receive a verbal update on the Environmental Strategy Action Plan</p>	<p><b>ANNUAL JOINT GOVERNANCE STATEMENT 2011-12</b></p> <ul style="list-style-type: none"> <li><b>Effectiveness of Internal Audit:</b> To consider a report by the Acting Chief Executive and the Treasurer reviewing the effectiveness of Internal Audit, for the year ending 31 March 2012</li> <li><b>Local Joint Code of Corporate Governance:</b> To consider a report by the Chief Executive; the Treasurer and the Chief Constable submitting for the Committee's approval, the Annual Joint Governance Statement for the year ending on 31 March 2012 and for the period to this meeting</li> <li><b>Local Joint Code of Corporate Governance:</b> To consider a report from the Authority's Internal Auditors reviewing the Annual Joint Governance Statement for 2011-12 and to the date of this meeting</li> </ul> <p><b>BUDGET OUT-TURN REPORT 2011-12</b></p> <ul style="list-style-type: none"> <li>To consider a report by the Treasurer and the Chief Constable detailing the final out-turn of income and expenditure for 2011-12 compared to the original budget approved in February 2011 (as subsequently revised) in respect of both revenue and capital accounts</li> <li>To make the formal determinations identified in the report as to the</li> </ul>	<p><b>ANNUAL GOVERNANCE REPORT</b> To receive from the Audit Commission the Annual Governance Report</p> <p><b>STATEMENT OF ACCOUNTS 2011-12</b> The Statement of Accounts 2011-12 (post audit)</p> <p><b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS</b> To receive an updated summary of responses from the Treasurer</p> <p><b>INTERNAL AUDIT REPORT</b></p> <ul style="list-style-type: none"> <li>To receive a report from the Audit management Unit regarding the progress of the Internal Audit Plan</li> <li>To receive an Internal Audit report on Treasury Management</li> <li>To receive an Internal Audit report on a review of grading of the recommendations in the Management of Change costs report</li> </ul> <p><b>TREASURY MANAGEMENT ACTIVITIES – APRIL TO JULY 2012</b> To consider a report by the Chief Constable and Treasurer</p> <p><b>BUDGET VARIANCE REPORT 2011-12</b> To consider a report by the Chief Constable</p>	<p><b>ANNUAL AUDIT LETTER</b> To receive from the Audit Commission the Annual Audit Letter</p> <p><b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS</b> To receive an updated summary of responses from the Treasurer</p> <p><b>INTERNAL AUDIT REPORT</b> To receive a report from the Management Audit Unit regarding:</p> <ul style="list-style-type: none"> <li>The progress off the Internal Audit Plan</li> <li>On Data Quality – Sanction Detection</li> </ul> <p><b>TREASURY MANAGEMENT ACTIVITIES</b> To consider a report by the Chief Constable and Treasurer</p> <p><b>BUDGET VARIANCE REPORT 2011-12</b> To consider a report by the Chief Constable</p> <p><b>CAPITAL PROGRAMME QUARTERLY REPORT</b> To receive a report by the Chief Constable</p> <p><b>CPA QUARTERLY BUDGET MONITORING REPORT</b> To consider a report by the Treasurer</p> <p><b>PROACTIVE LEAD MEMBERS REPORT BACK</b> To receive an update from the Police</p>



<p><b>SCHEME OF DELEGATION</b> To receive a report by the Treasurer</p> <p><b>ANNUAL REPORT OF GOVERNANCE COMMITTEE</b>  To consider a report by the Treasurer</p> <p><b>CPA BUSINESS PLANS</b> To receive an update of the Cumbria Police Authority's Business Plan</p> <p><b>OUTCOME OF SHARED SERVICES BOARD MEETING</b> To receive a verbal report from the Treasurer</p> <p><b>PART 2 – ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC</b></p> <p><b>STRATEGIC RISK</b> To receive a report from the Strategic Risk Proactive Lead Member report</p>	<p>financing of capital expenditure</p> <ul style="list-style-type: none"> <li>▪ To authorise the write off of any bad debts.</li> <li>▪ To receive details of any gifts or sponsorship received by the Constabulary during 2011-12</li> <li>▪ To authorise the revised amounts of contributions to be made to or drawn from reserves in respect of 2011-12</li> <li>▪ To consider a report from the Treasurer detailing the out-turn of expenditure in respect of the Police Authority's own functions for the year to 31 March 2011.</li> </ul> <p><b>DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR TO 31 MARCH 2012</b></p> <ul style="list-style-type: none"> <li>▪ To consider a report from the Treasurer commenting on the draft Statement of Accounts for the year ending 31 March 2012 which she has approved for submission to external audit</li> <li>▪ To receive a copy of a summarised non-statutory version of the draft Statement of Accounts for the year ending 31 March 2012 intended, after completion of the audit, for distribution to Stakeholders, Partners and to be accessible to the public via the Authority's website.</li> </ul> <p><b>ANTI-FRAUD AND CORRUPTION POLICY – PROCEDURAL CHANGE</b> To consider a joint Cumbria Police Authority and Cumbria Constabulary Anti-Fraud and Corruption Procedure.</p>	<p><b>CPA QUARTERLY BUDGET MONITORING REPORT</b> To consider a report by the Treasurer</p> <p><b>CPA BUSINESS PLAN</b> To receive an update of Cumbria Police Authority's Business Plans</p> <p><b>PROACTIVE LEAD MEMBERS REPORT BACK</b> To receive an update from the Police Authority's Strategic Risk Proactive Lead Member</p> <p><b>PART 2 – ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC</b></p> <p><b>STATEMENT OF ACCOUNTS 2011-12</b></p> <p><b>CIVIL CLAIMS</b> To receive a report regarding civil claims against the Constabulary</p> <p><b>INSURANCE LIABILITIES</b> To receive a report from the Chief Constable regarding provision for insurance liabilities</p> <p><b>CONSTABULARY STRATEGIC RISK REGISTER</b> To receive a copy of the Constabulary's Strategic Risk Register</p> <p><b>STRATEGIC RISKS</b> To review the strategic risks which come under the purview of the committee</p> <p><b>TRANSITION TO POLICE AND CRIME COMMISSIONER: GOVERNANCE DOCUMENTS</b> To consider a report and supporting documents from the Chief Executive</p>	<p>Authority's Strategic Risk Proactive Lead</p> <p><b>PART 2 – ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC</b></p> <p><b>VALUE FOR MONEY REPORT (PARTNERSHIPS)</b> To receive a report from the Chief Constable</p> <p><b>STRATEGIC RISKS</b> To review the strategic risks which come under the purview of the committee</p>
--	---	--	--

## Joint Independent Audit and Standards Committee: With effect from 22<sup>nd</sup> November 2012

26 NOVEMBER 2012	14 DECEMBER 2012	07 FEBRUARY 2013	23 MARCH 2013
<b>COMMITTEE INDUCTION</b>	<p><b>STANDING ORDERS:</b> To approve the standing orders of the committee</p> <p><b>TERMS OF REFERENCE:</b> To review the terms of reference of the Committee</p> <p><b>ANNUAL WORK PROGRAMME:</b> To agree the details of the Committee's annual work programme</p> <p><b>EXTERNAL AUDITORS – GRANT THORNTON UK</b> To receive a short presentation from the external auditors, Grant Thornton to outline the changes and their experience of the police environment</p> <p><b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations</p> <p><b>INTERNAL AUDIT – PROGRESS REPORT:</b> To receive a report from the Management Audit Unit regarding the progress of the Internal Audit Plan</p> <p><b>ANNUAL REVIEW OF GOVERNANCE:</b> To review the COPCC &amp; Constabulary arrangements for governance; cyclical review over a three year plan covering:</p>	<p><b>JOINT AUDIT AND STANDARDS COMMITTEE RISK REGISTER</b> To discuss the potential development and maintenance of a risk register for the Audit &amp; Standards Committee</p>	<p><b>GRANT THORNTON FEES 2012-13</b> To receive from Grant Thornton UK LLP the External Audit Fee 2012-13 for:</p> <ul style="list-style-type: none"> <li>■ Office of the Police &amp; Crime Commissioner; and</li> <li>■ Cumbria Constabulary</li> </ul> <p><b>GRANT THORNTON AUDIT PLAN UPDATE</b> To receive from Grant Thornton UK LLP an update and audit plan progress report</p> <p><b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations</p> <p><b>INTERNAL AUDIT PLAN 2012-13 – PROGRESS REPORT:</b> To receive a report from the Management Audit Unit regarding the progress of the Internal Audit Plan</p> <p><b>INTERNAL AUDIT REPORT:</b> To receive reports from the Management Audit Unit regarding audits undertaken</p> <ul style="list-style-type: none"> <li>■ Payroll</li> <li>■ Pensions</li> <li>■ Capital programme / asset register</li> <li>■ Creditors / procurement / petty cash / imprests</li> <li>■ Data quality – crime recording</li> <li>■ Grade 1 follow up – Management of</li> </ul>

	<ul style="list-style-type: none"> <li>■ Local Code of Governance</li> <li>■ Scheme of Delegation</li> <li>■ Financial Regulations</li> <li>■ Procurement Policy &amp; Procedures/Contract Standing Orders</li> <li>■ Anti-Fraud and Corruption Strategy and Procedure</li> <li>■ Code of Conduct/Anti-Discrimination Code of Conduct</li> <li>■ PCC/Member/Officer Protocol</li> <li>■ Complaints Policy</li> </ul>		<p>Change Costs</p> <p><b>INTERNAL AUDIT PLAN 2013-14</b> To receive and consider a report from the Management Audit Unit regarding proposed 2013-14 Internal Audit Plan</p> <p><b>TREASURY MANAGEMENT STRATEGY STATEMENT 2013-14 AND PRUDENTIAL INDIACTORS 2013-14 TO 2015-16:</b> To receive a joint report from the OPCC Chief Finance Officer and Cumbria Constabulary's Chief Finance Officer</p> <p><b>OPCC RISK MANAGEMENT STRATEGY:</b> To receive the 2013-14 Risk Management Strategy for the Office of the Police &amp; Crime Commissioner</p> <p><b>DECEMBER MEETING</b> Meeting dates have been arranged up to 23 September 2013. Members are asked to agree a date for a December meeting</p> <p><b>PART2: ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC</b></p> <p><b>STRATEGIC RISK</b> To receive the Strategic Risk Registers for:.</p> <ul style="list-style-type: none"> <li>■ Cumbria Constabulary</li> <li>■ Office of the Police &amp; Crime Commissioner</li> <li>■ Joint Audit &amp; Standards Committee</li> </ul>
--	--	--	--



## Cumbria Office of the Police and Crime Commissioner

Joint Audit & Standards Committee  
Monday 24<sup>th</sup> June 2013  
Agenda Item No 5(b)

### Effectiveness of Governance Arrangements 2012/13

Report of the Chief Executive and Chief Finance Officer

#### 1. Introduction and background

1.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. The 2011 Accounts and Audit Regulations place a requirement on those bodies to publish an Annual Governance Statement in accordance with the CIPFA/SOLACE framework and guidance. The CIPFA/SOLACE framework defines 'proper practices' for discharging accountability for the proper conduct of public business through the publication of an annual governance statement that makes those practices open and explicit.

1.2 The Police and Crime Commissioner approved a Code of Corporate Governance on 22<sup>nd</sup> November. The Code has been reviewed and updated as part of the review of the effectiveness of governance arrangements and is presented to the Executive Board for endorsement. It is the compliance with this Code by the Commissioner, together with an assessment of its effectiveness, which is reflected in the Governance Statement 22<sup>nd</sup> November 2012 and the period to the date of this meeting.

1.3 The arrangements for governance prior to the 22<sup>nd</sup> November were the responsibility of the Police Authority. The Police Authority, jointly with the Constabulary, provided an Annual governance Statement for 2011/12 that gave the necessary assurances in respect of governance and was published alongside the Statement of Accounts on 26<sup>th</sup> September 2012. Those arrangements continued in place until 21<sup>st</sup> November 2012 and the appointment of the

Commissioner. To provide assurance in respect of the period to 21<sup>st</sup> November 2012 a separate joint Governance Statement has been provided setting out the arrangements in place for the Police Authority with the Constabulary. The statement is signed by the Chief Executive and Treasurer of the former Police Authority, on behalf of the Authority.

## 2. Governance Framework & Effectiveness

2.1 The Governance Statement for the Police and Crime Commissioner has been prepared by the Commissioner's statutory and senior officers and in accordance with the CIPFA delivering good governance in local government guidance note for Police 2012. The guidance supports the application of the CIPFA/SOLACE framework to Policing recognising the specific structure and governance responsibilities arising from the 2011 Police Reform and Social Responsibility Act. The review of the arrangements for governance and their effectiveness support the production of the Statement. The review provides assurance on governance arrangements and the controls in place to achieve the organisation's strategic objectives.

2.2 The approach to the production of the statement has been to use the CIPFA guidance, and particularly the guidance section on core governance principles. These have been used as a review checklist. The first stage of the process has been to ensure the Commissioner's Local Code of Governance adequately reflects all the requirements of the framework. The second stage of the process has been to ensure that the Governance Statement has evidence of the arrangements and practices in place to comply with the Code. Where the review has identified areas where developments are planned or it is identified that improvements can be made, the statement sets out an action plan to deliver those changes. The statement also highlights areas where further assurance is gained, such as the work of internal audit and the annual governance report of the external auditors. The Commissioner's Governance Statement setting out the review of governance arrangements for 22<sup>nd</sup> November to the date of this meeting, supported by an independent report and opinion from the Head of Internal Audit is presented to the Executive Board for endorsement.

2.3 The approach to the production of the Governance Statement for the Police Authority for the year to 21<sup>st</sup> November 2012 has been based on a review of the arrangements as set out in the Annual Governance Statement of the former Police Authority. This was incorporated within the

Authority Statement of Accounts on 26<sup>th</sup> September 2012. The review has sought to confirm and assure that those arrangements remained in place to 21<sup>st</sup> November 2012. A review has also been undertaken in respect of the outcome of internal audit reports and the work of the Police Authority Governance Committee as an effective contribution to internal control.

2.4 Whilst the above review of arrangements has been specific to the production of the annual governance statements, the substantial statutory changes to policing governance have resulted in a fundamental review of governance to determine the requirements across two separate statutory entities during 2012/13. This review has resulted in the development of new arrangements supported by the production of new codes, regulations, scheme of delegation, standing orders, policy and procedures. This requirement, whilst challenging, has enabled an approach that has sought to ensure all arrangements take account of best practice, codes and guidance. Work will continue during the current financial year, with updates to the Governance Statements as appropriate. This will reflect the on-going development of the Commissioner and Chief Constable as statutory entities and the requirements for stage 2 transfers that will make fundamental changes to governance in respect of employment and other resources.

### 3. The Effectiveness of Internal Audit

3.1 A separate report reviewing the effectiveness of the arrangements for Audit is set out elsewhere on the agenda. The report sets out the arrangements for the Police Authority Governance Committee, in place until 21<sup>st</sup> November 2012 and arrangements for the Joint Independent Audit and Standards Committee of the Commissioner and Chief Constable, effective from 22<sup>nd</sup> November 2012. It includes an assessment of the effectiveness of the internal audit function. The report demonstrates the effectiveness of the arrangements for Audit against independent and objective criteria as a contribution to good governance. In doing so it concludes the process of providing the necessary assurances that the governance arrangements set out in the Local Code of Governance are working as intended and are effective.

#### 4. Recommendations

The Commissioner is asked to:

- (i) approve the Code of Corporate Governance
- (ii) approve and sign the Governance Statement for the period 22<sup>nd</sup> November 2012 to the date of this meeting, which will then accompany the Statement of Accounts for 2012-13
- (iii) provide delegated authority to the Chief Executive in respect of any non-material amendments to the Statement or Code arising from review by the Independent Audit and Standards Committee and to the date of inclusion within the statutory accounts

**Stuart Edwards**

**Ruth Hunter**

**Chief Executive**

**Chief Finance Officer/Deputy Chief Executive**

**Human Rights Implications:** None Identified

**Race Equality / Diversity Implications:** None Identified

**Personnel Implications:** None Identified

**Financial Implications:** None Identified

**Risk Management Implications:** The Governance Statement and the underpinning reviews, including the Effectiveness of Internal Audit are designed and intended to provide assurance on and compliance with high standards of corporate governance, including effective control and mitigation of the risk environment in which the Commissioner discharges his respective responsibilities.

Contact points for additional information

Stuart Edwards – Chief Executive

Tel: 01768 217734

E Mail: [stuart.edwards@cumbria-pcc.gov.uk](mailto:stuart.edwards@cumbria-pcc.gov.uk)

Ruth Hunter – Chief Executive/ Deputy Chief Executive

Tel: 01768 217734

E Mail: [ruth.hunter@cumbria-pcc.gov.uk](mailto:ruth.hunter@cumbria-pcc.gov.uk)



# Cumbria Office of the Police and Crime Commissioner

Code of Corporate Governance  
2013/2014



# Contents

Page

**2.**Statement of Corporate Governance

**4.**Code of Corporate Governance

# Statement of Corporate Governance

## INTRODUCTION

The purpose of this statement is to give clarity to the way the Commissioner will govern and to set out the frameworks that are in place to support the overall arrangements for the Cumbria Office of the Police and Crime Commissioner (COPCC).

## CONTEXT

The principle statutory framework within which the PCC operates is:

- Police Reform and Social Responsibility Act 2011,
- Policing Protocol Order 2011,
- Financial Management Code of Practice,
- Strategic Policing Requirement.

This framework creates a public sector relationship, based upon the commissioner provider arrangement but with unique elements such as the single elected commissioner and operational independence of the police service.

## PRINCIPLES

The core principles to be adopted will be those highlighted by the CIPFA/SOLACE good governance standard for public services which has 'proper practices' status:

- |  |   |
|--|---|
| <p>1. Focusing on the purpose of the Commissioner and the Force and on outcomes for the community, creating and implementing a vision for the local area</p> | <p>3. Promoting values for the Commissioner and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p> |
| <p>2. Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles</p>                               | <p>4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>   |

- |  |  |
|--|--|
| 5. Developing the capacity and capability of the Commissioner and officers of the Commissioner to be effective | 6. Engaging with local people and other stakeholders to ensure robust public accountability. |
|--|--|

## FRAMEWORK / INSTRUMENTS OF GOVERNANCE

The corporate governance framework within which the PCC will govern will consist of:

- a statement of corporate governance – setting out the statutory and regulatory frameworks
- a code of corporate governance – setting out how the core principles of the statement of corporate governance will be implemented
- a scheme of corporate governance – the collection of codes, policies, regulations and procedures that define the parameters within which the Commissioner will conduct business and includes financial regulations, contract standing orders, the scheme of delegation and codes of conduct
- Separate policy and procedures, with protocols where these operate jointly between the COPCC, the force and/or other partners.

## LEADERSHIP AND ASSURANCE

The governance framework will be reviewed on an annual basis. The independent Audit and Standards Committee will provide assurance in respect of the overall arrangements. An annual Internal Audit plan will be developed to provide detailed assurance on internal controls and the application of the framework/instruments to operational practice.

## Code of Corporate Governance

This code of corporate governance sets out how the police and crime commissioner will govern. It is based on the statement of corporate governance and the good governance core principles highlighted by the good governance standard for public service. This code uses those principles as the structure for setting out the statutory framework and local arrangements that are in place to achieve them.

Principle 1: Focusing upon the purpose of the Commissioner and the Force, and on outcomes for local people, and creating a vision for the local area

- The Police Reform and Social Responsibility Act (PRSR) 2011 requires the police and crime commissioner to issue a police and crime plan. The plan outlines the police and crime objectives and priorities and the strategic direction for policing. The Commissioner must have regard to the plan in carrying out his functions.
- In developing the plan the Commissioner must have regard to the priorities of the responsible authorities defined within the 1988 Crime and Disorder Act. Responsible authorities have a duty to co-operate in preventing crime and disorder and to participate in the development of crime and disorder strategies. Responsible authorities are the District and County Councils and Cumbria Primary Care Trusts.
- The Commissioner will have a corporate / strategic plan, which sets out how it will operate to support achievement of these outcomes.
- A medium term financial strategy will be developed to support delivery of these plans. Proper detailed arrangements for financial management are set out in the financial regulations.
- A commissioning and award of grants framework will be developed by the police and crime commissioner, which will incorporate commissioning intentions and priorities.
- A complaints process provides clarity over the arrangements to respond to the breadth of concerns raised by local people.

## Principle 2: Working together to achieve a common purpose with clearly defined functions and roles

- The Police Reform and Social Responsibility Act (PRSA) 2011 (section 5-8) and the Commissioner's governance framework clearly sets out the functions of the Commissioner. The Policing Protocol Order 2011 sets out how these functions will be undertaken to achieve the outcomes of the police and crime plan.
  - The Commissioner may appoint a deputy who will be a member of his staff as highlighted in the PRSA Act 2011 (section 18). The functions that may be delegated to a deputy are set out within a scheme of corporate governance.
  - The PRSA Act 2011 (schedule 1) requires the Commissioner to have a Chief Executive and Chief Financial Officer. The Chief Executive is the head of paid service and undertakes the responsibilities of Monitoring Officer.
  - The Home Office Financial Management Code of Practice and CIPFA Statement on the Role of the Chief Finance Officer 2011 sets out the responsibilities of the Commissioner's Chief Financial Officer. The job profile for this role is based on the CIPFA Statement.
  - The scheme of corporate governance incorporates a scheme of delegation, financial regulations and contract standing orders highlighting the parameters for key roles.
  - Officers working for and on behalf of the Commissioner operate within policy and procedures, the corporate governance framework, and codes of conduct.
  - The Police and Crime Panel provide support and scrutiny to the Commissioner in fulfilling his role. Panel members have received induction training provided jointly between the County Council and the Commissioner's office
  - An independent Audit and Standards Committee operates in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice and within the guidance of the Home Office Financial

Management Code of Practice. In line with the Home Office Code, the Committee is a jointly appointed body, fulfilling the functions of an Audit

Committee, for both the Commissioner and the Chief Constable.

Principle 3: Promoting the values for the Commissioner and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Policing Protocol Order 2011 requires the Commissioner to abide by the seven Nolan principles (standards in public life 2005). The order places an expectation on the Commissioner, the Chief Constable, the Police and Crime Panel and the staff and constables of the Commissioner and police force that they will establish and maintain effective working relationships. It also highlights the expectation that the relationship between all parties will be based upon the principles of goodwill, professionalism, openness and trust.

- The Home Office Financial Management Code of Practice requires the Police and Crime Commissioner to ensure that the good governance principles are embedded within the way the organisation operates. This is

achieved through the Commissioner's arrangements for Corporate Governance incorporating Codes of conduct and protocol and procedures for conducting business. The Commissioner's practices comply with the Public Information Disclosure Orders.

#### **SEVEN PRINCIPLES OF PUBLIC LIFE**

- **SELFLESSNESS:** *Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.*
- **INTEGRITY:** *Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to*

*influence them in the performance of their official duties.*

- **OBJECTIVITY:** *In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.*
- **ACCOUNTABILITY:** *Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.*
- **OPENNESS:** *Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict*
- **HONESTY:** *Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.*
- **LEADERSHIP:** *Holders of public office should promote and support these principles by leadership and example.*

Principle 4: Taking informed and transparent decisions, which are subject to scrutiny and managing risk

- A decision making process is in place to govern how decisions will be taken by the Commissioner.
- It requires a forward plan of decisions, which brings together the business planning cycles for the police and crime plan and the Office of the Police and Crime Commissioner. This will ensure proper governance by bringing together the right information at the right time e.g. needs assessments, costs and budgets.
- The scheme of governance highlights the parameters for decision making, including the delegations, consents, financial limits for specific matters and standing orders relating to contracts.
- The risk management strategy establishes how risk is embedded throughout the various elements of corporate governance of the COPCC, whether operating solely or jointly.

- The communication and engagement strategies demonstrate how the Police and Crime Commissioner will ensure that local people are involved in decision making.
- Furthermore an information scheme ensures that information relating to

decisions will be made readily available to local people, with those of greater public interest receiving the highest level of transparency, except where operational and legal constraints exist.





## Principle 5: Developing the capacity and capability of all to be effective in their roles

- All staff are engaged in an annual performance and development review process to assess the support, training and development they need to carry out their duties and responsibilities.
- Professional staff undertake continued professional development in line with the requirements of their professional bodies.
- The budget setting process provide for training and development budgets to support mandatory and discretionary training requirements.
- Professional body subscriptions ensure access to up to date Codes of Practice, guidance and professional standards.
- Independent Custody visitors are supported through an induction process and annual ICV conference.
- Members of the independent Audit and Standards Committee are recruited for the specific skills and experience requirements to fulfill the role of the Committee and will review on an annual basis the Committee's effectiveness.
- The Commissioner continues to develop arrangements for effective engagement with key stakeholders, ensuring that where appropriate they remain closely involved in decision making, accountability and future direction.

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

- The Policing Protocol Order 2011 highlights that the Police and Crime Commissioner is accountable to local people and that he draws on this mandate to set and shape the strategic objectives for the force area in consultation with the Chief Constable.
- To complement this, the communication and engagement strategies set out how local people can be involved with the Commissioner to ensure they are part of
- The police and crime plan clearly sets out what the strategic direction and priorities are to be and how it will be delivered.

# The Police and Crime Commissioner for Cumbria Governance Statement 22<sup>nd</sup> November 2012-13

*The Code of Corporate Governance can be found at [www.cumbria-pcc.gov.uk/governance-transparency/document-library.aspx](http://www.cumbria-pcc.gov.uk/governance-transparency/document-library.aspx)*

## INTRODUCTION AND SCOPE OF RESPONSIBILITIES

1.1 The Police and Crime Commissioner for Cumbria (the Commissioner) is responsible for ensuring business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.2 In discharging this overall responsibility, the Commissioner is responsible for putting in place proper arrangements for the governance of affairs and facilitating the exercise of functions, which includes arrangements for the management of risk.

1.3 The Commissioner has approved and adopted a Code of Corporate Governance 'The Code'. The Code gives clarity to the way the Commissioner governs and sets out the frameworks that are in place to support the overall arrangements for fulfilling the Commissioner's functions. This statement explains how the Commissioner has complied with The Code. It also meets

the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations

2011 in relation to the publication of an Annual Governance Statement which must accompany the statement of accounts.

## PURPOSE OF THE GOVERNANCE STATEMENT

2.1 The governance framework comprises the systems, processes, culture and values by which the Commissioner is directed and controlled and the activities through which the Commissioner accounts to and engages with the community. The framework enables the Commissioner to monitor the achievement of strategic Police and Crime objectives and to consider whether those objectives have led to the delivery of appropriate efficient and effective police and community safe services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact

should they be realised, and to manage them effectively, efficiently and economically.

2.3 The governance framework has been in place from 22<sup>nd</sup> November 2013 to the date of approval of the Annual Report and Statement of Accounts. The findings of the review of the system of internal control are reported to the Executive Board (19 June 2013) and the Audit and Standards Committee (24 June 2013).

## THE GOVERNANCE FRAMEWORK AND ITS EFFECTIVENESS

3.1 The key elements of the system and processes that comprise the Commissioner's governance arrangements are detailed in this section. The elements are based on the six core principles of Corporate Governance from the CIPFA/Solace Governance Framework, the standard against which all local government bodies, including police, should assess themselves.

3.2 The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Chief Officers and senior managers within the organisation who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, the view of the external auditor through their annual governance statement and other review inspectorates. As part of the review process, the annual governance statement is prepared, setting out the overall requirements and arrangements in place against each of the core governance principles.

### **Six Core Principles of Governance**

1. *Focusing on the purpose of the Commissioner and the Force and on outcomes for the community, creating and implementing a vision for the local area*
2. *Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles*
3. *Promoting values for the Commissioner and demonstrating the values of good governance through upholding high standards of conduct and behaviour*
4. *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk*
5. *Developing the capacity and capability of the Commissioner and officers of the Commissioner to be effective*
6. *Engaging with local people and other stakeholders to ensure robust public accountability*

3.3 The Commissioner's Audit and Standards Committee has specific responsibility for providing an independent assurance function in respect of the

arrangements for Governance including Risk Management. The work of the Audit and Standards Committee over the period of the Governance Statement contributes to the review process by providing evidence in support of the effectiveness of arrangements.

3.4 The Audit and Standards Committee will also receive and scrutinise the report of the Chief Finance Office reviewing the effectiveness of internal audit and the Annual Governance Statement. An annual report of the work of the Committee is produced annually and submitted to the Executive Board. The report aims to assess the effectiveness of the Committee as a contribution to the effectiveness of overall governance arrangements.

3.5 Internal audit perform a range of reviews based on an agreed audit plan. The plan has regard to risks and recognises that key financial systems need to be reviewed on an annual basis to allow the external auditors to give an opinion on the accounting statements. The work of internal audit contributes to the review of the effectiveness of governance by identifying the effectiveness of internal controls and

providing an overall opinion annually on the control environment. The internal audit annual report for 2012/13 concludes that ...

3.6 Governance arrangements in preparation for introduction of Police and Crime Commissioners were also reviewed by Her Majesty's Inspectorate of Constabulary (HMIC) during 2012/13. The inspection aimed to ascertain the level of preparedness for the introduction of Police and Crime Commissioners. HMIC reported positively on the arrangements in place.

3.7 The following paragraphs detail the Commissioner's governance framework, reviewing the requirements and arrangements in place to meet of each of the six governance principles. Each section of the statement includes a commentary on areas for development and improvement as part of the review process. These are collated into an action plan at the end of the statement.

3.8 The Governance Statement is submitted for examination by the Commissioner's Internal Auditors who will report to the Commissioner's Executive Board and the Audit and Standards

Committee. The Commissioner will on an annual basis as part of the formally approve any changes to the Code governance review. of Corporate Governance and framework

**Richard Rhodes**

Police and Crime Commissioner for Cumbria

**Stuart Edwards**

Chief Executive

**Ruth Hunter**

Chief Finance Officer/ Deputy Chief Executive

## Core principle 1: Focusing on the purpose of the Commissioner and the Force, and on outcomes for the community, and creating and implementing a vision for the local area

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

4.1 The Commissioner is required to produce a Police and Crime Plan. The plan sets out objectives for policing and for crime and disorder reduction. The plan takes into consideration the views of the community and partners as well as the Strategic Policing Requirement set by the Home Secretary. Performance results and strategic risks are also taken into consideration when setting objectives. Objectives and targets within the plan are used to set the strategic direction and objectives for the Constabulary.

*The Police and Crime Plan makes a clear commitment to the local priority of 'visible policing' by maintaining an establishment of 1134 police officers and 95 police and community support officers for at least 2 years. The Constabulary workforce plan supports the vision by ensuring front line policing is a deployment priority.*

*The Commissioner's Police and Crime Plan can be found on our website at [www.cumbria-pcc.gov.uk](http://www.cumbria-pcc.gov.uk)*

4.2 The Commissioner's first Police and Crime Plan was scrutinised by the Police and Crime Panel and subject to consultation with the public and our partners before the priorities were finalised and the plan approved on March 11<sup>th</sup> 2013.

*The Strategic Policing Requirement sets out the capabilities we are expected to have to support national policing objectives.*

4.3 The priorities of the Police and Crime Plan are to deliver an effective policing strategy; promote restorative justice, focusing on anti-social behaviour, veterans, youth justice and rural crime; target domestic abuse, sexual violence and hate crime and establish an Office of Public Engagement and an Office of Victim Services.

4.4 Key performance indicators are set to support the objectives within the Police and Crime Plan. This is supported by a comprehensive performance management framework. The performance framework and HMIC inspection and value for money reports support the Commissioner in holding the



Chief Constable to account for the performance of the force and its efficiency and effectiveness.

4.5 User Satisfaction Performance measures are included in the Performance Management Framework. A procedure for complaints enables the public to raise concerns about services.

4.6 The Police and Crime Plan is developed alongside a medium term financial forecast that ensures funding is aligned to the resources need to deliver service priorities. The forecast supports the Commissioner in setting a robust budget and in the duty to maintain the force for the Cumbria police area.

4.7 The financial forecast includes a commissioned service budget providing £11m funding over 3 years for community safety and crime reduction in partnership with the Constabulary, District Councils, the County Council, Community Safety Partnerships and wider community and voluntary Sector groups.

4.8 A funding agreement is in place with all key partners. Each agreement clearly defines the purpose of the funding and sets out information and monitoring requirements to ensure funding is

targeted on activities that support the priorities and outcomes within the Police and Crime Plan.

4.9 Business plans ensure that governance arrangements and activities to deliver the Police and Crime Plan are in place and being monitored.

4.10 The Commissioner is required to develop openness and transparency so members of the community feel empowered to influence local policing solutions and ensuring that the correct governance procedures are in place at a strategic level. The Office of Public Engagement is instrumental in giving the people of Cumbria the ability to communicate with the Commissioner.

4.11 The Office of Victims Services has also been established. This will be further developed when a better understanding of future funding levels are known.

**Partnership Working:  
Anti-Social Behaviour**

*The Commissioner is working in partnership with District Council's and Community Safety Partnerships to tackle anti-social behaviour, a key priority for local communities. Almost £400k of funding is supporting a range of schemes developed locally aimed at reducing youth anti-social behaviour hotspots, alcohol related incidents, and neighbourhood anti-social behaviour.*

## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

4.12 During 2013-14 Commissioners are required to submit to the Home Secretary a scheme that sets out arrangements for staff and other resources currently employed or owned by the Commissioner to be transferred to the Chief Constable. The scheme is expected to include all operational staff but may include other assets and non-operational roles. The Code Corporate Governance and all key governance documents will need to be reviewed to reflect the implications of stage 2.

4.13 Funding between the Commissioner and the Chief Constable will need to be amended to reflect the financial implications of stage 2 transfers

and any consequential changes in expenditure between the two entities.

4.14 Responsibility for victim's services will transfer to the Commissioner in April 2014. The Commissioner has established an Office for Victim Support. During 2013-14 the Office will need to develop its arrangements in preparation for the transfer.

4.15 A comprehensive commissioning strategy and framework is planned for development during 2013-14 to support the award of crime and disorder reduction grants and funding for community safety, victims services and criminal justice. The strategy and framework will also further develop the arrangements for accountability and oversight of the Constabulary.

**Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles**

## REVIEW OF REQUIREMENTS AND ARRANGEMENTS

5.1 The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011 (PPO). The

PRSRA and the PPO also set out the function and roles of statutory officers, namely the Monitoring Officer and the Chief Finance Officer (CFO). Both the Commissioner and Chief Constable must

appoint a CFO and further guidance on their roles and functions is provided by the Chartered Institute of Public Finance

and Accountancy (CIPFA) in a statement on the Role of the Chief Finance Officer (the CIPFA statement).

Key functions and role of the Commissioner	Key functions and role of the Chief Constable
Sets strategic direction & objectives of the force, issues the Police and Crime Plan (the Plan) & an annual report	Maintaining the Queen's Peace and the exercise of police powers; politically and operationally independent
Holds the Chief Constable to account for the exercise of his/her functions and force performance; Monitors complaints.	Leading the force, planning police functions; appointing officers and staff; managing complaints
Receives all funding, decides the budget & precept; allocates funding to maintain an efficient and effective police force	Accountable to the Commissioner for efficient and effective policing, management of resources and expenditure
Provides the link between the police and communities; publishes information on Commissioner and force performance	Being the operational voice of policing, publically explaining the actions of officers/staff under their command
Responsible for the delivery of community safety, crime reduction & the delivery of criminal justice	Supporting the Commissioner in the delivery of the Plan and in accessing information, officers and staff as required

5.2 The functions and roles sets out in legislation and guidance are codified in the Commissioner's scheme of delegation. This provides the Commissioner's staff

with the legal power to carry out duties on behalf of the Commissioner, other than those functions for which legislation prohibits delegation. The scheme

includes a number of general principles of delegation that ensures staff carrying out duties under delegation do so within an appropriate set of standards and guidelines.

5.3 The Commissioner is statutorily required to appoint a Chief Executive and a Chief Finance Officer. The Chief Executive is the Commissioner's statutory Head of Staff and Monitoring Officer with responsibility for management of the Commissioner's office. Under the scheme of delegation the Chief Executive will provide support to ensure the Commissioner's functions are carried out. He/she also has specific legal, financial and governance duties in addition to those which derive from statutory responsibilities. The Chief Executive oversees the development of a business planning process to ensure key targets and objectives are met.

5.4 The Chief Finance Officer is the financial advisor to the Commissioner and has statutory responsibility to ensure that the financial affairs of the Commissioner are properly administered, having regard to their probity, legality and appropriate standards. The CFO provides all financial advice, provides a statutory report on the

robustness of the budget and ensures systems of internal financial control are effective.

5.5 The scheme of delegation sets out further delegations provided to other staff including those providing support to the Commissioner and the Chief Constable.

5.6 The wider governance framework further details specific responsibilities of key officers in relation to areas of governance. This includes financial regulations, arrangements for procurement and contracting, anti-fraud and corruption arrangements, decision making and codes of conduct. These documents ensure all staff have a shared understanding of the roles and responsibilities within the Commissioner's office and the Constabulary.

5.7 A protocol document further sets out the roles of political office holders (the Commissioner/Deputy Commissioner) and non-political office holders (staff employees) to provide clarification on respective responsibilities and expectations around how relationships are expected to work. All officers have clearly defined job roles and

reporting lines based on the roles and the functions for which they are accountable.

5.8 The Police and Crime Plan recognises the importance of partnership working between the Commissioner and the Chief Constable to develop the future direction of policing, policy and strategy that takes account of public priorities. An Executive Board structure comprising the Commissioner, Chief Constable, Chief Executive and Chief Finance Officer supports joint working and facilitates the arrangements for accountability and performance monitoring. The board provides a mechanism through which the Chief Constable provides briefings on matters or investigations over which the PCC may need to provide public assurance. A media and communication strategy governs the management of all aspects of communication both pro-active and reactive.

5.9 The Police and Crime Plan sets out a Pan-Cumbrian vision. The vision recognises that in preventing crime commitment is needed from a range of organisations involved in policing, community safety and criminal justice. The Commissioner works in partnership with a number of public, private and third

sector partners to do this and has statutory powers to bring together Community Safety Partnerships (CSP's) within the Policing Area of Cumbria. The Plan commits to utilising the existing partnership structures across the County to do this wherever possible.

**Restorative Justice Priority**

*Getting criminals to understand the consequences of what they have done and the impact on victims is an important way of reducing re-offending. The Police and Crime Plan commits to making better use of community resolutions through a joined up approach across all agencies by 2015.*

5.10 Agreements are in place for services and project commissioned from partners, namely district councils, the County Council and CSPs. These set out the shared outcomes which that funding is planned to deliver. Secondment agreements have been developed between key partners and the Commissioner to facilitate joint work on strategy and policy and the development of an evidence base to support future commissioning activity.

5.11 Beyond this commissioned activity, the Commissioner is part of the Cumbria Leadership Board of council and other key partners, as well as Chair of the Safer Cumbria Partnership's Direction Group, which brings together key partners across

community safety and criminal justice. This enables the Commissioner and partners to build commitment to shared priorities and to exercise oversight of the delivery of shared outcomes.

5.12 The Commissioner's Chief Executive is a member of the Cumbria Chief Executives' Group and the Safer Cumbria Action Group, whose role is to facilitate delivery of shared priorities and address areas of concern. The Partnership and Strategy Manager works across a range of partnership groups, including the Alcohol Strategy Group and Safer Cumbria to influence action and shape priorities and partnership structures on behalf of the Commissioner.

5.13 The broader prevention agenda within The Police and Crime Plan recognises the importance of addressing the factors which contribute to crime and preventing it. To deliver this, the Commissioner has been invited to be a member of the county Health and Well-Being Board and is engaged with the Local Children's Safeguarding Board and the Youth Offending Service, as well as a range of individual partners in the fields of victim services, criminal justice and crime and disorder.

## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

5.14 All key governance documents including the scheme of delegation, financial regulations and contract standing orders will need to be reviewed to reflect the implications of stage2. As part of this review all government documents will be consolidated into a single constitution to ensure best practice in respect of the overall arrangements for governance and clarity in respect of the overall governance framework.

5.15 During 2013-14 the operation of the Executive Board will be subject to review to determine its overall effectiveness and ensure that the board and wider officer role and functions provide a robust accountability mechanism between the Commissioner and the Chief Constable.

5.16 The Police and Crime Plan is a medium term plan. The plan commits to working with community safety partners to review partnership arrangements and their effectiveness during 2013-14. The outcome of the review will influence future partnership agreements and the allocation of funding within a wider commissioning strategy. This will include

developing how commissioned services and wider partnership actions are monitored to ensure agreed outcomes are delivered and value for money is provided.

5.17 Seconded professional leads will further develop partnership working around priority areas within the Police and Crime Plan and facilitate the development of partnership strategies to address them.





## Core Principle 3: Promoting values for the Commissioner and demonstrating the values of good governance through upholding high standards of conduct and behaviour

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

6.1 The standards of conduct and personal behaviour expected in the Commissioner's office are set out in a Code of Conduct. The Code of Conduct commits to the 7 Nolan Principles of Public Life. The Code sets out commitments with regard to how people will be treated, the use of resources, disclosure and conflicts of interest, disclosure of information and transparency. The Commissioner and all staff are required to sign up to an anti-discrimination Code that sets out commitments and standards with regard to the prevention of discrimination, harassment and bullying.

6.2 A protocol exists to define the relationship between political (Commissioner and Deputy Commissioner) and appointed office holders (Audit and Standards Committee Members) and staff employees. The protocol sets out the expectations that each party can have, of the other, within their working relationships. The

#### SEVEN PRINCIPLES OF PUBLIC LIFE

**SELFLESSNESS:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

**INTEGRITY:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

**OBJECTIVITY:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

**ACCOUNTABILITY:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

**OPENNESS:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict

**HONESTY:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**LEADERSHIP:** Holders of public office should promote and support these principles by leadership and example.

Commissioner and all Audit and Standards Committee Members must sign the protocol and operate within it.

6.3 The Commissioner's anti-fraud and corruption strategy and procedure set out clear definitions of fraud and corruption. It makes clear the duty everyone has with regard to their own actions and conduct and those of others to protect the organisation against fraudulent and corrupt acts. The procedure provides contact information for confidential reporting (whistleblowing) and guidance for managers and the public with regard to how any reporting will be responded to. The procedure includes guidance for integrity in respect of gifts and hospitality, completion of a register of interests and declarations of related party transactions. These ensure staff avoid being engaged in any activity where an actual or perceived conflict may exist and that there is transparency in respect of any personal or business relationships.

6.4 The Commissioner's financial regulations set out the internal framework and procedures for financial regulation and administration. They set out the arrangements for the proper administration of financial affairs ensuring

these are conducted properly and in compliance with all necessary requirements. They also seek to reinforce the standards of conduct in public life, particularly the need for openness, accountability and integrity. They incorporate an anti-fraud and corruption policy and plan covering the culture expected within the organisation, what is in place to prevent fraud and corruption and how it will be detected and investigated.

6.5 The Commissioner's Business Code of Conduct, Procurement Policy and Procedures and Contract Standing Orders re-enforce the integrity requirements within the anti-fraud and corruption policy in the context of procurement activity and interactions with commercial suppliers. They provide a guide to staff and suppliers in respect of the principles that will be followed in the conduct of business and the processes we expect staff to comply with when buying goods and services. The Business Code requires that staff shall always seek to uphold and enhance the reputation of the organisation and act professionally.

6.6 A complaints procedure sets out the Commissioner's commitment to take

all complaints seriously and to support those wishing to make complaints. It explains how to do this, the help available and what to do if anyone is unhappy with how a complaint is handled. The procedure reinforces the commitment to upholding the highest ethical standards.

6.7 The Police and Crime Panel will manage any complaints against the Commissioner and provides information on the Panel's website explaining how to do this. The Commissioner's Office will refer any complaints received within the remit of the Panel to the County Council's Monitoring Officer who has authority to manage this work on the Panel's behalf. The complaints process provides for a sub-committee of the Panel to hear complaints where it has not been possible to reach local resolution. The full complaints process is available on the Panel's website.

6.8 The leadership values for the organisation and staff are set out in the Police and Crime Plan and Business Plan. The business plan adopts 5 key objectives that are translated into targets and action plans feeding through to staff performance appraisal. The appraisal identifies development needs and

#### ***Business Code of Conduct***

*Staff shall:*

*Maintain the highest possible standards of probity in all commercial relationships;*

*Reject business practice which might reasonably be deemed improper and never use authority for personal gain;*

*Enhance the proficiency and stature of the organisation by acquiring and maintaining technical knowledge and the highest standards of behaviour;*

*Ensure the highest possible standards of professional competence, including technical and commercial knowledge*

*Optimise the use of resources to provide the maximum benefit to the organisation*

provides an opportunity to feedback on staff performance, including behaviour and conduct.

6.9 The Audit and Standards Committee operates within Standing Orders for the regulation of its business.

The orders include expectations in respect of the conduct of members and how any conflicts of interest should be managed. Members of the Committee are independent and will scrutinise and monitor the operation and effectiveness of the arrangements for governance including the local code of governance and framework. The Audit and Standards Committee has responsibility for all standards matters. The terms of reference of the Committee include:

- Monitoring the operation and effectiveness of the Commissioner's Code of Conduct
- Monitoring the operation and effectiveness of the Commissioner/Officer Protocol
- Granting dispensation to the PCC from requirements relating to interests out in the Commissioner's Code of Conduct
- Hearing and determining appeals in relation to the Commissioners

personal policies and decisions of the Chief Executive where appropriate

- Hearing and determining appeals by Independent Custody Visitors and Independent Members of Police Misconduct Panels from decision of the Chief Executive

6.10 In respect of the period from 22<sup>nd</sup> November to the date of issuing this statement, no issues have been raised with the Committee in respect of the operation of the Commissioner's Codes of Conduct/Protocols and the Committee has not received any standards appeals.

#### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

6.11 The Audit and Standards Committee is in its first year of operation. The Committee will review its effectiveness on an annual basis as a contribution to the overall framework of internal control.

## Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

7.1 All decision making operates within the specific legislative and regulatory frameworks that confer on the Commissioner duties, powers and responsibility. The significant elements of the statutory framework for decision making comprise:

- The Police Reform and Social Responsibility Act 2011 (PR&SRA) providing the legal framework for decision-making and the function of the Police and Crime Panel to review and scrutinise decisions made by the Commissioner;
- The Police and Crime Commissioner Elections (Declaration of Acceptance of Office) Order 2012 requiring the office to be served without fear or favour and with a public commitment to tackling the role with integrity, impartiality and fairness;
- The Policing Protocol Order 2011 setting out the framework within which the PCC & CC should work and requiring all parties to abide by the Nolan Principles;

- The Home Office Financial Management Code of Practice for the Police Service embedding the principles of good governance into the way the Commissioner operates;
- The Elected Local Policing Bodies (Specified Information) Order 2011 and The Elected Local Policing Bodies (Specified Information) (Amendment) Order 2012 specifying the information that must be published by the Commissioner and including both the time scales and requirements for recording and publication of decision and related policies.

7.2 Challenge and scrutiny contribute to good governance by being part of accountable decision making, policy making and review. The implementation of a robust decision-making process ensures that the right decisions are taken for the right reason at the right time. The Commissioner adopts rigorous standards of probity, regularity and transparency in his decision-making and all decisions are taken solely in the public interest. This is achieved by adherence to a decision

making policy that sets out the parameters and the application of a set of principles that guide decision making. The approach within the policy adheres to the Good Governance Standard for Public Services and the Good Administrative Practice 2.

7.3 The Commissioner's decision making policy sets out the decision making process and how decisions will be recorded and published to ensure transparency of all decisions taken. A forward plan provides public notification of all key decisions. Reports for decision are based on a template that ensures the implications of any recommendations are clearly understood. This includes relevant financial, legal, human resources, equality, procurement, IT and risk management advice. The Chief Executive will instruct external legal advisers on issues where there are significant legal complexities or legal risk.

7.4 Decisions are taken by an Executive Board providing an opportunity for the Chief Constable, Chief Executive and Chief Finance Officer to offer challenge and scrutiny to any reports and recommendations. Relevant officers of

the Commissioner and the Chief Constable

provide professional advice and expertise. All decision making reports must be submitted 7 days in advance of the meeting other than for urgent items that meet very specific criteria. Decisions for financial investment are subject to a fully developed business case that provides a clear justification for the expenditure.

7.5 The Chief Executive is the Commissioners Monitoring Officer and together with the Chief Finance Officer has responsibility for the lawfulness of decision making. The responsibilities of both statutory officers are codified within the Code of Corporate Governance and the job role profiles for the office. The Office structure provides for responsibilities in respect of a deputy Monitoring Officer and deputy Chief Finance Officer to ensure resilience of advice in respect of decision making.

7.6 The Commissioner launched in March 2013 the Office of Public Engagement in order to keep people informed and ensure that activities and decisions are transparent. The Office of Public Engagement covers a cross-section of activity including: media, e-

communications, public engagement and complaints. The Office of Public Engagement plays a key role in influencing the Commissioner's decision making and delivering a fundamental element of the Commissioner's responsibilities.

7.7 The Office of Cumbria Police & Crime Commissioner is responsible for investigating complaints about the Chief Constable, the Police & Crime Commissioner, any appointed Deputy Police & Crime Commissioners, the Office of Cumbria Police & Crime Commissioner's own staff and Independent Custody Visitors. The

protocol for managing complaints is set out in the Commissioner's complaints Policy. The Executive Board receives regular reports for scrutiny that detail all complaints received and any quality of service issues. The report details the nature of the complaint/issue and how the matter has been resolved. Complaints falling within the remit of the Chief Constable and are subject to dip sampling on a quarterly basis for assurance purposes, the results of which are presented to the Executive Board in its report.

7.8 All decisions are recorded on a decision making template that is available for public scrutiny on the Commissioners' website. The Audit and Standards Committee will further scrutinise all decisions in respect of governance policy and procedures. The Police and Crime Panel oversee the performance of the Commissioner and can call in for further scrutiny any decisions made. The Panel has a veto in respect of the Commissioners precept decision. There is also a requirement for the Commissioner to consult with the Panel on the Police and Crime Plan and present to them the Annual Report. The Panel's annual work

#### ***Principles of Decision Making***

1. *Decision-making will be well informed*
2. *The decision-making process will be open and transparent*
3. *To have 'due regard' within the decision making process*
4. *Be rigorous and transparent about how the decisions are taken*
5. *All decisions of significant public interest will be recorded and published.*
6. *The PCC will uphold the highest standards of integrity and honesty when taking decisions, as set out in the Nolan Principles.*

programme provides cyclical scrutiny to key areas of the Commissioner's business.

7.9 The arrangements for the Audit and Standards Committee are joint with the Constabulary. The Committee has a clear terms of reference and membership that is consistent with the requirements of the Home Office Financial Management Code of practice, CIPFA guidance and the HM Treasury Audit Committee Handbook. Meetings of the Committee are public with published notifications. Agendas and papers are available to the public on the Commissioner's website. Audit Committee members are selected based on a rigorous person specification that requires applicants to demonstrate a sound understanding and relevant professional experience across the fields of finance, internal control and risk management. Seminars are held prior to Committee meeting to provide any necessary training and briefings.

7.10 The Commissioner's Risk Management Strategy sets out the overall arrangements for managing risk including those for holding to account the Chief Constable in respect of those risks that fall within his/her functions. The strategy incorporates a clear framework of

objectives, designates roles and responsibilities for risk management and provides a mechanism for evaluating and scoring risks to support decision making in respect of mitigating action. Identified Risks are logged on a risk register with clear ownership and are reviewed cyclically based on a score that denotes the severity and impact of the risk should it occur. Arrangements for risk and the management of strategic risks are subject to scrutiny by the Audit and Standards Committee. The strategic risk register is presented to the Committee at each quarterly meeting.

7.11 An annually developed internal audit plan uses risk as the basis of developing an audit programme to assess the sufficiency of internal controls and their operational effectiveness. The Chief Internal Auditor (CIA) reports to the Audit and Standards Committee on its findings including recommendations for improvement. The Committee monitors and holds the Commissioner to account for the implementation of audit recommendations. Internal audit makes an annual assessment and reports on the overall arrangements for risk management.



## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

7.12 The arrangements for Decision Making and Risk Management are in their first year of implementation. During

2013/14 these arrangements will be further reviewed to ensure their effectiveness and their suitability to the delivery of new responsibilities that the Commissioner will adopt from 2014/15.

## Core Principle 5: Developing the capacity and capability of the Commissioner and officers of the Commissioner to be effective.

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

8.1 The Police Reform and Social Responsibility Act 2011 established the role and functions of Police and Crime Commissioner's with the first Commissioner taking office on the 22<sup>nd</sup> November 2012. Seminars and briefings were provided nationally and locally to support potential candidates and begin arrangements for induction. A comprehensive induction pack and a series of detailed written and verbal briefings were diarised during the early weeks of Office. These ensured that key strategic decisions in respect of the budget, precept and police and crime plan were able to be made on a timely and informed basis.

8.2 On-going seminars and briefings continue to be held at a regional and

national level through the Home Office, a North West regional Committee and the Association of Police and Crime Commissioners (APCC). The Commissioner subscribes as a member of the Association. Daily written briefings are received by the Commissioner and his/her staff covering press and parliamentary reporting and debate on those areas within the Commissioner's responsibilities. The APCC delivers national events to ensure Commissioners and their staff remain informed and have the opportunity to debate significant issues and develop collective approaches to areas of shared interest. These national and regional arrangements support the capability of the Commissioner and his/her staff to be effective in their roles.

8.3 The Commissioner is required to appoint and Chief Executive and Chief Finance Office – statutory officers. The Chief Executive and Monitoring Office is the Commissioner’s lead advisor and has overall responsibility for the strategic direction, planning and management of the Commissioner’s office in accordance with professional standards and the legislative and fiduciary responsibilities of the statutory office. Key responsibilities include working with the Commissioner to enable delivery against his vision, strategy and identified priorities and facilitating the accurate and appropriate scrutiny of the Constabulary’s activities.

8.4 The Chief Executive is a member of the Association of Chartered Secretaries and Administrators (ICSA) and the Association of Police and Crime Chief Executives. He operates within the Association of Police and Crime Chief Executives’ (APACCE) statement on the role of the Chief Executive and Monitoring Officers for Police and Crime Commissioners. The Chief Executive’s job profile is based on the APACCE model.

8.5 The Commissioner’s Chief Finance Officer (CFO) is a member of the Chartered Institute of Public Finance and

Accountancy (CIPFA). The CFO reports to the Chief Executive as Head of the Commissioner’s staff and in the capacity of Deputy Chief Executive. The CFO has a direct line of reporting to the Commissioner for all CFO functions. This ensures the Chief Executive has management of overall staffing resources and provides for effective succession planning and resilience on matters of business within a small team.

8.6 The CFO operates within the CIPFA guidance set out in the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner. The institute issues Codes of Practice, guidance and annual updates in addition to setting professional standards and continual professional development requirements. The Commissioner’s financial and governance arrangements comply with the relevant CIPFA codes. The job profile for the CFO is based on the CIPFA statement and the CFO is a member of the Commissioner’s Executive Board. The job profile includes specific requirements in respect of scrutiny and challenge in line with the CIPFA statement and supporting the Commissioner in holding the Chief Constable to account.

8.7 The CFO subscribes to the Police and Crime Commissioners' Treasurers' Society (PaCCTS). The society holds regular seminars and provides a technical information service to support financial analysis of funding settlements and other key Government funding announcements. External advice is commissioned to support specialist services for treasury management activity and insurance brokerage. Regular meetings take place with these advisors to ensure all relevant finance staff have the necessary technical and professional skills to be effective. A deputy CFO role provides for succession planning arrangements and the finance business plan sets out development activities for the post holder to support this.

8.8 All staff within the Commissioner's office have a formal personal development plan that aims to support aspirations and raise achievement. The plans incorporate training requirements aligned to the responsibilities of the post

and any agreed targets and actions. Training was provided for all senior staff by the Civil Service College during 2012/13 to support the preparations for Police and Crime Commissioners.

8.9 The Office of the Police and Crime Commissioner supported training sessions for members of the Police and Crime Panel, delivering a series of briefings and papers to help members develop their understanding of the Commissioner's functions and their role. The Commissioner's Governance and Business Services Manager continues to provide on-going support. An induction session was delivered for members of the Audit and Standards Committee. This is further supported through seminar briefings ahead of Committee meetings and access to relevant CIPFA publications and district audit briefing papers. Independent Custody Visitors operate through regional panels with a planned induction programme for new members. An annual conference provides for on-going training



and development needs with panels providing input into the conference agenda.

8.10 Business is carried out supported by policies and procedures that support a wide range of human resource management responsibilities by providing guidance to staff on how to carry out their roles and the wider responsibilities they should take account of.

8.11 The Commissioner through his Office of Public Engagement is constantly working with partners to ensure capability and effectiveness. This has been

evidenced by the Commissioner working with the six local District Councils to provide solutions for anti-social behaviour delivered at community level. The office of Public Engagement works with partners to ensure engagement takes place in a wide range of functions and using existing networks.

#### AREAS FOR FURTHER DEVELOPMENT

8.12 Arrangements for ensuring the Commissioner has access to opportunities to update and develop the knowledge and skills required to carry out the role effectively will be subject to review during 2013/14.

## Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

9.1 The Police Reform and Social Responsibility Act 2011 (PRSRA 2011) established a Police and Crime Panel for each police area as the statutory body that provides the checks and balances in relation to the performance of the Commissioner. The panel ensures the Commissioner is accountable for the exercise of his/her functions but must also operate in a way that supports the Commissioner in being effective. The Panel membership comprises Councillors from each of the District Council's in Cumbria, the County Council and 2 independent members.

9.2 The Panel agrees an annual work programme with specific areas of activity that will be subject to review in addition to the receipt of cyclical information and reports in line with the Panel functions.

9.3 The Commissioner will provide to the Panel his/her first annual report in June 2013 setting out the activities that have been undertaken to fulfil the Commissioner's functions and that of the Chief Constable and the force. The annual

#### **Police and Crime Panel Functions**

- To review the draft police and crime plan
- To publically scrutinise the annual report
- To review the proposed precept
- To receive relevant reports and information and require the Commissioner to attend meetings and answer questions
- To review and confirm appointments (Chief Constable, Deputy Commissioner, Chief Executive & CFO) and dismissal (Chief Constable)
- To respond to complaints and conduct, passing serious matters to the Independent Police Complaints Commission(IPCC)

report will present the performance outcomes achieved by the Constabulary against an agreed framework of targets and measures. Where data is available performance is benchmarked against statistical neighbours with targets to achieve top quartile performance or movement towards top quartile for areas of activity at or below average.

9.4 The Commissioner is subject to the Accounts and Audit (England) Regulations 2011 and will have to prepare a set of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local

Authority Accounting and will be subject to audit. The Commissioner's first set of accounts will be published in June 2013 setting out the resources that have been utilised in delivering the performance achieved in the annual report. The statements include a comprehensive income and expenditure statement and the Police Objective Analysis (POA), a methodology for reporting expenditure on policing to help readers better understand policing activities and their cost.

9.5 The Commissioner complies with the Elected Local Policing Bodies (Specified Information) Orders 2011 & 2012 and the guidance provided by the Information Commissioner in respect of an information publication scheme. This ensures key information to ensure public accountability is available through the Commissioner's website. This includes information in respect of the Commissioner, his/her staff, income and expenditure, property, decisions, policies and the independent custody visitors scheme.

9.6 The PRSRA 2011 places a duty on the Commissioner to make arrangements for obtaining the views of the community

on policing and for obtaining the views of victims of crime. A community engagement strategy sets out how this will be achieved and aims to ensure clear channels of communication are in place with all section of the community and other stakeholders. This is achieved through an Office of Public Engagement that ensures a wide range of engagement and approaches so that the Commissioner actively listens, considers and effectively uses the views of the people of Cumbria as an integral part of his decision making. The Office of Public Engagement reports to the Executive Board on a quarterly basis.

9.7 As part of the community engagement strategy the Commissioner undertakes formal consultation with the public and other stakeholders in respect of the Police and Crime Plan and the budget. A number of consultation events have been held across the County to provide residents with the opportunity to talk directly to the Commissioner on their priorities influencing the Police and Crime Plan and the allocation of resources. Consultation events were run concurrently with an on-line survey. The Commissioner has a statutory responsibility to provide an annual report

detailing the performance of the Constabulary against policing priorities. It is planned to undertake a joint consultation survey with the Constabulary in 2013.

9.8 The Commissioner has adopted joint personnel policies with the Constabulary to provide a framework for all issues related to employee management, terms and conditions and this includes policies on how staff and staff associations will be engaged in any change processes. Trade union and staff association representatives are consulted during any reviews of personnel policies. There is a general principle for on-going consultation and engagement during any areas of business change.

policies that operate within their area of work following these changes.

9.10 Arrangements for accountability including the openness of meetings and publication of information are in their first year of operation and will be subject to further review during 2013/14.

## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

9.9 The policy framework is being reviewed during 2013/14. It will need to be amended to reflect the implications of stage 2 transfer. Accountabilities and escalation routes within policies may change following the review and the final transfer scheme. Managers and staff will need to ensure staff are fully aware of any changes and are fully briefed on the

## DEVELOPMENT AND IMPROVEMENT PLAN

Area of Governance	Ref	Action	Lead Officer	Implementation by
<b>Core Principle 1:</b> <b>Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.</b>	4.12	Review all governance documents and amend for the implications of stage 2 transfers.	Chief Finance Officer	31 March 2014
	4.13	Review and amend the funding agreement between the Commissioner /Constabulary to reflect financial implications of stage 2 transfers.	Chief Finance Officer	31 December 2014
	4.14	Develop arrangements for the Office of Victim Services.	Engagement & Media Executive	31 March 2014
	4.15	Develop and implement Commissioning strategies / accountability frameworks.	Chief Finance Officer	31 December 2014
<b>Core Principle 2:</b> <b>Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.</b>	5.14	Consolidate all governance documents into a single constitution.	Chief Finance Officer	31 March 2014
	5.15	Review arrangements for the Executive Board / decision making.	Engagement & Media Executive	31 December 2014
	5.16	Review Partnership arrangements for Community Safety Partnerships.	Chief Executive	31 December 2014
	5.17	Develop Partnership strategies to progress Police and Crime Plan priorities.	Chief Executive	31 October 2014



<b>Core Principle 3:</b> <b>Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</b>	6.11	Audit Committee Review of effectiveness.	Chief Finance Officer / Audit Committee Chair	31 May 2014
<b>Core Principle 4:</b> <b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.</b>	7.12	Review of decision making and risk management in the context of new responsibilities from 2014/15.	Engagement & Media Executive	31 December 2014
<b>Core Principle 5:</b> <b>Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.</b>	8.12	Review of arrangements for accessing development opportunities, skill and knowledge updates for the Commissioner.	Chief Executive	31 March 2014
<b>Core Principle 6:</b> <b>Engaging with local people and other stakeholders to ensure robust public accountability.</b>	9.9	Arrangements for communication / briefing staff on the policy framework and its application following review.	Chief Executive	31 March 2014
	9.10	Review publication scheme and public access to information / meetings.	Engagement & Media Executive	28 February 2014

**A JOINT CODE OF CORPORATE GOVERNANCE FOR  
CUMBRIA POLICE AUTHORITY AND CUMBRIA CONSTABULARY**

**Introduction**

1.1 Governance is about how police authorities ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. It comprises the systems, processes, culture and values by which organisations are directed and controlled, and through which they account to, engage with and, where appropriate, lead their communities.

1.2 The Chief Constable of a police force has an independent statutory responsibility for the control, direction and delivery of operational policing services; whilst the functions of a police authority, under section 6 of the Police Act 1996 and under the Police Authorities (Particular Functions and Transitional Provisions) Order 2008 (S.I. 2008/82) are as follows:

- securing the maintenance of an efficient and effective police force;
- holding to account chief officers for the exercise of their functions;
- monitoring the performance of their force in complying with the Human Rights Act 1998 and in carrying out the local policing plan;
- securing that arrangements are made for their force to collaborate/co-operate with other forces in the interests of efficiency or effectiveness; and
- promoting equality and diversity in their force.

This particular Code of Corporate governance describes how the Cumbria Police Authority discharges its responsibilities in this respect, and particularly its two overarching statutory responsibilities:

- To secure an efficient and effective local police service;
- To hold to account the Chief Constable of the Cumbria Police Force for the exercise of his functions and those of persons under his direction and control.

1.3 The CIPFA/SOLACE Framework Delivering Good Governance in Local Government sets out six core principles on which effective governance should be built:

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability

1.4 To achieve this, a framework has been formulated locally which ensures that these principles are fully integrated into the conduct of the Authority's business as well as establishing a means of demonstrating compliance.

1.5 The Authority must demonstrate that its systems and processes in place are:

- Monitored for their effectiveness in practice;
- Subject to annual review, to ensure they remain up to date.

## **The Code of Corporate Governance**

2.1 Accordingly, the Authority has developed this Code of Corporate Governance to incorporate the core good governance principles, to develop these in a local

context, and to set out the arrangements for reviewing their effectiveness.

2.2 The way in which each of the core principles of good governance is put into practice by the Authority is set out below:

2.2.1 The Authority aims to focus on the purpose of the Authority and on outcomes for the community to create and implement a vision for the local area. To achieve this, the Authority will:

- Monitor and review the measurement of quality of service for users and make sure that the information needed to review service quality effectively and regularly is available.
- Ensure that the work that the Authority and Force undertake in partnership with others is underpinned by a common vision which is understood and agreed by all parties.

2.2.2 The Authority aims to ensure members and officers are working together to achieve a common purpose with clearly defined functions and roles. To achieve this, the Authority will:

- Ensure that there is a clear understanding of the respective roles of the Authority, its members and its officers and regularly review the effectiveness of those roles.
- Maintain and keep under review a Scheme setting out the matters reserved to the full Authority (taking into account any relevant legal requirements) and those matters which are delegated to the different Committees and Sub-Committees of the Authority to discharge on behalf of the Authority.
- Maintain and keep under review a Scheme of Delegation setting out those matters delegated to members of the Authority, those delegated to the officers of the Authority and those delegated to the Chief Constable and the officers of the Force.

2.2.3 The Authority aims to promote the values of the Authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour. To achieve this, the Authority will:

- Ensure that the members and officers of the Authority carry out their respective roles in a climate of openness, support and respect.
- Maintain a Protocol to set the context for relations between the members and officers of the Authority and promote compliance with the Members' Code of Conduct by the Authority's members.
- Put in place arrangements to ensure that the Authority's systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.

2.2.4 The Authority aims to take informed and transparent decisions which are subject to effective scrutiny and risk management arrangements. To achieve this, the Authority will:

- Ensure that the significant decisions affecting the roles and responsibilities of the Authority and the performance of its functions are taken with full involvement by members of the Authority through:

Their participation in meetings of the Authority or its Committees, and Sub-Committees

Their participation as lead members in roles requiring specialist knowledge or focus

Their participation as members of joint working groups between the Authority and the Force

Their participation as observers invited to attend Force working groups.

- Ensure that clear delegation arrangements are in place as referred to in 2.2.2

above.

- Ensure that members receive the information which is necessary for them to take balanced and informed decisions about the matters under consideration.
- Ensure that so far as possible the meetings of the Authority and its Committees and Sub-Committees are open and accessible to the public.
- Develop and maintain effective arrangements to scrutinise, review and challenge the performance and delivery of policing services for and to the communities of Cumbria, and compliance with requirements related to such performance and delivery
- Ensure that both the Authority and the Force have in place effective, transparent and accessible arrangements for dealing with complaints.

2.2.5 The Authority aims to develop the capacity and capability of members and officers to be effective in their roles. To achieve this, the Authority will:

- Through a personal development review process, discuss with individual members and officers the contributions each has the capacity or capability to make.
- Assess how far those contributions require particular skills, and arrange for training and development to enable the roles of members and officers to be carried out effectively.
- Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority.

2.2.6 The Authority aims to engage with local people and other stakeholders to ensure robust public accountability. The existing requirement in section 96 Police Act 1996 to obtain peoples' views on policing will be enhanced through clause 1 of the 2009 Policing and Crime Act, which requires police authorities to have regard to the views of the public in the execution of all its functions. To achieve this, the Authority will: -

- Ensure arrangements are in place to enable the Authority, through its members and officers and other means, to engage effectively with all sections of the community, recognizing that different sections of the community have different priorities.
- Ensure that processes for taking decisions about matters where there are competing demands from different sections of the community openly recognize and address those differences.
- Ensure that clear lines of accountability are in place, both to the Authority and to the Chief Constable, for the performance and delivery of policing services to the communities of Cumbria.

## **ARRANGEMENTS FOR THE REVIEW OF GOVERNANCE**

3.1 As outlined in the covering report to this statement, changes to the policing constitution on 22<sup>nd</sup> November have fundamentally altered the Governance framework. The Police Authority has been abolished and a Policing and Crime Commissioner has been appointed. The governance requirements to service the new constitution and structures, with two separate legal entities are significantly different to the governance arrangements for the Police Authority. The review of governance arrangements has comprised a review of the framework documentation and processes in place for the Police Authority, and a review of those arrangements in place from 22<sup>nd</sup> November in respect of the Commissioner and the Chief Constable.

## **CUMBRIA POLICE AUTHORITY AND CONSTABULARY**

### **GOVERNANCE STATEMENT** year to 21<sup>st</sup> November 2012

Position as at 21 November 2012

#### **1. SCOPE OF RESPONSIBILITIES**

The Cumbria Police Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk.

The Authority has adopted, jointly with the Constabulary, a local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. A copy of our local code is on our website at [cumbriapoliceauthority.org.uk](http://cumbriapoliceauthority.org.uk) or can be obtained from:- The Chief Executive, Cumbria Police Authority, Carleton Hall, Penrith, Cumbria CA10 2AU.



This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations (England) 2011: -

- (i) to reflect that guidance has been updated and now requires authorities to produce an Annual Governance Statement, as opposed to a Statement of Internal Control and second,
- (ii) by recognising that this statement will 'accompany' the statutory financial statements, rather than being 'included' in the accounting statements.

## **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place at the Authority to 21<sup>st</sup> November 2012.

### 3. THE GOVERNANCE FRAMEWORK

The Police Authority holds the Chief Constable to account for the exercise of his responsibilities for operational policing matters, the direction and control of police personnel, for putting in place proper arrangements for the governance of the Constabulary, and the actions of the personnel under his direction and control. It therefore follows that the Authority must itself have an appropriate governance framework and satisfy itself that the Constabulary has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice. The key elements of the systems and procedures that comprise the governance arrangements within Cumbria Police Authority and its Constabulary are detailed in the following sections:

#### *Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users.*

- The Police Authority approves the policing objectives, which are incorporated in a three-year Policing Plan for a 'Safer and Stronger Cumbria'. This identifies the Authority's vision and desired outcomes.
- The Authority and Constabulary jointly undertake consultation with members of the community to inform the vision, strategic priorities and Policing Plan content.
- Identifying the vision is a single integrated process of planning and budgeting, undertaken within the Constabulary. It is organised using a cross functional, high level Strategic and Financial Planning cycle.
- The vision and intended outcomes are derived from consulting with the public and staff and takes into consideration the Home Secretary's guidance, operational intelligence, performance results, strategic risk and audit and inspection findings.

■

The three year policing plan is communicated through the Authority and Constabulary websites. Local Policing summaries are produced annually and

distributed to every household in the county, including information on past achievements as well as the future vision and priorities. This is also supplemented by the publication of an Annual Report and communicating the vision through the media.

*Reviewing the Authority's vision and strategy and its implications for governance arrangements*

- The Authority's Finance and Policing Plan Working Group reviews annually the vision and strategy elements of the Policing Plan and submits recommendations to the full Authority.
- The strategic and financial planning timetables within the Constabulary have been coordinated to ensure that Police Authority reporting requirements and decision-making processes form part of the overall strategic planning cycle for the Constabulary.
- The full Authority reviews its governance structure, including lead member roles, on an annual basis, to reflect developments in the Policing Plan.
- The Authority has developed a Corporate Plan and a Business Plan to reflect the Authority's key priorities and how these fit with the Authority's governance structure.
- Individual Committees etc, as required, submit recommendations to the full Authority on their terms of reference and delegation to reflect changes and developments in the scope of their responsibilities and work.

*Setting objectives and targets outlined in the Policing Plan, including decision making structures*

- The Authority is required to produce a Policing Plan which sets out the objectives and targets of the Authority for the year ahead. This is formulated taking into consideration community, partner, Home Secretary and intelligence priorities. Performance results and strategic risks are also taken into consideration when

setting objectives. These objectives and targets are used to direct and manage activity in the Constabulary.

- All Constabulary operational and support units agree annual Performance Contracts with the Chief Constable, linked to the strategic objectives set out in the Policing Plan, from which individual personal development (PDR) objectives are agreed for officers and staff.
- Key performance indicators are set within the Plan to support the Authority's objectives. This is supported by a comprehensive performance management framework which provides timely and accurate information against these indicators both within the Authority and Constabulary.

*Monitoring Performance against operational, financial and other strategic plans, including how key issues are identified and tasked*

- Established lines of accountability are in place for meeting objectives and assigning responsibility. The Crime and Performance Committee robustly monitors delivery of operational objectives and targets. The People and Performance Committee monitors people related objectives and targets whilst the Finance and Policing Plan Working Group monitors financial objectives and targets.
- Daily performance management figures are available to the Police Authority and all Constabulary staff and managers through the Constabulary's Crime Performance Dashboard.
- The Constabulary carries out statistically significance testing against the measures in the performance management framework. This helps focus on the areas where a 'real change' in performance has occurred. This information is available to the Police Authority and all Constabulary staff and managers through the Constabulary's Crime and Local Policing Performance Dashboard and Quality of Service and Productivity Dashboard.
- The HMIC continuously monitors Constabulary performance against most similar forces and command units against most similar command units. They also inspect the Authority and the Constabulary against national standards.

- The Chief Officer Group hold Commanders and Directors to account via local Performance Development Conferences. These are being reconfigured to align with planned structural changes within the Constabulary.
- Performance Contracts are agreed annually for constabulary operational and support units. Those contracts set a framework from which individual PDR objectives are agreed for officers and staff.
- Relevant Police Authority Committees receive a general update on the activities in the Strategic Work Programme that are applicable to their areas of expertise.

*Measuring the quality of services for users, to ensure that they are delivered in accordance with the Authority's objectives and represent best use of resources*

- The Policing Plan sets out the policing services to be delivered. It makes best use of the resources the Authority has provided. The Authority will monitor Constabulary performance using this plan.
- User Satisfaction Performance measures are included in the Policing Plan and the Performance Management Framework. The framework also includes productivity measures which assess use of resources. The results are monitored robustly by the Authority's Crime and Performance Committee and by the Constabulary at Performance Development Conferences.
- A joint Authority and Constabulary Community Consultation and Involvement Strategy is in place to engage effectively with service users. This includes victim of crime surveys and community meetings. The findings are used to identify user needs and assess whether the quality of services meet their needs.
- An improved service to victims of antisocial behaviour has been developed and implemented, included within the Constabulary Antisocial Behaviour Strategy. .
- A robust complaints system is in place in order to ensure complaints are managed effectively.

*Risk Management Process by which key risks are identified and mitigated in the Authority and Constabulary*

- A Strategic Risk Strategy has been adopted and reviewed by the Police Authority. This is supported by a Strategic Risk Register which is kept under continuous review by individual Committees by whom the risks are owned. The process is monitored and supported by a Proactive Lead Member with responsibility for Strategic Risk who reports to the Governance Committee, which is charged with responsibility for the Authority's Risk Management arrangements.
- The Constabulary has embedded its risk management policy and procedures based on the good practice identified by the Institute of Risk Management. The Constabulary's Chief Officer Group has responsibility for overseeing strategic risk management. The Chief Officer Group reviews and monitors the Strategic Risk Register on a regular basis. Individual BCU's and Departments each maintain risk registers, which are updated on a quarterly basis.
- The Constabulary reports to the Police Authority Governance Committee on Risk Management once every 6 months and periodically to the Authority's Proactive Lead Member.
- Regular reports by internal audit, which include independent opinion on the adequacy and effectiveness of the organisation's system of internal control, and effectiveness of the internal audit process, together with recommendations for improvement, which are taken to the Governance Committee for consideration.
- Internal audit has assessed the overall risk management arrangements as Good and identified that the constabulary has successfully embedded a robust risk management process.

Defining and documenting the roles and responsibilities of the Authority and Constabulary and the senior members and officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising Constabulary activity

- The Authority has an effective Committee structure, which was recently reviewed to ensure that it continues to hold the Constabulary to account in the most efficient way. Committees have agreed terms of reference which were reviewed in 2011-12.
- There is a scheme of delegation in place delegating powers to the Chief Constable, the Chief Executive and the Treasurer which is reviewed and updated annually.
- There are clear and updated terms of reference supporting a well-defined and understood Committee / Working Group structure with lead members liaising with the Constabulary and reporting back to the Authority.
- Constabulary activities are scrutinised by the Authority and its Committees / working groups
- The Constabulary has a Chief Officer Group and a well-defined board structure. There are established terms of reference and clear reporting lines to the Chief Officer Group
- All officers and staff have job profiles and competency frameworks defining their roles. Officers and staff have performance development reviews (PDR) including the setting of personal objectives (not mandatory for staff at risk of redundancy).

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff.

- Police Authority Members are required to adhere to a Code of Conduct and standards for Police Authority and Constabulary staff are set out in the Police Staff Council *Standards of Professional Behaviour* document.
- All staff receive relevant training

- The Professional Standards Department works well to market the needs for proper standards and compliance with codes. This includes liaison with management teams, representation on various force groups and forums, local training units and regular liaison with staff associations. The Department has its own intranet site, to facilitate the demonstration of best practice. It produces regular reports which set out details of non-compliance with codes and standards and an annual report summarising activities undertaken during the year.
- A Member / Officer Protocol is in place

*Reviewing and updating standing orders, standing financial orders, a scheme of delegation, contract/ procurement regulations, and supporting procedure notes/ manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.*

- Committee Standing Orders, Financial Regulations and Contract Standing Orders have been approved by the Police Authority. There is also a Scheme of Delegation which was reviewed during the period to 21<sup>st</sup> November 2012.
- The Constabulary has detailed financial rules, which are supplementary to the Authority's regulations, which were significantly modernised in 2011-12. They are used to ensure proper management of resources devolved to the Chief Constable.
- Internal and external audit examine and report on compliance by the Authority and the Constabulary with applicable regulations and internal controls.
- There is a formal protocol between the Authority Treasurer and the Constabulary Director of Finance and Resources which provides clarity and certainty on their respective roles and how these will be discharged.



*Undertaking the core functions of an Audit Committee as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities.*

- The Authority's Governance Committee has terms of reference approved by the Authority which require it to discharge all of the functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities. Special training is provided for members in support of their specialist responsibilities.
- The report of the Governance Committee sets out how it has discharged effectively its duties as the Audit Committee.

*Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful*

- The Authority has a Treasurer who has responsibility for the legality and propriety of financial transactions and a monitoring officer who has responsibility for ensuring compliance with relevant laws and regulations.
- The role of the Police Authority Treasurer, when coupled with the professional responsibilities of the Constabulary's Director of Finance and Resources under the Home Office Code of Financial Management and the protocol agreed with the Treasurer, complies with the 2010 CIPFA Statement on the role of the Chief Financial Officer in policing and meets the key principles to be followed by the Treasurer in discharging the role.
- Financial Regulations and Contract Standing Orders are in place and are supported by detailed financial rules within the Constabulary.
- There are professionally qualified finance staff in key roles throughout the organisation.
- Internal Audit test all of the Authority's key financial systems annually and report thereon to the Governance Committee.

*Whistle blowing and receiving and investigating complaints from the public and handling citizen and other redress.*

- Whistle blowing arrangements are contained in the Joint Cumbria Constabulary and Cumbria Police Authority Professional Standards Confidential Reporting Policy and associated procedure. These are supported by a regularly publicised Confidential Phone line and E-Mail reporting system on which individuals can leave anonymous information.
- The Constabulary subscribes to and publicises 'Public Concern at Work' (PCaW), an independent authority on public interest whistle blowing, to allow employees the facility to report externally to the Constabulary, if required.
- The Constabulary has an Anti-Corruption Unit designated to investigate information / intelligence received about members of staff
- The People and Performance Committee of the Police Authority receive quarterly reports regarding anti-corruption matters including whistle blowing issues and complaints against officers and staff.
- The Professional Standards Department oversees all complaints and Local Resolutions from the public, ensuring compliance with The Police Reform Act 2002 which is audited by the Police Authority to ensure best practice
- The Authority has in place procedures for receiving and investigating complaints made to it about decisions made by or on behalf of the Authority and by its officers; and for receiving and investigating complaints made to it about the conduct of ACPO rank officers under the relevant Conduct Regulations.

*Determining the conditions of employment and remuneration of officers and staff*

- There are national pay scales for police officers and police staff. Terms and Conditions are approved locally for police staff in conjunction with employee representatives
- Cumbria constabulary operates an approved job evaluation scheme, which is extended for use by the Police Authority.

- Regular strategic and local consultation is undertaken with staff associations, via the Joint Negotiating Consultative Committee.

*Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training*

- The Authority has an approved Member Training Policy and has an approved a Member Training Plan.
- The Authority holds regular strategic planning events to develop strategy, including events held jointly with the Constabulary Chief Officer group.
- Development needs are identified through member development reviews and actions to resolve those needs are taken through that process.
- The Constabulary runs a Core Leadership Development Programme accredited by the Chartered Institute of Management. A longer term strategy exists to deliver the programme for senior managers within the Constabulary.

*Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*

- The Constabulary and Police Authority have developed a joint Community Engagement and Involvement Strategy. This includes a revised consultation action plan which is reported via the People and Performance Committee. The action plan coordinates all the on-going consultation activities, is regularly reviewed and is refreshed on an annual basis to continually improve consultation arrangements. This includes local neighbourhood engagement plans.
- The Constabulary has a marketing and communications strategy aimed at establishing clear channels of communication with all sections of the community
- The strategic independent advisory group meets regularly to discuss emerging issues of strategy and policy both nationally and locally.
- Local Policing Summaries are delivered to every household in the county.

- The Authority and Constabulary publish an Annual Report which summarises Constabulary performance over the previous year. This includes achievement of objectives, strategic programmes of work in addition to performance targets.
- Specific youth consultation has been conducted by the Authority throughout the County and is being developed in partnership with the Constabulary.
- The Constabulary is a member of the Cumbria Consultation Steering Group. This includes sharing open consultations with partners. The group uses the “Community Voice” (Cumbria Citizens panel) to consult on policing priorities and other issues.
- Online discussion forums have been introduced to supplement community meetings, surveys and other public engagements to identify priorities, concerns and areas for improvement.

*Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission’s report on the governance of partnerships, and reflecting these in the Authority’s overall governance arrangements*

- The Authority’s Financial Regulations and Contract Standing Orders provide for the regulation of partnerships and to ensure that the purpose of such partnerships is evaluated, and any risks assessed, before the Authority or the Constabulary agree to take part.
- The Chief Constable reports details of actual and planned collaborative ventures to the Authority on a regular basis.
- Partnership and collaborative working is advanced between the constabulary, the Authority and their partners. This includes statutory partnerships, for example CDRPs, MAPPA arrangements and Resilience forums and the top level County Strategic Partnership, Local Area Agreement partnerships, Drug and Alcohol Action Team and a significant number of other partnerships and Trusts.
- For the more strategic level partnerships, external audit exists, often via other organisations such as OFSTED (Children’s Trust), National Treatment Agency (DAAT), Audit Commission (LAA) and Government Office North West.

- The Constabulary has completed an assessment of significant partnership risks, with formal risk registers in place for PPU and the Safety Camera Partnership. In the context of the current financial climate particular focus has been directed towards evaluating the financial risks associated with the withdrawal or reduction in partner funding.

#### **4. REVIEW OF EFFECTIVENESS**

The Police Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including a review of the Effectiveness of Internal Audit, delegated to the Governance Committee. The reviews were undertaken by those Officers and managers within the Authority and the Constabulary charged with the responsibility for maintaining the Code of Corporate Governance and for preparing and subscribing to the Annual Governance Statement. They were submitted along with supporting evidence for examination by the Authority's Internal Auditors who have reported direct to the Governance Committee.

Following approval to the Local Code of Corporate Governance, the governance framework has been maintained and reviewed by the Chief Officers of the Authority and the Constabulary, reporting annually to the Authority and Governance Committee (in respect of its effectiveness). The Authority, in reviewing the Code has clarified that responsibility for reviewing the effectiveness of the arrangements is delegated to the Governance Committee whilst retaining responsibility to itself for any changes to the Code.

The processes applied in maintaining and reviewing the effectiveness of the Governance framework during 2011-12 are summarised below: -

## The Authority

The Authority has overall responsibility for the oversight and maintenance of the Corporate Governance arrangements within the Constabulary and Authority. The Authority has detailed terms of reference for itself and its committee structure, which are reviewed on a regular basis. The Authority places functional responsibility for Corporate Governance with the Governance Committee to ensure that the Governance framework is maintained and updated on an annual basis.

## The Governance Committee

The Authority has an effective Governance Committee, which meets on a regular basis during the financial year. Its primary purposes are to (i) provide independent assurance of the adequacy of risk management arrangement, (ii) to scrutinise the Constabulary's financial performance to the extent that it affects exposure to risk and weakens the internal control environment (iii) to approve an annual internal audit plan and receive regular reports (iv) to receive external audit reports, including the Audit Commission Annual Governance Report, and (v) to oversee the financial reporting process, including receipt and ultimate approval of statutory accounting statements. The Committee fully meets the CIPFA criteria for an effective Audit Committee and so complies with 'best practice'. An annual report on the work of the Governance Committee is produced and is presented to the full Authority for approval.

## The Standards Committee

The Authority has a Standards Committee composed of eight members, four drawn from amongst the Authority's own members and four external independent members. It is chaired by an external independent member. The Committee advises the Authority on all matters related to member conduct, including developing and recommending the Authority's own Code of Conduct. It would consider any

complaints made against a member of the Authority. It meets twice a year with additional meetings convened as required.

#### Internal audit

Internal audit perform a range of reviews based on an agreed audit plan, which has regard to risks, but also recognises that key financial systems need to be reviewed on an annual basis, to allow the Audit Commission to give an opinion on the accounting statements.

#### Other external review mechanisms

HMIC completed two inspections of the arrangements for transition from the Police Authority to the Police and Crime Commissioner and the establishment of the Chief Constable and Commissioner as separate legal entities. Both inspections confirmed that the Police Authority had arrangements in place to manage the transition.

### **5. SIGNIFICANT GOVERNANCE ISSUES**

The significant issue in respect of the arrangements for governance is in respect of the replacement of Police Authorities with directly elected Policing and Crime Commissioners, supported by Policing and Crime Panels. The complete governance structure will require to be entirely redrafted in preparation for incoming Commissioners. Both the Authority and Constabulary have detailed action plans and project teams in place to manage the variety of tasks to prepare for the new constitution. A multi-agency project board has been established to oversee and monitor preparations, including Chief Officer representation from the Authority and Constabulary.

Also in relation to the year to 21<sup>st</sup> November 2012, the Constabulary continues to deliver a substantial cost reduction plan. The plan has stretching financial targets to be achieved across (and beyond) the period of the current Government spending Review, which will require significant numbers of officer and staff posts to be

deleted. The Constabulary has a dedicated change programme team to co-ordinate and drive through the change programme. For its part, the Authority has acknowledged the risks associated with the programme, and has put in place suitable structures to oversee the programme and to hold the Chief Constable to account for its delivery.

Signed:

Stuart Edwards  
Chief Executive  
of Cumbria Police Authority

Ruth Hunter  
Treasurer / Deputy Chief Executive  
of Cumbria Police Authority

On behalf of the members and senior officers of the Cumbria Police Authority and of the Constabulary





Joint Audit & Standards Committee  
Monday 24<sup>th</sup> June 2013  
Agenda Item No 5(f)

## The Chief Constable for Cumbria Constabulary Effectiveness of Governance Arrangements 2012/13

### 1. Introduction and background

1.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. The 2011 Accounts and Audit Regulations place a requirement on those bodies to publish an Annual Governance Statement in accordance with the CIPFA/SOLACE framework and guidance. The CIPFA/SOLACE framework defines 'proper practices' for discharging accountability for the proper conduct of public business through the publication of an annual governance statement that makes those practices open and explicit.

1.2 Following the introduction of the Police and Crime Commissioner the Chief Constable has operated under the principles set out in the Commissioner's Local Code of Governance, pending decisions regarding the development of the Chief Constable's own governance framework. The legislative requirements in this respect are unclear as the Chief Constable does not currently have local authority status in his own right. Nevertheless, the Chief Constable has now approved a Code of Corporate Governance which seeks to codify governance arrangements within the Constabulary, which has been incorporated into the review of the effectiveness of governance arrangements. The Constabulary's Annual Governance Statement for 2012-13, together with the review of effectiveness reflects compliance with the CIPFA / SOLACE good governance framework.

1.3 The arrangements for governance prior to the 22<sup>nd</sup> November were the responsibility of the Police Authority. The Police Authority, jointly with the Constabulary, provided an Annual governance Statement for 2011/12 that provided the necessary assurances in respect of governance to the date of approval of the accounts on 26<sup>th</sup> September 2012. Those arrangements continued in place until 21<sup>st</sup> November 2012 and the appointment of the Police and Crime Commissioner. To provide assurance in respect of the period between 26<sup>th</sup> September 2012 and 21<sup>st</sup> November 2012 a separate joint governance statement has been provided setting out the arrangements in place for the Police Authority with the Constabulary. Those arrangements only continue to be in place where they are set out in the Annual Governance Statement for either the Commissioner or the Chief Constable.

## 2. Governance Framework & Effectiveness

2.1 The annual review of the arrangements for governance and their effectiveness support the production of the annual governance statement. The review provides assurance on governance arrangements and the controls in place to achieve the organisation's strategic objectives. The statement is prepared by the Chief Constable's statutory and senior officers and in accordance with the CIPFA delivering good governance in local government guidance note for Police 2012. The guidance supports the application of the CIPFA/SOLACE framework to Policing recognising the specific structure and governance responsibilities arising from the 2011 Police Reform and Social Responsibility Act.

2.3 The approach to the production of the statement has been to use the CIPFA guidance, and particularly the guidance section on core governance principles. These have been used as a review checklist. The first stage of the process has been to ensure that the Constabulary's governance arrangements adequately meet all the requirements of the framework. The second stage of the process has been to ensure that the Governance Statement has evidence of the arrangements and practices in place to comply with the framework. Where the review has identified areas where developments are planned or it is identified that improvements can be made, the intended actions are outlined in the 'Areas

for Further Development and Improvement' for each core principle. The statement also highlights areas where further assurance is gained, such as the work of internal audit and the annual governance report of the external auditors. The Chief Constable's Governance Statement setting out the review of governance arrangements for 22<sup>nd</sup> November to 31 March 2013 and to the date of this meeting, supported by an independent report and opinion from the Head of Internal Audit is presented at Appendix b.

2.4 The approach to the production of the Governance Statement for the year to 21<sup>st</sup> November 2012 has been based on a review of the Annual Governance Statement of the former Police Authority to the period 26<sup>th</sup> September 2012 to confirm and assure that those arrangements remained in place between 27<sup>th</sup> September and 21<sup>st</sup> November. Review has also been undertaken in respect of the outcome of internal audit reports and the work of the Police Authority Governance Committee as an effective contribution to internal control.

2.5 Whilst the above review of arrangements has been specific to the production of the annual governance statements, the substantial statutory changes to policing governance have resulted in a fundamental review of the governance requirements across two separate statutory entities during 2012/13. This review has resulted in the development of new arrangements supported by the production of new codes, regulations, scheme of delegation, standing orders, policy and procedures. This requirement, whilst challenging, has enabled an approach that has sought to ensure all arrangements take account of best practice, codes and guidance. Work will continue during the current financial year, with updates to the Governance Statements as appropriate. This will reflect the on-going development of the Commissioner and Chief Constable as statutory entities and the requirements for stage 2 transfer that will make fundamental changes to governance in respect of employment and other resources.

### 3. The Effectiveness of Internal Audit

3.1 A separate report reviewing the effectiveness of the Internal Audit function is set out elsewhere on the agenda. It is supported by a report on the arrangements for an Audit Committee. This report sets out the arrangements for the Police Authority Governance

Committee, in place until 21<sup>st</sup> November 2012 and arrangements for the Joint Independent Audit and Standards Committee of the Commissioner and Chief Constable, effective from 22<sup>nd</sup> November 2012. These reports demonstrate the effectiveness of the arrangements for Audit against independent and objective criteria as a contribution to good governance. Together the reports conclude the process of providing the necessary assurances that the governance arrangements set out in the Local Code of Governance are working as intended and are effective.

#### 4. Recommendations

4.1 The Chief Constable is asked to consider this report and the review and opinion given by our internal auditors on the Annual Governance Statement for 2012-13, and if satisfied, to:-

(i) approve and sign the Annual Governance Statement for 2012-13 and to the date of this meeting, which will then accompany the Statement of Accounts for 2012-13

**Roger Marshall**

**Head of Financial Services**

#### Appendices

- a. Local Code of Corporate Governance
- b. Annual Governance Statement

**Human Rights Implications:** None Identified

**Race Equality / Diversity Implications:** None Identified

**Personnel Implications:** None Identified

**Financial Implications:** None Identified

**Risk Management Implications:** The Annual Governance Statement and the underpinning reviews, including the Effectiveness of Internal Audit are designed and intended to provide assurance on and compliance with high standards of corporate governance, including effective control and mitigation of the risk environment in which the Commissioner discharges his respective responsibilities.

Contact points for additional information

Roger Marshall – Head of Financial Services

Tel: 01768 217020

E Mail: [roger.marshall@cumbria.police.uk](mailto:roger.marshall@cumbria.police.uk)



The Chief Constable for Cumbria Constabulary  
Code of Corporate Governance

## Contents

Page 3 Statement of Corporate Governance

Page 5 Code of Corporate Governance

# Statement of Corporate Governance

## INTRODUCTION

The purpose of this statement is to give clarity to the way the Chief Constable will govern and to set out the frameworks that are in place to support the overall arrangements for Cumbria Constabulary.

## CONTEXT

The principle statutory framework within which the Chief Constable operates is:

- Police Reform and Social Responsibility Act 2011,
- Various Police Acts
- Policing Protocol Order 2011,
- Financial Management Code of Practice,
- Strategic Policing Requirement.

This framework creates a public sector relationship, based upon the commissioner provider arrangement but with unique elements such as the single elected commissioner and operational independence of the Chief Constable.

## PRINCIPLES

The core principles to be adopted will be those highlighted by the CIPFA/SOLACE good governance standard for public services which has 'proper practices' status:

1. Focusing on the purpose of the Constabulary and on outcomes for the community, creating and implementing a vision for the local area
2. Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the Chief Constable and demonstrating the



values of good governance through  
upholding high standards of conduct  
and behaviour

4. Taking informed and transparent  
decisions which are subject to  
effective scrutiny and managing risk

5. Developing the capacity and capability  
of the Chief Constable and officers /  
staff of the Constabulary to be  
effective.

6. Engaging with local people and other  
stakeholders to ensure robust public  
accountability

## FRAMEWORK / INSTRUMENTS OF GOVERNANCE

The corporate governance framework within which the Chief Constable will govern will consist of:

- a statement of corporate governance – setting out the statutory and regulatory frameworks
- a code of corporate governance – setting out how the core principles of the statement of corporate governance will be implemented
- a scheme of corporate governance – the collective of codes, policies, regulations and procedures that define the parameters within which the Chief Constable will conduct business and includes financial regulations, contract standing orders, the scheme of delegation and codes of conduct
- Separate policy and procedures, with protocols where these operate jointly between the Constabulary and the Office of the Police and Crime Commissioner and/or other partners.

## LEADERSHIP AND ASSURANCE

The governance framework will be reviewed on an annual basis. The independent Audit and Standards Committee will provide assurance in respect of the overall arrangements. An annual Internal Audit plan will be developed to provide detailed assurance on internal controls and the application of the framework/instruments to operational practice.

## Code of Corporate Governance

This code of corporate governance sets out how the Chief Constable will govern. It is based on the statement of corporate governance and good governance core principles highlighted by the good governance standard for public service. This code uses those principles as the structure for setting out the statutory framework and local arrangements that are in place to achieve them.

### Core principle 1: Focusing on the purpose of the Chief Constable and on outcomes for the community, and creating and implementing a vision for the local area

- The Chief Constable determines the strategic direction and objectives for the Constabulary and supports the Police and Crime Commissioner in developing his Police and Crime Plan.
- In developing the Constabulary's vision and strategic priorities the Chief Constable take into consideration his statutory responsibilities for maintaining the Queen's Peace, the Home Secretary's Strategic Policing Requirement and the views of a range of stakeholders including the community, staff and partners.
- The Constabulary has a strategic work programme to deliver its priorities, which will include operational, business, asset, workforce and change strategies. These strategies are underpinned by a medium term financial forecast.
- The Constabulary reviews its vision and strategic activities annually, as part of a co-ordinated planning process, to ensure that they continue to support the Police and Crime Plan and the Constabulary's priorities. The Governance arrangements are also regularly reviewed to ensure that they are appropriate for the delivery of the Constabulary's objectives.
- The Constabulary operates a comprehensive performance management framework, developed in conjunction with the Commissioner to support delivery of the objectives within the Police and Crime Plan and the Constabulary's own priorities. This

includes key performance indicators, annual performance contracts and personal development objectives for all officers and staff.

- The Constabulary has clear lines of accountability and processes are in place to monitor and manage delivery of operational and business objectives.
- The Constabulary incorporates the experiences of service users within its Performance Management Framework for example user satisfaction surveys.
- The Constabulary has a Continuous Improvement, Efficiency and Value for Money Strategy, with the aim of securing maximum value from the resources available to it.
- A funding arrangement is in place between the Police and Crime Commissioner and the Constabulary, which clearly defines the purpose of the funding and sets out information and monitoring requirements to ensure funding is targeted on activities that support the priorities and outcomes within the Police and Crime Plan.

#### Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles

- The key functions and roles of the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011 (PPO).
- The functions and roles sets out in legislation and guidance are codified in the Commissioner's scheme of delegation.
- The wider scheme of corporate governance details specific responsibilities of key officers in relation to areas of governance. The scheme includes financial regulations, arrangements for procurement and

contracting, anti-fraud and corruption policies, decision making limits and codes of conduct. These documents ensure all staff have a shared understanding of their roles and responsibilities.

- The Police and Crime Plan recognises the importance of partnership working between the Chief Constable and the Commissioner to develop the future direction of policing, policy and strategy that takes account of public priorities. An Executive Board structure comprising the Commissioner, Chief Constable, Chief Executive and the Commissioner's Chief Finance Officer supports joint working and facilitates the arrangements for accountability and performance monitoring.
- The Constabulary has a Chief Officer Group and clearly defined board structure. There are established terms of reference and clear reporting lines to the Chief Officer Group. Task and Finish Groups and Steering Groups are set up where appropriate to support the permanent board structure in ensuring that specific priorities are delivered.
- The Constabulary has a well-defined organisational structure with clear reporting lines.
- All officers and staff within the Constabulary have job profiles, which are evaluated against an approved job evaluation scheme. The Constabulary adheres to national pay scales for police officers and police staff. Terms and conditions of employment are approved nationally for Police Officers, via Police Regulations and locally for police staff, in conjunction with employee representatives.
- The Chief Constable has appointed an appropriately qualified suitably Chief Financial Officer and Director of Legal Services who advise him on all financial and legal matters.
- The Constabulary works in partnership with a number of public, private and third sector partners in pursuit of its objectives and those within the Police and Crime Plan. The Chief Constable reports details of actual and planned collaborative ventures to the

Commissioner in accordance with the scheme of governance.

- An independent Audit and Standards Committee operates in line with

Chartered Institute of Public Finance and Accountancy Code of Practice and the Home Office Financial Management Code of Practice.

### Core Principle 3: Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Officers and staff employed by the Constabulary are expected to adhere to the highest standards of conduct and personal behaviour. The requirements of officers are set out in Schedule 2 of the Police (Conduct) Regulations 2012. The requirements of Police staff are set out in the Police Staff Council Standards of Professional Behaviour document.
- The Constabulary operates a joint Anti-fraud and Corruption Policy in conjunction with the Commissioner, which sets out clear definitions of fraud and corruption. The policy embodies to the 7 Nolan Principles for Public Life and make clear the duty everyone has with regard to their own actions and conduct and those of others to protect the organisation against fraudulent and corrupt acts.
- The Constabulary maintains arrangements for confidential reporting (whistleblowing) and guidance for managers with regard to how any reporting will be responded to.
- The Constabulary has a Professional Standards Department whose role is to promote proper standards of conduct and monitor compliance with codes. The Professional Standards Department also oversees all complaints from the public, ensuring compliance with Police Reform Act 2002 and the Police (Complaints and Misconduct) Regulations 2012.
- The scheme of Corporate Governance including the financial regulations, business code of conduct, procurement policy and contract standing orders support the principles

of openness, accountability and integrity in the conduct of the

Constabulary's business

**Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

- The Constabulary's decision making operates within the specific legislative and regulatory frameworks that confer on the Chief Constable duties, powers and responsibility and provide clarity on his operational independence. Significant elements of the statutory framework for decision making comprise:
  - Various Police Acts,
  - The Police Reform and Social Responsibility Act 2011 (PR&SRA)
  - The Policing Protocol Order 2011
- The Chief Constable adopts rigorous standards of probity, regularity and transparency in decision making and all decisions are taken solely in the public interest and to maintain the Queen's peace.
- The Constabulary has a Chief Officer Group, which has responsibility for strategic decision making and is supported by an established structure of subsidiary boards with defined terms of reference.
- In the operational environment the Constabulary utilises the National Decision Model and National Intelligence Model, which are used by all police forces across the country, as a basis for tasking, co-ordination and operational decision making.
- Items of Constabulary business falling under the remit of the Police and Crime Commissioner are referred to the Commissioner from the Chief Officer Group. The Commissioner's decision making process sets out the decision making process for such items and how decisions will be recorded and published to ensure transparency of all decisions taken.

- The Constabulary and Commissioner operate an independent joint Audit and Standards Committee. risk within the Constabulary and is based on good practice identified by the Institute of Risk Management.
- The Constabulary operates a risk management policy sets out the overall arrangements for managing



## Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.

- The Constabulary is committed to ensuring that the capacity and capability of its officers and staff are developed to enable them to operate effectively.
- All Constabulary role profiles specify appropriate essential and desirable skills, experience and qualifications to ensure that employees are able to deliver their responsibilities effectively.
- Uniformed Statutory Officers are required to complete the Association of Chief Police Officers Strategic Command Course before they are permitted to undertake Chief Officer roles. The Chief Finance Officer is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA). The Constabulary fully utilises the College of Policing leadership programmes to develop its senior officers and staff.
- The Constabulary has an approved training plan, which is updated on a regular basis and aims to address the development needs of officers and staff. The training programme also seeks to provide refresher courses, which ensure that specialist skills are maintained in accordance with relevant best practice
- All Constabulary officers and staff are required to complete annual Performance Development Reviews, part of the function of which are to identify and manage training and development needs aligned to the role or agreed targets and actions

## Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

- The Constabulary has a Community Engagement and Involvement Strategy. This includes a consultation action plan, which co-ordinates all on-going consultation activities and is regularly reviewed and refreshed on an annual basis to continually improve consultation arrangements. .
- The Constabulary engages with local communities through the work of its Neighbourhood Policing Teams, operating Engagement Plans, which use a range of methods that are specific to urban and rural community needs. The plans ensure that community priorities, concerns and areas for improvement are identified and dealt with.
- The Constabulary has a marketing and communications strategy aimed at establishing clear channels of communication with all sections of the community. This includes alternatives to traditional communication methods to warn and inform.
- The Constabulary surveys victims of crime and anti-social behaviour to ensure that the Victims' Code of Practice is complied with and to use the feedback to improve the experience of victims and the services provided
- Local crime data is published at community level via the Constabulary's website and nationally via police.uk to increase the transparency of crime and performance data.
- The Constabulary is subject to the Accounts and Audit (England) Regulations 2011 and will have to prepare a set of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting
- The Chief Constable complies with guidance provided by the Information Commissioner in respect of an information publication scheme. This ensures key information to ensure

public accountability is available  
through the Constabulary's website.



## The Chief Constable for Cumbria Constabulary Annual Governance Statement 2012-13

### INTRODUCTION AND SCOPE OF RESPONSIBILITIES

1.1 The Chief Constable for Cumbria Constabulary (the Chief Constable) is responsible for ensuring business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.2 In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for the governance of affairs and facilitating the exercise of functions, which includes arrangements for the management of risk.

1.3 The Chief Constable is operating under the Police and Crime Commissioner's local code of corporate governance 'The Code' as an interim measure, which is consistent with the CIPFA /SOLACE Good Governance

Framework. This statement explains how the Chief Constable has complied with The Code. It also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement, which must accompany the statement of accounts.

### PURPOSE OF THE GOVERNANCE STATEMENT

2.1 The governance framework comprises the systems, processes, culture and values by which the Constabulary is directed and controlled and the activities through which the organisation accounts to and engages with the community. The framework enables the Chief Constable to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of

appropriate efficient and effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Chief Constable's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

2.3 The governance framework has been in place for the year ended 31 March 2013 and up to the date of approval of the Annual Report and Statement of Accounts. The findings of the review of the system of internal control will be reported to the Chief Officer Group in June 2013 and to the Audit and Standards Committee in June 2013.

## THE GOVERNANCE FRAMEWORK AND ITS EFFECTIVENESS

3.1 The key elements of the system and processes that comprise the Chief Constable's governance arrangements are detailed in this section. The elements are based on the six core principles of Corporate Governance from the CIPFA/Solace Governance Framework, the standard against which all local government bodies, including police, should assess themselves.

3.2 The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by senior managers within the organisation who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, the view of the external auditor through their annual governance statement and other review inspectorates.

3.3 The Joint Audit and Standards Committee, operated in conjunction with

the Police and Crime Commissioner, has specific responsibility for providing an independent assurance function in respect of the arrangements for

### **Six Core Principles of Governance**

1. *Focusing on the purpose of the Constabulary and on outcomes for the community, creating and implementing a vision for the local area*
2. *Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles*
3. *Promoting values for the Constabulary and demonstrating the values of good governance through upholding high standards of conduct and behaviour*
4. *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk*
5. *Developing the capacity and capability of the Chief Constable and officers of the Chief Constable to be effective*

governance including risk management. The work of the Audit and Standards Committee over the period of the

Governance Statement contributes to the review process by providing evidence in support of the effectiveness of arrangements.

3.4 The Audit and Standards Committee will also receive and scrutinise the report of the Chief Finance Officer reviewing the effectiveness of internal audit and the Annual Governance Statement. An annual report of the work of the Committee is produced and submitted to the Executive Board. The report aims to assess the effectiveness of the Committee as a contribution to the effectiveness of overall governance arrangements.

3.5 Internal audit perform a range of reviews based on an agreed audit plan. The plan has regard to risks and recognises that key financial systems need to be reviewed on an annual basis to allow the external auditors to give an

opinion on the accounting statements. The work of internal audit contributes to the review of the effectiveness of governance by identifying the effectiveness of internal controls and providing an overall opinion annually on the control environment.

3.6 The following paragraphs detail the Chief Constable's governance framework, reviewing the requirements and arrangements in place to meet of each of the six governance principles. At the end of each section there is a commentary on areas for developments and improvement. .

3.7 The Governance Statement is submitted for examination by the Chief Constable's Internal Auditors, who will report to the Executive Board and the Audit and Standards Committee.

**Bernard Lawson**  
Temporary Chief Constable

**Roger Marshall**  
Chief Finance Officer

## Core principle 1: Focusing on the purpose of the Chief Constable and on outcomes for the community, and creating and implementing a vision for the local area

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

4.1 The Chief Constable determines the strategic direction and objectives for the Constabulary. This supports the Police and Crime Commissioner in developing his Police and Crime Plan. The Commissioner approves policing objectives, which are incorporated into the plan, which is available on the Commissioners website at [www.cumbria.pcc.gov.uk](http://www.cumbria.pcc.gov.uk)

4.2 The Constabulary's vision and strategic priorities take into consideration the views of the community, staff and partners as well as the Strategic Policing Requirement set by the Home Secretary. Performance results, operational intelligence, strategic risks and the results of audits and inspections are also taken into consideration when setting strategic priorities. The Constabulary's vision and priorities are

*The Strategic Policing Requirement sets out the capabilities we are expected to have to support national policing objectives.*

also developed at strategic planning days attended by senior managers and have been communicated to officers and staff through a series of road-shows.

4.3 The Constabulary develops a strategic work programme to deliver its priorities. The strategic work programme is based on

- The Strategic Assessment (a document which sets out the Chief Constable's operational priorities based upon performance and intelligence)
- The Change Strategy, which sets out how the Constabulary will improve and deliver savings to balance its budget.
- The Business Strategy, which describes what and how the Constabulary will deliver ICT, personnel, training and other essential support services.
- The Workforce Plan, which describes how the Constabulary will provide the officers and staff required to deliver operational and other policing services.



*The Constabulary's Priorities*

***'Community Policing is Our Priority.'***

*Maintain low crime and anti-social behaviour levels.*

*Address alcohol related crime and disorder.*

*Tackle the problem of drugs supply.*

*Focus on violent and acquisitive crime.*

*Maintain detection rates*

*Improve use of restorative justice.*

*Target domestic abuse and sexual violence.*

The strategic work programme supports and informs the Police and Crime Plan and is underpinned by a medium term financial forecast, which ensures that funding is aligned to the resources required to deliver policing priorities.

4.4 The Constabulary reviews its vision and strategic activities annually to ensure that they continue to support the Police and Crime Plan and the Constabulary's priorities. To support this process the strategic and financial planning within the Constabulary are co-ordinated to ensure that the Commissioner's reporting requirements and decision making processes form part of the overall planning cycle of the Constabulary.

4.5 The Constabulary reviews its governance arrangements on a regular basis to reflect development in the Police and Crime Plan and to support delivery of its own vision and priorities, making adjustments as necessary.

4.6 Key performance indicators are set to support the objectives within the Police and Crime Plan and the Constabulary's own priorities. This is supported by a comprehensive performance management framework, which is developed jointly with the Commissioner. The performance framework supports the Commissioner in holding the Chief Constable to account for the performance of the Constabulary and is also used to direct and manage activity within the Constabulary. All Constabulary operational and business units agree annual performance contracts with the Chief Constable linked to the strategic objectives set out in the Police and Crime Plan and the Constabulary's strategic work programme, from which individual personal development objectives are agreed for all officers and staff.

4.8 Clear lines of accountability and processes are in place within the Constabulary to monitor and manage delivery of operational and business objectives including :-

- An established board structure with clear terms of reference / areas of responsibility.
- Chief Officer's holding managers to account for delivery of their performance contracts in Performance Development Conferences.
- Performance management figures which are published on a dashboard available to all Constabulary officers and staff and the Commissioner, which are updated daily. These figures are subject to statistical analysis to identify areas where significant change is occurring.
- Monthly meetings between chief officers and their senior management to discuss progress on Performance Contracts.
- Monthly performance reports which are presented to the Chief Officer Group and the Commissioner's Executive Board.

- Quarterly performance reports which are presented to the Chief Officer Group and the Commissioner's Executive Board and published on the Commissioner's website.

Her Majesty's Inspectorate of Constabulary (HMIC) also continuously monitors Constabulary performance against other forces and carries out inspections of the Constabulary for themes agreed with the Home Secretary.

4.9 User Satisfaction Performance measures are included in the Performance Management Framework. The Constabulary also pursues strategies to engage effectively with service users including crime surveys and community meetings, with the aim of better meeting the needs of users. A procedure for complaints enables the public to raise concerns about services.

4.10 The Constabulary has developed and agreed a Continuous Improvement, Efficiency and Value for Money Strategy, which sets out the principles the Constabulary will follow and specific reviews, which aim to secure maximum

value from the resources available to it. The strategy utilises HMIC Value for Money profiles and Police Objective Analysis data, to identify service areas where there is potential to achieve savings.

4.11 A funding arrangement between the Police and Crime Commissioner and the Constabulary, which clearly defines the purpose of the funding and sets out information and monitoring requirements to ensure funding is targeted on activities that support the priorities and outcomes within the Police and Crime Plan.

## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

4.12 The Police and Crime Plan and the Constabulary's strategic work programme are subject to annual review in line with the medium term financial forecast. Each review will evaluate and determine any implications for the governance arrangements with appropriate amendments being made as necessary.

4.13 During 2013-14 Commissioners are required to submit to the Home Secretary a scheme that sets out arrangements for

staff and other resources currently employed or owned by the Commissioner to be transferred to the Chief Constable. The scheme is expected to include all operational staff but may include other assets and non-operational roles. The Local Code of Governance and all key governance documents, which outline the working practices operated by the Chief Constable and the Police and Crime Commissioner, including the scheme of delegation, financial regulations and contract standing orders, will need to be reviewed to reflect the implications of stage 2.

4.14 The funding arrangement between the Commissioner and the Chief Constable will need to be amended to reflect the financial implications of stage 2 transfers and any consequential changes in expenditure between the two entities.

4.15 The Constabulary will publish an annual report, showing what has been achieved and information for the public. This document will be published on the Constabulary's website and through the media.

4.16 An individual Officer Performance Dashboard has been developed and is being piloted. This enables sergeants to quickly view their officers' workload and will form the basis of regular one to one performance meetings, improving supervision and productivity.

4.17 Customer Journey Mapping is being undertaken to improve the quality of service provided to all users and particularly diverse groups. This involves interviewing individual service users and

organisations representing specific groups about their actual experience of using police services. This will be fed back to senior management to inform improvements in services.

## Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

5.1 The key functions and roles of the Chief Constable and the Police and Crime Commissioner are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011 (PPO). The PRSA and the PPO also set out the function and roles of statutory

officers. Both the Commissioner and Chief Constable must appoint a CFO and further guidance on their roles and functions is provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) in a statement on the Role of the Chief Finance Officer (the CIPFA statement).

#### Key functions and role of the Commissioner

Sets strategic direction & objectives of the force, issues the Police and Crime Plan (the Plan) & an annual report

#### Key functions and role of the Chief Constable

Maintaining the Queen's Peace and the exercise of police powers; politically and operationally independent

<p>Holds the Chief Constable to account for the exercise of his/her functions and force performance; Monitors complaints.</p>	<p>Leading the force, planning police functions; appointing officers and staff; managing complaints</p>
<p>Receives all funding, decides the budget &amp; precept; allocates funding to maintain an efficient and effective police force</p>	<p>Accountable to the Commissioner for efficient and effective policing, management of resources and expenditure</p>
<p>Provides the link between the police and communities; publishes information on Commissioner and force performance</p>	<p>Being the operational voice of policing, publically explaining the actions of officers/staff under their command</p>
<p>Responsible for the delivery of community safety, crime reduction &amp; the delivery of criminal justice</p>	<p>Supporting the Commissioner in the delivery of the Plan and in accessing information, officers and staff as required</p>

5.2 The functions and roles sets out in legislation and guidance are codified in the Commissioner's scheme of delegation.

5.3 The wider governance framework further details specific responsibilities of key officers in relation to areas of governance. This includes financial regulations, arrangements for procurement and contracting, anti-fraud and corruption arrangements, decision making and codes of conduct. These documents ensure all staff have a shared

understanding of the roles and responsibilities.

5.4 The Police and Crime Plan recognises the importance of partnership working between the Chief Constable and the Commissioner to develop the future direction of policing, policy and strategy that takes account of public priorities. An Executive Board structure comprising the Commissioner, Chief Constable, Chief Executive and the Commissioner's Chief Finance Officer supports joint working and

facilitates the arrangements for accountability and performance monitoring. The board provides a mechanism through which the Chief Constable provides briefings on matters or investigations over which the PCC may need to provide public assurance. The Constabulary has also agreed a media protocol with the Commissioner, setting out who is responsible for communicating information and clearly identifying whether there is a single lead organisation, a joint responsibility or a supporting responsibility.

5.5 The Constabulary has a Chief Officer Group and clearly defined board structure. There are established terms of reference and clear reporting lines to the Chief Officer Group.

5.6 Task and Finish Groups and Steering Groups are set up to ensure that specific priorities are delivered. Members of these groups include police staff and officers from all ranks and level, representing decision makers and practitioners. The groups report into the permanent governance framework to ensure effective and co-ordinated decision making.

5.7 The Constabulary has a well-defined organisational structure with clear reporting lines. All officers and staff within the Constabulary have job profiles, which include the policing professional framework, defining their roles. Officers and staff have performance development reviews, which include the setting of personal objectives on an annual basis.

5.8 There are national pay scales for police officers and police staff. Terms and conditions of employment are approved nationally for Police Officers, via Police Regulations and locally for police staff, in conjunction with employee representatives. The Constabulary operates an approved job evaluation scheme.

5.9 The Chief Constable is statutorily required to appoint a Chief Finance Officer. The Chief Finance Office is the financial advisor to the Chief Constable and has statutory responsibility to ensure that the financial affairs of the Chief Constable are properly administered, having regard to their probity, legality and appropriate standards. The CFO provides all financial advice, and ensures systems of internal financial control are effective.

5.10 The Chief Constable is supported by the Director of Legal Services, who is a qualified solicitor, member of the Law Society and member of the Solicitor's Regulatory Authority. The Director of Legal Services is a member of the Chief Officer Group and has responsibility for advising the Chief Constable on legal matters. As a member of the Chief Officer Group, the Director of Legal Services is able to scrutinise the legal implications of all strategic decisions.

5.11 The Police and Crime Plan sets out a Pan-Cumbrian vision. The vision recognises that in preventing crime commitment is needed from a range of organisations involved in policing, community safety and criminal justice. The Constabulary works in partnership with a number of public, private and third sector partners to do this. The Chief Constable reports details of actual and planned collaborative ventures to the Commissioner on a regular basis.

5.12 The financial regulations and contract standing orders, together with the Constabulary's financial rules provide for the regulation of partnership arrangements and to ensure that the

purpose of such partnerships is evaluated and risks assessed, before the Constabulary agrees to take part. The Constabulary has also undertaken a Value for Money assessment on its major strategic partnerships.

#### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

5.13 The Constabulary is currently operating under the Police and Crime Commissioner's key governance documents including the scheme of delegation, financial regulations and contract standing orders pending consultation. All documents will need to be reviewed to reflect the implications of stage 2. At this point the Constabulary will need to determine whether it is appropriate to share governance documents with the Commissioner or develop its own governance documents.

Partnership working and collaboration to deliver specific specialist services or meet objectives is advanced in the Constabulary. This includes statutory and voluntary partnerships or collaborations examples include :-

- Community Safety Partnerships ,
- MAPPA,
- Children's Trust,
- Local Resilience Forum,
- Strategic alliance with Lancashire Police to deliver training,
- Cumbria Safety Camera Partnership
- Cumbria Road Safety Partnership

## Core Principle 3: Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

6.1 Officers and staff employed by the Constabulary are expected to adhere to the highest standards of conduct and personal behaviour. The requirements of officers are set out in Schedule 2 of the Police (Conduct) Regulations 2012. The requirements of Police staff are set out in the Police Staff Council Standards of Professional Behaviour document.

6.2 The Joint Office of the Police and Crime Commissioner for Cumbria and Cumbria Constabulary Anti-fraud and Corruption Policy sets out clear definitions of fraud and corruption. The policy embodies the 7 Nolan Principles for Public Life and make clear the duty everyone has with regard to their own actions and conduct and those of others to protect the organisation against fraudulent and corrupt acts. The procedure includes guidance for integrity in respect of gifts and hospitality, completion of a register of interests and declarations of related party transactions.

These ensure that staff avoid being engaged in any activity where an actual or perceived conflict may exist and that there is transparency in respect of any personal or business relationships.

6.3 The Constabulary maintains arrangements for confidential reporting (whistleblowing) and guidance for managers with regard to how any reporting will be responded to. These are contained in the Anti- Fraud and Corruption Policy and Procedures and the Professional Standards Confidential Reporting Policy and Procedure. The confidential reporting policies and procedures are supported by a regularly publicised confidential phone line and e-mail reporting system on which individuals can leave anonymous information. The Constabulary also subscribes to and publicises 'Public Concern at Work' (PCaW), an independent authority on public interest whistleblowing to allow employees the



facility to report externally to the Constabulary if required.

6.4 The Constabulary has a Professional Standards Department whose role is to promote proper standards of conduct and monitor compliance with codes. The department actively liaises with management teams and other groups with the aim of maintaining high standards of conduct and produces regular reports which set out details of non-compliance with standards and codes. The Department has its own intranet site to facilitate demonstration of best practice and produces a newsletter highlighting areas of concern and providing guidance. The Professional Standards Department also has an anti-corruption unit whose role is to investigate information and intelligence received concerning the conduct of officers and members of police staff.

6.5 The Professional Standards Department also oversees all complaints, local resolutions and appeals from the public, ensuring compliance with Police Reform Act 2002 and the Police (Complaints and Misconduct) Regulations 2012. These complaints are audited

periodically by the Office of the Police and Crime Commissioner. The Chief Constable also has a procedure in place to receive and investigate complaints made to it about the conduct of Association of Chief Police Officers (with the exception of the Chief who is accountable to the Commissioner) under the relevant conduct regulations.

6.6 The Commissioner's financial regulations, under which the Constabulary currently operates, set out the internal framework and procedures for financial regulation and administration. They set out the arrangements for the proper administration of financial affairs ensuring these are conducted properly and in compliance with all necessary requirements. They also seek to reinforce the standards of conduct in public life, particularly the need for openness, accountability and integrity. The financial regulations also re-enforce the anti-fraud and corruption policy,, covering the culture expected within the organisation, responsibilities and measures in place to prevent fraud and corruption and how it will be detected and investigated.

6.7 The Commissioner's Business Code of Conduct, Procurement Policy and Procedures and Contract Standing Orders, under which the Constabulary currently operates, re-enforce the integrity requirements within the anti-fraud and corruption policy in the context of procurement activity and interactions with commercial suppliers. They provide a guide to staff and suppliers in respect of the principles that will be followed in the conduct of business and the processes we expect staff to comply with when buying goods and services.

6.8 The joint Audit and Standards Committee operates within Standing Orders for the regulation of its business. The orders include expectations in respect

of the conduct of members and how any conflicts of interest should be managed. Members of the Committee are independent and will scrutinise and monitor the operation and effectiveness the arrangements for governance including the local code of governance and framework. They will also hear and determine standards appeals.

#### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

6.9 The joint Audit and Standards Committee is in its first year of operation. The Committee will review its effectiveness on an annual basis as a contribution to the overall framework of internal control.

### Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

#### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

7.1 All decision making operates within the specific legislative and regulatory frameworks that confer on the Chief Constable duties, powers and responsibility. The significant elements of

the statutory framework for decision making comprise:

- Various Police Acts, which outline the responsibilities of the Chief Constable and provide clarity on his operational independence.

- The Police Reform and Social Responsibility Act 2011 (PR&SRA) providing the legal framework for decision-making.
- The Policing Protocol Order 2011 setting out the framework within which the PCC & CC should work and requiring all parties to abide by the Nolan Principles; The Home Office Financial Management Code of Practice for the Police Service embedding the principles of good governance into the way the Chief Constable operates.

7.2 Challenge and scrutiny contribute to good governance by being part of accountable decision making, policy making and review. The implementation of a robust

decision making process ensures that the right decisions are taken for the right reason at the right time. The Chief Constable adopts rigorous standards of probity, regularity and transparency in decision making and all decisions are taken solely in the public interest and to maintain the Queen's peace.

7.3 The Constabulary has a Chief Officer Group, which has responsibility for strategic decision making and is supported by an established structure of subsidiary boards with defined terms of reference. Formal Chief Officer Group meetings are minuted and decisions recorded. All significant strategic decisions are referred to the Chief Officer Group. A forward plan and standing items ensures that all significant areas of Constabulary business are considered on a regular and planned basis. Reports for decisions are prepared on a standard template, which ensures that the implications of all decisions are clearly understood. This includes relevant financial, legal, human resources, equality, procurement, ICT and risk management advice.

7.4 In the operational environment the Constabulary utilises the National Decision Model (developed by the ACPO Ethics Portfolio and National Risk Co-ordination Group). This is a risk assessment framework and decision making process which is used by all police forces across the country. It provides a logical, evidence based approach to making policing decisions and is used by all police officers in their daily work.

7.5 The National Intelligence Model (NIM) is a business model for law enforcement and it takes an intelligence-led approach to policing. The tasking and co-ordination process within NIM provides police managers with a decision making mechanism to manage their business both strategically (national, regional and constabulary level) and tactically (territorial policing area level). Pro-active leadership is an essential requirement of the tasking and co-ordinating process. Management decisions are based on a full understanding of the problems faced and enable managers to prioritise the deployment of resources at their disposal.

7.6 Items of Constabulary business falling under the remit of the Police and Crime Commissioner are referred to the Commissioner from the Chief Officer Group. Decisions are taken by an Executive Board providing an opportunity for the Chief Constable, Chief Executive and Chief Finance Officer to offer challenge and scrutiny to any reports and recommendations. Relevant officers of the Commissioner and the Chief Constable provide professional advice and expertise. All decision making reports

must be submitted 7 days in advance of the meeting other than for urgent items that meet very specific criteria. Decisions for financial investment are subject to a fully developed business case that provides a clear justification for the expenditure. The Commissioner's decision making policy sets out the decision making process and how decisions will be recorded and published to ensure transparency of all decisions taken.

7.7 The arrangements for the Audit and Standards Committee are joint between the Constabulary and Crime Commissioner. The Committee has clear terms of reference and membership that is consistent with the requirements of the Home Office Financial Management Code of practice, CIPFA guidance and the HM Treasury Audit Committee Handbook. Meetings of the Committee are public with published notifications. Agendas and papers are available to the public on the Commissioner's website. Audit Committee members are selected based on a rigorous person specification that requires applicants to demonstrate a sound understanding and relevant professional experience across the fields of finance, internal control and risk

management. Seminars are held prior to Committee meeting to provide any necessary training and briefings.

7.8 The Constabulary's risk management policy sets out the overall arrangements for managing risk within the Constabulary and is based on good practice identified by the Institute of Risk Management. The policy incorporates a clear framework of objectives, designated roles and responsibilities for risk management and provides a mechanism for evaluating and scoring risks to support decision making in respect of mitigating action. Identified risks are logged on a risk register with clear ownership and reviewed regularly as a standing item at strategic and management meetings. Individual departments and commands each maintain risk registers, which are updated on a quarterly basis. Individual risks can be escalated to a strategic risk register for consideration by the Chief Officer Group.

7.9 An annually developed joint internal audit plan uses risk as the basis of developing an audit programme to assess the sufficiency of internal controls and their operational effectiveness. The Chief

Internal Auditor (CIA) reports to the Audit and Standards Committee on its findings including recommendations for improvement. The Committee monitors and holds the Constabulary to account for the implementation of audit recommendations. Internal audit makes an annual assessment and reports on the overall arrangements for risk management.

## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

7.10 The current risk management arrangements are being reviewed to ensure that they fit with new organisational structure and relationship with the Police and Crime Commissioner.

7.11 A review of all policy is being undertaken with a view to reducing bureaucracy and making policies and procedures easier for officers and staff to access. This will improve standards and decision making and will reduce risk. As part of this policy review the Constabulary is seeking to adopt the ACPO Authorised Professional Practice, where this is available.

## Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

8.1 The Constabulary's uniformed Statutory Officers are required to complete the Association of Chief Police Officers Strategic Command Course before they are permitted to undertake Chief Officer roles. This course is designed to ensure that senior officers are equipped with the requisite leadership skills and competencies to undertake senior officer roles.

8.2 The Chief Constable's Chief Finance Officer (CFO) is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA). The CFO operates within the guidance set out in the CIPFA Statement on the Role of the Chief Finance Officer of the Constabulary.

8.3 The Constabulary fully utilises the College of Policing leadership programmes to develop its senior officers and staff.

8.4 The Constabulary has an approved training plan, which is updated on a regular basis and aims to address the

development needs of officers and staff. The training programme also seeks to provide refresher courses, which ensure that specialist skills are maintained in accordance with relevant best practice. All leadership and learning programmes delivered by Cumbria Constabulary comply with the College of Policing quality assurance and learning requirements.

8.5 All Constabulary officers and staff are required to complete annual Performance Development Reviews part of the function of which are to identify and manage training and development needs aligned to the role or agreed targets and actions

8.6 All Constabulary role profiles specify appropriate essential and desirable skills, experience and qualifications to ensure that employees are able to deliver their responsibilities effectively.

8.7 Areas of corporate training and development need are addressed by a range of training solutions including e-learning, classroom and assessed qualifications, which can be accessed by all officers and staff.

#### AREAS FOR FURTHER DEVELOPMENT

8.9 The Constabulary holds regular strategic planning days which include consideration of training and development needs for officers and staff. As a result of recent strategic events a plan to implement a core skills and leadership programme has been produced. This programme will focus on developing the appropriate operational and technical skills needed by officers and staff at all levels, together with an improved focus on developing leaders at all levels within the organisation

## Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

9.1 The Constabulary has a Community Engagement and Involvement Strategy, which is reported via the Joint Operational Senior Management Meeting. This includes a consultation action plan, which co-ordinates all on-going consultation activities and is regularly reviewed and refreshed on an annual basis to continually improve consultation arrangements. .

- Multicultural centre visits.
- Meet and greet at public places, for example 'Cop in a Shop.'
- Newsletters for each geographical area providing information on priorities, what has happened and publicising the next community engagement meeting or event. This is also available on the Constabulary website..

9.2 The Constabulary engages with local communities through the work of its Neighbourhood Policing Teams, operating Engagement Plans, which use a range of methods that are specific to urban and rural community needs. The plans ensure that community priorities, concerns and areas for improvement are identified and dealt with. This includes:

- Safer and Stronger Community Meetings.
- Development of Key Individual Networks.
- Streetsafe Campaigns
- Residents' forums.
- Neighbourhood and Farm Watch.

A recent development has been to introduce on line discussion forums.

9.3 The Constabulary has a marketing and communications strategy aimed at establishing clear channels of communication with all sections of the community. This includes alternatives to traditional communication methods to warn and inform and undertake surveys. Social media and proactive media coverage of events are used to provide accurate messages and re-assurance.

9.4 The Strategic Independent Advisory Group (IAG) meets regularly to discuss



emerging issues of strategy and policy both nationally and locally.

9.5 The Constabulary meets its requirements under the Equality Act 2010 by setting equality objectives every four years and publishing equality information via its website every three months.

9.6 The Constabulary is an affiliate of the Cumbria Consultation Steering Group. This includes sharing open consultations with partners.

9.7 The Constabulary surveys victims of crime and anti-social behaviour to ensure that the Victims' Code of Practice is complied with and to use the feedback to improve the experience of victims and the services provided. Service recovery is part of this process.

9.8 Local crime data is published at community level via the Constabulary's website and nationally via police.uk to increase the transparency of crime and performance data.

9.9 The Constabulary is subject to the Accounts and Audit (England) Regulations 2011 and will have to prepare a set of accounts in accordance with the

CIPFA/LASAAC Code of Practice on Local Authority Accounting and will be subject to audit. The Constabulary's first set of accounts will be published in June 2013 setting out the resources that have been utilised in delivering the performance achieved in the annual report. The statements include comprehensive income and expenditure statement and the Police Objective Analysis (POA), a methodology for reporting expenditure on policing to help readers better understand policing activities and their cost.

9.10 The Chief Constable complies with guidance provided by the Information Commissioner in respect of an information publication scheme. This ensures key information to ensure public accountability is available through the Constabulary's website. This includes information in respect of the Chief Officers, policies, income and expenditure, policies and their equality assessments.

## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

9.11 The Constabulary is developing a strategy to improve its internet site to

enhance accessibility and relevance to the public and media. This includes expansion into mobile phone networks.

9.12 The Constabulary will provide an Annual Report, which will provide information to the public on police performance, how to contact the police and raise awareness to increase reassurance and accountability.



# Grant Thornton

An instinct for growth™

Ms Ruth Hunter  
Treasurer / Deputy Chief Executive  
The Police and Crime Commissioner for Cumbria  
Carleton Hall  
PENRITH  
Cumbria  
CA10 2AU

Grant Thornton UK LLP  
95 Bothwell Street  
Glasgow  
G2 7JZ

E [gina.f.martlew@uk.gt.com](mailto:gina.f.martlew@uk.gt.com)

T +44 (0)141 223 0890

[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

23 April 2013

Dear Ruth,

## **Planned audit fee for 2013/14**

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. In this letter we set out details of the audit fee for your audit along with the scope and timing of our work and details of our team.

## **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

Your scale fee for 2013/14 has been set by the Audit Commission at £40,450. The scale fee for the Chief Constable's office is £20,000. The total fee for the audit of the Police and Crime Commissioner's group financial statements, including the statements of the Chief Constable, is £60,450. This compares to the total audit fee of £65,000 for 2012/13.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at [www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme](http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme).

The audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

**Scope of the audit fee**

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the Value for Money conclusion)
- our work on your whole of government accounts return.

**Value for money conclusion**

Under the Audit Commission Act, we must be satisfied that the PCC has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion.

**Billing schedule**

Our fees are billed quarterly in advance. Our fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2013	10,112.50
December 2013	10,112.50
March 2014	10,112.50
June 2014	10,112.50
<b>Total</b>	<b>40,450.00</b>

**Outline audit timetable**

We will undertake our audit planning and interim audit procedures between December 2013 and March 2014. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in September 2014 and work on the whole of government accounts return in September 2014.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2013 to March 2014	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of your accounts and VFM conclusion.
Final accounts audit	July to September 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VFM work for your consideration.
VFM conclusion	February to September 2014	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter	The letter will summarise the findings of all aspects of our work.

### Our team

The key members of the audit team for 2013/14 are :

	Name	Phone Number	E-mail
Engagement Lead	Gina Martlew	0141 223 0890 / 07880 456155	<a href="mailto:Gina.F.Martlew@uk.gt.com">Gina.F.Martlew@uk.gt.com</a>
Engagement Manager	Richard McGahon	0141 223 0889 / 07880 456156	<a href="mailto:Richard.A.McGahon@uk.gt.com">Richard.A.McGahon@uk.gt.com</a>
Audit Executive	Richard Robinson	0141 223 0888	<a href="mailto:Richard.Robinson@uk.gt.com">Richard.Robinson@uk.gt.com</a>

### Additional work

The scale fee excludes any work requested by you that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with you.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance [Sarah.Howard@uk.gt.com](mailto:Sarah.Howard@uk.gt.com)

Yours sincerely

A handwritten signature in black ink, reading "Gina Martlew". The signature is written in a cursive, flowing style with a large initial 'G'.

Gina Martlew  
For Grant Thornton UK LLP



# Grant Thornton

An instinct for growth™

Mr Roger Marshall  
Head of Financial Services  
The Chief Constable for Cumbria Constabulary  
Carleton Hall  
PENRITH  
Cumbria  
CA10 2AU

Grant Thornton UK LLP  
95 Bothwell Street  
Glasgow  
G2 7JZ

E [gina.f.martlew@uk.gt.com](mailto:gina.f.martlew@uk.gt.com)

T +44 (0)141 223 0890

[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

23 April 2013

Dear Roger,

## **Planned audit fee for 2013/14**

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. In this letter we set out details of the audit fee for your audit along with the scope and timing of our work and details of our team.

## **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

Your scale fee for 2013/14 has been set by the Audit Commission at £20,000. The scale fee for the Police and Crime Commissioner's Office (PCC) is £40,450. The total fee for the audit of the Police and Crime Commissioner's group financial statements, including the statements of the Chief Constable, is £60,450. This compares to the total audit fee of £65,000 for 2012/13.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at [www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme](http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme).

The audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the Value for Money conclusion)
- our work on your whole of government accounts return.

### **Value for money conclusion**

Under the Audit Commission Act, we must be satisfied that the CC has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion.

### **Billing schedule**

Our fees are billed quarterly in advance. Our fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2013	5,000
December 2013	5,000
March 2014	5,000
June 2014	5,000
<b>Total</b>	<b>20,000</b>

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures between December 2013 and March 2014. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in September 2014 and work on the whole of government accounts return in September 2014.



Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2013 to March 2014	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of your accounts and VFM conclusion.
Final accounts audit	July to September 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VFM work for your consideration.
VFM conclusion	February to September 2014	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter	The letter will summarise the findings of all aspects of our work.

### Our team

The key members of the audit team for 2013/14 are :

	Name	Phone Number	E-mail
Engagement Lead	Gina Martlew	0141 223 0890 / 07880 456155	<a href="mailto:Gina.F.Martlew@uk.gt.com">Gina.F.Martlew@uk.gt.com</a>
Engagement Manager	Richard McGahon	0141 223 0889 / 07880 456156	<a href="mailto:Richard.A.McGahon@uk.gt.com">Richard.A.McGahon@uk.gt.com</a>
Audit Executive	Richard Robinson	0141 223 0888	<a href="mailto:Richard.Robinson@uk.gt.com">Richard.Robinson@uk.gt.com</a>

### Additional work

The scale fee excludes any work requested by you that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with you.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance [Sarah.Howard@uk.gt.com](mailto:Sarah.Howard@uk.gt.com)

Yours sincerely

A handwritten signature in black ink, reading "Gina Martlew". The signature is fluid and cursive, with the first name "Gina" written in a larger, more prominent script than the last name "Martlew".

Gina Martlew  
For Grant Thornton UK LLP

# The Joint Audit Plan for The Police and Crime Commissioner for Cumbria and for The Chief Constable for Cumbria Constabulary

---

**Year ended 31 March 2013**

June 2013

**Gina Martlew**

Associate Director

T 0141 223 0890 or 07880 456155

E [gina.f.martlew@uk.gt.com](mailto:gina.f.martlew@uk.gt.com)

**Richard McGahon**

Manager

T 0141 223 0889 or 07880 456156

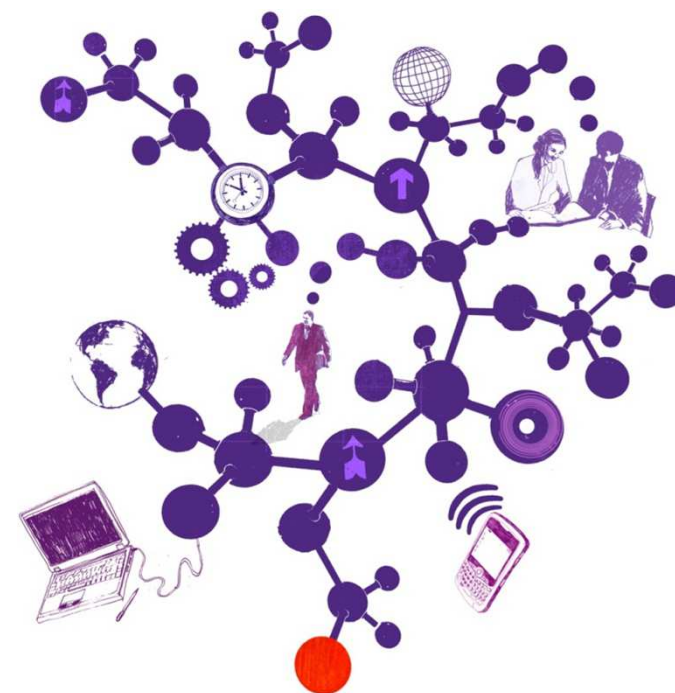
E [richard.a.mcgahon@uk.gt.com](mailto:richard.a.mcgahon@uk.gt.com)

**Richard Robinson**

Executive

T 0141 223 0888

E [richard.robinson@uk.gt.com](mailto:richard.robinson@uk.gt.com)



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

---

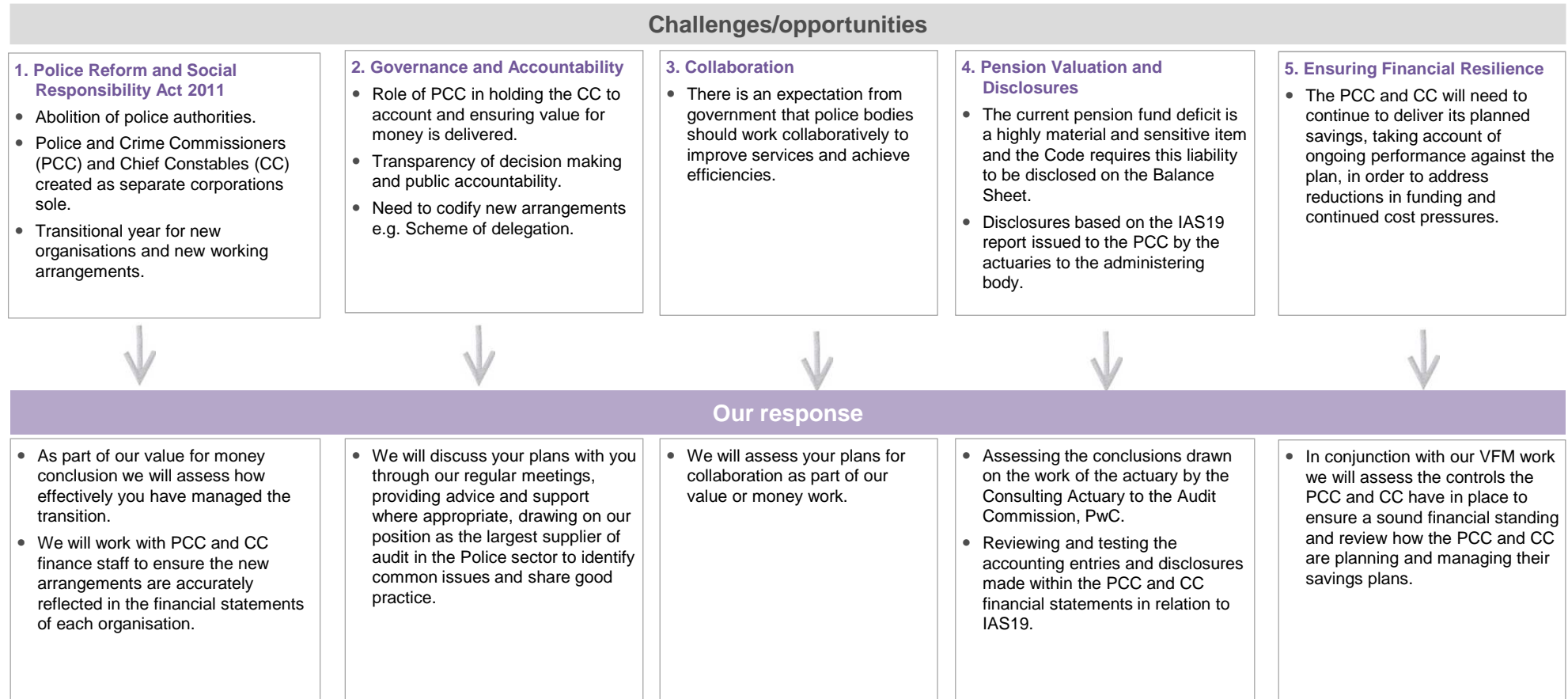
# Contents

## **Section**

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Results of interim work
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance







# Understanding your business

In planning our audit we need to understand the challenges and opportunities you are facing. We set out a summary of our understanding below.

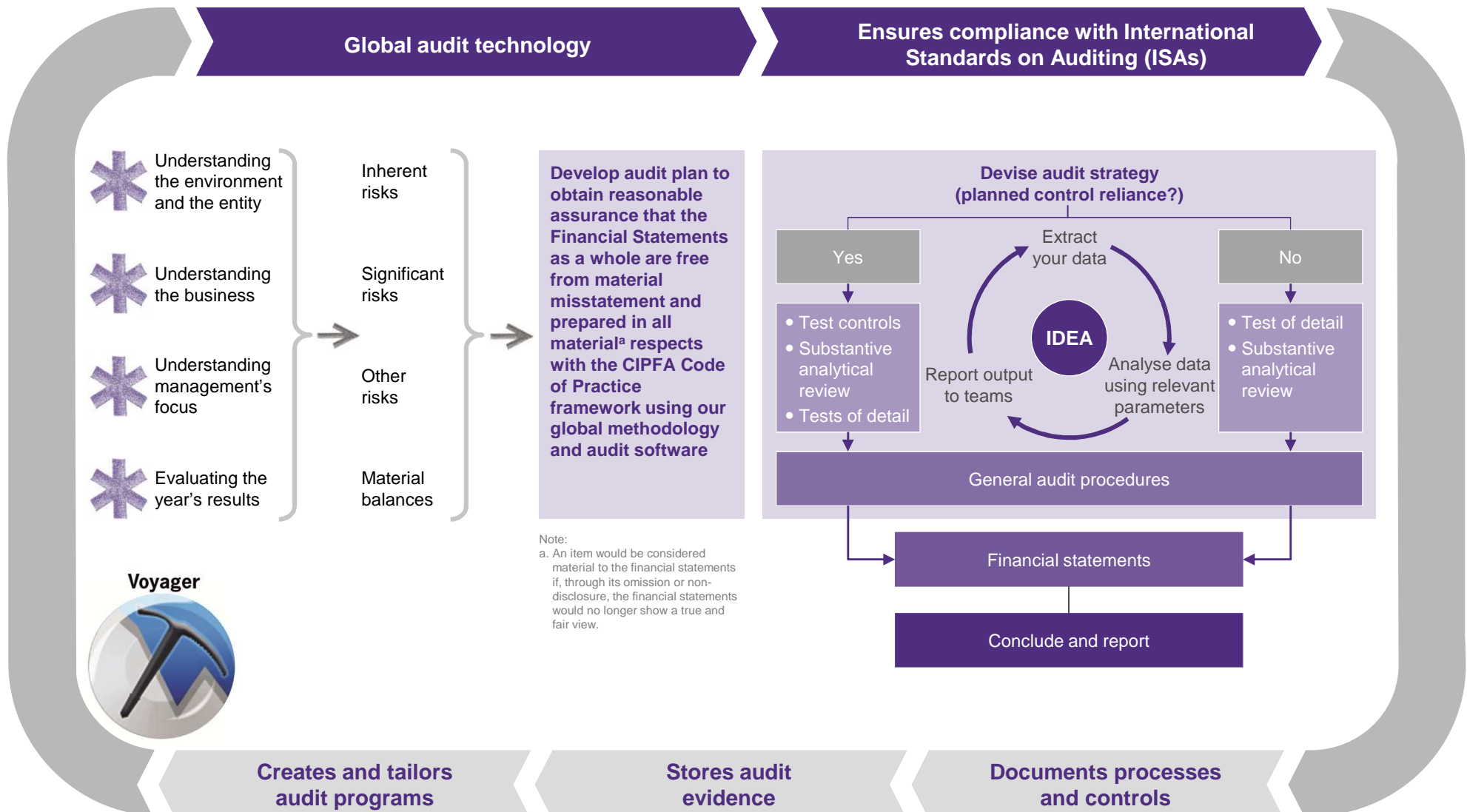


# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements					
<b>1. Financial reporting</b> <ul style="list-style-type: none"> <li>Allocation of income, expenditure, assets and liabilities between the PCC and CC.</li> <li>Group accounting requirements.</li> <li>Changes to the CIPFA Code of Practice.</li> <li>Recognition of grant conditions and income.</li> </ul>	<b>2. Preparation for Stage 2 Transfer</b> <ul style="list-style-type: none"> <li>Government expects Stage 2 transfer to take place by April 2014.</li> <li>Intention is that operational policing will sit with Chief Constable but is subject to local agreement.</li> <li>Proposals will be developed during 2013.</li> </ul>	<b>3. Legislation</b> <ul style="list-style-type: none"> <li>Local Government Finance settlement 2012/13.</li> <li>Police Pension (Amendment) Regulations 2013.</li> <li>Capital finance and accounting regulations.</li> </ul>	<b>4. Corporate governance</b> <ul style="list-style-type: none"> <li>Both the PCC and CC require an Annual Governance Statement (AGS).</li> <li>Explanatory foreword.</li> </ul>	<b>5. Financial Pressures</b> <ul style="list-style-type: none"> <li>Managing service provision with less resource.</li> <li>Progress against savings plans.</li> </ul>	<b>6. Other requirements</b> <ul style="list-style-type: none"> <li>You are required to submit a Whole of Government accounts pack on which we provide an audit opinion.</li> </ul>
<div>       </div>					
Our response					
We will assess whether <ul style="list-style-type: none"> <li>reasonable judgements are used to allocate items between the PCC and CC accounts.</li> <li>consolidation in the PCC group accounts is complete and accurate.</li> <li>your accounts comply with the requirements of the CIPFA Code of Practice through our substantive testing.</li> <li>grant income is recognised in line with the correct accounting standard.</li> </ul>	<ul style="list-style-type: none"> <li>We will discuss your plans for stage 2 with you through our regular meetings with senior management and those charged with governance, providing advice/support where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>We will discuss the impact of the legislative changes with you through our regular meetings with senior management and those charged with governance, providing a view where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>We will review your arrangements for the production of both the PCC and CC Annual Governance Statements.</li> <li>We will review the Annual Governance Statements and the explanatory foreword to consider whether they are consistent with our knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>We will monitor your performance against the 2012/13 budget, including consideration of performance against the savings plan.</li> </ul>	<ul style="list-style-type: none"> <li>We will carry out work on the WGA pack in accordance with requirements.</li> </ul>

# Our audit approach





# An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

**Significant** – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

**Other** – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

**None** – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Relevant to? PCC/CC/Both	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Both	Operating expenses	Medium	Other	Operating expenses understated or not recorded in correct period	✓
Cost of services – employee remuneration	Yes	Both	Employee remuneration	Medium	Other	Employee remuneration expenditure understated	✓
Cost of services – other revenues (fees & charges)	Yes	PCC	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	No	PCC	Property, Plant and Equipment	Low	None		×
Interest payable and similar charges	No	PCC	Borrowings	Low	None		×
Pension Interest cost	Yes	Both	Employee remuneration	Low	None		✓

## An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Relevant to? PCC/CC/Both	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest & investment income	No	PCC	Investments	Low	None		×
Return on Pension assets	Yes	Both	Employee remuneration	Low	None		✓
Dividend income from Joint Venture	No	PCC	Revenue	Low	None		×
Impairment of investments	No	PCC	Investments	Low	None		×
Income from Council tax	Yes	PCC	Grant and Other Contributions revenues	Low	None		✓
NNDR Distribution	Yes	PCC	Grant and Other Contributions revenues	Low	None		✓
Specific police grant, Revenue Support Grant and PFI grant	Yes	PCC	Grant and Other Contributions revenues	Low	None		✓
Other Capital grants & Contributions (including those received in advance)	No	PCC	Property, Plant & Equipment	Low	None		×

## An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Relevant to? PCC/CC/Both	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	PCC	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Both	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	PCC	Revenue/ Operating expenses	Low	None		×
Property, Plant & Equipment	Yes	PCC	Property, Plant & Equipment	Medium	Other	Revaluation measurements not correct	✓
Intangible assets	No	PCC	Intangible assets	Low	None		×
Investments (long & short term)	Yes	PCC	Investments	Low	None		✓
Debtors (long & short term)	Yes	PCC	Revenue	Low	None		✓
Assets held for sale	Yes	PCC	Property, Plant & Equipment	Low	None		✓
Inventories	No	PCC	Inventories	Low	None		×
Cash & cash Equivalents	Yes	PCC	Cash	Low	None		✓

## An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Relevant to? PCC/CC/Both	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	No	PCC	Debt	Low	None		×
Creditors (long & Short term)	Yes	PCC	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	No	PCC	Provision	Low	None		×
Pension liability	Yes	Both	Employee remuneration	Low	None		✓
Reserves	Yes	PCC	Equity	Low	None		✓
Pension contributions receivable	Yes	Both	Pension Scheme Contributions	Medium	Other	Recorded contributions not correct	✓
Pension contributions receivable/benefits payable	Yes	Both	Pension Membership Data	Medium	Other	Actuarial amounts not determined properly	✓
Pension contributions receivable/benefits payable	Yes	Both	Pension Membership Data	Medium	Other	Member data not correct	✓
Pension contributions receivable/benefits payable	Yes	Both	Pension Membership Data	Medium	Other	Regulatory, legal and scheme rules/requirements not met	✓
Pension benefits payable	Yes	Both	Pension Scheme Benefits Payments	Medium	Other	Payments to pensioners incorrectly calculated / Claims liability understated	✓

# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below. A third significant risk is presumed in respect of the accounting for the transition to PCC and CC:

Significant risk	Relevant to? PCC/CC/Both	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Both	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<b>Work completed to date:</b> <ul style="list-style-type: none"><li>• Review of revenue recognition policies</li></ul> <b>Further work planned:</b> <ul style="list-style-type: none"><li>• Review and testing of revenue recognition policies</li><li>• Performance of attribute testing on material revenue streams</li></ul>
Management over-ride of controls	Both	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<b>Work completed to date:</b> <ul style="list-style-type: none"><li>• Review of accounting estimates, judgments and decisions made by management</li></ul> <b>Further work planned:</b> <ul style="list-style-type: none"><li>• Review of accounting estimates, judgments and decisions made by management</li><li>• Testing of journal entries</li><li>• Review of unusual significant transactions</li></ul>
Accounting for the Transition to Police and Crime Commissioners	Both	The financial statements will need to account for the transfer of functions from abolished police authorities and reflect the new governance and accountabilities envisaged by the Act. The unusual circumstances and accounting judgements required increase the risk that material transactions are not accounted for in the most appropriate set of financial statements.	<b>Work completed to date:</b> <ul style="list-style-type: none"><li>• Early discussion of technical accounting issues including the principles of merger accounting and the application of group accounts.</li></ul> <b>Further work planned:</b> <ul style="list-style-type: none"><li>• Testing of the accounting entries</li></ul>

## Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other risks	Relevant to? PCC/CC/Both	Description	Work completed to date	Further work planned
Operating expenses	PCC	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"><li>• Documentation of processes and controls.</li><li>• Evaluation and walkthrough of controls.</li></ul>	<ul style="list-style-type: none"><li>• Selection of a sample of expenditure items and year end creditor balances for substantive testing.</li><li>• Review for unrecorded liabilities.</li><li>• Cut-off testing of the expenditure stream.</li></ul>
Employee remuneration	Both	Employee remuneration expenditure understated	<ul style="list-style-type: none"><li>• Documentation of processes and controls.</li><li>• Evaluation and walkthrough of controls.</li><li>• Testing of key controls and early attribute testing.</li></ul>	<ul style="list-style-type: none"><li>• Complete year end attribute testing to payroll records</li></ul>
Property, Plant & Equipment	PCC	Revaluation measurement not correct	<ul style="list-style-type: none"><li>• No work undertaken as yet as more efficient to complete at final accounts visit.</li></ul>	<ul style="list-style-type: none"><li>• Documentation of processes and controls.</li><li>• Evaluation and walkthrough of controls.</li><li>• Substantive testing of revaluations.</li></ul>
Pension Contributions Receivable	Both	Recorded contributions not correct	<ul style="list-style-type: none"><li>• Documentation of processes and controls.</li></ul>	<ul style="list-style-type: none"><li>• Substantive testing of the accuracy of contributions made to the pension fund.</li><li>• Completion of our walkthrough of controls.</li></ul>

## Other risks (continued)

Other risks	Relevant to? PCC/CC/Both	Description	Work completed to date	Further work planned
Pensions Membership Data	Both	Actuarial amounts not determined properly. Member data not correct. Regulatory, legal and scheme rules/requirements not met	<ul style="list-style-type: none"> <li>Documentation of processes and controls.</li> </ul>	<ul style="list-style-type: none"> <li>Reconciliation of opening to closing membership numbers.</li> <li>Testing of contribution remittances.</li> <li>Review of the pension scheme enrolment of new employees.</li> <li>Review of the outputs of pension scheme actuaries, and resulting accounting entries affecting the pensions liability and pensions reserve.</li> <li>Completion of our walkthrough of controls over the year end actuarial reports.</li> </ul>
Pensions Benefits Payable	Both	Payments to Pensioners incorrectly calculated/ Claims liability understated	<ul style="list-style-type: none"> <li>Documentation of processes and controls.</li> </ul>	<ul style="list-style-type: none"> <li>Sample testing of the accuracy and propriety of new pensions in payment (including lump sum values) and other amendments due to change in circumstances.</li> <li>Completion of our walkthrough of controls.</li> </ul>

---

# Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. For accounting purposes the Chief Constable is considered a subsidiary of the Police and Crime Commissioner. As such the financial information of the CC is consolidated within the PCC group accounts. We will comply with the requirements of ISA 600 in carrying out our audit of the CC financial statements.

The draft financial statements for the Police and Crime Commissioner and Chief Constable will include disclosures in respect of the wider 'group'. Our audit will test that the transactions are properly reflected in the group accounts.



---

# Results of interim audit work

## Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion/ Summary
Internal audit	We have reviewed internal audit's overall arrangements against the CIPFA Code of Practice. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the PCC and CC and that we can take assurance from their work in contributing to an effective internal control environment at both the PCC and CC.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements.	No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding.
Review of information technology (IT) controls	Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. This will include a follow up of the issues raised in the previous year.	This work will be undertaken at the end of June 2013. Any issues arising from the high level review will be brought to the attention of officers and the PCC and CC, if required.

# Value for Money

## Introduction

The Code of Audit Practice requires us to issue conclusions on whether the PCC and CC have put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion. We will issue conclusions for both bodies.

## 2012/13 VfM conclusion

The Audit Commission has determined that the two specified criteria for the VfM conclusion do not apply to Police Bodies Outside London. We are required to focus on the risks relating to the abolition of police authorities and the transition to the offices of the PCC and the CC, rather than giving a conclusion based on specified reporting criteria.

We will undertake a risk assessment against the areas identified in the Audit Commission's guidance and perform local risk based work where appropriate.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on your priority areas and can be used as a source of assurance for you. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to the Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting on a review-by-review basis.

## Guidance

The Audit Commission guidance requires us to focus on transition and consider the following :

- governance arrangements
- local and national threats, service transformation and collaboration
- financial management
- assets and information management
- workforce management

## Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- review the 2011/12 VfM conclusion
- review the 2012/13 Annual Governance Statement
- review the 2012/13 key financial reports and the budget report for 2013/14
- review of reports by other regulators and external bodies
- discuss the VfM arrangements with officers
- review any relevant work or reports of Internal Audit
- do specific work in response to any risks identified during the audit

# Logistics and our team

## The audit cycle



Date	Activity
January to April	Planning meeting
March to June	Interim site work
June	The audit plan presented to Joint Audit and Standards Committee
July	Year end fieldwork commences
Late August	Audit findings clearance meeting
September	Joint Audit and Standards Committee meeting to report our findings
September	Sign financial statements and VfM conclusion
October	Issue Annual Audit Letter

## Our team

<b>Gina Martlew</b> <b>Associate Director</b> T 0141 223 0890 M 07880 456155 E gina.f.martlew@uk.gt.com	<b>Richard McGahon</b> <b>Manager</b> T 0141 223 0889 M 07880 45 6156 E richard.a.mcgahon@uk.gt.com
<b>Richard Robinson</b> <b>Executive</b> T 0141 223 0888 E richard.robinson@uk.gt.com	

---

# Fees and independence

## Fees

	£
Police and Crime Commissioner audit	45,000
Chief Constable audit	20,000
<b>Total Fee</b>	<b>65,000</b>

## Fees for other services

Service	Fees £
None	Nil

## Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit has not changed significantly and proposed accounting treatments / sector guidance do not require significant additional audit work
- The activities of the PCC and CC have not changed significantly
- You will both make available management and accounting staff to help us locate information and to provide explanations

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention other than the matter noted below. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report.

## Respective responsibilities

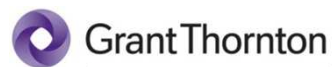
This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Police and Crime Commissioner and Chief Constable's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the PCC and CC's key risks when reaching our conclusions under the Code.

It is the responsibility of the PCC and CC to ensure that proper arrangements are in place for the conduct of their business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and CC are fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management / those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**

# 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

Ongoing Actions	5
New Actions since last report	4
Actions Completed since last report	2
Total Actions this report	7
Total Actions last report	7

### Key to actions:



Completed



Ongoing





timescale exceeded





not yet due

### Key to Grade:


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

Recommendation	Grade/Person Responsible	Agreed / Intended Action	Target Date	
<b>Creditors February 2012</b>				
<p>Staff should be reminded of the Financial Regulations, to ensure that:</p> <ul style="list-style-type: none"> <li>Only authorised staff, as per the budget delegation sheet, authorise orders;</li> <li>Order are completed for all purchases;</li> </ul> <p>There is segregation of duties in the ordering and receiving process</p>	2 Roger Marshall – Head of Financial Services	<p>May 2012 update - The new oracle I-procurement module of the upgraded finance system was implemented on 01/04/12. September Update - new budget protocols were agreed by the Chief Officer Group and have been communicated to budget holders. Revised budget responsibilities and delegations are being formalised. March 13 - A formal list of budget-holders and their agreed delegations, including limits and areas of responsibility has been prepared and communicated to the Central Services Dept (CSD). The budgetary responsibilities have been built into the approval hierarchy in the financial system. It has also been amended to reflect revised Directorate structures. CSD staff have been reminded of the importance of ensuring that requisitions are attached to the correct expenditure category, which will ensure that systems orders are correctly approved and coded. The same budget authorisations are applied to non order expenditure, however it is aimed that as many orders as possible are placed through the system. An exercise to formally communicate the revised Financial Regulations and Rules to relevant staff will be undertaken once they have been agreed by the PCC and Constabulary.</p> <p>June 13 - The release of the budget for 2013-14 was delayed whilst funding arrangements were finalised between the PCC and the Constabulary. Budget delegations are in the process of being collated and will be incorporated into approval hierarchies in the Oracle system as soon as practicable. Financial Regulations and Rules are still in the process of development and will be communicated once this is complete. An update on progress will be provided to the next meeting and a revised target for this work of the end of September is proposed.</p>	June 2013	




<b>Partnerships November 2011</b>				
A value for money exercise should be carried out for all joint-working arrangements. Those arrangements that do not demonstrate added value to the constabulary should be ceased.	2 Strategic Development	<p>The work is completed for all but 2 of the major partnerships. The 2 outstanding partnership assessments are work in progress. Update March 2013 - the outstanding assessments are scheduled to be completed by end March 2013.</p> <p>June 2013 - One VFM exercise is still to be completed as future responsibilities in relation to this partnership are currently being assessed.</p>	March 2013	
<b>VFM and Efficiency Savings November 2011</b>				
The approach to delivering VFM should be reflected in an updated strategy document and this should be linked to the detail held within the VFM statement	2 Head of Corporate Improvement – Head of Financial Services	<p>The present strategy runs until 2012 and will be refreshed for the forthcoming financial year. A large element of the strategy is the Change Programme work which is regularly reported to the Authority. VFM work is continuing in the form of delivering the Change Programme.</p> <p>March 13 – A revised VFM strategy which will incorporate the objectives within the Policing Plan, the Constabulary's Change Programme, the workforce plan, Police Objective Analysis and HMIC VFM profiles is being developed. This will be presented to the Constabulary's Chief Officer Group by the end of the current financial year. This will subsequently be communicated to the Police and Crime Commissioner.</p> <p>June 2013 – A revised VFM strategy has been produced and agreed by the DCC Senior Management Team in March. Subsequent communication to the Commissioner is still to take place.</p>	March 2013	

**04 December 2009: Action Plan in relation to recommendations made in PURE relating to 2008-09****Workforce Planning**


<p>R6 Adopt a more comprehensive workforce strategy to provide a longer term framework for workforce planning / development. The strategy should set out key objectives, challenges and principles, directly linked to strategic priorities and how these will be met.</p>	<p>2 Financial Services Manager</p>	<p>A workforce plan has been developed and agreed for the constabulary establishment.</p> <p>Update August 2012 – Update from Change Programme - work has been undertaken between HR and Finance to reconcile the establishment, which can they be used as a base line.</p> <p>Retirements and staff allocation have been mapped to the rank of Sgt for a reasonable period of time (it is unrealistic to map it out for more than a couple of years as people could be subject to change). The work force plan is heavily interdependent on the General Policing Review, and CID stage 1 reviews, and as these reviews are still in the research and options development stage final work around the workforce cannot be undertaken. Holding measures have been put in place in relation to promotions, with HR and finance working closely with the Senior Management Teams, to ensure the workforce plan can be delivered.</p> <p>March 13 – The workforce plan is now substantially in place covering all ranks of police officer and police staff. This document has been utilised as a basis for developing staffing options for inclusion in the 2013-14 budget and MTFF. Monthly meetings now take place between finance and HR to monitor actual and forecast staffing numbers against establishment. The results are communicated to the DCC and subsequently to the Chief Officer Group as a basis for decision making in relation to staffing. It is recognised that there are still minor anomalies in relation to the extraction of accurate staffing figures from the HR system which are actively being worked on and that the plan will inevitably need to be dynamic in the current environment of significant structural change.</p> <p>June -13 The workforce plan continues to be developed and has been actively</p>	<p>30 June 2013</p>	
--	---	--	-------------------------	---

		used to develop a recruitment strategy for officers in 2013-14. Further work is on-going to ensure that information is fully robust and that it is integrated with the Origin HR system.		
--	--	--	--	--


### Main Financial Systems

Manual adjustment journals should be initiated and input to Oracle by different staff	2 Financial Services Manager	<p>We will review this issue and agree a practical way forward with internal audit. This is not perceived as a high risk and any anomalies should be brought to light as part of the budget monitoring process.</p> <p>August 2012 Update – A list of journals will be produced and signed on a monthly basis. At this stage we are awaiting the go-live of the Qlikview reporting tool in order to extract the journal information in order to complete this check.</p> <p>March 13 – Significant non payroll journals (proposed as over £50k) will be extracted and signed off by a senior member of the finance team. This will operate from the start of the 2013-14 financial year.</p> <p>June 13 – A combination of resources and other priorities have not permitted the automatic system based process to sign off significant journals to be put in place at the start of the financial year. In the interim significant journals are being signed off retrospectively. Setting up the automatic process is scheduled for July.</p>	30 April 2013	
---	---------------------------------	---	---------------	---



### Payroll March 2013 (Internal)

Appropriate arrangements should be put in place to ensure tasks (reconciliations) are undertaken timely during staff absence and peak pressures.	2 Financial Services Manager	<p>The demands on the financial services team at the start of the 2012/13 financial year were extraordinary, following the upgrade of the financial system, which required workload to be prioritized based on an analysis of risk. On an on-going basis it is intended that payroll control account reconciliations will be undertaken on a timely basis.</p> <p>June 2013 – reconciliations have taken place on a timely basis since October 2012.</p>	Oct 2012	
--	---------------------------------	--	----------	---

**Creditor Payments and Petty Cash March 2013 (Internal)**

Appropriate arrangements should be put in place to ensure tasks (reconciliations) are undertaken timely during staff absence and peak pressures.	2 Financial Services Manager	The demands on the financial services team at the start of the 2012/13 financial year were extraordinary, following the upgrade of the financial system, which required workload to be prioritized based on an analysis of risk. On an on-going basis it is intended that payroll control account reconciliations will be undertaken on a timely basis. June 2013 – reconciliations have taken place on a timely basis since October 2012.	Oct 2012	
--	---------------------------------	--	----------	---

**Data Quality – Crime and Incident Recording December 2012 (Internal)**

Ongoing monitoring is required to assess the effectiveness of quality assurance arrangements and make reasonable adjustments to secure an acceptable level of data quality.	1 Force Crime Registrar	Following publication of this report and an internal audit report (Nov 12) a further retrospective audit of data will be instigated by the Force Crime Registrar in Feb/Mar 2013 to measure data quality compliance. This audit together with findings to date will inform and assist the on-going implementation of activities within the Constabulary Improvement Plan for this area of the business.	Feb / Mar 2013	
Data quality risks should be managed according to the Constabulary's risk appetite.	1 Force Crime Registrar	The results of the above action will inform how data quality is managed by the Constabulary in the future. This may result in maintaining current audit levels or a return to 'real time' audit in an effort to manage data quality more effectively.	Feb / Mar 2013	
		<p>June 13 - In relation to the 2 Data Quality audit recommendations above the following actions have been taken :-</p> <ul style="list-style-type: none"> <li>• A Crime Management Governance Board has been set up to oversee the approach to improving crime management processes.</li> <li>• A Crime Desk Review and Implementation team has been established.</li> <li>• The Crime Management Unit has been re-located into the Communications Centre to improve connectivity.</li> <li>• Live time audits have been re-</li> </ul>		

		<p>introduced for priority crimes.</p> <ul style="list-style-type: none"><li>• Introduction of a Performance Framework.</li><li>• Regular updates to raise staff awareness.</li></ul>		
--	--	---	--	--

<b>JOINT POLICE &amp; CRIME COMMISSIONER AND CUMBRIA CONSTABULARY</b>  <b>AUDIT &amp; STANDARDS COMMITTEE</b>	<b>Paper No.</b>  <b>**</b>
<b>Meeting Date: 24 June 2013</b>	
<b>From: HEAD OF INTERNAL AUDIT</b>	

## **INTERNAL AUDIT ANNUAL REPORT 2012/13**

### ***1.0 EXECUTIVE SUMMARY***

- 1.1 This report sets out the Head of Internal Audit's annual opinion on the effectiveness of the internal control environment for the Cumbria Office of the Police and Crime Commissioner and Cumbria Constabulary. It also summarises the work of Internal Audit for 2012/13.
- 1.2 The introduction of the Police Reform and Social Responsibility Act 2011 led to the abolition of the Cumbria Police Authority and the creation of the Cumbria Office of the Police and Crime Commissioner in November 2012. Under the Act, both the Cumbria Office of the Police and Crime Commissioner and the Constabulary has audited body status and, therefore, a statutory responsibility to maintain an effective system of internal control.
- 1.3 Internal Audit is required to give an opinion for both the Cumbria Office of the Police and Crime Commissioner and the Constabulary. This is based on the work carried out during the year.

### ***2.0 INTERNAL AUDIT OPINION***

- 2.1 **In our opinion the internal controls have operated satisfactorily during 2012/13. This opinion is based on the areas reviewed and the specific controls tested, on a sample basis as per the approved audit plan.**
- 2.2 A number of new systems and processes were introduced at the beginning of the 2012/13 financial year. Although controls were assessed as satisfactory there have been a reduced number of internal audit reports being assessed as 'good'. This may be due to a number of factors including the introduction of new systems and increased staff responsibilities arising from the management of change programme.

### 3.0 INTERNAL AUDIT ACTIVITY

- 3.1 Internal audit work carried out for the Cumbria Office of the Police and Crime Commissioner and Cumbria Constabulary in 2012/13 is detailed below:

2012/13 PLAN DAYS	ACCREDITED DAYS	% PLAN ACHIEVED
156	129	83

- 3.2 There are four pieces of work that were not completed from the agreed annual audit plan for 2012/13. These audits are carried forward to the 2013/14 plan:

1. **Data quality of selected measures in the in the Policing Plan (20 days).** This work was deferred at the request of the OPCC Chief Finance Officer as recommendations made in a previous Internal Audit report will impact on further work. Two audits will be carried out looking at public / customer satisfaction and prolific & other priority offenders.
2. **Allowances and Special Payments (Winsor review) (3 days).** Not all recommendations were implemented during 2012/13.
3. **Basic Command Units (4 days).** Internal Audit was unable to carry out this work due to availability of Constabulary staff.

### 4.0 RECOMMENDATION

- 4.1 The Audit and Standards Committee is recommended to note this report.

### 5.0 SUMMARY OF WORK COMPLETED

- 5.1 The following table summarises the total number of audit evaluations made during 2012/13.

	Total	%
Good	8	57
Satisfactory	5	36
Fair	1	7
Weak	0	0
<b>Total</b>	<b>14</b>	<b>100</b>

- 5.2 The summary below gives a brief outline of the audit assignments undertaken in 2011/12.

Note: grey text has been previously reported

Assignments	Main Points	Assessment	Current Status
Annual report 11/12	Agreed at Governance Committee 15 May 2012.	N/A	Complete
Annual plan 12/13			

Assignments	Main Points	Assessment	Current Status
Annual Governance Statement 11/12	Agreed at Governance Committee 29 June 12.	N/A	Complete
Treasury Management	Controls over treasury management are well established and continue to operate well. Generally, there is compliance with the approved treasury management strategy and activity is reported to the Police Authority on a regular and timely basis.	Good	To Governance Committee 11 September 2012
Data Quality – Sanction Detections	Data Quality assurance systems have been streamlined with some reduction in resources and changes to roles. All officers have a responsibility for data quality and this is communicated and reinforced through training and supervision. Guidance material relating to data quality is widely available at an operational level to aid officers and ensure that crime data is recorded accurately, consistently, completely and in accordance with Home Office requirements.	Good	To Governance Committee 16 October 2012
Payroll	Payroll processes are well established and no major areas of concern were identified as a result of testing. However, there is a need to ensure that appropriate arrangements are in place to cover tasks during staff absence and peak pressures.	Good	To Audit and Standards Committee 21/03/13
Pensions	Police Pension processes are well established and no major areas of concern were identified as a result of testing. There are good working relationships with Capita and there is appropriate monitoring of performance.	Good	



Assignments	Main Points	Assessment	Current Status
Capital Programme / Asset Register	Preparation and approval of the capital programme and link to the capital strategy is good. Reporting on individual projects and programme is in place. Asset registers are maintained and tie back to the ledger.	Satisfactory	
Creditors & Petty Cash	<p><b>Creditors:</b> A new electronic procurement system was introduced in April 2012. Items processed through the system were appropriately authorised. Reconciliations between the accounts payable ledger and control account balance in the general ledger were not undertaken on a timely basis due to staff absence and peak pressures in the financial services department.</p> <p><b>Petty cash:</b> reimbursements and reconciliations are undertaken regularly and expenditure appeared reasonable.</p>	<p>Satisfactory</p> <p>Good</p>	
Data Quality – Crime Recording	<p>Data quality assurance systems have been streamlined this year with some reduction in resources and changes to roles.</p> <p>The audit showed that data quality standards had declined in the first six months of 2012/13.</p> <p>The Force Crime Registrar's audit of crime and incident data undertaken in June 2012 identified data quality issues. The Constabulary has put an improvement plan in place to address the need for improvement in data quality management.</p>	Fair	To Audit and Standards Committee 21/03/13

Assignments	Main Points	Assessment	Current Status
Budget Management and Main Accounting System	<p><b>Budget Management</b> Budget setting and monitoring arrangements continue to be well controlled. Clear allocation of budgets exists but delegation from the top level was inconsistent.</p> <p><b>Main Accounting System</b> The Oracle accounting system has been upgraded and remains robust</p>	<p>Satisfactory</p> <p>Good</p>	To Audit and Standards Committee 24/06/13
Debtors & Income	<p><b>Debtors</b> The new Oracle AR module was implemented at the start of 2012/13. Debtor accounts were accurate and agreed to supporting documentation. There is a need to ensure reconciliations and debt follow ups are carried out on a timely basis during peak times and staff absence.</p> <p><b>Income</b> Significant income sources were verified to supporting documentation. Controls are in place to ensure that income is received fully and on a timely basis. Testing identified one instance where a large amount of seized cash had not been receipted and a large cheque had not been banked on a timely basis.</p>	<p>Satisfactory</p> <p>Good</p>	
Oracle Financial Security	There are some sound policies and procedures in place including elements of good practice. However, there are some areas where improvements can be made to increase the security of the system.	Satisfactory	
Allowances and Special Payments (Winsor Review)	Testing confirmed that the recommendations of the Winsor review have been correctly implemented.	Good	

Assignments	Main Points	Assessment	Current Status
Annual Plan 2013/14	Preparation of the 2013/14 annual plan was carried out in March 2013 to reflect the new Audit and Standards Committee timetable	N/A	To Audit and Standards Committee 21/03/13

## 6.0 **GRADE 1 RECOMMENDATIONS – PROGRESS ON OUTSTANDING AGREED ACTIONS**

- 6.1 Two grade 1 recommendations were made in the review of crime and incident recording data quality. These will be followed up by Internal Audit during 2013/14.

## 7.0 **PERFORMANCE MEASURES**

- 7.1 As part of the review of internal audit effectiveness and to comply with best practice in the CIPFA Code of Practice, Internal Audit reports annually on its performance measures. The measures are as follows:

- **Percentage of plan completed (stated in each progress report)** – 83% achieved. The work not completed is detailed in paragraph 3.2 of this report.
- **Percentage of audit reports issued on a timely basis** – all audit reports were issued to relevant Police contracts within 10 working days of completing fieldwork.

Emma Toyne  
Audit Manager  
June 2013



*Serving the People of Cumbria*

# **SHARED INTERNAL AUDIT SERVICE**

## **INTERNAL AUDIT REPORT**

**FOR:  
THE CUMBRIA OFFICE OF THE POLICE AND CRIME  
COMMISSIONER**

**ON:  
BUDGET MANAGEMENT  
&  
MAIN ACCOUNTING SYSTEM**

**Draft Report Issued: April 2013**  
**Final Report Issued: May 2013**

## 1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review of the controls in place for Budget management and the Main accounting system in March 2013 as part of the 2012/13 internal audit plan.
- 1.2 Information during this review was provided by staff in the Financial Services department.

## 2.0 SCOPE

- 2.1 The following table indicates the associated risks for the areas reviewed:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Budget Management	<ul style="list-style-type: none"> <li>Decision making affected by inaccurate information</li> <li>Budget responsibility not clearly defined</li> <li>Untimely financial reporting</li> </ul>
Main Accounting System	<ul style="list-style-type: none"> <li>Financial information is inaccurate / incomplete.</li> <li>Unauthorised access / input to accounting system.</li> <li>No reconciliation to bank information.</li> </ul>

## 3.0 SUMMARY

### 3.1 EVALUATION

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

- 3.1.2 Evaluations of controls following testing carried out during this review:

CONTROL AREA	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Budget Management	Satisfactory	-	1	2	5.0
Main Accounting System	Good	-	1	-	6.0

## 3.2 CONCLUSION

### Budget Management

- 3.2.1 Budget setting and monitoring arrangements are well controlled as in previous years. All budgets are clearly allocated, though delegation from this top level was inconsistent.
- 3.2.2 Not all virements were authorised as per the virement protocol.
- 3.2.3 Regular reporting of the budget position together with explanation of variances at an appropriate level remains in place.

### Main Accounting System

- 3.2.4 The Oracle Accounting System has been upgraded since the previous review but remains robust. Good controls are in place to minimise the chance of erroneous mispostings. Information recorded on the system can be agreed to supporting documentation and controls are in place to ensure that all journals balance prior to input.
- 3.2.5 Adequate controls are in place to protect accounting information from unauthorised access and ensure data integrity.
- 3.2.6 Bank reconciliations are now being performed on a regular and timely basis, after a lapse at the start of the year, and the reconciliations are independently reviewed.

## 3.3 RECOMMENDATIONS

- 3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:
- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed
  - Grade 2: Recommendation to be addressed in order to establish a satisfactory level of internal control
  - Grade 3: Minor recommendation made to improve the system under review
- 3.3.2 Four recommendations have been made as a result of testing carried out, and are included in Appendix A – Summary of Recommendations and Action Plan.

## 4.0 FOLLOW-UP

- 4.1 No recommendations were made in the previous reviews of either system.

## 5.0 BUDGET MANAGEMENT

- 5.1.1 There have been some significant changes to the budget setting and reporting process during 2012/13. These include the change to the Chart of Accounts, changes to devolved resource management – with the centralisation of many of the previously delegated budgets, and running one report centrally (for the management accounts) and sending this to Financial Services Officers for them to complete their outturn figures.

- 5.1.2 Roles and responsibilities for budget holders are set out in the 2012/13 budget book issued by the Director of Finance & Resources in April 2012. This year most budget responsibility has been centralised.
- 5.1.3 All budgets are allocated to a named budget holder who signs a statement of budget holders' responsibilities to certify that they accept responsibility for the budget and will comply with the terms and conditions set out in the budget protocols and the Rules and Financial Regulations. All budget holders at the top level had signed the responsibilities form, though not all had dated it. However, evidence of delegation of budgets downwards varied with some delegation forms not having specimen signatures, budget holders signatures or dates when last amended. Also there was only evidence of delegation from the top budget holder to one department of Corporate Support, yet some of the other departments had other people signing a responsibilities statement and delegating further. Budgets are allocated in line with areas of devolved responsibility and the coding structure of the accounts also reflects this.
- 5.1.4 As in previous years, very detailed consideration is given to the annual budget setting process and the longer term financial strategy, as set out in the Medium Term Financial Forecast (MTFF), which was updated in October 2012. Detailed reports are considered in advance of the budget year. The Policing Plan and the annual budget were both formally approved by the Police Authority in February 2012 with the 2013/14 budget and precept approved by the Police and Crime Commissioner in February 2013 following review by the Police and Crime Panel in December 2012 and January 2013.
- 5.1.5 The protocol for virements between budgets is published in the annual budget book. A sample of virements was checked and it was found that two were not appropriately authorised as per the protocol. Subsequently, appropriate authorisation was obtained for these virements but they should only be processed once correctly authorised.
- 5.1.6 Management accounts are compiled on a monthly basis and there is an established timetable for this. The production of these reports has changed during 2012/13 and now the Financial Services Officer – Corporate runs a report in Oracle and downloads this data into a spreadsheet. This data is sent out to Financial Services Officers who are required to complete three columns for budget adjustments, forecasted actual and comments. The Oracle data and the returns are then consolidated into a Constabulary level report by the Financial Services Officer – Corporate. Management Accounts are reviewed by the Financial Services Manager before they are discussed with the Head of Financial Services prior to being presented to COG / PCC.
- 5.1.7 Management accounts for January 2013 were reviewed and checked back to supporting information in Oracle. There were some minor differences on individual budget line YTD actual figures but the overall total agreed (negligible 47p difference).
- 5.1.8 There was a negligible £1 difference between the base budgets as per the January Management accounts and the Oracle report with line variances of £2499 and - £2499 being explained.

- 5.1.9 A variance of £9648 was identified between the forecasted actual figures on the earmarked funds return and the management accounts. We were informed that this was due to some earmarked funds being missing from the original returns provided and being entered subsequently.
- 5.1.10 Several variances were identified between the Oracle report and the January management accounts against the revised budget figures. These were due to the management accounts reporting the most up to date figure by incorporating the budget adjustment figures provided by the Financial Services Officers in their monthly returns that were not entered in Oracle before the month end. Variances were agreed to the returns from the Financial Services Officers or were stated to have been made at a higher level after the returns were submitted. However, it was identified that budget adjustments from two return spreadsheets had not been incorporated into the January management accounts which resulted in the forecasted variances for these lines being misstated, although the forecasted actuals were unaffected.
- 5.1.11 The Head of Financial Services reports formally to the Chief Officer Group on a monthly basis and to the Police and Crime Commissioner on a quarterly basis. The latest report to the Chief Officer Group, at the time of the review, was presented in March 2013, based on actual costs to the end of January 2013. A detailed analysis is provided of the reasons for any material variances from budget. The PCC received a detailed report in February 2013 on the budget as at the end of December 2012.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R1	Budget responsibilities and delegation should be fully and consistently documented (Grade 3).	<ul style="list-style-type: none"> <li>No evidence of acceptance of responsibilities, further delegation downward.</li> </ul>
R2	Virements should only be processed following appropriate approval (Grade 2).	<ul style="list-style-type: none"> <li>Unauthorised transactions processed.</li> </ul>
R3	Care should be taken to ensure all figures provided by the Financial Services Officers in the monthly returns are incorporated into the management accounts (Grade 3).	<ul style="list-style-type: none"> <li>Inaccurate budget figures reported.</li> </ul>

## 6.0 MAIN ACCOUNTING SYSTEM

- 6.1.1 The main accounting system, Oracle, was upgraded at the start of the 2012/13 financial year. Input to Oracle is via payroll upload, journals and automatic transfer. A sample month was selected to ensure that the input to Oracle is accurate and supported by authorised documentation. A sample of journals was traced to supporting documentation and details agreed. With the upgrade to Oracle, access to input journals was given to the Financial Services Officers so they no longer have to request journals to be entered. System controls are in place to ensure that all input balances to zero and that any invalid code combinations are not accepted.
- 6.1.2 A financial codebook is maintained electronically and is available to all relevant members of staff. New codes are controlled and a sample of codes created or amended during 2012/13 was traced to approved request forms.



- 6.1.3 Access to Oracle is controlled by Financial Services Department which authorises all change requests before they are implemented by the IT Department. Training and user manuals are provided to users to aid proficiency before Oracle access is granted. A monthly review of access rights is carried out to ensure no-one has access that they are not supposed to.
- 6.1.4 There are no suspense accounts as such within the main accounting system (i.e. no accounts specifically set up to hold miscoded items) as the use of invalid codes is rejected by the system. These have to be corrected and re-input.
- 6.1.5 A reconciliation of the main bank account is now performed each month on a timely basis and is independently reviewed. However, due to staff time pressures the first reconciliation did not take place until August 2012 with reviews commencing in October 2012. Supporting documentation is retained.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R4	Appropriate arrangements should be put in place to ensure that bank account reconciliations are undertaken on a timely basis during staff absence and peak pressures (Grade 2).	<ul style="list-style-type: none"> <li>Issues not identified in a timely manner.</li> </ul>

**CUMBRIA CONSTABULARY  
BUDGET MANAGEMENT & MAIN ACCOUNTING SYSTEM**

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

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	Budget responsibilities and delegation should be fully and consistently documented.	3	Financial Services Manager	Work will take place to ensure that formal delegations are complete and fit for purpose. A further check will be made to ensure these are also reflected in the approvals hierarchy. A new post has been added to the team to assist with this work from June 2013.	JUNE/JULY 2013
R2	Virements should only be processed following appropriate approval.	2	Financial Services Manager	Procedure to be introduced to ensure all budget adjustments and virements are authorised by the Principal FSO's or Financial Services Manager. A list will also be maintained to record all virements and associated approvals.	MAY 2013
R3	Care should be taken to ensure all figures provided by the Financial Services Officers in the monthly returns are incorporated into the management accounts.	3	Principal Financial Services Officer	A procedure will be established to ensure that any changes to management accounts submissions are made by the relevant FSO and resubmitted to the principal FSO for consolidation.	MAY 2013

**CUMBRIA CONSTABULARY  
BUDGET MANAGEMENT & MAIN ACCOUNTING SYSTEM**

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

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R4	Appropriate arrangements should be put in place to ensure that bank account reconciliations are undertaken on a timely basis during staff absence and peak pressures.	2	Financial Services Manager	The demands on the financial services team at the start of the 2012-13 financial year were extraordinary, following the upgrade of the financial system, which required workload to be prioritised based on an analysis of risk. On an on-going basis it is intended that the bank reconciliation will be undertaken on a timely basis.	OCTOBER 2012

<b>ACTION PLAN AGREED BY:</b>	Michelle Bellis – Financial Services Manager	<b>DATE:</b>	10/05/2013
<b>ACTION PLAN APPROVED BY THE HEAD OF FINANCIAL SERVICES:</b>	Roger Marshall	<b>DATE:</b>	10/05/2013



# **SHARED INTERNAL AUDIT SERVICE**

## **INTERNAL AUDIT REPORT**

**FOR:  
THE CUMBRIA OFFICE OF THE POLICE AND CRIME  
COMMISSIONER**

**ON:  
DEBTORS & INCOME**

**Draft Report Issued: March 2013  
Final Report Issued: May 2013**

## 1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review of the controls in place for debtors and income systems in February 2013 as part of the 2012/13 internal audit plan.
- 1.2 Information during this review was provided by staff in the Financial Services and Central Services departments.

## 2.0 SCOPE

- 2.1 The following table indicates the associated risks for the areas reviewed:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Debtors/income	<ul style="list-style-type: none"> <li>Income due not received</li> <li>Costs not billed where appropriate</li> <li>Write off of debt not controlled</li> <li>Inaccurate accounting</li> <li>Income not banked promptly</li> </ul>

## 3.0 SUMMARY

### 3.1 EVALUATION

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

- 3.1.2 Evaluations of controls following testing carried out during this review:

CONTROL AREA	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Debtors	Satisfactory	-	3	-	5.0
Income	Good	-	1	1	6.0

### 3.2 CONCLUSION

#### Debtors

- 3.2.1 Debtor accounts are now processed via the new Oracle AR module which was implemented at the start of the current financial year. They were accurate and agreed to supporting documentation, where appropriate, though not all this documentation was held within the system. Debtor income is now entered directly into the AR module and matched to invoices. Staff who raise invoices do not have access to receipt income.
- 3.2.2 There are reconciliations in place between the Accounts Receivable ledger and the control account balance in the General Ledger, which are undertaken by staff within the Financial Services department. These reconciliations are now undertaken monthly.

However, the first reconciliation did not take place until September 2012 due to staff time pressures and the absence of the Qlikview financial reporting tool, which only went live in September 2012.

3.2.3 Debtor recovery procedures are included in the Constabulary's existing Financial Rules. The Business Services Team Leader stated that he had reviewed a debt analysis report every month from October, but not prior to this. Procedures have recently been put in place to send this report to the Financial Services Manager for review on a monthly basis. It was noted that some debt recovery work had been undertaken since September 2012 but it was much reduced prior to January 2013 due to sickness, part time working and other work priorities.

### Income

3.2.4 Significant income sources were verified to supporting documentation. Controls are in place to check that income is received fully and on time. An analytical review of income was completed and year-on-year variances appeared reasonable (accounting for coding changes over the years) and were explained.

3.2.5 The majority of income is received via direct credit to the bank, but where it is received manually, controls are in place to ensure that it is duly receipted, banked and correctly coded, in particular the split between miscellaneous income and income relating to debtors. However, testing identified a large amount of seized cash which had not been receipted and that a large cheque had not been banked promptly. The usual frequency of banking is such that delays are minimal.

## 3.3 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

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

3.3.2 Five recommendations have been made as a result of testing carried out, and are included in Appendix A – Summary of Recommendations and Action Plan.

## 4.0 FOLLOW-UP

4.1 Two recommendations were made during the previous review of Debtors and Income in February 2012.

4.2 Actions taken to address these were followed up below:

RECOMMENDATION & GRADE	POTENTIAL RISK IF NOT ACTIONED	AGREED ACTION (IMPLEMENTATION DATE)	ACTION TAKEN / COMMENTS
Only appropriately authorised requisitions should be accepted.	2 Incorrectly approved credit notes raised	Additional checks will be put in place to ensure all requisitions are properly authorised. From April 2012, this will be by way of system controls in the new Oracle Accounts Receivable module (March 2012).	System controls determine who can raise credit notes. It was stated that anyone can request a credit to correct an error but a credit for another reason should be approved by the Financial Services Manager.
Debt should be regularly followed up and it should be ensured that there is cover for the role in the case of staff absence.	2 Debts become unrecoverable	Current procedures will be re-iterated. From April 2012 this task will be handled by the Central Services Department and will be included within the SLA between the two departments. In future it is hoped that the system will be developed to automate the process to a larger degree (March 2012).	Little debt follow up occurred prior to January 2013 due to a combination of staff absence and other work priorities.

## 5.0 DEBTOR RESULTS

- 5.1.1 A new Accounts receivable (AR) module was implemented at the start of the financial year and all new invoices raised were via this module. The previous SAGE system was run in conjunction with this for two months to clear outstanding debt so that less had to be transferred to the new system. It was checked that balances had been correctly transferred from the old to the new system.
- 5.1.2 Staff were provided with training from Financial Services staff and were provided with procedures regarding receipting debtor income into AR at this training. Procedures have recently been written on customer creation and raising an invoice and although these have not been distributed to staff, relevant staff received one-to-one training on these areas.

- 5.1.3 Under the new system individuals' tasks are restricted by their system access levels and it was confirmed there is an appropriate segregation of duties between those who can raise invoices and those able to receipt the income relating to them.
- 5.1.4 High level information on debtors and income is included in the draft updated Financial Regulations and in more detail in the existing Financial Rules, which are to be updated once the Regulations are finalised.
- 5.1.5 Anyone can request a sales invoice to be raised but only ten staff currently have access to be able to raise them in the AR module. These staff are responsible for sending them out after production. Supporting documentation should be attached to the document in the AR system where applicable.
- 5.1.6 A sample of invoices and credit notes issued in 2012/13 was obtained. 25% of the invoice sample had no supporting documentation / note attached in the AR module. It was stated that supporting documentation should be attached by those raising the invoice when it had been requested by someone else. Supporting documentation was subsequently provided for 60% of these from the person who raised them. We were informed that no supporting documentation would be expected for the remaining invoices as they were entered directly by staff able to raise invoices (and did not come via a request from someone else) and had no backup information to be sent with the invoice. When entering an invoice the raiser should also enter the name of the person requesting the invoice as well as their name. It was noted that this had not been done for the entire sample.
- 5.1.7 We were informed that credit notes raised to correct an error can be requested by anyone but that credit notes raised to change something for a different reason should be approved by the Financial Services Manager prior to entry. 33% of the sample tested had no supporting documentation / note attached in the system. Supporting documentation was provided by the raiser for half of these and the reason was stated for the remaining one.
- 5.1.8 It was stated that the Financial Services Manager would speak to staff about attaching supporting documentation and ensuring that the reason for credit notes was clear.
- 5.1.9 No monitoring of the timeliness of raising invoices is undertaken and we were informed that it is the responsibility of those able to raise invoices to do so on a timely basis. From the sample tested, it was not always possible to determine when the request had been received but where it was the majority were raised within five days of receipt, as per the existing Financial Rules, with the longest being within 9 working days of receipt.
- 5.1.10 The Accounts Receivable ledger balance is reconciled to the control account balance in the general ledger. Reconciliations were undertaken in September 2012, by the Financial Services Manager, covering the first five months of the financial year. They were not independently reviewed. As of September these have been undertaken each month and reviewed by a senior employee. Reconciliations should be undertaken and reviewed on a timely basis, even during staff absence and times of work pressure, so that any issues can be identified and resolved promptly.



- 5.1.11 From the information provided it was noted that invoice numbers coded to B2402 (the Oracle Debtors control account for items arising in year) did not run consecutively. This was queried and some 'missing' invoice numbers were found to be where an invoice had started to be raised (so an invoice number was allocated to it) but not completed. These were therefore correctly not posted to the control account. Another reason invoice numbers were not coded to the control account is that this code, which is automatically populated when an invoice is raised, had been overwritten by the person raising the invoice. It was identified that if this occurred and the invoice in question was not included as outstanding at the month end that this would not be identified during the debtors reconciliation and corrected. It was stated that the monthly reconciliation process has now been amended and a report is run to ensure that invoice numbers run consecutively and that where they do not these are investigated to ensure all items are correctly coded to the control account.
- 5.1.12 A monthly debt analysis report, showing debt over 3 months old or over £4,000, is prepared and reported to the Business Services Team Leader in the Central Services Department. From March 2013 procedures have been put in place to also provide this report to the Financial Services Manager. It was confirmed that these reports have only been provided and reviewed since October 2012 and they were not prepared between May and July. This was due to the absence of the Qlikview financial reporting tool which only went live in September 2012.
- 5.1.13 The latest outstanding debt analysis report prepared related to January 2013. It was noted that a large number of debts (the majority of these over 3 months old) showed no debt recovery action taken against them, as evidenced by the gap in dates on the notes section of the report. Furthermore, prior to January 2013 (when a staff member returned from absence) very little debt follow up is shown with action only recorded in September and October 2012 against 4 debtors. This was discussed with the Business Services Administration Officer who confirmed that very little debt follow up had been undertaken prior to January 2013 due to a combination of sickness, part time working, implementation of new systems and other work taking priority.
- 5.1.14 As at the end of January total debt outstanding was £427k relating to 115 invoices. £27,556 of the outstanding debt was over 3 months old and related to 47 invoices. It was noted that there were a couple of minor errors in the report, but these did not relate to debts over 3 months old.
- 5.1.15 It was stated that other staff in the Central Services department are to be trained on debt follow up but in the meantime it should be ensured that regular follow up of outstanding debt takes place and that there is cover for this role in case of staff absence.
- 5.1.16 The 2011/12 bad debt provision remained the same as the previous years, which was approved by the Treasurer in April 2011. No debt has been written off, as yet, during the current financial year.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R1	Supporting documentation should be attached to the AR system wherever possible (Grade 2).	<ul style="list-style-type: none"> <li>No information in case of a query.</li> </ul>

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R2	Appropriate arrangements should be put in place to ensure that control account reconciliations are undertaken on a timely basis during staff absence and peak pressures (Grade 2).	<ul style="list-style-type: none"> <li>Issues not identified in a timely manner.</li> </ul>
R3	Appropriate arrangements should be put in place to ensure that debt is followed up on a timely basis during staff absence and peak pressures (Grade 2).	<ul style="list-style-type: none"> <li>Debts become unrecoverable.</li> </ul>

## 6.0 INCOME RESULTS

- 6.1.1 A new coding structure was introduced with the upgrade to the financial system, at the start of the current financial year. Income is coded to a specific set of codes in Oracle under different categories – revenue, pensions and capital. A listing of total income posted in 2012/13 to date (totalling £116,780,293) was obtained for review. Testing focussed on the more material items which were verified from relevant information back to amounts included in Oracle. This income was accurate and complete, and given its value is subject to monitoring as part of cash-flow management.
- 6.1.2 A year on year comparison of income levels by source was carried out and explanations for large variances were provided by staff.
- 6.1.3 Central Services department staff open the post, on receipt into the department, a rota basis. Once sorted, income is passed to one of four staff members (based on the finance desk) for receipting. Income is then held in the safe until the weekly banking process is complete. Finance desk staff also prepare income documents listing income received which are sent to the Financial Services department to post the income into Oracle. It should be noted that it is possible for the same member of staff to open the post, receipt the income and bank the income however, this is unlikely as various members of staff open the post each day and only four undertake the banking role. The transportation of money to the bank is undertaken on a weekly basis by members of staff and where cash is taken to the bank or withdrawn two staff members travel to the bank.
- 6.1.4 Debtor's income is now posted to the AR module by staff in the Central Services Department. Debtor's income received through the post is recorded on an invoices spreadsheet and sent to Finance who add this to their list of debtor income received directly to the bank. This list is then sent back up to Central Services to enter into AR. Central Services staff were provided with one to one training on this by staff from Financial Services and transactions from the AR module automatically transfer into the general ledger each night. It was stated that the role of receipting debtor income into AR is likely to be moved to the Financial Services Assistant and their role of raising general invoices be passed directly to some operational departments (e.g. Alarms and Professional Standards) and to the Central Services Department.
- 6.1.5 From the sample of income tested it was confirmed that income is banked promptly. It was stated that income is banked once a week, meaning the likelihood of not meeting the banking target of within 5 working days of its receipt, as per the existing Financial Rules, is small.

- 6.1.6 Testing identified two occasions where amounts over £5,000 were received and not paid into the bank on the same day (or the next working day depending on banking hours), as per the existing Financial Rules. It should be ensured that staff understand their responsibilities regarding banking income.
- 6.1.7 Testing identified that seized cash totalling £42,395 was not receipted. It was stated that the person responsible for seized cash counted and bagged it but forgot to pass it for receipting. The income was banked but all income received should be receipted.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R4	It should be ensured that staff are aware of guidelines for banking large amounts, and that they are followed (Grade 3).	<ul style="list-style-type: none"> <li>Large values not promptly banked.</li> </ul>
R5	All income received should be receipted (Grade 2).	<ul style="list-style-type: none"> <li>Income not accounted for.</li> </ul>

**CUMBRIA CONSTABULARY  
DEBTORS & INCOME**

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

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	Supporting documentation should be attached to the AR system wherever possible.	2	Financial Services Manager – Michelle Bellis	The need to attach supporting documentation was reiterated to the Financial Services Team on 26/03/13.	26 MARCH 2013
R2	Appropriate arrangements should be put in place to ensure that control account reconciliations are undertaken on a timely basis during staff absence and peak pressures.	2	Financial Services Manager – Michelle Bellis	The demands on the financial services team at the start of the 2012/13 financial year were extraordinary, following the upgrade of the financial system, which required workload to be prioritised based on an analysis of risk. On an on-going basis it is intended that accounts receivable control account reconciliations will be undertaken on a timely basis.	OCTOBER 2012

**CUMBRIA CONSTABULARY  
DEBTORS & INCOME**

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

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R3	Appropriate arrangements should be put in place to ensure that debt is followed up on a timely basis during staff absence and peak pressures.	2	Head of Central Services – Ann Dobinson	The Central Services Department was a newly created department on the 1 April 2012 and the demands faced by new staff into the department were huge. This combined with the implementation of two new systems, required workloads to be prioritised. A monthly debt collection routine has been undertaken since January 2013 and additional staff are being trained to provide resilience in this area.	JANUARY 2013
R4	It should be ensured that staff are aware of guidelines for banking large amounts, and that they are followed.	3	Head of Central Services – Ann Dobinson	Staff responsible for banking income have been reminded about the guidelines around banking large amounts of money, 16.4.13.	APRIL 2013

**CUMBRIA CONSTABULARY  
DEBTORS & INCOME**

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

REPORT REFERENCE	RECOMMENDATION	GRADE	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R5	All income received should be receipted.	2	Head of Central Services – Ann Dobinson	Importance of receipting all monies and communication between the administration of seized cash and banking arrangements have been reiterated to staff 16.4.13. Seized cash procedures amended to include a date money receipted and banked.	APRIL 2013

<b>ACTION PLAN AGREED BY:</b>	Michelle Bellis – Financial Services Manager Ann Dobinson – Head of Central Services	<b>DATE:</b>	29/04/2013
-------------------------------	---	--------------	------------

<b>ACTION PLAN APPROVED BY THE HEAD OF FINANCIAL SERVICES:</b>	Roger Marshall – Head of Financial Services	<b>DATE:</b>	29/04/2013
--	---	--------------	------------



*Serving the People of Cumbria*

# **SHARED INTERNAL AUDIT SERVICE**

## **AUDIT REPORT**

**FOR:  
THE CUMBRIA OFFICE OF THE POLICE AND CRIME  
COMMISSIONER**

**ON:  
ORACLE FINANCIALS SECURITY**

**Draft Report Issued: 28<sup>th</sup> March 2013**  
**Final Report Issued: 04<sup>th</sup> June 2013**

## 1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review of Oracle Financials Security during March 2013 in accordance with the 2012/13 internal audit plan. This work was carried forward from previous years due to delays in upgrading the system.
- 1.2 In 2007, Oracle Corporation released Oracle EBS R12, introducing changes to the application technology platform, providing changes to the security authorisation concept, a new technology stack and architecture for Oracle EBS Financials.
- 1.3 In 2009, the latest version of Oracle EBS (Oracle EBS R12.1) was released, providing changes to additional application areas (e.g. Supply Chain Management, Procurement, Customer Relationship Management and Human Capital Management). Cumbria Constabulary are currently using applications version 12.1.3.
- 1.4 With the ever-changing compliance landscape, a review of the enterprise Oracle EBS environment is vital to ensuring that it is secure.
- 1.5 The following staff provided information for this review:
  - Mark Carter, Financial Services Officer
  - Richard Unwin, Database Administrator

## 2.0 SCOPE

- 2.1 The objective of this review is to provide management with an independent assessment relating to the effectiveness of the configuration, security and monitoring of the Constabulary's Oracle EBS architecture.
  - 2.2 The main areas of assessment are as follows:
    - A review of Oracle EBS security/control parameters.
    - Ascertain whether adequate user access change management procedures exist.
    - Ascertain whether access to the program and subsequent data is restricted and maintained.
    - Determine if Oracle EBS responsibilities match user's organisational duties.
    - To ascertain if access to system output is restricted
    - Determine if access by suppliers providing external oracle support is adequately controlled.
  - 2.3 This review has been performed in accordance with ISACA (previously known as the Information Systems Audit and Control Association) audit and assurance standards.
- Scope Limitations**
- 2.4 The audit focusses on the Security Administration of the Oracle Financials module of the Oracle EBS suite. Financial Accounting and Expenditure Business Cycles are not considered. Similarly, other Oracle EBS modules are outside the scope of this review.



## 3.0 SUMMARY

### 3.1 EVALUATION

- 3.1.1 The evaluation of controls is based on testing carried out at the time of the review, including sampling. Internal Audit assesses the controls operating in each area under review as 'good', 'satisfactory', 'fair' or 'weak'. This assessment is based on the number and grading of recommendations made.
- 3.1.2 Overall, we consider that the examination of evidence for the areas assessed provides '**Satisfactory**' assurance that there are effective controls operating.

### 3.2 CONCLUSION

- 3.2.1 The assessment of Satisfactory assurance is a reflection that there are some sound policies and procedures in place including elements of good practice. However, there are some areas where improvements can be made to increase the security of the system.
- 3.2.2 The following areas of good practice were noted during the course of the review:
- The Force operates a strict network logon password policy.
  - Workstations are set to lock after a short period of inactivity.
  - A change management procedure is in place to manage user access to the Oracle E-Business suite.
  - The Force applies the 'Need to know' security principle with regard to Information Security.
  - User access to the Oracle system is managed using a number of delegated roles which are easier to administer than individual user accounts.
  - Segregation of duties is considered when adding or amending user account access.
- 3.2.3 A number of opportunities to further enhance controls have been identified; these matters are detailed in Appendix A – Summary of Recommendations and Action Plan. The key issues arising from this review are:
- There is scope to further increase the level and auditing and monitoring of user actions as recommended by Oracle Best Practice.
  - A number of default Oracle accounts are active which could be disabled to improve security.
  - The SYSADMIN account password is known to more than one user which may inhibit user accountability.
  - There are 13 active accounts which have allocated System Administrator privilege. The list of accounts with this privilege should be reviewed.
  - The DBA has two accounts with System Administrator privilege. One of these accounts has been allocated a business function which conflicts with segregation of duties.
  - Suppliers providing external support for the Oracle system currently have continuous and unmonitored access to the system via several accounts. These accounts also have System Administrator privilege.

### 3.3 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

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

3.3.2 Seven recommendations have been made as a result of testing carried out, and is included in Appendix A – Summary of Recommendations and Action Plan.

### 4.0 FOLLOW-UP

4.1 This is the first audit of Oracle Financials Security since the system was upgraded.

### 5.0 FINDINGS

#### 5.1 Security / Control Parameters

5.1.1 The latest versions (version 6) of the Information Security, Accreditation and Risk Management Policy and Procedures were obtained and the Constabulary's password policy was clarified.

5.1.2 It was confirmed that the Oracle EBS system uses Windows authentication to identify users. Therefore, Oracle password parameters are in-line with the Constabulary's password policy. Currently the following password constraints apply:

- A minimum of 12 characters long and must contain four following character types: uppercase, lowercase, numeric and alpha.
- Cannot be one of the last 24 passwords used by the user. In addition, passwords cannot be changed more than once a day.
- Must be changed every 90 days (this may be reduced to 60 days following a review).
- Accounts will lock after 5 incorrect attempts.

5.1.3 The PC connection to the Oracle system is set to time out after 30 minutes of inactivity although this is for maintaining network performance rather than a security feature. Domain PC's are set to lock Windows after 10 minutes of inactivity.

#### 5.2 Security Administration and Change Management Procedures

5.2.1 A process is in place for managing user access to the Oracle e-business system. 'ORACLE e-Business Suite Access Authorisation' forms are held on the Intranet to be downloaded and completed. The form requests that individuals specify whether access is to be added/changed/removed, along with specifying any training requirements and providing a business need for providing access.

5.2.2 The form must be signed off by a line manager, approved by Finance before being passed to ICT to be actioned. Actioned forms are retained by ICT.

- 5.2.3 Finance (as the authorising department) is responsible for ensuring access rights are appropriate for the user's job role and users have the correct level of training.
- 5.2.4 A report detailing all user accounts was obtained and a sample of recently created accounts was selected and traced to the request forms. All of the forms examined had been signed off and approved by appropriate personnel.
- 5.2.5 It was noted that some authorisation forms are still being held by Finance following the initial set up of the system. For completeness, these should be returned to ICT for filing.

### 5.3 Access to Programs, Data and Other Information Resources

- 5.3.1 Physical Security and Personal Security (including access to systems) are documented in the Information Security, Accreditation and Risk Management Policy and Procedures.
- 5.3.2 The policy states that information must only be accessed or shared within the Constabulary on the basis of 'need to know'. 'Need to know' is a security principle which states that the dissemination of classified information should be no wider than is required for the efficient conduct of business.
- 5.3.3 Oracle User Profile Option Values were inspected. The Audit Trail Activate option is activated on the Production system. However, there is scope to further increase the level of auditing and monitoring of user actions as recommended by Oracle Best Practice:
- There is scope to increase the level of user auditing and monitoring on the system. For example, Oracle provides standard reports to access signon, responsibility usage, form usage etc. These can be accessed through system administrator responsibility.
  - Other possible auditing options should be discussed with the DBA. e.g. SIGNONAUDIT: LEVEL set to Form at Site level (this setting tracks actions starting when the user logs on).  
*N.B. Properly configuring auditing and limiting auditing to appropriate tables should not have a measurable performance impact.*
  - Some active seed accounts such as WIZARD, MOBILEADM etc may be disabled if not in use.
  - The SYSADMIN responsibility has broad administrative privileges. For this reason, this list of users should be regularly reviewed.
  - User privileges should be reviewed periodically to determine relevance to current job responsibilities.
- 5.3.4 A number of Oracle default (seed) accounts were checked (e.g. GL/GL, AP/AP) to confirm if passwords had been changed or the accounts disabled. The majority were found to be disabled although a few are still active. Oracle Best Practice recommends that any unused seed accounts are disabled.
- 5.3.5 The SYSADMIN account password is known to both the DBA and the System Administrator, which could be viewed as conflicting with the Constabulary's password policy that passwords should not be shared. It also inhibits user accountability as it is not possible to identify which user has utilised the account without undertaking further analysis (e.g. absence).

- 5.3.6 It was established that the Constabulary currently does not encrypt sensitive data held on the database. The data held on the database is not currently classified although the Financial Services Officer suggested that the classification should be RESTRICTED.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R1	The system should be aligned with Oracle best practice and improve the overall security of the system (grade 3). <u>Refer to Best Practices for Securing Oracle E-Business Suite Release 12 – Oracle Metalink Note 403537.1 for further information.</u>	<ul style="list-style-type: none"> <li>There is no audit trail of regular monitoring of user activities.</li> <li>Non-compliance with Oracle security best practice.</li> </ul>
R2	The SYSADMIN account should not be used (or as a minimum, only used by one individual) and System Administrators should have delegated system administrator privilege on their individual accounts to prevent to use of shared passwords and to provide user accountability on the system (grade 2).	<ul style="list-style-type: none"> <li>System Admin privilege has the potential to be abused.</li> <li>Lack of user accountability.</li> </ul>
R3	Audit trails (logs) should be subject to regular review with specific focus on user accounts that have system administrator privileges (grade 2).	<ul style="list-style-type: none"> <li>System Admin privilege has the potential to be abused.</li> </ul>

## 5.4 User Functions

- 5.4.1 A number of user roles have been established on the Oracle system to control user access to areas of the system. Essentially roles allow users to be placed in groups which have been assigned set privileges.
- 5.4.2 A user should be given the least amount of privilege to perform their jobs. Users should not be able to initiate, record, approve and post a transaction. This is known as segregation of duties.
- 5.4.3 The Financial Services Officer confirmed that segregation of duties was considered when initially defining user roles on the system. Where changes to access are requested, existing access is checked to ensure any requests for new access do not cause a conflict. Where a potential conflict has been identified Finance would discuss the requirements with the line manager and decide which access best fits the role of the individual without compromising separation of duties within that role.
- 5.4.4 A matrix of Oracle users and granted roles was created by Audit to determine any potential overlap of roles which may conflict with segregation of duties. Two issues were highlighted:
- 13 accounts are currently allocated System Administration privilege.
  - The Database Administrator (DBA) currently has two accounts on the system (plus access to the SYSADMIN account):
    - C0309460: assigned system administrator responsibility.

- RJUNWIN: assigned system administrator responsibility and the role CP PO Goods Receiving. For appropriate segregation of duties, an administrator should not be assigned business function menus or forms.

- 5.4.5 Some of the accounts with system administrator privileges are Oracle default (seed) accounts and there is scope for them to be disabled. The accounts should be reviewed and a decision made whether there is a business requirement for them to remain active. All active accounts with system administrator privileges should be subject to regular monitoring (as per recommendation R3).
- 5.4.6 The DBA's accounts and privileges were raised with the Financial Services Officer and it was established that:
- C0309460: is used for basic testing when problems are reported; post upgrades and post data fixes to ensure that the system is running correctly from the user aspect.
  - UNWINJR is the account used for DBA type work in order to provide tracking of the DBA's actions.
- 5.4.7 The DBA should only have one account with system administrator privilege in order to fulfil DBA duties. Use of this account should be audited and monitored. Where test accounts are required, they should be created with the same privilege as the user or role to be replicated. This should not include system administration privilege.
- 5.4.8 The SYSADMIN account should not be used (or as a minimum, the account should only be used by one individual) and audit trails regularly reviewed to detect usage.
- 5.4.9 A number of user accounts were noted with a post scripted alpha character e.g. C0308077X and C0308077Y. The Financial Services Officer explained that these postscripts are used if Central Services accidentally re-use a temporary collar number which has been used in Origin (Oracle HR) previously. Administrators will re-name the defunct account and re-create it.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R4	Accounts with the system administrator privileges should be kept to a minimum. The list of users should be reviewed periodically and the accounts either disabled or the system administrator privilege removed as necessary (grade 2).	<ul style="list-style-type: none"> <li>• System Admin privilege has the potential to be abused.</li> </ul>
R5	<p>The DBA should only have access to one account with system administration privilege in order to fulfil DBA duties. No business functions should be assigned to this account (grade 2).</p> <p><i>Where testing is required a temporary account should be used with roles set up to replicate the necessary test conditions.</i></p>	<ul style="list-style-type: none"> <li>• System Admin privilege has the potential to be abused.</li> <li>• Inadequate segregation of duties.</li> </ul>

## 5.5 System Start-up Profiles

- 5.5.1 The Constabulary has utilised Oracle EBS profile settings at site level. User account password standards are dictated by the Constabulary's password policy and are therefore independent of the Oracle Suite.

## 5.6 Access to System Output

### System Interrogation and Reporting Tools

- 5.6.1 Some users are able to access data for reporting purposes using a tool called Qlikview. This tool is separate to Oracle E-Business Suite and resides on a separate Windows based server. Access to data is read only and users must be a member of one (or more) Qlikview roles to be able to access the data.
- 5.6.2 Access to Qlikview is requested using the existing authorisation process.

### Printer Output

- 5.6.3 Printer output is only accessible via a secure fob and therefore only the authorised user may obtain the print out from their default printer.

## 5.7 User ID, Responsibilities and Preferences Documentation

- 5.7.1 User IDs are dictated by the user's police staff collar number which is prefixed by "C03".
- 5.7.2 System roles/responsibilities are well known to the security administration staff. Some benefit would be gained by documenting these roles and the levels of access they provide for future reference.

RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R6	System roles should be adequately documented to include the levels of access they allow to the system (grade 2).	<ul style="list-style-type: none"> <li>System access attributes are not formally documented.</li> </ul>

## 5.8 External System Support Supplier Access

- 5.8.1 Several accounts were identified which give external companies access to the system. These include the accounts CEDAR, CEDARSUPP and named accounts used by Patech who provide support for the Oracle E-business suite. It was observed that these accounts also have System Administration privilege on the system.
- 5.8.2 It is understood that these logins are not currently monitored although this is currently under review. The Constabulary should also consider if it is necessary for system access to be granted continuously or if it is feasible for access to be granted only on request.



RECOMMENDATION		
Ref	Recommendation and Grade	Risks if not Actioned
R7	Remote access by suppliers of external system support should be closely monitored and logged (grade 2).	<ul style="list-style-type: none"> <li>• External vendor access is unsupervised.</li> <li>• Integrity of data.</li> </ul>

## 5.9 Production and Test Environment Segregation

- 5.9.1 The production environment is located on server HQSSUN01 at Penrith and the test environment is located on server WORSUN01 at Workington. The list of users for the test environment is the same as production.
- 5.9.2 The DBA confirmed that system patches and updates are thoroughly tried on the test environment before being released into production.
- 5.9.3 Production and test environments are accessed by different URL's. It is considered that both environments are appropriately segregated.

## 5.10 Changes to the Data Dictionary

- 5.10.1 The data dictionary is a set of read-only tables that provides information about the database. Altering or manipulating the data in data dictionary tables can permanently and detrimentally affect the operation of the database.
- 5.10.2 The DBA confirmed that only he has access to the data dictionary and that in line with Oracle advice, only changes from official Oracle updates and system patches are made to the data dictionary base tables.

**THE CUMBRIA OFFICE OF THE POLICE AND CRIME COMMISSIONER  
ORACLE FINANCIALS SECURITY**

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

REF	RECOMMENDATION & GRADE		PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	The system should be aligned with Oracle best practice and improve the overall security of the system.  <i>Refer to Best Practices for Securing Oracle E-Business Suite Release 12 – Oracle Metalink Note 403537.1 for further information.</i>	3	Richard Unwin	The Oracle Best Practice guidance will be reviewed. An action plan will be developed based on an analysis of risk and any changes, which will add value to existing security protocols, will, where practical, be implemented.	DECEMBER 2013
R2	The SYSADMIN account should not be used (or as a minimum, only used by one individual) and System Administrators should have delegated system administrator privilege on their individual accounts to prevent to use of shared passwords and to provide user accountability on the system.	2	Richard Unwin	System Administrators have agreed to use the System Administration responsibility attached to their user account instead of signing on as SYSADMIN.  Some processes within Oracle require the SYSADMIN log on to be used. Access to this account must therefore be left active. To ensure adequate cover, this log-in must remain available to more than one person, however, access to the SYSADMIN log-in and password will remain tightly controlled.  The feasibility of accessing SYSADMIN through switching over	JULY 2013



SHARED INTERNAL AUDIT SERVICE

APPENDIX A

				from the individual system administrator sign on will be investigated, which would provide an audit trail for SYSADMIN. If this is not possible any use of SYSADMIN log-in will be logged / documented to provide accountability.	
R3	Audit trails (logs) should be subject to regular review with specific focus on user accounts that have system administrator privileges	2	Richard Unwin & Mark Carter	The approach to production and monitoring of system logs will be reviewed on a risk basis. A balance will be sought between benefits and the resources required (including systems resource). For low risk activities a reactive policy may be appropriate where the log is generated but only examined in the case of a problem arising. When deciding what information will be reviewed an emphasis will be placed on system administration activities and users.	JULY 2013

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

REF	RECOMMENDATION & GRADE		PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R4	Accounts with the system administrator privileges should be kept to a minimum. The list of users should be reviewed periodically and the accounts either disabled or the system administrator privilege removed as necessary.	2	Mark Carter	All user accounts with system administrator are to be reviewed. Those no longer required will be disabled or amended as appropriate. The System Administration module of Oracle, and all responsibilities linked to that module will be added to the existing monthly review of Oracle Financials modules user access.	JULY 2013
R5	The DBA should only have access to one account with system administration privilege in order to fulfil DBA duties. No business functions should be assigned to this account. <i>Where testing is required a temporary account should be used with roles set up to replicate the necessary test conditions.</i>	2	Richard Unwin	The user account UNWINRJ has been disabled with effect 10/04/13.  In future, changes to the responsibilities needed for the DBA to perform their duties will be assigned to their normal user account.  Any testing of responsibilities, patches or fixes will be done either in a test environment or by an existing user.	APRIL 2013
R6	System roles should be adequately documented to include the levels of access they allow to the system (grade 2).	2	Mark Carter	Documentation, including a description of the activities allowed by each responsibility to be produced.	JULY 2013
R7	Remote access by external system support suppliers should be closely monitored and logged.	2	Mark Carter	User accounts associated with suppliers of support services will be reviewed and disabled.	JULY 2013

SHARED INTERNAL AUDIT SERVICE

APPENDIX A

				<p>A change in the way we manage support calls means there is no future need for these user accounts.</p> <p>Support calls are now managed via Microsoft Lync conversations. Access to the system will be available only during these conversations; only via a member of staff's user account and always while that member of staff is at their PC monitoring all activity by the external consultant.</p>	
--	--	--	--	---	--

<b>AGREED BY:</b>	<i>Mark Carter &amp; Richard Unwin</i>	<b>DATE:</b>	<i>16/04/2013</i>
-------------------	--	--------------	-------------------

<b>APPROVED BY THE HEAD OF FINANCIAL SERVICES:</b>	<i>Roger Marshall</i>	<b>DATE:</b>	<i>28/05/2013</i>
--	-----------------------	--------------	-------------------



*Serving the People of Cumbria*

# **SHARED INTERNAL AUDIT SERVICE**

## **INTERNAL AUDIT REPORT**

**FOR:  
THE CUMBRIA OFFICE OF THE POLICE AND CRIME  
COMMISSIONER**

**ON:  
ALLOWANCES & SPECIAL PAYMENTS (WINSOR REVIEW)**

**Draft Report Issued: May 2013**  
**Final Report Issued: June 2013**

## 1.0 INTRODUCTION

- 1.1 Internal Audit undertook a review of the controls in place for implementing recommendations of part one of the Winsor review in May 2013 as part of the 2012/13 internal audit plan.
- 1.2 The Winsor review looked at police pay and conditions with the purpose of improving service for the public and maximising value for money and several recommendations were made as a result of the review. The majority of the recommendations, made under part one of the review, were supported by the Police Arbitration Tribunal in January 2012, and due to be implemented in April 2012.
- 1.3 Information during this review was provided by staff in the Employee Services department.

## 2.0 SCOPE

- 2.1 The following table indicates the associated risks for the areas reviewed:

KEY CONTROL AREA	KEY POTENTIAL RISKS
Implementation of the recommendations in the Winsor Review (part one)	<ul style="list-style-type: none"> <li>Recommendations not implemented or incorrectly applied.</li> <li>Recommendations not implemented at relevant date.</li> </ul>

## 3.0 SUMMARY

### 3.1 EVALUATION

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

CONTROL AREA	EVALUATION	RECOMMENDATIONS			REPORT REF
		GRADE			
		1	2	3	
Implementation of Winsor Recommendations (part one).	Good	-	-	-	5.0

### 3.2 CONCLUSION

- 3.2.1 From the sample of payments tested Internal Audit concludes that the recommendations of part one of the Winsor review in respect of pay and allowances have been correctly implemented.

### 3.3 RECOMMENDATIONS

3.3.1 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:

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

3.3.2 No recommendations have been made as a result of testing carried out in this review.

### 4.0 FOLLOW-UP

4.1 This is the first audit of this area.

### 5.0 FINDINGS

5.1.1 A sample of payments affected by part one of the Winsor review, including Superintendents bonuses, hardship, overnight and unsociable hours allowances, rest day payments and overtime, were selected for testing.

5.1.2 All payments were found to be paid in line with the recommendations of part one of the Winsor review.

5.1.3 The Winsor review recommended that competency related threshold payments are not given to new applicants. Review of a sample of these payments made during 2012/13 confirmed that the payments were not made to new applicants. A sample of pay increments was also reviewed. Explanations were provided for all those in the sample to confirm that they had been correctly paid.



*Serving the People of Cumbria*

# **SHARED INTERNAL AUDIT SERVICE**

## **INTERNAL AUDIT REPORT**

**A REPORT FOR:  
CUMBRIA OFFICE OF THE POLICE AND CRIME  
COMMISSIONER**

**A REPORT ON:  
Joint Cumbria Police Authority & Cumbria Constabulary  
and  
Police and Crime Commissioner for Cumbria  
Annual Governance Statements  
2012/13**

---

## 1.0 INTRODUCTION

- 1.1 The Police Reform and Social Responsibility Act 2011 led to the abolition of Cumbria Police Authority and creation of the Cumbria Office of the Police and Crime Commissioner in November 2012. Under the Act, both the Police and Crime Commissioner and Chief Constable are established as Corporations Sole and as such are subject to the Accounts and Audit Regulations 2011. The Accounts and Audit Regulations require both the Police and Crime Commissioner and the Chief Constable to produce an Annual Governance Statement explaining how their Codes of Corporate Governance have been complied with.
- 1.2 A joint code of corporate governance for Cumbria Police Authority and Cumbria Constabulary was in use for the period to 21 November 2012. This was consistent with the CIPFA/SOLACE Framework. The Police and Crime Commissioner adopted a local code of corporate governance, consistent with the CIPFA/SOLACE Framework, on coming into Office. The statement of corporate governance, under the leadership and assurance section states that the governance framework will be reviewed on an annual basis.
- 1.3 This report reviews the Joint Cumbria Police Authority and Cumbria Constabulary and Police and Crime Commissioner's Annual Governance Statements for 2012/13. Evidence and explanations have been provided by staff as requested.

## 2 AUDIT SCOPE

- 2.1 The scope of this audit is as follows:
  - Confirm that the Annual Governance Statement has been prepared in accordance with statutory guidance as set out in "Delivering Good Governance in Local Government : guidance note for Police";
  - Review evidence for any major new content in the Annual Governance Statement and ensure the Annual Governance Statement accurately reflects any issues identified by Internal Audit, in particular the existence of any significant governance issues;
  - Confirm that there is a due process for the review and approval of the Annual Governance Statement.

## 3 OVERALL EVALUATION, CONCLUSION & RECOMMENDATIONS

### 3.1 EVALUATION AND CONCLUSIONS

- 3.1.1 The Annual Governance Statement has been drafted in accordance with the relevant guidance – Delivering Good Governance in Local Government: Guidance Note for Police.
- 3.1.2 In order to set out the governance arrangements for the year, two separate governance statements have been prepared. A joint Cumbria Police Authority and Cumbria Constabulary governance statement was prepared to 21 November 2012. This reflects the arrangements in place until the Police and Crime Commissioner took up Office. A separate Governance Statement details the arrangements in place for the Police and Crime Commissioner.



- 
- 3.1.3 Where changes or new content has been included in the AGS supporting evidence has been reviewed by Internal Audit.
- 3.1.4 The joint Cumbria Police Authority and Cumbria Constabulary governance statement was prepared by the Treasurer of the former Police Authority following review of the arrangements by the Chief Executive and Treasurer. The Annual Governance Statement has been prepared for the Police and Crime Commissioner by statutory and senior officers and a draft will be taken to the Executive Board. The Annual Governance Statement will be signed by the Police and Crime Commissioner for Cumbria, Cumbria Office of the Police and Crime Commissioner Chief Executive and Chief Finance Officer. The Statement will then be considered by the Audit and Standards Committee before it is published alongside the statutory accounts. A logical process of review and approval has been followed.



*Serving the People of Cumbria*

# **SHARED INTERNAL AUDIT SERVICE**

## **INTERNAL AUDIT REPORT**

**A REPORT FOR:  
CUMBRIA OFFICE OF THE POLICE AND CRIME  
COMMISSIONER**

**A REPORT ON:  
Joint Cumbria Police Authority & Cumbria Constabulary  
and  
Chief Constable for Cumbria Constabulary  
Annual Governance Statements  
2012/13**

---

## 1.0 INTRODUCTION

- 1.1 The Police Reform and Social Responsibility Act 2011 led to the abolition of Cumbria Police Authority and creation of the Cumbria Office of the Police and Crime Commissioner in November 2012. Under the Act, both the Police and Crime Commissioner and Chief Constable are established as Corporations Sole and as such are subject to the Accounts and Audit Regulations 2011. The Accounts and Audit Regulations require both the Police and Crime Commissioner and the Chief Constable to produce an Annual Governance Statement explaining how their Codes of Corporate Governance have been complied with.
- 1.2 A joint code of corporate governance for Cumbria Police Authority and Cumbria Constabulary was in use for the period to 21 November 2012. The Chief Constable is operating under the local code of corporate governance adopted by the Police and Crime Commissioner. Both codes are consistent with the CIPFA/SOLACE Framework. The statement of corporate governance, under the leadership and assurance section states that the governance framework will be reviewed on an annual basis.
- 1.3 This report reviews the Joint Cumbria Police Authority and Cumbria Constabulary and the Chief Constable's Annual Governance Statement for 2012/13. Evidence and explanations have been provided by staff as requested.

## 2 AUDIT SCOPE

- 2.1 The scope of this audit is as follows:
  - Confirm that the Annual Governance Statement has been prepared in accordance with statutory guidance as set out in "Delivering Good Governance in Local Government : guidance note for Police";
  - Review evidence for any major new content in the Annual Governance Statement and ensure the Annual Governance Statement accurately reflects any issues identified by Internal Audit, in particular the existence of any significant governance issues;
  - Confirm that there is a due process for the review and approval of the Annual Governance Statement.

---

### **3 OVERALL EVALUATION, CONCLUSION & RECOMMENDATIONS**

#### **3.1 EVALUATION AND CONCLUSIONS**

- 3.1.1 The Annual Governance Statement has been drafted in accordance with the relevant guidance – Delivering Good Governance in Local Government: Guidance: Note for Police.
- 3.1.2 In order to set out the governance arrangements for the year, two separate governance statements have been prepared. A joint Cumbria Police Authority and Cumbria Constabulary governance statement was prepared to 21 November 2012. This reflects the arrangements in place until the Police and Crime Commissioner took up Office. A separate Governance Statement details the arrangements in place for the Chief Constable.
- 3.1.3 The internal audit annual report summarised our work during 2012/13 and information provided in the Annual Governance Statement is consistent with our findings.
- 3.1.4 Where changes or new content has been included in the AGS supporting evidence has been reviewed by Internal Audit.
- 3.1.5 The Chief Constable's Annual Governance Statement has been prepared by statutory and senior officers and a draft will be taken to the Chief Officer Group in June 2013. The Annual Governance Statement will be signed by the Temporary Chief Constable and Constabulary Chief Finance Officer. The Statement will then be considered by the Audit and Standards Committee before it is published alongside the statutory accounts. A logical process of review and approval has been followed.



# Joint Audit & Standards Committee

## Title: Treasury Management Activities for March 2013 and Annual Report 2012/13

**Date: 24 June 2013**

**Agenda Item No: 12**

**Originating Officer: Michelle Bellis, Financial Services Manager**

**CC:**

### Executive Summary:

The purpose of this paper is to report on the Treasury Management activities, which have taken place during March 2013 and also to provide a brief annual report on the treasury function for the 2012/13 financial year. Both elements of the report are requirements in accordance with CIPFA's Code of Practice on Treasury Management.

Treasury Management activities are undertaken in accordance with the Treasury Management Strategy Statement and Treasury Management Practices approved by The Commissioner in February each year.

### Recommendation:

The Commissioner is asked to note the contents of this draft report, the final report will be presented to the Joint Audit and Standards Committee in June where members will be asked to scrutinise the contents of the report.

## 1. Economic Background

- 1.1. Since the last report the UK has avoided a triple dip recession, with growth in the first quarter of 2013 amounting to 0.3%. In his latest Inflation Report the out-going Governor of the Bank of England gave rise to some optimism, with a slightly more upbeat assessment of the UK economy's prospects than for some time. Growth in the short term expected to be slightly higher than previously forecast, whilst inflation is anticipated to be slightly lower. That said, the Bank anticipates that the recovery in the UK economy is likely to be weak by historical standards and susceptible to economic shocks from overseas. Much will depend on the legacy of real term reductions in household income, as a result of the economic crisis and the level of confidence over future economic prospects. Inflation is also likely to stay above the Government's target of 2% for the next two years. Having confounded expert opinion for some time the level of UK unemployment has shown signs of increasing in recent months and currently stands at just over £2.5m,
- 1.2. Having noted that the Bank of England considers the main risk to a sustained recovery comes from overseas, almost all European economies remain firmly locked in recession with France, in particular, showing an unexpectedly large contraction in its economy in the first quarter of 2013. The US economy has shown recent signs of returning to growth, with encouraging signs for employment, however, the US has yet to address its fiscal imbalance and re-negotiate its debt ceiling. In Asia, the Chinese economy continues to grow strongly and there has been an increase in confidence in Japan as a result of a Government economic stimulus package.
- 1.3. The lack of growth and the fall in inflation have been persuasive enough for the Bank of England to maintain the Bank Rate at 0.5% and also to maintain asset purchases (QE) at £375 billion. The possibility of a rate cut was discussed at some of Bank's recent Monetary Policy Committee meetings, but was not implemented as the potential drawbacks outweighed the benefits of a reduction in the Bank Rate. In the March Budget the Bank's policy was revised to include the 2% CPI inflation remit alongside the flexibility to commit to intermediate targets. Against an outlook for continuing weak economic growth Arlingclose Ltd anticipate that the Bank of England will maintain the current level of interest rates for the foreseeable future. A graph showing past UK Bank of England Base Rate movements together with Arlingclose projections for the next two years is shown for the Committee's information as **Appendix 1**.

## 2. Treasury Management Operations and Performance Measures

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

### 2.2. Management of cash balances

Members are reminded that the aim is to invest surplus cash and minimise the level of un-invested cash balances, whilst following the Treasury Management Strategy to limit risks to the PCC's funds. Actual un-invested balances for the month of March 2013 for the Commissioner's main bank account are summarised in the table below:-

	<b>Number Days</b>	<b>Average Balance £</b>	<b>Largest Balance £</b>
Days in Credit	27	3,772	23,239
Days Overdrawn	4	(5,065)	(5,065)

The largest un-invested balance occurred over the weekend 22-25 March and was as a result of large cash sums being deposited after the daily treasury management transactions had been undertaken. The interest forgone as a result of the non-investment of this sum for three days would be approximately £1.53.

The largest overdrawn balance occurred over the Easter Bank Holiday weekend on 28 March to 2 April and was as a result of a decision bank to reverse a cash deposit which had shown in the mornings cleared banking figures. The result of this reversal was that the main bank account was overdrawn by £5k for 5 days. As a result of the bank account pooling arrangements where all accounts are amalgamated for calculation of interest, no interest was incurred as a result of this reversed transaction.

Within the Treasury Management Strategy a target is set to achieve a daily balance of +/- £2k on the PCC's main bank account. Whilst the daily treasury management process always calculates the anticipated balance within these limits, daily transactions through the bank of which we are not aware (e.g. banking of cash/cheque receipts) can alter the closing balance

for the day. During the year 2012/13 the balance was within the £2k limit for 280 out of 365 days (77%).

### 2.3. Investment Activity

Until recently, investments were restricted to AAA rated money market funds, the Debt Management Office (DMO) and other Local Authorities only. On 22<sup>nd</sup> February 2013, The Commissioner approved the treasury management strategy statement for 2013/14 and the remainder of 2012/13 which removed the above restriction.

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

Month	Number of Investments	Total Value of Investments £m
March 2013	4	5.5

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

A schedule detailing the individual investments that make up the £18.255m total invested at 31 March 2013 is attached at **Appendix 2**.

A further illustrative analysis is provided of the balance outstanding at **Appendix 3**, where the first chart analyses the outstanding balance by the credit rating of the investment counterparty and the second shows the maturity structure of investments by the credit rating of the counterparty. Members are reminded that the PCC's current policy is that investment counterparties have minimum credit rating of A-. (The greater the number of A's the higher the credit rating).

As can be seen from **Appendix 4** below, the PCC sets a limit for "non-specified" investments of over 364 days at time of investment, for 2012/13 this limit was set at £5m. The PCC currently has only one investment of over 364 days in duration. The details of the investment are as follows:



Borrower	Value £(m)	Period (Days)	Date Invested	End Date	Actual Rate (%)
Barclays Bank Plc	1	366	27/02/13	28/02/14	0.91

#### 2.4. Interest Earned

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

Month	Interest Amount (£)	Average Total Investment (£)	Average Return on Investment (%)
March 2013	6,984	21,819,226	0.38%

Total interest earned during 2012/13 has amounted to £104k.

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

	Amount (£000's)
Original Estimate 2012-13	110
Forecast position as at July 2012	109
Forecast position as at September 2012	110
Forecast position as at February 2013	105
Actual Income as at March 2013	104
Shortfall Compared to Estimate	6

#### 2.5. Investment Performance

As a performance measure for the quality of investment decisions, the rate achieved on maturing longer term investments of over three months is compared with the average Bank of England base rate over the life of the investment. During March 2013 there were no maturing investments of over three months in duration.

### 3. Annual Report on Treasury Management Operations 2012/13

#### 3.1. Treasury Strategy

At the time of determining the 2012/13 strategy in February 2012, economic conditions were uncertain, due to concerns over the levels of sovereign debt in the Eurozone and the prospect of Greece defaulting on its debt. As a result a cautious strategy for the year was agreed which limited investments to counterparties with a minimum credit rating of 'A+', as a result of the downgrading of the majority of banks during the year this affectively meant that investments were limited to 'AAA' rated money market funds, other Local Authorities and the Debt Management Office (DMO) only. By February 2013 the situation had stabilised a little and the Commissioner approved a new strategy for 2013/14 and the remainder of 2012/13 which allowed investments with counterparties with a minimum rating of 'A-', this meant that in the last month of 2012/13 a number of banks previously excluded became available for investment.

3.1.1. The cautious approach adopted for the majority of the year has meant that income from investment interest fell slightly below the budgeted target for the year of £110k to £104k. The table provided at paragraph 2.4 above illustrates how the forecast outturn was reported in activity reports during the year.

3.1.2. In relation to borrowing the Commissioner has an underlying need to borrow funds to finance its capital programme, which is measured by the Capital Financing requirement (CFR). The CFR at the start of 2012/13 amounted to £17.9m (including £5.4m relating to the PFI agreement for West Cumbria TPA HQ in Workington) leaving a £12.5m exposure to external borrowing at some time into the future, which is presently being covered by the use of internal funds (reserves).

During 2012/13 the Commissioner has maintained this strategy of using cash balances, arising primarily from its reserves, to meet its cash flow commitments and was not therefore compelled to borrow. Although long term borrow rates remained relatively low during 2012/13, a conscious decision was made to defer long term financing decisions as the short term cost of carrying debt (i.e. the differential between the borrowing rate at say 4% and the rate of under 1% available when such funding was invested) would have had an adverse effect on the revenue budget for the year and the immediate outlook period. The Commissioner in consultation with the treasury advisors Arlingclose Ltd continues to look for the most

opportune time to undertake long term borrowing, which balances short and long term considerations.

3.1.3. The management of treasury risk remained in 2012/13 as it had in previous years a fundamental part of the treasury management strategy with the security of public funds being of paramount importance.

### 3.2. Key Statistics for 2012/13

#### 3.2.1. Income from Investments

	Amount (£000's)
Original Estimate 2012-13	110
Actual Income as at March 2013	104
Shortfall Compared to Estimate	6

The fact that investment income fell slightly below the budget target for the year is due to a combination of interest rates remaining at a historically low level of 0.50% throughout the year and also the lack of available of suitable counterparties for investment during the year as a result of a number of counterparties falling below the minimum investment criteria.

#### 3.2.2. Investments Made

The cumulative value of investments made in the year amounted to £146m (compared with £143m in 2011/12).

#### 3.2.3. Balances after Investment

Balances after investment for the 2012/13 financial year are set out in the table below.

	Number Days	Average Balance £	Largest Balance £
Days in Credit	340	3,698	302,742
Days Overdrawn	25	(2,397)	(27,025)

Explanations relating to the days with the largest un-invested balances and daily overdraft

were provided during the year as part of the relevant activities report. However to remind members:

The largest un-invested balance occurred on 17 December and was as a result of an oversight where a planned investment with a money market funds of £300k was not transferred. The interest forgone as a result of the non-investment of this sum for one day would be approximately £3.

The largest overdrawn balance occurred on 21 June. Members may recall significant media coverage at the time concerning RBS/NatWest customers being unable to access banking information for a number of days due to a 'technical issue'. The bankline system that is used to obtain daily bank information was unavailable, and the banking call centre were also unable to provide any information. As a result banking transactions were carried out on estimated balances from the cash flow forecast rather than based on accurate account balances. The overdrawn balance is largely as a result of a pension lump sum being paid out, or which we were aware but did not know when it would be cleared.

## **4. Compliance with Prudential Indicators**

- 4.1. The constabulary can confirm that it has to date complied with its treasury related Prudential Indicators for 2012/13, which were set in February 2012 as part of the annual Statement of Treasury Management Strategy. Further details can be found at **Appendix 4**.

## 5. Implications

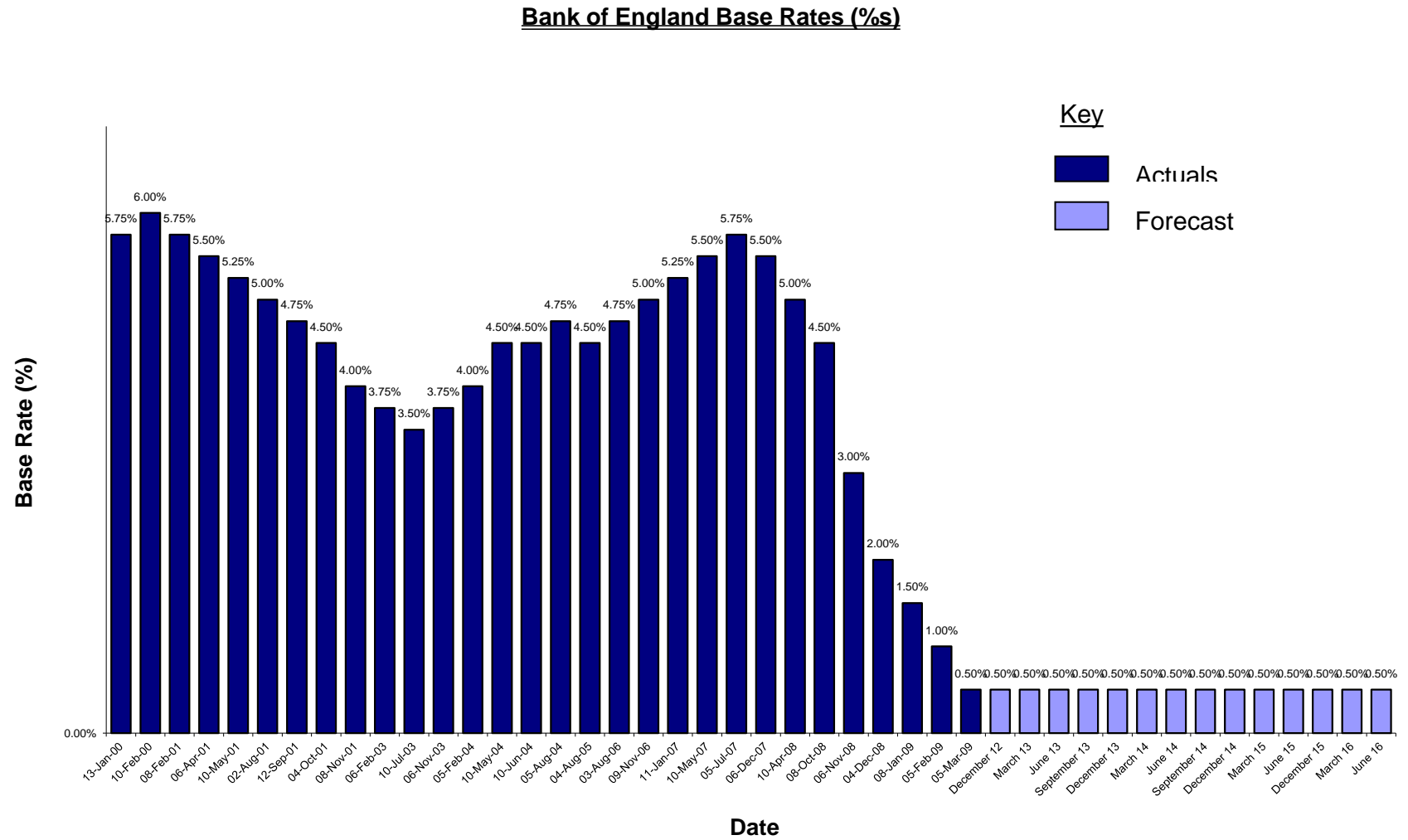
- 5.1. Financial – As detailed in main body of report above.
- 5.2. Legal – None
- 5.3. Risk – The report advises members about treasury activities. Given the large unsecured sums invested with financial institutions treasury management can be a risky area. Nevertheless, procedures are in place to minimise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

## 6. Supplementary information

### Attachments

- Appendix 1      Recent history and projections of Bank Base Rates
- Appendix 2      Schedule of Investments as at 31 March 2013
- Appendix 3      Analysis of Investments as at 31 March 2013
- Appendix 4      Prudential Indicator Compliance

# Appendix 1



## Appendix 2

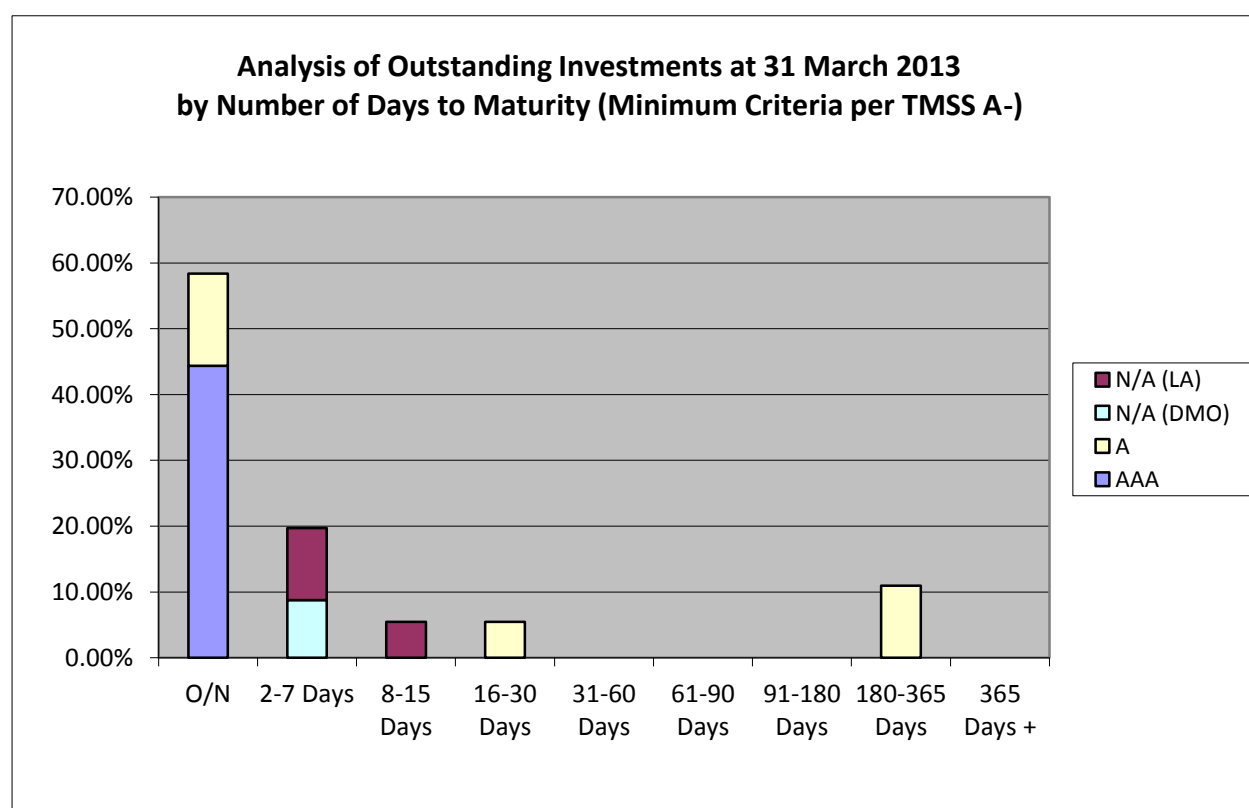
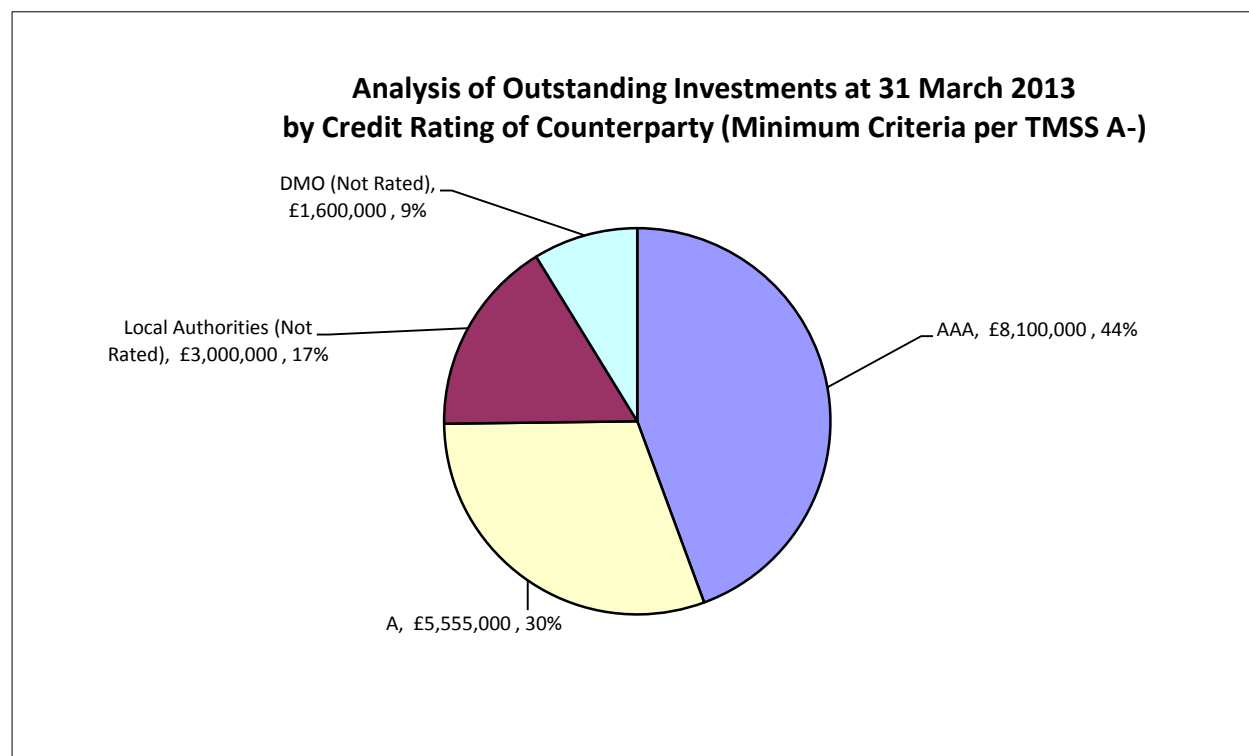
**Schedule of Investments as at 31 March 2013**

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate %	Amount £	Counterparty Total £
<b>Category 1 - Major Banks &amp; Building Societies</b>							
- Barclays	A	19/03/2013	30/04/2013	30	0.403%	1,000,000	
- Barclays	A	27/03/2013	30/09/2013	183	0.800%	1,000,000	
- Barclays	A	27/02/2013	28/02/2014	334	0.910%	1,000,000	3,000,000
- National Westminster Bank (Liquidity Select Account)	A	28/02/2013	01/03/2013	O/N	0.800%	2,555,000	2,555,000
						<b>5,555,000</b>	<b>5,555,000</b>
<b>Category 2 - Money Market Funds (AAA Rated)</b>							
- Black Rock	AAA	Various	On demand	O/N	Various	2,000,000	2,000,000
- Goldman Sachs	AAA	Various	On demand	O/N	Various	600,000	600,000
- IGNIS	AAA	Various	On demand	O/N	Various	1,500,000	1,500,000
- Invesco Aim	AAA	Various	On demand	O/N	Various	2,000,000	2,000,000
- Scottish Widows	AAA	Various	On demand	O/N	Various	2,000,000	2,000,000
						<b>8,100,000</b>	<b>8,100,000</b>
<b>Category 3 - Other Local Authorities</b>							
- Plymouth City Council	N/A	04/03/2013	04/04/2013	4	0.280%	2,000,000	2,000,000
- Salford City Council	N/A	11/02/2013	11/04/2013	11	0.250%	1,000,000	1,000,000
						<b>3,000,000</b>	<b>3,000,000</b>
<b>Category 4 - Debt Management Office</b>							
- Debt Management Office	N/A (DMO)	03/01/2013	03/04/2013	3	0.250%	1,600,000	1,600,000
						<b>1,600,000</b>	<b>1,600,000</b>
<b>Total</b>						<b>18,255,000</b>	<b>18,255,000</b>

Note – the credit ratings shown in the above table relate to the standing as at 31 March 2013, as discussed in the main body of the report, the ratings are constantly subject to change.

The TMSS sets limits for maximum investment with counterparties. These limits are currently set at £3m per institution/banking group in category 1 and £2m per Money Market Fund in category 2. The limit for other Local Authorities is set at £2m and there is no limit for investments with the DMO. The above table illustrates that these limits have not been exceeded.

## Appendix 3

**Analysis of Outstanding Investments as at 31 March 2013**

Note – the credit ratings shown in the above charts relate to the standing as at 31 March 2013, as discussed in the main body of the report, the ratings are constantly subject to change.



## Appendix 4

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

- The Local Government Act 2003 requires the PCC to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached during the year.
- The PCC's Affordable Borrowing Limit was set at £26.50m for 2012/13.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Operational Boundary for 2012/13 was set at £25.00m.
- The actual amount of external borrowing as at 31 March 2012 was £Nil which is well within the above limits. No new external borrowings have been undertaken in the current financial year.

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

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

	<b>Limits for 2012/13 £m</b>	<b>Actual Borrowing at 31/03/13 £m</b>	<b>Compliance with Limits ?</b>
<b>Upper Limit for Fixed Rate Exposure</b>	26.50	0	Yes
<b>Upper Limit for Variable Rate Exposure</b>	1.50	0	Yes

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

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

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Actual Fixed Rate Borrowing as at 31/03/13 £m</b>	<b>% Fixed Rate Borrowing as at 31/03/13 %</b>	<b>Compliance with Set Limits?</b>
Under 12 months	100	0	0	0	Yes
12 months and within 24 months	100	0	0	0	Yes
24 months and within 5 years	100	0	0	0	Yes
5 years and within 10 years	100	0	0	0	Yes
10 years and above	100	0	0	0	Yes

## Appendix 4

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

- This indicator allows the PCC to manage the risk inherent in investments longer than 364 days.
- The limit for 2012/13 was set at £5m.
- As at 31 March 2013, the PCC had one investment for a period of greater than 364 days. Please see additional details within paragraph 2.3 above.



## Cumbria Office of the Police and Crime Commissioner

**Audit and Standards Committee**

**June 24<sup>th</sup> 2013**

**Agenda Item No 14**

### Review of Audit and Standards Committees for most similar forces

For the attention of members and officers of the Joint Audit and Standards Committee.

A review of the status, composition and scheduled meeting arrangements of the Audit and Standards Committees of the most similar forces in England and Wales.

In April of this year a letter requesting information as set out above was sent to the Offices of the Police and Crime Commissioner in the following forces marked for the attention of the Chair of the Audit and Standards Committee: -

- Cheshire
- Derbyshire
- Durham
- Norfolk
- North Wales
- Staffordshire
- Suffolk

Each of those approached replied, in confidence and in the main were extremely open in sharing their arrangements and were positive about opportunities for networking. Set out below is the anonymised information received, describing their arrangements current as of mid May of this year.

- Of the 7 respondents only 2 were fully operational: four had interim arrangements in place and 1 had yet to deliver an initial meeting.

- The variation in the number of members engaged within a range of 3 to 7 with the mean average membership being 5 members.
- The status of the Chairman's role was mainly as that in Cumbria, with one Committee rotating the role at each meeting; and another proposing the annual election of the Chair from within the membership. Two respondents described the role of a Vice Chair in their letter
- The status of members was variable; of the three Committees in shadow, all members were ex authority independent members. It was not clear if this would remain so post interim arrangements. One proposed committee had 5 independent members with 2 additional full members nominated from local councils.
- Remuneration was only described by 2 respondents, both of whom were using similar scales of pay for the chair and for members to those in place in Cumbria.
- Quarterly meetings were scheduled for 5 committees with the 2 remaining respondents scheduling 5/6 meetings per annum.
- No respondents mentioned standards within the paperwork.

Summary Table

<b>Status</b>	<b>A Shadow</b>	<b>B Active</b>	<b>C Shadow</b>	<b>D Shadow</b>	<b>E Not yet convened</b>	<b>F Active</b>	<b>G Shadow</b>
<b>Members</b>	6	3	5	5	(7)	5	4
<b>Meetings per annum</b>	4	5/6	4	4	(5/6)	4	4
<b>Standards</b>	x	x	x	x	x	x	x

## Conclusions

We are well ahead in Cumbria and our arrangements for meetings, remuneration and membership lie at mean average within those of the most similar forces. I have not yet read some of the most comprehensive responses nor yet replied to respondents regarding networking.

Patrick Everingham

Chairman Joint Audit & Standards Committee

17<sup>th</sup> June 2013