

Richard Rhodes

Police and Crime Commissioner for Cumbria

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Penrith CA10 2AU



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Our reference: DC

Date: 29 February 2016

AGENDA

TO: THE MEMBERS OF THE JOINT AUDIT AND STANDARDS COMMITTEE

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

A Joint Meeting of the Joint Audit & Standards Committee and the Police and Crime Commissioner's Executive Board will take place on **Wednesday 9th March 2016** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **10 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 presentation by Arlingclose on Treasury Management from 9.15am – 9.45am and a development session at 1pm

COMMITTEE MEMBERSHIP

Mrs Fiona Daley (Chair)
Mr Andy Hampshire
Mr Jack Jones
Ms Fiona Moore

AGENDA

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

1. APOLOGIES FOR ABSENCE

2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC

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

3. DISCLOSURE OF PERSONAL INTERESTS

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

4. MINUTES OF MEETING AND MATTERS ARISING

To receive and approve the minutes of the committee meeting held on 4 February 2016 (copy enclosed)

5. ACTION SHEET

To receive the action sheet from previous meetings (copy enclosed)

6. CORPORATE UPDATE

7. HMI UPDATE REPORT

- (i) Cumbria Vulnerability
- (ii) Increasingly everyone's business – Domestic Abuse
- (iii) PEEL Police Effectiveness 2015
- (iv) Vulnerability in Criminal Case Files
- (v) Witness for the prosecution
- (vi) The depths of dishonour
- (vii) Multi-agency Public Protection Arrangements
- (viii) Regional Organised Crime units
- (ix) PEEL Legitimacy

8. ANNUAL WORK PROGRAMME: ASSURANCE FORMAT

To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference *(To be presented by the Commissioner's CFO)*

9. EXTERNAL AUDIT PLAN

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

10. JOINT AUDIT AND STANDARDS COMMITTEE UPDATE

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

11. TREASURY MANAGEMENT

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

- (i) Treasury Management Strategy Statement 2016/17 and Prudential Indicators 2016/17 to 2018/19
- (ii) Treasury Management Practices 2016/17

12. TREASURY MANAGEMENT ACTIVITIES 2015/16 QUARTER 3 (OCTOBER TO DECEMBER 2015)

To receive for information reports on Treasury Management Activity *(To be presented by the Deputy CFO)*

13. JASC QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

To receive a report from the Management Audit Unit regarding the proposed Quality Assurance & Improvement Programme (copy enclosed)

14. PROPOSED INTERNAL AUDIT PLAN/INTERNAL AUDIT CHARTER

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

15. INTERNAL AUDIT – PROGRESS REPORT

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

16. INTERNAL AUDIT REPORT

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

- (i) Safeguarding IT Assets
- (ii) Data Protections and FOI Requests

The following Internal Audit reports have also been completed within the last quarter and have been reviewed by the Committee members. Copies of these audit reports will be available to view on the OPCC website.

- (i) PCC Complaints Handling
- (ii) PCC FOI & DP
- (iii) Complaints

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

To receive an updated summary of actions implemented in response to audit and inspection recommendations *(To be presented by the Chief Constable's CFO)*

18. OPCC RISK MANAGEMENT STRATEGY

To provide the annual review of the COPPC Risk Management Strategy *(To be presented by the Governance & Business Services Manager)*

19. OPCC RISK MANAGEMENT MONITORING

To consider the COPCC strategic risk register as part of the Risk Management Strategy *(To be presented by the Governance & Business Services Manager)*

20. CONSTABULARY QUARTERLEY RISK MANAGEMENT UPDATE

To provide an update of Constabulary Risk Management including the strategic risk register *(To be presented by the Chief Constables CFO)*

21. CONSTABULARY VFM PROFILES

To receive a report from the Director of Corporate Improvement reviewing the 2015 Value for Money profiles *(To be presented by the Chief Constables CFO)*



CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY

JOINT AUDIT & STANDARDS COMMITTEE

Minutes of a Meeting of the Joint Audit & Standards Committee held
on Thursday 4th February 2016 in Conference Room 3, Police Headquarters, Carleton Hall,
Penrith, at 10.15 am

PRESENT

Mrs Fiona Daley (Chair)
Mr Jack Jones
Ms Fiona Moore
Mr Andy Hampshire

Also present:

Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Emma Toyne)
Group Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Niki Riley)
Engagement Manager, Grant Thornton (Richard McGahon)
T/Deputy Chief Constable (Darren Martland)
Commissioner's Chief Finance Officer (Ruth Hunter)
Deputy Chief Finance Officer (Michelle Bellis)
Constabulary Chief Finance Officer (Roger Marshall)
Financial Services Assistant – Revenue and Systems (Dawn Cowperthwaite)
Chief Executive (Stuart Edwards)

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

198. APOLOGIES FOR ABSENCE

Apologies for absence were received from the Engagement Lead.

199. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC

There are no items of urgent business or exclusions of the press and public to be considered by the Committee. It was decided that if further detail was required during the corporate update, the members would take a decision at that time if exclusions needed to be made



200. DISCLOSURE OF PERSONAL INTERESTS

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

201. MINUTES OF MEETING AND MATTERS ARISING

The minutes of the meeting held on Thursday 3rd September 2015 had been circulated with the agenda. The minutes were first reviewed for factual accuracy and approved as a true record of the meeting by the committee.

RESOLVED, that, the minutes of the meeting held on 3rd September 2015 be approved.

202. ACTION SHEET

The action sheet of the meeting held on 3rd September 2015 had been circulated with the agenda.

The Chair noted that actions in relation the minute number 163 had been accepted by the Governance and Business Services Manager and as a result these items could be marked as completed on the action plan but left in place until after the March meeting to act as a reminder of what had been agreed.

The Chair advised that the members would give further consideration, following on from today's meeting, to potential areas for induction training for future members. The Commissioner's Chief Finance Officer (CFO) asked that the members also considered areas for general training with a mind to helping to inform the updating of the audit plan and the work programme for 2016/17. The members agreed that they would also discuss this.

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

203. CORPORATE UPDATE

The Commissioner's CFO advised that they would be giving a brief update to the Committee with regards the current position of Formula Funding. At the time of the last meeting there were concerns about the Comprehensive Spending Review (CSR) and expected changes to the Formula Funding which were anticipated to impact the budget from 2016/17.

They advised that following the CSR announcement on 25th November 2015 policing services were to be largely protected. Around the same time the Home Office acknowledged that there had been an error in the exemplifications sent out regarding the formula funding which had relied on historical data, they have confirmed that they plan to update this using a different indicator of deprivation. As a best-case scenario £9.9m from a formula funding loss has been



removed from the budget for the medium term. The Commissioner's CFO advised that the members would receive more in depth information during the development session on 9th March.

A member commented that the press releases during this time from both the Constabulary and the Commissioner's office were very good and got the message across well.

The Temporary Deputy Chief Constable advised that there were a number of issues, operationally, that the Constabulary were dealing with: -

- Continuing to dealing with the aftermath of the floods in December
- Plans for the custody suite in Workington to re-open this weekend as it had been closed due to flooding since the beginning of December
- Crown Court trial hopefully completing by the end of this week in relation to the murder of Jordan Watson

204. JOINT ANNUAL AUDIT LETTER 2014-15

The Engagement Manager introduced the Annual Audit letter for the Police and Crime Commissioner and Cumbria Constabulary and advised that it was a summary of the Audit Findings report presented to members in September 2015. Overall it was a very positive report, the main points are given below: -

- Huge credit is to be given to the finance team for producing the accounts by the May deadline rather of June with no loss of quality of information, this is largely due to having given forward consideration to how they would be put together
- The accounts were authorised for issue on 28 May 2015 and an unqualified opinion was given to the accounts for both the Commissioner and the Constabulary on 23 September 2015
- Unqualified opinions were also issued to both the Commissioner and Constabulary on 23 September 2015 in respect of the Value for Money conclusions
- In previous years there have been issues in relation to Constabulary underspends, it has been noted in this report that in 2014/15 this figure was much closer to what you would expect in terms of budget, this represents the workforce planning that has gone on in terms of the Constabulary's recruitment and matching the two up

The report also includes the audit fees for the year.

A member commented that it was pleasing to see that for the first time in a number of years the issues of underspends and reserves has not been highlighted as an issue in the audit letter.

RESOLVED, that, the report be noted

205. ANNUAL REVIEW OF GOVERNANCE 2015-16

Role of the PCC's Chief Finance Officer

The Commissioner's CFO presented the report advising that this work had been done in order to assure themselves that there were no areas within the Chartered Institute of Public Finance and Accountancy (CIPFA) role profile that they were not adhering to. This was the second year that they have completed the exercise and there were a number of changes to the text which ensures continuing development as they feel comfortable that there are items in place for each of the core areas.

Role of the Chief Constables Chief Finance Officer

The Chief Constables CFO advised that this was broadly speaking a very similar piece of work to that completed by the Commissioner's CFO and that they would be happy to take any questions.

A member asked if there had been any significant changes. The Chief Constables CFO advised that there were not big changes and that the majority of changes were minor amendments or additions.

The Chair commented that it was good to see that there were changes from one year to the next as it confirmed that this was not just a paper exercise and makes you think about what has changed.

Scheme of Delegation

The Chief Executive introduced the suite of papers for the Scheme of Delegation, Arrangements for Anti-Fraud and Corruption and Arrangements for Integrity including Codes of Conduct, Complaints and Integrity Protocols explaining that they formed the framework of controls, policies and systems and processes that are in place to protect against fraud, legal challenge, provide standards of conduct and that the organisation is well governed.

A member commented that the first paragraph on page 16 should read Accounts and Audit Regulations 2015, rather than 2003.

Note – The Head of Procurement joined the meeting at this point.

Arrangements for Anti-Fraud and Corruption

The Chief Executive gave a summary of the paper including the forms to be completed by staff of the Commissioner's office. A member commented that on the bottom of page 9 the Audit Commissions Whistle Blowers Hotline was listed and asked if it could be checked to ascertain if it was still a valid number as the number had been struck out on page 17. Another member asked if consideration could be given to amending the contact email address for the Monitoring Officer (Page 18) from commissioner@cumbria-pcc.gov.uk to the email address for the



monitoring officer, in order to provide some visible separation between the responsibilities of the Monitoring Officer and Commissioner. The Chief Executive advised that this would be considered.

Arrangements for Integrity including Codes of Conduct, Complaints and Integrity protocols

The Chief Executive introduced the report and gave a run through of it's content, advising that it had been reviewed and updated. A member commented on the general style of the report highlighting that a mix of both 1st and 3rd person appeared to have been used in several areas leading to a stilted flow of the report. As the document could potentially have a wider circulation than the Commissioner's office it was felt that it could benefit from further review and amendment.

The Chair highlighted a couple of small errors that would benefit from amendment. Page 9 of the Independent Custody Visitors (ICV) Complaints Policy, the second sentence reads 'The-will'. There were also several uses of the word 'Authority' within the document. On page 9 of the Officer Protocol document there is reference to the 'Chair of the Audit Committee', this should read 'Chair of the Joint Audit and Standards Committee'.

Procurement Regulations

The Head of Procurement presented the Joint Procurement Regulations to the Committee, explaining that they had been tasked with ensuring that the Regulations were up to date and fit for purpose. The main changes in the document relate to amendments following the introduction of the 2015 Procurement Regulations, previously the 2006 Regulations had been used. Within the 2015 Regulations there had been 123 changes from the 2006 Regulations. The structure of the document remains very much as it was with the biggest changes being to how goods/services over £100k were procured with the main recommendation being that procurement for all items over £100k goes through EProcurement. The main benefits of this change would be improved transparency, visibility, non-discrimination and standardisation of approach to market.

A member asked if there were any potential problems or risks associated with no longer using a paper based system, the Head of Procurement advised that there were none, it eased costs for suppliers (as their costs were significantly reduced) and in terms of security it couldn't be beaten as it is not possible for the bids to be interfered with at all and they are only able to be opened by the legal department. Another member commented that using EProcurement actually gave potential suppliers more freedom as the time that they would previously have had to get their bids in the post could be employed on working on the bids if required.

A member commented that some of the report was not particularly easy to read as the colour of the text differed throughout they also highlighted a couple of typos in the document.

- Page 3 – 'Contracting Authority' – Local Authority Janet should this be
- Page 3 – 'DPA' – should read Data Protection Act 1998 rather than 1988

Another member commented on the diagram on page 21 stating that it was a really useful representation of the process, however they asked that the formatting be reviewed as some of the text boxes were not large enough resulting in some partially missing text, the Head of Procurement advised that they would look into this.

The members asked if the section on late tenders could be reviewed as there were several issues with both the wording and the clarity of message. The Chair highlighted the procurement routes section on page 29 asking if (normally this would be the Authorised Officer and their Line Manager) could be amended to read (normally this would be the Authorised Officer and a Senior Manager) as they felt it had the potential to be translated inappropriately, the Head of Procurement took this in mind.

A member asked if the Committee would like to receive verbal confirmation at the March meeting that amendments had been made to the 'Late Tenders' section, they agreed that they would.

RESOLVED, that, the reports be noted.

Note – The Head of Procurement left the meeting at this point.

Note - At this point, agenda item 16 was taken out of order

206. STRATEGIC RISK REGISTER – OPCC

The Chief Executive presented the OPCC's Strategic risk register to the Committee for consideration. They advised that there was now only one risk remaining on the strategic risk register as the other two had been removed to the operational risk register after thorough review last year. A copy of the operational risk register had also be included with the papers on this occasion in order to provide the members with assurance that they were still being considered. Members commented that they were glad to see the changes that have been implemented along with the operational risk register

RESOLVED, that, the reports be noted

207. ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE

The Chief Constables CFO introduced the Annual Governance Statement 2015/16 Update on Action Plan advising that the report had been designed to provide members with an update on progress made on actions developed by both the Constabulary and the OPCC. It showed a generally good picture with 21 items having been completed and 15 ongoing. The one outstanding issue which had exceeded its timescale is in relation to the updating of the Financial Rules, this had been delayed due to work being done on responding to the Governments review of the Police Formula Funding. The Chief Constables CFO advised that



since Christmas, significant progress had been made and a number of sections had been updated and the hope was that the 31 March deadline could be met although it was unlikely that full training will have been undertaken at that point but that they would provide further updates to the Committee.

The Chair asked for clarification on who had been undertaking the work of updating the Financial Rules, the Chief Constables CFO advised that they had along with support from the finance team. The Chair also asked for an update at the March meeting on progress made on this action point.

RESOLVED, that, the report be noted

208. HMIC REPORTS

The Chair clarified what they saw as the Committees role with regards to HMIC reports with the main responsibility being to have oversight that the recommendations made by HMIC were being implemented by the Constabulary, including those that for genuine reasons the Constabulary have decided not to implement. The Temporary Deputy Chief Constable gave an update on each of the HMIC reports that the members had received, along with the progress, if any, of the recommendations made.

The Chair asked if it would be possible for the members to receive a summarised report at each meeting that noted the HMIC reports that had been received and recommendations made, with a focus on those recommendations either not being implemented or those that had been delayed as they felt this would give the best information for them to meet their responsibilities. The Temporary Deputy Chief Constable felt that it would be possible to provide the information requested.

RESOLVED, that, (i) the Deputy Chief Finance Officer will continue to forward HMIC reports to the members as they come available
that, (ii) the members are provided with a summary report at each meeting to provide an update on progress of recommendations made in HMIC reports

209. OPCC VALUE FOR MONEY REVIEW

The Commissioner's CFO presented the OPCC Value for Money review to the Committee. The value for money profile gives a summary of the comparators for Cumbria's OPCC. Using this and the information from the websites of Cumbria's statistically 'most similar group' analysis was conducted which when compared showed that the costs and resourcing issues for Cumbria OPCC are reasonable in relation to the functions that are being delivered.



When the same piece of work was completed last year the office was ranked as the second lowest cost of the group. It has been possible in the last year to reduce the budget for the OPCC which has therefore just brought Cumbria into the lowest cost position.

Commissioned Services for Cumbria have higher costs per head of population, although this was always intended to be the case as the Commissioner has some very clear policy objectives in relation to victims, perpetrator programme and reducing crime.

A member asked if collaboration was being considered as a method of further reducing expenditure in the future, the Commissioner's CFO confirmed that this would be the main area for consideration.

RESOLVED, that, the report be noted.

Note – The Chair suggested a 5 minute comfort break at the point

210. INTERNAL AUDIT – PROGRESS REPORT

The Audit Manager presented a progress report which summarised the outcomes of the work of internal audit for the period up to 20 November 2015. The key points of the report are given below:

- Two audits have been completed since the last progress report
 - Duty Management System
 - Performance Monitoring
- Progress with the audit plan was on schedule with 30% of planned audits for 2014/15 having been delivered (compared with 23% at the same point last year)
- All audit reports completed have been well received and have completed action plans in place
- Consultation on the draft plans was underway early in the new year and the draft audit plan will be brought to the March meeting for members attention

A member asked if they were happy that they would have completed the plan by the end of the year, the Audit Manager advised that they will have completed sufficient work to be able to give the annual opinion, however there was an piece of work on procurement which will be carried into 2016/17 following discussions with the Commissioner's CFO and a piece of work on the safeguarding hub which has been scoped but will not be carried out until April. The Commissioner's CFO advised that during meetings with internal audit it was felt that the scope for the procurement audit needed extending beyond that previously planned mainly due to the updating of the procurement regulations and a restructure within the department.

RESOLVED, that, the report be noted;

**211. INTERNAL AUDIT REPORT**

During the last quarter audit reports on Budget Management and the Mobile Device Project were completed and circulated to the members. They reported that it was pleasing to see the level of assurance that they provided.

RESOLVED, that, the report be noted

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

The Chief Constable's CFO introduced the audit monitoring report giving the members a brief update on recommendations around Business Continuity and DMS, all of which had either been completed or were ongoing but had not yet met their target dates.

There was one recommendation that had exceeded its target date and this was the update of an approvals list for CSD to refer to when they had non order invoices. The approvals list is to be used in CSD to check that invoices are being authorised only by those staff with delegated authority to do so. Work has been ongoing on this recommendation and a further update will be given at the March meeting. The Chair asked for clarification on whether this recommendation was expected to still be outstanding by the March meeting. The Chief Constable's CFO gave a firm undertaking to provide a full update for the Committee in March.

RESOLVED, that, the reports be noted

213. TREASURY MANAGEMENT ACTIVITIES 2015/16 QUARTER 2 (JULY TO SEPTEMBER 2015)

The Deputy CFO presented to members the Treasury Management Activities for July to September 2015. The report provides details of the treasury transactions undertaken in the first two quarters of 15/16 as well as a forecast for investment income for the year.

RESOLVED, that, the reports be noted

214. STRATEGIC RISK REGISTER – CONSTABULARY

The Chief Constable's CFO shared with the committee the Constabulary's updated strategic risk register and highlighted that there was one new risk and one had been removed.

The Chair thanked the Chief Constable's CFO and the Temporary Deputy Chief Constable for their updates.



RESOLVED, that, the reports be noted

Meeting ended at 12.40 pm

Signed: _____

Date: _____



PROCUREMENT PROCESS

Late Tenders

Principle of Proportionality

Late tenders should normally be rejected unless (1) late delivery is a result of actions outside the control of the tenderer or (2) other exceptional circumstances exist which the PCC/Constabulary, in exercising reasonable discretion, deems sufficient to allow acceptance. Where a decision is made to accept a late tender, then it is sensible to document the time of receipt of that tender and the reasons why the tender has been accepted.

If the sender has not already alerted procurement that the tender may be late, under no circumstances must the tender be opened until the reasons have been verified and approval granted by the Chief Executive with legal and procurement advice. The PCCCFO must be consulted. The reason for the decision including the legal and procurement advice taken and the comments of the PCCCFO must be recorded and maintained with the procurement records.

If approval is received, Legal will witness the tender in the usual manner but will also record on the form that the tender was received late, the reason for this, and that approval was received for its acceptance

If approval is not received, the unopened tender will be returned by Procurement to the supplier, and recorded on the Tender Opening Form as part of the audit trail. Procurement will also inform the tenderer in writing that their tender has not been accepted, with the reason(s) for its non-acceptance. Any late tenders must all be treated equally with regards to their acceptance or refusal.

If it is proven that there was a **technical fault** with the e-tendering system that prevented the upload of the tender submission by the bidder(s) then Head of Procurement must be consulted. The event and decision should be duly recorded and maintained with the procurement records for that particular tender.

Joint Audit & Standards Committee – Action Sheet

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
DATE OF MEETING: 6th May 2015					
163	Item 7 – OPCC Anti-Fraud and Corruption Corrections to be made to typo's in this document – Fiona Moore to advise on specifics – update for next year	Joanne Head	June 2016	Joanne has accepted these actions	
163	Item 7 - OPCC Anti-Fraud and Corruption Consideration to be given to whether the report could be split as Members do not need to see the arrangements annually but feel that they would benefit from seeing the stats	Joanne Head	June 2016	Joanne has accepted these actions	
167	Item 11 – Annual Report of the Joint Audit and Standards Committee 2014/15 Members to consider possible areas for induction training	Members	December 2015	This task has been completed with feedback to the PCCCFO	
169	Item 13 – Annual Governance Statement – OPCC Consideration to be given to producing a short summary AGS	Ruth Hunter	March 2016	As a result of changes to the governance framework from April 2016, a summary statement will be produced in line with the new local code for the 2016-17 AGS. Staff will be advised when preparing the 2015-16 AGS to be mindful of the length of their narrative. This approach aims to respond to the points raised by committee whilst recognising that work to produce a summary statement will be initially resource intensive. It is therefore felt that this work will be better focused on the arrangements for the new code given that this will be the last year of the AGS in its current format.	
170	Item 13 – Annual Governance Statement – Constabulary Consideration to be given to producing a short summary AGS	Roger Marshall	March 2016	Please see above	

DATE OF MEETING: 3rd September 2015					
197	Item 14 (ii) – Strategic Risk Register – Constabulary Members asked that risk 22 be reviewed as it is currently rated as ‘high’ and they believe it should be considered as ‘very high’	Roger Marshall	December 2014		
DATE OF MEETING: 4th February 2015 (postponed from 8th December 2015)					
205	Item 8 (d) – Annual Review of Governance 2015-16 – Scheme of Delegation Page 16 – Should read Accounts and Audit Regulations 2015 (not 2003)	Joanne Head	March 2016	The document has been amended	
205	Item 8 (e) – Annual Review of Governance 2015-16 – Arrangements for Anti-Fraud and Corruption Page 9 – Members asked that the Audit Commission Whistle Blowers hotline number given be checked for continued validity, the number given on page 17 has been struck out so this maybe just needs to be repeated on page 9	Joanne Head	March 2016	The document has been checked and Audit Commission replaced with Public Sector Audit Appointments Ltd contact details	
205	Item 8 (e) – Annual Review of Governance 2015-16 – Arrangements for Anti-Fraud and Corruption Page 18 - Consideration to be given to amending the Monitoring Officer contact details from the generic commissioner@cumbria-pcc.gov.uk to SE’s email	Joanne Head	March 2016	Consideration will be given to a separate monitoring officer email address	
205	Item 8 (e) – Annual Review of Governance 2015-16 - Arrangements for Integrity including Codes of Conduct, Complaints and Integrity protocols Members asked that further review of this report be conducted to help improve the flow. There were several areas where a mix of 1 st and 3 rd person were used. E.g page 6 reads ‘I agree’ whilst page 7 reads ‘The Police & Crime Commissioner will agree’	Joanne Head	March 2016	The document has been amended to be consistent in the 3 rd person	
205	Item 8 (e) – Annual Review of Governance 2015-16 - Arrangements for Integrity including Codes of Conduct, Complaints and Integrity protocols Typo on page 9 (ICV Complaints Policy) to be corrected, 2 nd sentence starts ‘The-will’	Joanne Head	March 2016	The document has been amended	
205	Item 8 (e) – Annual Review of Governance 2015-16 - Arrangements for Integrity including Codes of Conduct, Complaints and Integrity protocols Correction on Page 9 of the Officer Protocol – Reference to ‘Chair of Audit Committee’ to be replaced with ‘Chair of the Joint Audit & Standards Committee’	Joanne Head	March 2016	The document has been amended	
205	Item 8 (c) – Annual Review of Governance 2015-16 – Procurement Regulations Typo’s on document to be corrected - Page 3 – Contracting Authority – Local Authority Janet should this be... - Page 3 – DPA – should be 1998 instead of 1988	Les Hopcroft	March 2016	The Head of Procurement confirmed that this action had been completed	
205	Item 8 (c) – Annual Review of Governance 2015-16 – Procurement Regulations Consideration to be given to standardising the colour of the text throughout the document in order to make it more easily readable	Les Hopcroft	March 2016	The Head of Procurement confirmed that this action had been completed	

205	Item 8 (c) – Annual Review of Governance 2015-16 – Procurement Regulations Members asked if the formatting to the table on page 21 could be reviewed as some text is partially obscured or missing	Les Hopcroft	March 2016	The Head of Procurement confirmed that this action had been completed	
205	Item 8 (c) – Annual Review of Governance 2015-16 – Procurement Regulations Consideration to be given to amending the 'Late tenders' section – Feedback due to be given to members at the March meeting	Les Hopcroft	March 2016	The Head of Procurement confirmed that this action had been completed	
205	Item 8 (c) – Annual Review of Governance 2015-16 – Procurement Regulations Members asked for the working in Procurement Routes (page 29) to be amended from (normally this would be the Authorised Officer and their Line Manager) to (normally this would be the Authorised Officer and a Senior Manager)	Les Hopcroft	March 2016 (verbal confirmation)	The Head of Procurement confirmed that this action had been completed	
208	Item 10 – HMIC Reports To provide regular summary reports to members on HMIC reports that have been completed and the progress or issues with recommendations	T/DCC Martland	March 2016 & ongoing	This has been discussed with Strategic Development & members will receive their first report in the March meeting	



Joint Audit and Standards Committee

Agenda Item 7

TITLE OF REPORT:	Constabulary HMIC Action Plan Update
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DATE OF MEETING:	9th March 2016
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ORIGINATING OFFICER:	Strategic Development, Corporate Improvement
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PART 1 or PART 2 PAPER:	PART 1 (OPEN)
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Executive Summary:

The purpose of this paper is to provide the Joint Audit and Standards Committee with an update of how the Constabulary is addressing HMIC inspection recommendations.

Attached is a template which provides the Joint Audit and Standards Committee with details of the [governance](#) and status of progress against the actions as requested.

Recommendations:

That the Audit and Standards Committee:

Note the work currently being undertaken to address HMIC Inspection recommendations.

Note the planned HMIC inspection activity for 2016/17.

MAIN SECTION

1. Introduction and Background

HMIC conducts two main types of inspection; PEEL and national thematic inspections. HMIC also receives commissions from time to time by the Home Secretary, e.g. the Domestic Abuse inspection of all forces completed in 2013 and also from Police and Crime Commissioners.

Annual all-force inspection programme (PEEL)

PEEL is an all-force inspection programme in relation to police effectiveness, efficiency and legitimacy. The PEEL annual assessment provides graded judgments on forces' performance. HMIC's PEEL assessments are designed to provide a year-on-year comparison, enabling the public to see how each police force's performance changes over time, in relation to its past performance and the performance of other forces.

Making Judgements

Under the annual all-force inspection programme, forces are assessed and given graded judgments.

The categories are:

- Outstanding
- good;
- requires improvement; and
- inadequate.

Judgment is made against how efficient and effective the force is at keeping people safe and reducing crime and how well (legitimately) it treats people.

A grading of good will be given when policy, practice or performance meets pre-defined grading criteria informed by any relevant approved professional practice and standards. If the policy, practice or performance exceeds what is expected for good, then HMIC will consider giving a graded judgment of outstanding.

If there are shortcomings in the policy, practice or performance and it does not meet what is expected for good then HMIC will consider giving a graded judgment of requires improvement.

HMIC publishes inspection reports which include recommendations for improvement which can be aimed at Chief Constables, the Home Office, College of Policing and National portfolio leads.

National thematic inspections

National thematic inspections examine a principal policing issue. This could be identified through HMIC's monitoring processes or by a commission from the Home Secretary. Thematic inspections can take place in any number of police forces, ranging usually from 6 up to all 43 forces. This type of inspection identifies poor practice relevant to the police service as a whole, and good practice regarding a specific aspect of policing.

Thematic inspections have proved important in identifying and exploring critical issues and sticking points in forces' practice. They have set out ways to improve practice in areas such as crime-

recording. These will continue alongside the PEEL programme, with findings from these inspections informing PEEL assessments where appropriate.

In addition to the PEEL 2015 inspection, the Constabulary was the subject of a Firearms Licensing thematic inspection and a joint inspection of Custody with HMIP. A follow up inspection of Custody will take place in May 2016.

The attached template provides the Joint Audit and Standards Committee with a list of the key HMIC inspection reports since 2014 and the number of recommendations that were directed at the Constabulary and/or all forces to address, together with details of the governance and status of progress that the Constabulary has made against those recommendations.

The proposed approach for PEEL 2016/17

In 2016/17, effectiveness, efficiency, legitimacy and leadership will continue to be the basis and predominant elements of the PEEL programme. Through lessons learned from the 2015/16 assessment, responses from previous consultations and survey results, the way HMIC will run PEEL in 2016/17 will change.

In 2016, HMIC will run two tranches of inspections. The spring 2016 inspection will inspect on the efficiency, legitimacy, and leadership of forces and the autumn 2016 inspection will inspect on the effectiveness of forces.

In relation to the efficiency element, HMIC will inspect on how efficient the force is at keeping people safe and reducing crime.

In relation to the legitimacy element, HMIC will inspect how well the force treats people when working to keep people safe and reduce crime.

HMIC's inspection in relation to leadership will be an assessment of how well led forces are at every rank and grade, with a focus on the organisational structures that help each force to understand and develop leadership skills across the whole force.

The second tranche of PEEL will begin in autumn 2016; it will be concerned with the effectiveness of forces. The effectiveness inspection is still in the planning stage; however, it is expected to cover areas similar to those covered in 2015:

- crime prevention and neighbourhood policing – how effective the force is at preventing crime, anti-social behaviour and keeping people safe;
- investigations – how effective the force is at investigating crime and managing offenders;
- vulnerability – how effective the force is at protecting from harm those who are vulnerable and in supporting victims; and
- strategic policing requirement (SPR) – how effective the force is at meeting its national policing responsibilities (for example, in 2015 we focused on serious and organised crime).

HMIC is proposing to publish the final PEEL 2016 assessment in March 2017.

Proposed topics for new thematic inspections in 2016/17

Crime-recording – rolling programme of unannounced visits

HMIC proposes a rolling programme of thematic inspections on crime-recording, assessing how individual forces have responded to their initial findings, following HMIC's crime-recording inspection in 2014. The new inspections will evaluate the extent to which the public and government bodies can now have confidence in police-recorded crime. The programme will cover all 43 forces over a number of years.

Counter-terrorism – thematic inspection

In 2015, HMIC commissioned the Counter-Terrorism Insight Programme which considered the changing threat posed by terrorism and international terror groups in particular. This programme began with an insight study to establish the areas of highest risk identified by both the public and law enforcement agencies for counter- terrorism policing. The study obtained views from the police, security services, PCCs and other organisations. It concluded in December 2015 with a seminar that brought together senior officials from a broad range of interested parties. The findings from this work will shape HMIC's counter-terrorism inspection in 2016/17 and beyond.

Joint inspections

Subject to consultation on the Criminal Justice Joint Business Plan, HMIC will be involved in the following inspection activity with other inspectorates in 2016/17.

Joint inspections HMIC will lead or contribute to in 2016/17:

- **stalking and harassment:** to assess the effectiveness of forces at identifying and managing the vulnerability and risk associated with victims of stalking and harassment; their effectiveness and that of the CPS at investigating and prosecuting cases of stalking and harassment; and to identify effective practice (HMIC led);
- **joint targeted area inspections of child protection:** to assess the progress and experiences of a cohort of children who are at risk of harm and are in contact with youth offending team services, health services, local authority children's social care services, and the police. Each set of inspections also includes an element that is looked at in detail, with the first six inspections focusing on children at risk of sexual exploitation and those missing from home, school or care (led by Ofsted); and
- **police custody (rolling programme):** to assess the treatment and conditions of detainees in police custody against the revised criteria and methodology 'Expectations for Police Custody' (led by HMI Prisons).

HMIC Inspection	Report	Remit	No of Police Recommendations in the report	No of Police Recommendations relevant to Cumbria Constabulary	PEEL Inspection Grade	Action Status	Governance
Domestic Abuse	Cumbria Constabulary's approach to Tackling Domestic Violence Published 27 March 2014	Cumbria specific and National thematic - all forces	10	10	N/A	All started and on track	OS Command Team meeting and Operations Programme Board (monthly)
Crime Data Integrity	Crime Data Integrity - Inspection of Cumbria Constabulary Published November 2014	Cumbria specific and National thematic - all forces	9	9	N/A	1 declined 4 complete 4 started and on track	OS Command Team meeting and Operations Programme Board (monthly)
Police Integrity	Integrity Matters: Published 30th January 2015	National thematic - not including Cumbria	11	11	N/A	All started and on track	PSD tasking (monthly tactical and annual strategic), quarterly production of relevant data for the Ethics and Integrity panel (OPCC) and PDC within force.
Child Protection	In harm's way - the role of the police in keeping children safe Published July 2015	National thematic - not including Cumbria	9	9	N/A	Currently being assessed to ascertain if they are relevant to Cumbria and if any further action is required	If further action is required this will be included within the Constabulary's Business Improvement Plan.
Online CSE	Online and on the edge: Real risks in a virtual world Published July 2015	National thematic - not including Cumbria	12	12	N/A	Currently being assessed to ascertain if they are relevant to Cumbria and if any further action is required	If further action is required this will be included within the Constabulary's Business Improvement Plan
Police Management Information	Building the Picture - an inspection of police management information Published July 2015	National thematic - not including Cumbria	6	6	N/A	Currently being assessed to ascertain if they are relevant to Cumbria and if any further action is required	If further action is required this will be included within the Constabulary's Business Improvement Plan

HMIC Inspection	Report	Remit	No of Police Recommendations in the report	No of Police Recommendations relevant to Cumbria Constabulary	PEEL Inspection Grade	Action Status	Governance
Firearms Licensing	Targeting the risk An inspection of the efficiency and effectiveness of firearms licensing in police forces in England and Wales Published September 2015	National thematic - 11 forces including Cumbria*	9	9	N/A	5 complete 4 started and on track	OS Command Team meeting and Operations Programme Board (monthly)
Custody	Report on unannounced inspection visit to police custody suites in Cumbria Constabulary Published 29th September 2015	Cumbria specific	46	46	N/A	31 complete 14 started and on track 1 behind schedule due to dependency on 'other agencies' i.e. availability and provision of 'PACE Beds', which is being progressed by the County Council.	OS Command Team meeting and Operations Programme Board (monthly)
MAPPA	A follow-up inspection of Multi-Agency Public Protection Arrangements Published 22nd October 2015	National thematic - not including Cumbria	1	1	N/A	Currently being assessed to ascertain if it is relevant to Cumbria and if any further action is required	If further action is required this will be included within the Constabulary's Business Improvement Plan
Vulnerability in Case Files	Witness for the prosecution: Identifying victim and witness vulnerability in criminal case files Published 12th November 2015	National thematic - not including Cumbria	1	1	N/A	Completed	OS Command Team meeting and Operations Programme Board (monthly)

HMIC Inspection	Report	Remit	No of Police Recommendations in the report	No of Police Recommendations relevant to Cumbria Constabulary	PEEL Inspection Grade	Action Status	Governance
Honour Based Violence	The depths of dishonour: Hidden voices and shameful crimes Published 8th December 2015	National thematic - not including Cumbria	3	3	N/A	Currently being assessed to ascertain if they are relevant to Cumbria and if any further action is required	If further action is required this will be included within the Constabulary's Business Improvement Plan
Digital Crime and Policing	Real lives, real crimes A study of digital crime and policing Published 9th December 2015	National thematic - not including Cumbria	4	4	N/A	Currently being assessed to ascertain if they are relevant to Cumbria and if any further action is required	If further action is required this will be included within the Constabulary's Business Improvement Plan
PEEL - Efficiency	PEEL - Efficiency Published 20th October 2015	Cumbria specific	0	0	Good	N/A	
PEEL -Vulnerability	PEEL - Effectiveness (Vulnerability) Published 15th December 2015	Cumbria specific	5	5	Requires Improvement	2 complete 1 started and on track	OS Command Team meeting and Operations Programme Board (monthly)
PEEL -Legitimacy	PEEL - Legitimacy Published 11th February 2016	Cumbria specific	3	3	Good	All started and on track	OS Command Team meeting and Operations Programme Board (monthly)
PEEL -Effectiveness:	PEEL - Effectiveness Published 18th February 2016	Cumbria specific	12	12	Requires Improvement	See breakdown below	OS Command Team meeting and Operations Programme Board (monthly)
Preventing crime, ASB and keeping people safe			2		Good	Currently being assessed. If further action is required this will be included within the Constabulary's Business Improvement Plan	
Investigating Crime and Managing Offenders			6		Requires Improvement	1 complete 5 started and on track	
Serious and Organised			4		Requires Improvement	All started and on track	

HMIC Inspection	Report	Remit	No of Police Recommendations in the report	No of Police Recommendations relevant to Cumbria Constabulary	PEEL Inspection Grade	Action Status	Governance
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The Constabulary has a strategic HMIC action plan which is implemented by the Operations Programme Board and will be subject to quarterly audit & inspection by the Constabulary's new Business Improvement Unit..

*The other forces were:

- Dyfed Powys Police;
- Dorset Police;
- Warwickshire Police;
- West Mercia Police;
- Cumbria Constabulary;
- Durham Constabulary;
- North Yorkshire Police;
- Lincolnshire Police;
- Surrey Police;
- Sussex Police; and
- Essex Police.

Joint Audit and Standards Committee Proposed Annual Work Programme 2016-17

1 Introduction & Purpose of the Report

1.1 On an annual basis the Joint Audit and Standards Committee agrees a work programme that informs the reports and information received by the Committee to ensure that members fulfil their terms of reference and advisory role. The terms of reference for the Committee were approved at the meeting of 25th February 2014, having been reviewed and updated in line with the latest CIPFA guidance on Audit Committees. The guidance made specific reference to the role of Committee's within the governance framework for policing. This report translates the terms of reference into a proposed work programme. It includes a number of proposed development sessions and takes into account preparation for the earlier production and audit of the statement of accounts.

2 Report

2.1 This report presents to members an annual work programme. The programme is presented in two formats. The first format sets out each of the terms of reference and the reports/activity that it is proposed the Committee would undertake to fulfil the terms. It therefore aims to present an assurance framework in line with CIPFA guidance that identifies the key documents and information that the Committee requires to fulfil its purpose. The second format aligns the work programme against each Committee meeting. The alignment is managed to ensure wherever possible that meetings are balanced in terms of volume of work and that governance themes are aligned. In practice this means that:

- The meetings in March, July, September and November will receive cyclical audit reports, cyclical monitoring reports and the strategic risk registers. Audit reports will be issued to members at the point they have been finalised and will be listed on the meeting agenda. Members may request the full report to be tabled at any of the above meetings. The above reports are not proposed to be presented in May to reduce the business demands on that agenda.
- The meeting in March will consider relevant annual strategies and plans for the following financial year. This includes the proposed internal audit plan, charter and quality assurance programme; the external audit plan and the risk management and treasury management strategies. The meeting includes an annual development session on the medium term financial strategy and change programme. This aims to inform the committee of the financial climate going forward and any resulting operational change and risks in advance of the year.
- The meeting in May will focus on annual reports that review the governance arrangements for the previous financial year. This will include the annual report of the Committee, the review of the effectiveness of internal audit and reviews of the effectiveness of arrangements for anti-fraud and corruption and risk management. The Committee will also receive the annual report of the Ethics and Integrity Panel setting out the work of the panel and assurances regarding arrangements for ethics and integrity. The agenda includes the annual opinion of the Chief Internal Auditor and ensures members have all relevant information ahead of considering the Annual Governance Statement and Code of Corporate Governance prior to their publication with the unaudited financial statements. The meeting will provide an opportunity for members to meet privately with the internal auditors.
- The meeting in July will consider the Audited Statement of Accounts and the Audit Findings Report of the External Auditor, setting out their opinion on the financial statements and their value for money conclusion. The financial statements are presented with an assurance document. This provides members with advice on the wider financial governance arrangements supporting the production of financial statements. The Committee will also receive the updated annual

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

- The agenda for the September meeting will cover the standard cyclical reports. Due to the likely lower level of business requirements for this agenda, the timetable proposes that members undertake one of the planned development sessions in September.
- The November meeting will focus on governance arrangements with a cyclical review of one or two of the core elements of the governance framework. Members will also receive an annual report on value for money within the Constabulary and within the OPCC including HMIC VFM profile data benchmarking costs with most similar group (msg).
- Ad-hoc HMIC/Inspection and other reports appropriate to the Committee's terms will be circulated to member as they are published and listed on the agenda to provide the opportunity for questions and discussion.
- All meetings provide for a corporate update facilitating briefings from Chief Officers in respect of any issues of a corporate nature that are relevant to the remit of the committee or helpful as background/contextual information.
- A minimum of two development sessions will be held annually with members. Arlingclose LTD, the Commissioner's treasury management advisors will meet with members at a minimum annually to provide an update on treasury strategy and developments.

3 Recommendations

3.1 Members are recommended to:

- a) Consider the proposed annual work programme and development sessions as a basis for fulfilling the terms of reference and assurance responsibilities of the Committee
- b) Approve the work programme subject to any proposed changes

Joint Audit and Standards Committee: Annual Work Programme Assurance Format

Terms of Reference: Governance, risk and control	Meeting	Work Programme Assurance Activity
Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. Underlined governance documents are scheduled for review in 2016.	<p>May (Ethics and Integrity Annual Report)</p> <p>November: (All governance reviews excluding ethics and integrity)</p>	<p>ETHICS AND INTEGRITY GOVERNANCE: To receive an annual report from the Chair of the Ethics and Integrity Panel, advising the Committee of the work of the Panel over the previous year and matters pertaining to governance in respect of the arrangements for ethics and integrity.</p> <p>ANNUAL REVIEW OF GOVERNANCE: To review the COPCC and Constabulary arrangements for governance; cyclical review over a three years covering:</p> <ul style="list-style-type: none"> ▪ <u>Role of the Chief Finance Officer (2016) (annual review)</u> ▪ <u>Financial Regulations: bi-annual review (2016)</u> ▪ <u>Grant Regulations: tri-annual review (2016)</u> ▪ Scheme of Delegation/Consent (2016) ▪ Procurement Regulations: bi-annual review (2017) ▪ Arrangements for Anti-Fraud and Corruption /whistleblowing (2017)
Review the Annual Governance Statements prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement	<p>May</p> <p>July (updated governance statement prior to approval and publication)</p> <p>November</p>	<p>ANNUAL GOVERNANCE STATEMENT</p> <ul style="list-style-type: none"> ▪ Report of the Internal Auditor: Annual Governance Statement: To consider a report from the Internal Auditor reviewing the Annual Governance Statement for the financial year and to the date of this meeting ▪ Effectiveness of Governance Arrangements: To receive a report from the PCCCFO/PCC Deputy Chief Executive on the effectiveness of the PCC's arrangements for Governance/ To receive a report from the CCCFO on the effectiveness of the CC's arrangements for governance ▪ Code of Corporate Governance: To consider the PCC/CC Code of Corporate Governance ▪ Annual Governance Statement: To consider the PCC/CC Annual Governance Statement for the financial year and to the date of this meeting <p>ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE: To receive an update on progress against the development and improvement plan within the annual governance statement.</p>

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

		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.
Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy, actions and resources	November – cyclically when updated May	ARRANGEMENTS FOR ANTI-FRAUD AND CORRUPTION: To receive the COPCC and Constabulary strategy, policy and fraud response plan. ANTI-FRAUD AND CORRUPTION ACTIVITIES: To receive an annual report from the Chief Executive on activity in line with the arrangements for anti-fraud and corruption.

Terms of Reference: Internal Audit	Meeting	Work Programme Assurance Activity
Annually review the internal audit charter and resources	March	INTERNAL AUDIT CHARTER: To receive a copy of the internal audit charter from the Internal Auditors.
Review the internal audit plan and any proposed revisions to the internal audit plan	March/Ad-hoc	PROPOSED INTERNAL AUDIT PLAN: To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions.
Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence	March May Quarterly May	QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME: To receive from the Internal Auditors a report setting out the arrangements for quality assurance and improvement. EFFECTIVENESS OF INTERNAL AUDIT: To receive a report from the PCC Chief Finance Officer in respect of the effectiveness of internal audit. INTERNAL AUDIT PERFORMANCE: To receive from the Internal Auditors quarterly reports on the performance of the service against a framework of performance indicators (<i>provided within the internal audit progress reports and annual report.</i>) PRIVATE INTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the Internal Auditors

Consider the Head of Internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements	May Every meeting excluding May	INTERNAL AUDIT –ANNUAL REPORT: To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion. INTERNAL AUDIT – PROGRESS REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.
Consider internal audit reports and such detailed reports as the Committee may request from the Police and Crime Commissioner and the Chief Constable, including issues raised or recommendations made by the internal audit service, management response and progress with agreed actions	Every meeting excluding May	INTERNAL AUDIT REPORTS: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee.
Consider a report on the effectiveness of internal audit to support the Annual Governance Statement	May	EFFECTIVENESS OF INTERNAL AUDIT: To consider a report of the Commissioner's Chief Finance Officer reviewing the effectiveness of Internal Audit.

Terms of Reference: External Audit/External Inspection	Meeting	Work Programme Assurance Activity
Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money	March May	EXTERNAL AUDIT PLAN: To receive from the external auditors the Annual External Audit Plan EXTERNAL AUDIT FEES: To receive from the external auditors the proposal in respect of audit fees.
Consider the external auditor's annual management letter, relevant reports and the report to those charged with governance	November/Ad-hoc March	ANNUAL AUDIT LETTER: To receive from the External Auditors the Annual Audit Letter and reports JOINT AUDIT AND STANDARDS COMMITTEE UPDATE: To receive from the external auditors an update report in respect of progress on the external audit plan
Consider specific reports as agreed with the external auditors/specific inspection reports e.g. HMIC, relevant to the Committee's terms of reference	Every meeting excluding May	ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, HMIC/INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference

Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies and relevant bodies	July	PRIVATE EXTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the external auditors
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Terms of Reference: Financial Reporting	Meeting	Work Programme Assurance Activity
Review the Annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements that need to be brought to the attention of the Commissioner and/or the Chief Constable	July July	ASSURANCE FRAMEWORK: STATEMENT OF ACCOUNTS: To receive a report from the PCCCFO/Chief Executive in respect of the PCC's framework of assurance; To receive a report from the Deputy Chief Constable/CC in respect of the CC's framework of assurance. ANNUAL STATEMENT OF ACCOUNTS: To receive the audited Statement of Accounts for the Commissioner and Chief Constable and Group Accounts and consider a copy of a summarised non-statutory version of the accounts
Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements	July	AUDIT FINDINGS REPORT: To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion.

Terms of Reference: Accountability Arrangements	Meeting	Work Programme Assurance Activity
On a timely basis report to the Commissioner and the Chief Constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management	Every meeting (where appropriate)	To be discussed in Committee meetings and noted as feedback in the minutes.
Report to the Commissioner and the Chief Constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements and internal and external audit functions	Every meeting (where appropriate)	To be discussed in Committee meetings and noted as feedback in the minutes.
Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the Commissioner and the Chief Constable	May	ANNUAL REPORT OF THE AUDIT AND STANDARDS COMMITTEE: To receive a report reviewing the activities of the Committee as a contribution to the effectiveness of arrangements for governance

		(From 2016-17 this item to comprise a report reviewing the effectiveness of the Committee against the CIPFA framework (May) and an annual report (June).
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Terms of Reference: Treasury Management	Meeting	Work Programme Assurance Activity
Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory Review the Treasury risk profile and adequacy of treasury risk management processes	March	TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES: To review the annual Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices.
Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity	Every meeting excluding July	TREASURY MANAGEMENT ANNUAL REPORT/ACTIVITIES: To receive for information the treasury management annual report and an update on Treasury Management Activity. TREASURY MANAGEMENT ADVISORS: To receive briefings/training from the Commissioner's Treasury Management advisors.
Review assurances on Treasury Management	Every meeting excluding May (where applicable)	INTERNAL AUDIT REPORT: To receive reports from Internal Audit Unit in respect of specific audits conducted since the last meeting of the Committee

Terms of Reference: Standards Activity	Meeting	Work Programme Assurance Activity
To hear and determine appeals in relation to the OPCC's personnel policies and decisions of the Chief Executive where appropriate	n/a	As and when required, to act as an "Appeal Board"
To hear and determine appeals by Independent Custody Visitors and Independent Members of Police Misconduct Panels from decisions of the Chief Executive	n/a	As and when required, to act as an "Appeal Board"

Joint Audit & Standards Proposed Annual Work Programme 2016/17

9 th March 2016	3 rd May 2016	28 th July 2016	September 2016	November 2016
<p>PRIVATE DEVELOPMENT SESSION: Medium Term Financial Forecast, change programme & value for money</p> <p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee: Treasury Management, Arlingclose Ltd.</p> <p>TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES: To review the annual Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices. (DCFO)</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>ANNUAL WORK PROGRAMME: ASSURANCE FORMAT: To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference. (PCCCFO)</p> <p>EXTERNAL AUDIT PLAN: To receive from the external auditors the Annual External Audit Plan. (GT)</p>	<p>PRIVATE INTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the Internal Auditors. (IA)</p> <p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee</p> <p>EXTERNAL AUDIT FEES: To receive from the external auditors the proposal in respect of audit fees. (GT)</p> <p>RISK MANAGEMENT MONITORING: To receive an annual report from the Chief Executive on Risk Management Activity including the Commissioner's arrangements for holding the CC to account for Constabulary Risk Management. (CE/GM)</p> <p>ANTI-FRAUD AND CORRUPTION ACTIVITIES: To receive an annual report from the Chief Executive on activity in line with the arrangements for anti-fraud and corruption. (CE/GM)</p> <p>ETHICS AND INTEGRITY GOVERNANCE: To receive an annual report from the chair of the Ethics and Integrity Panel.</p>	<p>PRIVATE EXTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the external auditors. (GT)</p> <p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee</p> <p>AUDIT FINDINGS REPORT: To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion. (GT)</p> <p>ASSURANCE FRAMEWORK STATEMENT OF ACCOUNTS: To receive a report from the PCCCFO/Deputy Chief Executive in respect of the PCC's framework of assurance; To receive a report from the CCCFO in respect of the CC's framework of assurance. (PCCCFO/CCCFO)</p> <p>ANNUAL STATEMENT OF ACCOUNTS: To receive the audited Statement of Accounts for the Commissioner and Chief Constable and Group Accounts and consider a copy of a summarised non-statutory version of the accounts (PCCCFO/CCCFO)</p>	<p>PRIVATE DEVELOPMENT SESSION: The Commissioner's Police & Crime Plan/PCP chair to be invited</p> <p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee</p> <p>INTERNAL AUDIT – PROGRESS REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)</p> <p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)</p> <p>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. (CCCFO)</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and</p>	<p>PRIVATE DEVELOPMENT SESSION:, Arlingclose LTD, to provide an update on Treasury Management developments</p> <p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee</p> <p>ANNUAL AUDIT LETTER: To receive from the External Auditors the Annual Audit Letter and reports.</p> <p>ANNUAL REVIEW OF GOVERNANCE: To review the COPCC and Constabulary arrangements for governance; cyclical review over a three years. (Relevant Chief Officers)</p> <p>ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE: To receive an update on progress against the development and improvement plan within the annual governance statement.</p> <p>VALUE FOR MONEY: To receive an annual report on Value for Money within the Office of the Police and Crime Commissioner. (PCCCFO) To receive an annual report on Value for Money within the Constabulary. (DCI)</p>

<p>JOINT AUDIT AND STANDARDS COMMITTEE UPDATE: To receive from the external auditors an update report in respect of progress on the external audit plan. (GT)</p> <p>PROPOSED INTERNAL AUDIT PLAN/ INTERNAL AUDIT CHARTER: To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions. To receive a copy of the internal audit charter from the Internal Auditors. (IA)</p> <p>QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME: To receive from the Internal Auditors a report setting out the arrangements for quality assurance and improvement. (IA)</p> <p>INTERNAL AUDIT – PROGRESS REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)</p> <p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)</p> <p>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS: To receive an updated summary of actions implemented</p>	<p>INTERNAL AUDIT –ANNUAL REPORT: To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion. (IA)</p> <p>EFFECTIVENESS OF INTERNAL AUDIT: To receive a report from the PCC Chief Finance Officer in respect of the effectiveness of internal audit. (PCCCFO)</p> <p>ANNUAL REPORT OF THE AUDIT AND STANDARDS COMMITTEE: To receive a report reviewing the activities of the Committee as a contribution to the effectiveness of arrangements for governance. (DCFO)</p> <p>TREASURY MANAGEMENT ANNUAL REPORT/ACTIVITIES: To receive for information the treasury management annual report and an update on Treasury Management Activity for Jan – Mar. (DCFO)</p> <p>ANNUAL GOVERNANCE STATEMENT</p> <ul style="list-style-type: none"> ▪ Report of the Internal Auditor: Annual Governance Statement: To consider a report from the Internal Auditor reviewing the Annual Governance Statement for the financial year and to the date of this meeting. (PCCCFO & CCCFO) ▪ Effectiveness of Governance Arrangements: To receive a report from the PCCCFO/PCC Chief Executive on the 	<p>INTERNAL AUDIT – PROGRESS REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)</p> <p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)</p> <p>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. (CCCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE/GM & DCC)</p> <p>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference</p>	<p>Constabulary strategic risk register as part of the Risk Management Strategy. (CE/GM & DCC)</p> <p>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference</p>	<p>INTERNAL AUDIT – PROGRESS REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan. (IA)</p> <p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. (IA)</p> <p>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. (CCCFO)</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference</p>
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<p>in response to audit and inspection recommendations. (CCCFO)</p> <p>RISK MANAGEMENT STRATEGY: To provide the annual review of the COPCC (CE/GM) and Constabulary (DCC) Risk Management Strategies.</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE/GM & DCC)</p> <p>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference</p>	<p>effectiveness of the PCC's arrangements for Governance/ To receive a report from the CCCFO on the effectiveness of the CC's arrangements for governance</p> <p>■ Code of Corporate Governance: To consider the PCC/CC Code of Corporate Governance</p> <p>■ Annual Governance Statement: To consider the PCC/CC Annual Governance Statement for the financial year and to the date of this meeting</p> <p>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference</p>			
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FUTURE DEVELOPMENT SESSIONS

The Committee will undertake a private development day during 2016 with the Constabulary to gain further insight into policing.

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

Year ending 31 March 2016

March 2016

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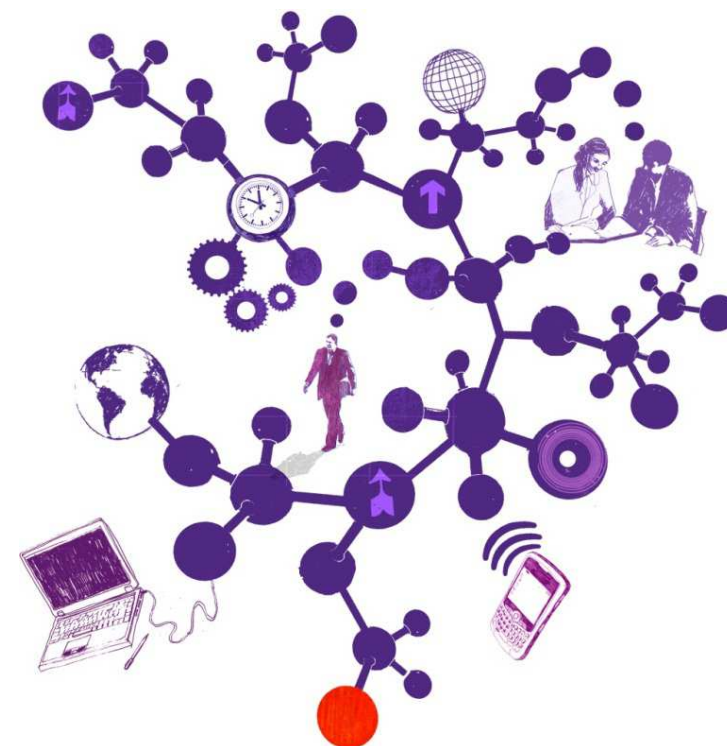
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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



The Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary
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March 2016

Dear Richard and Jerry

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Joint Audit Plan for Police and Crime Commissioner for Cumbria and Chief Constable for Cumbria Constabulary for the year ending 31 March 2016

This joint Audit Plan sets out, for the benefit of those charged with governance (in this case, the Police and Crime Commissioner (PCC) for the office of the PCC, and the Chief Constable for Cumbria Constabulary), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the financial statements of the Chief Constable, the PCC and the Group
- satisfy ourselves that the Police and Crime Commissioner and the Chief Constable have each made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance (the PCC and Chief Constable for the OPCC and Constabulary, respectively). The audits of the financial statements do not relieve management or those charged with governance, for each organisation, of their responsibilities for the preparation of the financial statements.

Yours sincerely

Fiona Blatcher

Engagement Lead

Chartered Accountants

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Police and Crime Commissioner and Chief Constable are facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- Although the expectation for the Autumn Statement was for significant cuts in policing spend, the Chancellor proposed that there would be no real terms reduction in funding to policing over the next five years.
- For Cumbria there was a cash reduction of £341,000 between 2015/16 and 2016/17.
- The review of formula funding is however more challenging. Current estimates range from a reduction of £9.9 million to £15.8m. A further reduction of up to £1.4 million would occur if legacy council tax funding is included in the new formula.

2. On-going Public Sector challenges

- Despite the Autumn Statement not including the expected levels of cuts there remains a strong case for change to meet existing financial challenges, improve performance and improve the delivery of high quality policing services in a more effective and cost efficient way.
- The Constabulary has in place a well established 'Change Strategy' to deliver its strategic approach to delivering spending reductions.

3. Collaboration and Partnerships

- The Autumn Statement 2015 also included proposals to devolve further powers to localities
- Increasing partnerships forms an integral role in achieving your police and crime plan in relation to criminal justice and victims
- Collaborating with local authorities, along with the wider criminal justice system, has increased focus on prevention and multi-agency working.

4. Police and Crime Commissioner election

- A new Police and Crime Commissioner will be elected on 5 May 2016. In light of this there will be a need for an effective plan to manage the transition to a new PCC
- The existing Police and Crime Plan will need to be evaluated and draw on lessons learnt, whilst preparing the design for a new one.



Our response

- We will consider each of the Police and Crime Commissioner's and the Chief Constable's plans and financial positions as part of our work to inform our VFM conclusion.

- We will consider your arrangements for monitoring delivery of your current plans as part of our work in reaching our VFM conclusion.
- We will share our knowledge of how other parts of the sector are responding to these changes.

- We will review arrangements for existing and potential collaborations as part of our work in reaching our VFM conclusion.

- We will consider your plans for the effective transition to a new Police and Crime Commissioner.

Developments and other requirements relevant to your 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

1. Corporate governance

- The Accounts and Audit Regulations 2015 require authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of each of the Police and Crime Commissioner's and Chief Constable's financial statements.

2. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- There are a number of additional disclosure requirements of IFRS 13.

3. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require authorities, including PCCs and Chief Constables, to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.
- Cumbria PCC and Chief Constable achieved the 31 May deadline for 2014/15 and are committed to achieving this for 2015/16.

4. PEEL review

- In February 2016 Her Majesty's Inspectorate of Constabulary (HMIC) published its second PEEL (police effectiveness, efficiency and legitimacy) assessment of how well Cumbria Constabulary keeps people safe and reduces crime.
- Cumbria Constabulary was assessed as 'Good' for efficiency and legitimacy but its effectiveness was assessed as 'Requires Improvement'.



Our response

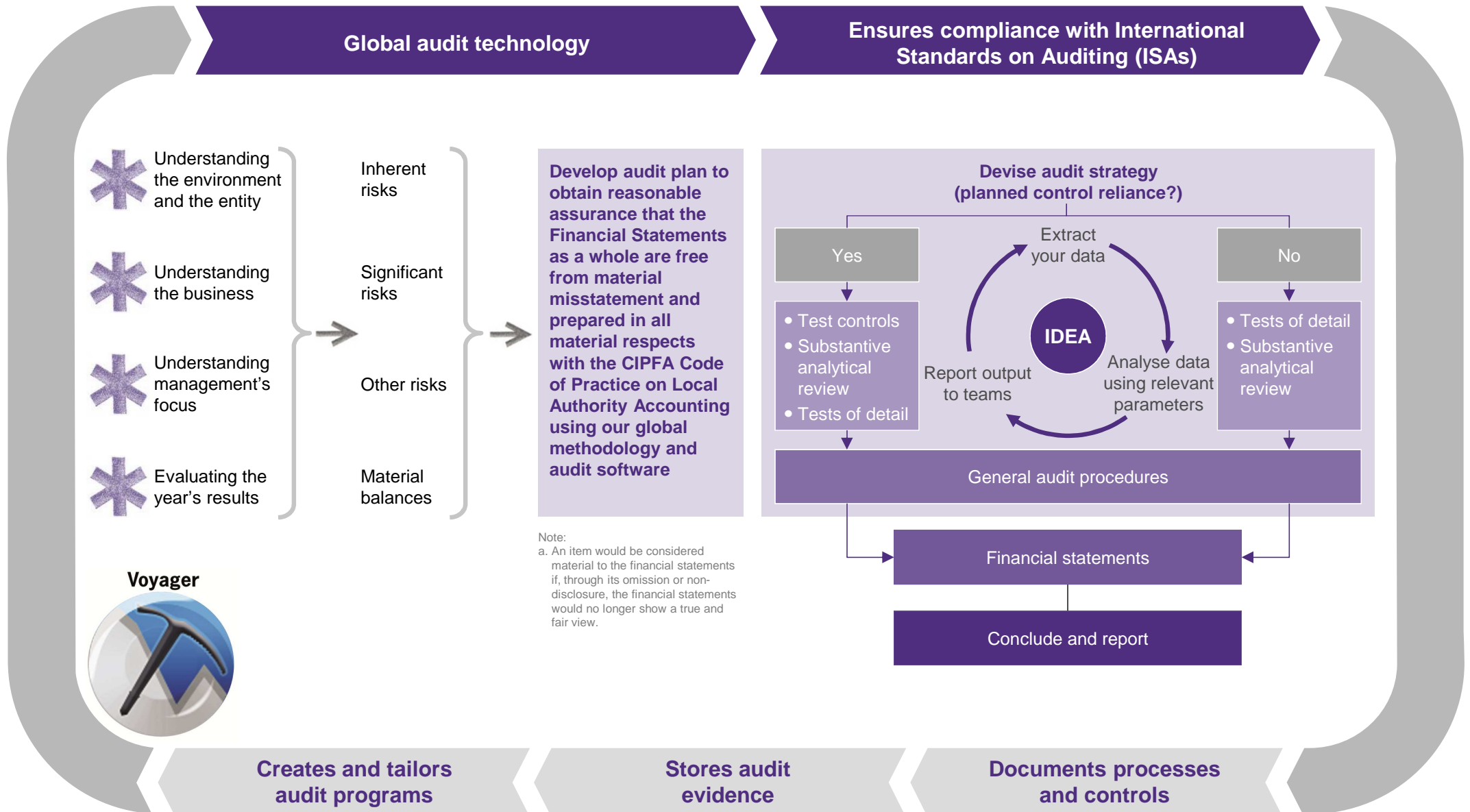
- We will review your Narrative Statements to assess whether they reflect the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS's and consider whether they are consistent with our knowledge, and the requirements of CIPFA guidance.

- We will keep the PCC informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage whether you are likely to have any surplus assets. Where relevant we will review the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis..

- We will continue to work with you to identify areas of your accounts where we can do early testing. We aim to complete all substantive work in our audit of your financial statements earlier than the current statutory deadlines in preparation for early close deadlines moving forward.
- We will report our audit finding to the Joint Audit and Standards Committee on 28 July 2016.

- We will consider your arrangements for responding to the PEEL review and monitoring delivery of your improvement plan as part of our work in reaching our VFM conclusion.

Our audit approach



Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Police and Crime Commissioner and gross revenue expenditure of the Chief Constable. For the purposes of planning the audit we have determined overall materiality for each to be 2% of the relevant gross relevant expenditure as shown in the table below:

Materiality	PCC (Single Entity)	Chief Constable (Single Entity)	PCC (Group Accounts)
Materiality (2% of gross revenue expenditure)	£2,687,000	£2,957,000	£3,336,000

We will consider whether these levels are appropriate during the course of the audit and will advise you if we revise them.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £101,000 (PCC – Single entity), £111,000 (Chief Constable – Single entity) and £125,000 (PCC – Group accounts).

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where we will undertake audit procedures as these are key figures/disclosures in the accounts that should be correct:

Balance/transaction/disclosure	Explanation
Cash and cash equivalents	The balance of cash and cash equivalents was material last year. All transactions made by the PCC affect the balance and whether the actual figure is material or not it is considered to be material by nature.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of auditors' remuneration in notes to the statements	This is a statutory requirement and a requirement of ethical and auditing standards.
Disclosure of related party transactions in the notes to the statements	Due to public interest in these disclosures.

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. The two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are shown on this page.

Significant risk	Relevant to PCC / Chief Constable / Both?	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Both	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted for both the PCC and Chief Constable because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • for the PCC opportunities to manipulate revenue recognition are very limited as revenue is principally grant allocations from central and local government • for the Chief Constable opportunities to manipulate revenue recognition are very limited as revenue is principally an inter-group transfer from the PCC, with no cash transactions • the culture and ethical frameworks of local government bodies, including Cumbria PCC and Chief Constable, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Both	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Updating our understanding of accounting estimates, judgments and decisions made by management <p>Further work planned:</p> <ul style="list-style-type: none"> • Review and challenge of significant accounting estimates, judgments and decisions made by management • Detailed testing of high risk journal entries • Review accounting treatment for significant, unusual transactions

Significant risks identified (continued)

Significant risk	Relevant to PCC / Chief Constable / Both?	Description	Substantive audit procedures
Valuation of the Private Finance Initiative (PFI) asset and associated liability	PCC	<p>In accounting for the PFI contract it was assumed that there was reasonable certainty that the Commissioner would exercise the right to purchase the building at the end of the original 25 year contract for half of its market value. As such the PFI land and building were recognised as property, plant and equipment in the Commissioner's balance sheet at full value. In addition, a liability for outstanding obligations to pay for the building, which includes the cost of purchasing the asset for half its market value at the end of the PFI period are also shown on the balance sheet.</p> <p>Given the flooding in Cumbria in December 2015 the future of the PFI building is less certain. This means that the accounting for the PFI asset and Liability may change.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Discuss with officers the current view on the future of the PFI asset • Review the PCC's consideration of the accounting implications of any changes to the view of the future of the PFI asset. • Review and test any resultant changes to accounting treatment and disclosures.
Valuation of pension fund net liability	Both	<p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements. These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p> <p>The Police Officer Pension schemes pension fund liability as reflected in its balance sheet and notes to the accounts represent significant estimates in the financial statements. These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension net liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • We will review the competence, expertise and objectivity of the actuaries who carry out your pension fund valuation. We will gain an understanding of the basis on which the valuations are carried out • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made • We will review the consistency of the pension fund asset (LGPS only) and liabilities disclosures in the notes to the financial statements with the actuarial report from your actuary.

Other risks identified

"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 (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Relevant to PCC / Chief Constable / Both?	Description	Audit approach
Operating expenses	Both	Creditors understated or not recorded in the correct period (Operating expenses understated)	<ul style="list-style-type: none"> • Identification of controls and walkthrough testing of the operating expenses transaction cycle • Testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces • Testing of payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts • Substantive testing of operating expenses
Employee remuneration	Both	Employee remuneration expenses and accruals understated	<ul style="list-style-type: none"> • Identification of controls and walkthrough testing of the employee remuneration transaction cycle • Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces • Analysis of trends and relationships to identify any anomalous areas for further investigation • Testing to confirm the completeness of payroll transactions and appropriate cut-off
Police Pensions Benefits Payable	Both	Benefits improperly computed / Claims liability understated	<ul style="list-style-type: none"> • Identification of controls and walkthrough testing of the pension benefit payments transaction cycle • Testing the reconciliation of pension benefit payments recorded in the general ledger to the subsidiary systems and interfaces • We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year together with a comparison of pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained. • Substantive testing of monthly pension benefit payments made in the year • Substantive testing of lump sum pension benefit payments made in the year

Other risks identified (continued)

Other risks	Relevant to PCC / Chief Constable / Both?	Description	Audit approach
Valuation of property, plant and equipment	PCC	<p>The PCC revalues its assets on a rolling basis over a five year period.</p> <p>The Code requires that the PCC ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>The floods in Cumbria in December 2015 has meant that several assets have been damaged. Work is on-going to repair the assets but some assets may still be impaired at 31/3/2016.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate • Review of the competence, expertise and objectivity of any management experts used • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding • Testing of revaluations made during the year to ensure they are input correctly into the PCC's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value • Consider what assets have been impaired and the basis for the impairment and the amount.

Other risks identified (continued)

Other material balances and transactions

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

- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Police Pension Fund Account and related notes

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statements are in line with CIPFA / SOLACE guidance and consistent with our knowledge of the Police and Crime Commissioner and Chief Constable.
- We will read the Narrative Statements and check that they are consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

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 PCC and the Chief Constable's financial results are consolidated into the PCC group accounts. We will comply with the requirements of ISA 600 in carrying out our audit of the Chief Constable's financial statements.

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

Value for Money

Background

The Code requires us to consider whether the Police and Crime Commissioner and Chief Constable have each put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. These are known as the Value for Money (VfM) conclusions. We issue separate conclusions for the Police and Crime Commissioner and for the Chief Constable.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Police and Crime Commissioner and the Chief Constable have each put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria as set out in the table.

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none">• Acting in the public interest, through demonstrating and applying the principles and values of good governance• Understanding and using appropriate cost and performance information to support informed decision making and performance management• Reliable and timely financial reporting that supports the delivery of strategic priorities• Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none">• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions• Managing assets effectively to support the delivery of strategic priorities• Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none">• Working with third parties effectively to deliver strategic priorities• Commissioning services effectively to support the delivery of strategic priorities• Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We shall carry out an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we will consider :

- our cumulative knowledge of both the Police and Crime Commissioner and the Chief Constable, including work performed in previous years in respect of the VfM conclusions and the opinions on the financial statements.
- the findings of other inspectorates and review agencies, including Her Majesty's Inspectorate of Constabulary (HMIC).
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

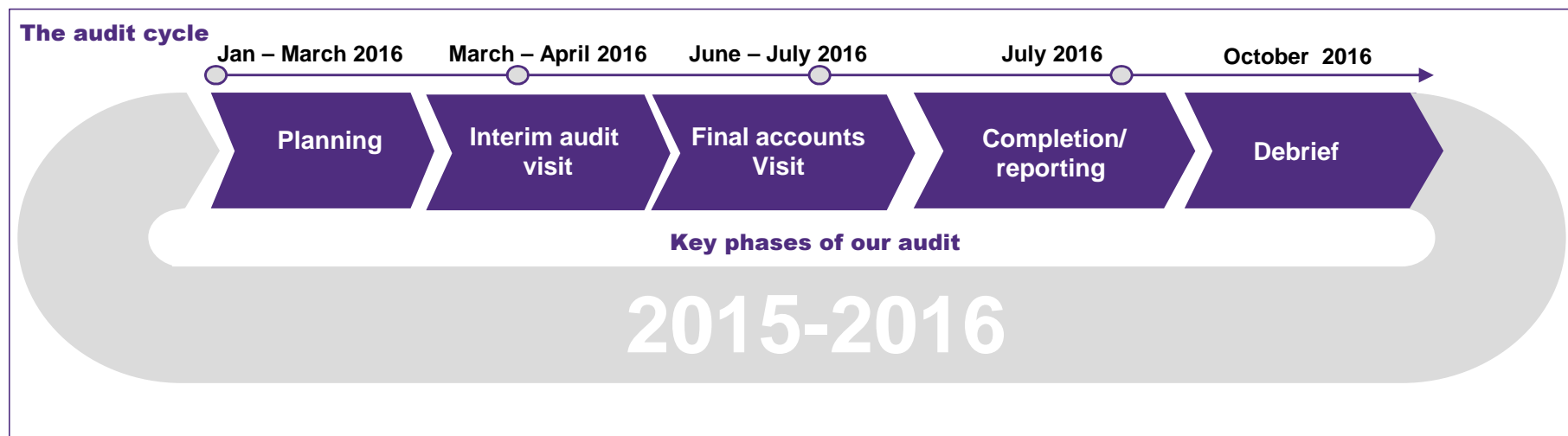
Following the completion of these risk assessments, we will issue a separate joint planning document setting out our planned work for 2015/16 to meet our duties in respect of the VfM conclusion for the Police and Crime Commissioner and the Chief Constable. This will include any significant risks identified, along with details of the work we plan to carry out to address these risks.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our joint Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements. This report will be present to the Police and Crime Commissioner and the Chief Constable when they attend the Joint Audit and Standards Committee on 28 July 2016.

Key dates



Date	Activity
On-going	Planning
March to April 2016	Interim site visit
9 March 2016	Presentation of audit plan to the Joint Audit and Standards Committee
9 March 2016	Presentation of audit plan to the PCC and the Chief Constable
June to July 2016	Year end fieldwork
July 2016	Audit findings clearance meeting with the PCC's and the Chief Constable's Chief Finance Officers
28 July 2016	Report audit findings to the Joint Audit and Standards Committee. The PCC and Chief Constable will be present at this meeting, as those charged with governance, prior to their approval of the accounts.
July 2016	Sign financial statements opinions and issue certificate of closure of the audits.

Fees and independence

Fees

	£
Police and Crime Commissioner audit	30,338
Chief Constable audit	15,000
Total audit fees (excluding VAT)	45,338

Our fee assumptions include:

- 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, and the Police and Crime Commissioner, Chief Constable and their activities, have not changed significantly.
- The Police and Crime Commissioner and Chief Constable will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Service	Fees £
Non-audit services: <ul style="list-style-type: none">• Tax Advisory Services	2,500

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. These relate to the provision of a tax helpline at an annual cost of £2,500. Any additional work or changes will be reported in our Audit Findings Report and Annual Audit Letter.

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. 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 requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (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 Report 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 to the Police and Crime Commissioner and the Chief Constable.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Police and Crime Commissioner's and the Chief Constable's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. 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 NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Police and Crime Commissioner's and the Chief Constable's key risks when reaching our conclusions under the Code.

It is the responsibility of the Police and Crime Commissioner and the Chief Constable to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Police and Crime Commissioner and the Chief Constable 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 issues 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		✓
Matters in relation to the Group audit, including scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓



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Joint Audit and Standards Committee Update for the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary

Year ended 31 March 2016

February 2016

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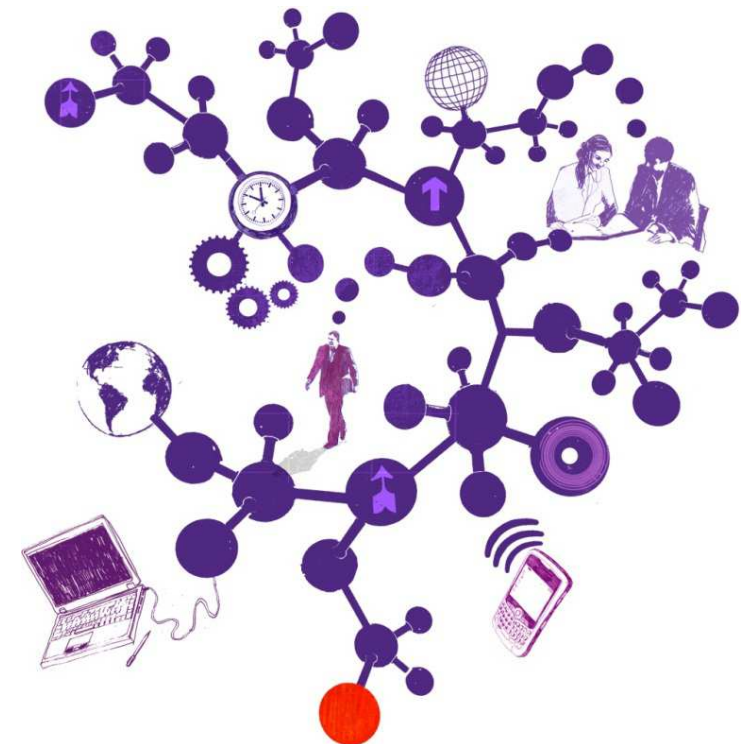
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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Introduction

This paper provides the Joint Audit and Standards Committee (JASC) with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a commentary as the PCC and Chief Constable's response to the respective emerging issues and developments (these are shown bold blue on relevant slides).

Members of the Joint Audit and Standards Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Examining the evidence: How police audit committees can drive an effective governance agenda
- Making devolution work: A practical guide for local leaders
- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at February 2016

Work	Planned date	Complete?	Comments
2015/16 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Police and Crime Commissioner and the Chief Constable setting out our proposed approach in order to give an opinion on the Police and Crime Commissioner (PCC) and Group and the Chief Constable's 2015/16 financial statements.	9 March 2016	Yes	The Audit Plan will be presented to the 9 March 2016 Joint Audit and Standards Committee. We continue to assess the risks facing both organisations and meet with Senior Officers to ensure that these risks are fully understood and our audit work is appropriate. Any changes to our plan between our initial risk assessment and the delivery of your opinion we be reported in our Audit Findings Report.
Interim accounts audit Our interim fieldwork visits include: <ul style="list-style-type: none"> • updating our review of the PCC and Chief Constable's control environment including Information Technology • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	March to April 2016	Not started	Work on the interim audit is scheduled to be completed by mid April 2016. We will discuss with Officers the key financial systems for which we need to gain an updated understanding for 2015/16. <ul style="list-style-type: none"> • We will meet with senior finance staff and internal audit to assess the internal control environment. • An Information Technology risk assessment will be undertaken by a Grant Thornton IT specialist. • We will complete our initial risk assessments for our Value for Money Conclusion.
2015/16 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015/16 financial statements • proposed opinion on the Police and Crime Commissioner (PCC) and Group and the Chief Constable's 2015/16 accounts • proposed Value for Money conclusions. 	Mid June – late July 2016	Not started	We will have discussions with the Senior finance staff on key accounting and audit issues to assist the smooth running of the final accounts audit. We will undertake work on your draft financial statements to provide our opinions by the statutory deadline.

Progress at February 2016

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2015/16 VfM conclusion requires conclusions on whether:</p> <p><i>"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."</i></p> <p>The sub-criteria we will use to consider this conclusion are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. 	February – July 2016	In progress	We will undertake work on the VFM risks identified, including attending meetings with key Officers. We will report our VFM risk assessment in an update to the Joint Audit and Standards Committee in May 2016. We will provide our conclusion on your arrangements to provide economy, efficiency and effectiveness by the statutory deadline
<p>Annual Audit Letter</p> <p>A summary of all work completed as part of the 2015/16 audit.</p>	October 2016	Not started	We will summarise our findings from the 2015/16 audit and report to the December 2016 Joint Audit and Standards Committee.

Local Criminal Justice Partnerships

HMIC

Local criminal justice partnerships (LCJPs), whose purpose is to contribute to improving the efficiency and effectiveness of the criminal justice system at a local level, are failing to improve and resolve complexity in the criminal justice system, according to a report published by HMIC, HMCPSI and HMI Probation. The report calls for the national Criminal Justice Board to provide greater direction, and a fresh approach to collaboration by criminal justice agencies at all levels.

The report was based on an inspection which included detailed interviews in six police force areas ((Kent, Dyfed Powys, London, Durham and Cleveland, Wiltshire, and Northamptonshire) and a national survey of all local areas in England and Wales.

Inspectors found:

- despite a broad membership (including representatives from the police, CPS, the Court Service, prisons, youth offending services, probation services and Police and Crime Commissioners) LCJPs are not making a sufficiently positive difference;
- LCJPs do not agree their local priorities in any rigorous way, for example by looking at risks;
- examples where, despite a partnership being in place, the action of one agency was having an adverse effect on the ability of other agencies to serve victims and manage offenders;
- where there is progress, it is generally driven by a national programme, and usually involves only a few of the agencies, bypassing the LCJP. While this might be the most efficient way of doing things in some instances, there is a risk that if all issues are handled in this way, there will be further unforeseen negative consequences.

The report recommends that, within six months of the Criminal Justice Board establishing an operating framework, leaders of local criminal justice agencies acting together, and in co-operation with the PCC, should undertake a fundamental review of local partnership arrangements to assess whether they are fit for purpose to lead improvements to the efficiency and effectiveness of the CJS at local level.

Chief Constable Officer response:

In Cumbria, local criminal justice and community safety partnership arrangements were reviewed during 2014. This identified some challenges with communication from the executive board to the sub groups, and a struggle to have a shared strategic vision across the wide range of business. A number of changes were put in place to improve the position. There are now a clear set of strategic goals, which are communicated to the chairs of the thematic sub groups. The sub groups, in turn, agree a delivery plan which is reviewed on a regular basis. Twice a year, a consultative forum is held to identify any emerging themes and agree new priorities for the year ahead. In addition, nationally mandated change programmes are responded to , such as the CJS Efficiency Programme, and Digital Working initiatives. There is no single set of priorities determined by the National Criminal Justice Board, but the minutes of Board meetings are accessed and significant themes extrapolated.

Firearms licensing

HMIC

The current inconsistent and inadequate firearms licensing regime puts the public at risk, according to a report published by Her Majesty's Inspectorate of Constabulary (HMIC).

The inspection on which the report is based gathered information from all 43 police forces in England and Wales, as well as looking in detail at the practices for firearms licensing in 11 representative forces (Dorset, Durham, Dyfed Powys, Essex, Sussex, Warwickshire, West Mercia, Lincolnshire, Surrey, Cumbria and North Yorkshire). Inspectors looked at the policies and procedures in the management and provision of over 150,000 section 1 firearms licences that are on issue, covering over half a million firearms and over half a million shotgun certificates that are on issue, covering almost 1.5 million shotguns.

The current arrangements to assess the medical suitability of a firearms certificate holder or applicant are substantially less effective than for applications for a public service vehicle licence. The report recommends that the Home Office should ensure that licensing does not take place without a current medical report from the applicant's GP, and that the police are notified of any relevant changes of medical circumstances.

Inconsistency was a key theme in the report's findings. The report found, for instance, that of the 11 forces inspected, seven did not deal correctly with expired licences, leaving firearms holders in possession of their firearms without certification. One of these forces had over 1,200 temporary permits on issue as of May 2015.

The report requires that clearer and more authoritative guidance must be put in place to properly protect the public. This includes definitive guidance on contacting referees and on the police's obligations around visiting prospective and current licence holders to inspect how the firearms and ammunition are stored. Additionally the police must be given a legal right of entry to an applicant's premises; something they do not currently have.

Chief Constable Officer response:

The HMIC inspection of Firearms Licensing was a national thematic which Cumbria volunteered to assist in. A total of 18 recommendations were made, 9 of which were applicable to Chief Constables. Cumbria Constabulary put in place an action plan to address the recommendations, 8 of which are now complete. Performance is monitored on a monthly basis through Command Team meetings and reports made periodically to the PCC Executive Board.

PEEL – Police efficiency 2015

HMIC

The police service faces major challenges in the years ahead from reduced budgets, fewer officers and more complex crime, according to a report from Her Majesty's Inspectorate of Constabulary (HMIC).

The report, based on an inspection of all forces, looked at how well forces understand the demand for their service and how well they match their resources to that demand and provides an assessment of their efficiency. The report is accompanied by separate reports on each force, based on inspections carried out from March to June 2015 and data provided by forces on their spending plans for future years. HMIC graded five forces as 'outstanding', 29 were 'good', eight as 'requires improvement' and for the first time, one force has been found to be 'inadequate'.

The report notes that:

- Most forces have a good understanding of the current demand for their service and they know their current capacity (the costs and numbers of their workforce). Too many forces have a weak understanding of their current capabilities (that is, the skills their workforces have).
- Forces have little understanding of their future demand and the capability they need to meet it. The future planning and modernisation that is taking place in forces is driven by capacity – how much money forces will have and how many people they can afford to employ, rather than what forces are likely to have to do.
- Forces need to improve their understanding of future demand and link it to their financial and organisational planning, so that they are in a fit shape to face their future challenge.
- Forces' IT needs to improve considerably – HMIC has commented on this in previous reports. Too many systems are weak and ageing, and the service is not optimising the use of IT to make them efficient.

HMIC found that Cumbria Constabulary is well prepared to face its future financial challenges. Through robust financial management and accurate budgeting it is successfully making the savings required of it, and is well placed to continue to do so, while maintaining a high-quality response to calls for service from the public. It has plans in place to achieve further savings through to 2018/19. In last year's value for money inspection, which considered how forces met the challenge of the first spending review period, Cumbria was judged to be good.

Police Innovation Fund

Home Office

New and creative ideas to make policing more effective are to be encouraged through changes to the Police Innovation Fund. For 2016/17 the fund will consider proof-of concept bids as well as implementation-ready bids in a move designed to reward more breakthrough ideas than ever before. The change will mean police forces will be able to seek funding to assess an innovative idea, as well as fully worked through proposals. This will allow for more funding to be targeted at ideas coming from the grassroots of policing at a much earlier stage.

Among projects previously supported by the Police Innovation Fund are:

- Kent Police working with partners to develop solutions to tackle online child sexual exploitation;
- A single public contact and command-and-control centre used by Warwickshire and West Mercia Police and Hereford and Worcester Fire and Rescue Service;
- The Met's Police Now recruitment scheme, which helps to attract the brightest and best graduates to policing; and
- The rolling-out of body-worn camera to eight forces.

By supporting increased efficiency and collaboration between different police forces, it is hoped that the Police Innovation Fund will help forces save around £250m over the next five years and thousands of hours of police time.

The assessment criteria for this year's bids have been revised to reflect the increased emphasis on bids which improve outcomes and can be scaled nationally.

PCC Officer response:

The two bids made by the Cumbria Office of the Police and Crime Commissioner to the 2016/17 Police Innovation Fund are:

- **Development of a mental health multi-agency assessment and crisis centre**
- **ResilienceDirect multi-agency response application enabling partners shared situational awareness during a emergency response as experienced in the recent floods.**

Enabling closer working between the emergency services consultation

Home Office and Department for Communities and Local Government

In its election manifesto the Government committed to enabling fire and police services to work more closely together and to develop the role of elected and accountable Police and Crime Commissioners. The Department for Communities and Local Government, in partnership with the Home Office and Department for Health, has been working on proposals to support the commitment which seeks to drive a greater level of joint working between the emergency services, and deliver more effective and efficient services for communities.

A joint consultation paper containing the proposals was published on 11 September 2015. [*Enabling Closer working between the Emergency Services consultation paper*](#) is seeking views on proposals to drive greater collaboration between the emergency services and to enable closer working between police and fire and rescue services.

It also set out the proposals as follows:

- introducing a new duty on all three emergency services to actively consider collaboration opportunities with one another to improve efficiency and effectiveness;
- enabling Police and Crime Commissioners to take on the duties and responsibilities of fire and rescue authorities, where a local case is made;
- where a Police and Crime Commissioner takes on the responsibilities of a Fire and Rescue Authority, enabling him or her to create a single employer for police and fire staff, facilitating the sharing of back office functions and streamlining management;
- in areas where a Police and Crime Commissioner has not become responsible for fire and rescue services, enabling them to have representation on their local Fire and Rescue Authority; and
- abolishing the London Fire and Emergency Planning Authority and giving the Mayor of London direct responsibility for the fire and rescue service in London, as will be the case in Greater Manchester.

The aim of the proposals is to deliver real change and improvement in the accountability and service delivery across the emergency services. The proposals and eventual legislation will affect England only.

PCC Officer response:

On election in 2012 the Police and Crime Commissioner engaged in discussions the County Council, as Fire and Rescue Authority, to look at collaboration opportunities and to seek to identify opportunities for closer working. He has also engaged with APCC activity around closer working with Fire and Rescue services. Reference to developing closer working between the Police and the Fire and Rescue Service was included in the draft Devolution Deal for Cumbria. He remains keen to engage with this agenda as it develops.

Spending review 2015 and police funding reform

Treasury and Home Office

On 22 July 2015 the Chancellor of the Exchequer formally commissioned 'Spending Review 2015' which will make an initial allocation of what the government spends in the years from 2016/17 to 2020/21.

The document *A country which lives within its means* stresses the priority that the government attaches to growth and productivity including the local growth fund and the Northern Powerhouse. It reaffirms the commitment to radical devolution in England through further deals and integration of public services and confirms that departments will be asked to set out their contribution to the public sector land programme as part of their Spending Review bids in order to realise the government's housing ambitions.

You will also see from the document that HM Treasury has invited government departments to set out plans for reductions to their Resource budgets. In line with the approach taken in 2010, HM Treasury is asking departments to model two scenarios, of 25% and 40% savings in real terms, by 2019/20. In addition representative bodies, interest groups and individuals were invited to submit written representations to HM Treasury by 4 September 2015. The Spending Review was announced on 25 November 2015.

In July 2015 Policing Minister Mike Penning announced plans to reform the current arrangements for allocating central government funding to the 43 police forces in England and Wales. He described the current police funding model, the Police Allocation Formula (PAF), as “complex, opaque and out of date” as he launched consultation on the new proposals, which would enable funding to be provided sustainably to, and divided fairly between, Police and Crime Commissioners (PCCs). Following a comprehensive review of the PAF, which is almost 10 years old, the Home Office believes that the formula should be replaced by a simplified model as soon as it is appropriate to do so. The proposed new model would use population levels, the underlying characteristics of that population and environmental characteristics to determine how money is allocated. The intention is to create a fairer and more transparent method of allocating financial resources.

PCC Officer response:

The CSR resulted in a cash loss of £341,000, with formula grant reducing from £59.884m in 2015/16 to £59.543m in 2016/17. The settlement for Police was for one year only but advice from the Home Office is to assume a flat cash settlement for the CSR period. This is consistent with our approach to budget setting within the Medium Term Financial Strategy.

The review of formula funding is however more challenging. Our baseline estimates range from a loss of £9.9m (assuming the Home Office change their policy and utilised the historic 'hard pressed' deprivation measure within the new formula) to £15.8m if the Home Office continue with their current policy intention of updating the deprivation indicator to the new 'urban adversity' classification. Should legacy council tax funding be included in the new formula a further £1.2m to £1.4m funding loss is estimated dependent on the final choice of deprivation measure.

Code of Audit Practice

National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO have supplemented the Code with detailed auditor guidance in specific areas. The audit guidance on the auditor's work on value for money arrangements in Police Bodies was issued in November 2015.

Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

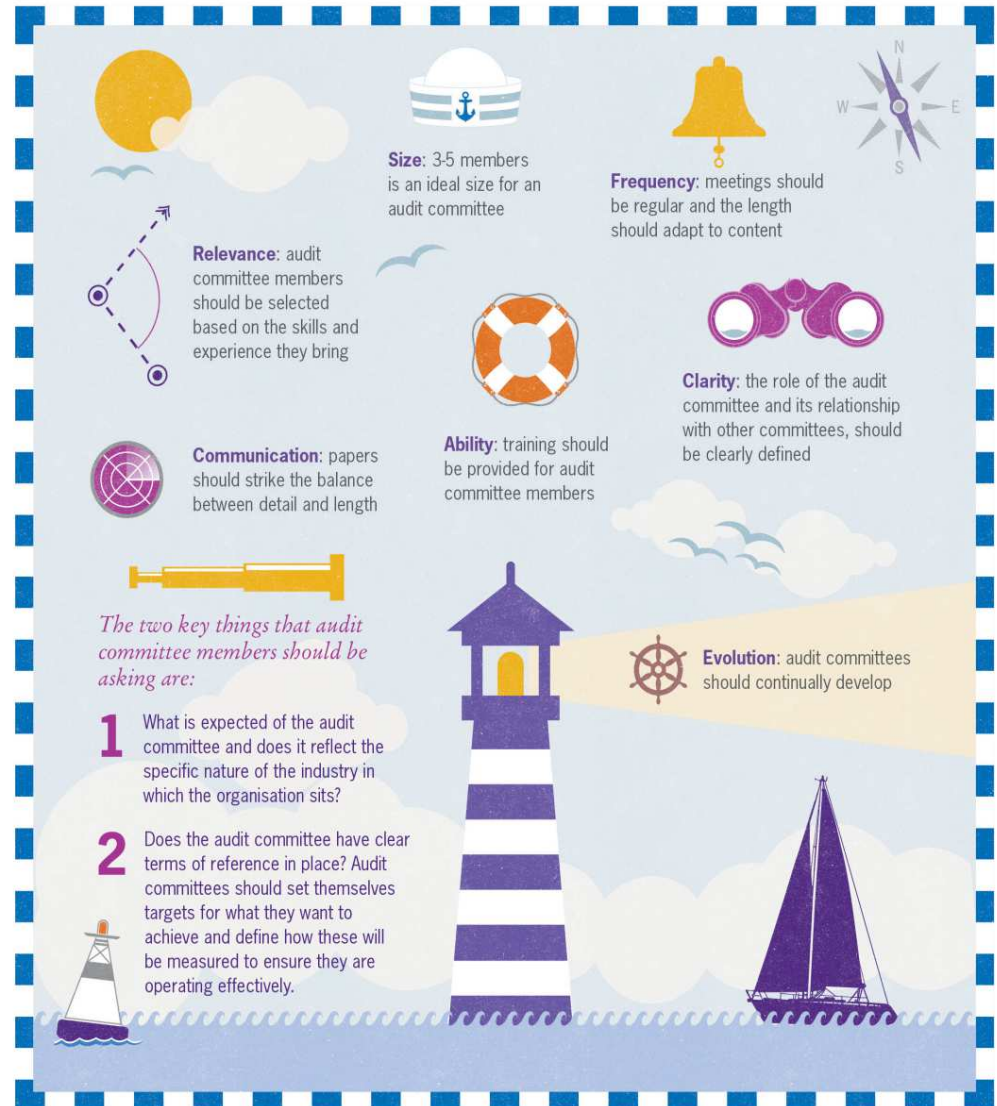
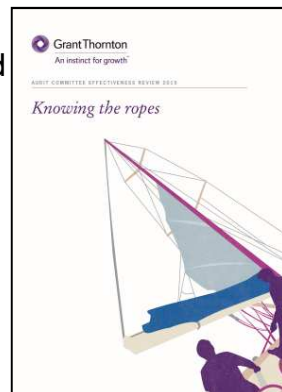
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



Making devolution work: A practical guide for local leaders

Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

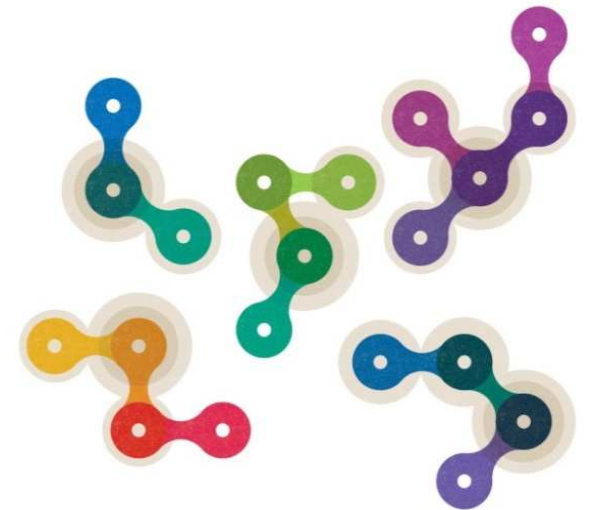
With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>



Growing healthy communities: The Health and wellbeing index

Grant Thornton market insight

Our Place Analytics team reveals how collaboration between local authority stakeholders can help address health quality determinants (social, economic and environmental) and result in improved health outcomes (quality of lifestyle and health conditions).

It has long been recognised that the health of a population is strongly linked to the circumstances in which people live. Our index assesses 33 key health determinants and outcomes of health for the 324 English local authorities, to provide a coherent, national story on health and wellbeing. It highlights the scale and nature of inequality across the country and reiterates the need for a local, place-based approach to tackling health outcomes.

The purpose of this report is to help stakeholders – NHS providers and clinical commissioning groups (CCGs), local authorities, health and social care providers, housing associations, fire authorities and the police – to improve collaboration through a better understanding of the correlation between the economic, social and environmental health determinants and the health outcomes within their locality. It includes a concluding checklist of questions to help facilitate discussions in the light of joint service needs assessments.

The data behind the index also allows segmentation which reveals areas around the country with similar health determinants, but better outcomes. This underscores the need to work in collaboration with peers that may not be 'next door' if there is an opportunity to learn from 'others like us'.

Our report, Growing healthy communities: Health and Wellbeing Index, can be downloaded from our website:
<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/growing-healthy-communities-health-and-wellbeing-index.pdf>

Hard copies of our report are available from your Engagement Lead and Audit Manager





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PCC Executive Board
24 February 2016
Agenda Item No 10

Joint Audit & Standards Committee
09 March 2016
Agenda Item No 11i

Office of the Police and Crime Commissioner Report

Title: Treasury Management Strategy Statement 2016/17 and Prudential Indicators 2016/17 to 2018/19

Report of the Chief Finance Officer/Deputy Chief Executive.

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

1. Purpose of the Report

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

These codes were originally issued in 2002 and were later fully revised in 2009 and 2011. The TMSS also incorporates the Investment Strategy which is a requirement of the Communities and Local Government (CLG) Investment Guidance. This report proposes a strategy for the financial year 2016/17.

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

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

2. Recommendations

2.1. The Commissioner is asked to:

- Approve the Strategy for Treasury Management as set out at paragraph 4 for 2016/17.
- Approve the Prudential Indicators for 2016/17 as described in paragraph 5 and as set out in detail at **Appendix B**.
- Approve the Minimum Revenue Provision Policy Statement for 2016/17 as set out in paragraph 6.
- Note that the detailed Treasury Management Practices (TMPs) have been reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner's website.
- Delegate to the Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit and Standards Committee.

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

3. Background

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

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

4. Treasury Management Strategy 2016/17

4.1. General Principles

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

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

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

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

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

The strategy also takes into account the impact of treasury management activities on the Commissioner’s revenue budget. Forecasts of cash balances, interest receipts and financing costs are regularly re-modelled. The revenue budget for 2016/17 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

4.2. External Guidance

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

4.3. Resources and the Current Treasury Position

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

4.3.2. The estimated treasury position at 31st March 2016 and for the following financial years are summarised below:

Estimated Treasury Position	Estimate 2016/17 £m	Estimate 2017/18 £m	Estimate 2018/19 £m	Estimate 2019/20 £m
External Borrowing - PWLB – at start of year	0.000	0.000	0.000	0.000
Interest Payments	0.000	0.000	0.000	0.000
Investments (average)	13.504	11.106	9.895	8.667
Interest Receipts	0.100	0.135	0.170	0.170

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

4.3.4. The estimate for interest payments in 2016/17 is Nil. This is based on the assumption that the Commissioner will not actually undertake any new borrowing to fund capital expenditure for the period of this forecast. This is not to say that there is no underlying need to borrow. The Commissioner's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), is estimated to be £18.7m at the start of the 2016/17 financial year. This includes £5.1m which is the capital value of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009. The capital strategy paper elsewhere on this agenda illustrates that the Commissioner will not need to borrow to deliver the agreed capital programme. However, under current market conditions, where short term interest receipts are forecast to remain low in the immediate future, and there are continuing general uncertainties over the credit worthiness of financial institutions, it is assumed that the most prudent borrowing strategy for the present is to meet the capital funding requirement from within internal resources, by reducing cash balances available for investment. At some time in the future it will be necessary to undertake external borrowing. Advice will be sought from Arlingclose as to the most opportune time and interest rate to undertake such borrowing.

4.3.5. The estimate for interest receipts in 2016/17 is £100k (latest forecast for 2015/16 is £117k), which is comparable to recent years. The low level of receipts reflects the historically low level of investment returns currently available where the Bank of England base rate stands at 0.5% and is expected to remain at this level for the first two quarters of 2016/17.

4.3.6. The forecast interest receipts beyond 2016/17 reflects Arlingclose's view that interest rates will start to rise in September 2016 with a gradual pace of increases thereafter, with the average for 2016/17 being around 0.75%. (see table at 4.4.4 below).

4.4. Interest Rate Prospects

4.4.1. In recent months the market consensus of when the first interest rate rise will occur has shifted dramatically. At the start of 2015 the consensus had been for the first rate rise to occur in the second half 2015 but weak economic data and falling prices (negative inflation) pushed this back. The markets began pricing the first rise to occur in the first half of 2016. However, new concerns over the slowing global economy, caused by China, now mean that the market currently predicts the first rise to be even further into 2016. The Commissioners' treasury advisor Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time.

4.4.2. A number of economic indicators are important in judging when interest rates might rise, including:

- Inflation –the rate has tumbled over the last year with the biggest reason being the fall in the price of oil alongside heavy discounting in shops. This is showing no signs of change for the foreseeable future and is fuelling speculation that interest rates will remain lower for longer.
- UK economic growth – the UK economy had grown strongly in the second quarter of 2015 but then slowed during the third quarter of 2015. The slowdown was due to a big fall in construction output. Economic growth is now back at its pre-crisis level and a growing economy increases the prospect of an interest rate rise. However, in August 2015 concerns that China's economic growth rate slowed caused panic. Stock markets fell and economists rushed to factor in the impact of the world's second largest economy slowing on developed world economies. Growth rate forecasts everywhere were downgraded. This knock on effect on the UK will be slower growth and this in turn implies a delay in interest rises until growth stabilises.
- Unemployment – The number of people out of work fell again in the three months to November 2015 to the lowest rate in nearly a decade. This is well below the bank of England's old 'forward guidance' threshold. Wage growth continues to exceed inflation but the rate of increase has slowed. A lack of wage growth is a sign of slack in the economy which would make an early rise less likely. But if wage growth improves then calls for an interest rate rise will increase. The development of wage growth is one of the factors being closely monitored by the MPC.

4.4.3. In summary persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside (i.e. lower rates for longer).

4.4.4. The main forward projections of interest rates provided by Arlingclose are shown in the table below. It should be noted that these forecasts are based on information as at December 2015. The quarterly treasury activities reports will contain updated information in respect of interest rate forecasts.

Arlingclose Base Rate Estimates	2016	2017	2018
Quarter 1	0.50%	1.00%	1.50%
Quarter 2	0.75%	1.25%	1.75%
Quarter 3	0.75%	1.25%	1.75%
Quarter 4	1.00%	1.50%	2.00%

4.5. Borrowing Requirement and Strategy

4.5.1. Long Term Borrowing

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

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

The table below shows the Commissioner's projected capital financing requirement for 2016/17 and beyond.

Capital Financing Requirement	Estimate 2016/17 £m	Estimate 2017/18 £m	Estimate 2018/19 £m	Estimate 2019/20 £m
Balance B/fwd	18.714	18.400	17.977	17.546
Plus Capital Expenditure financed from borrowing	0.100	0.000	0.000	0.000
Less MRP for Debt Redemption	-0.414	-0.423	-0.431	-0.443
Balance C/Fwd	18.400	17.977	17.546	17.103

The above table shows only capital expenditure that is not financed from sources other than borrowing. The full capital programme and associated financing is reported in summary within the Prudential Indicators and in detail elsewhere on the agenda.

The Commissioner is not expected to have any external borrowing at the start of 2016/17. Given that the CFR is forecast to be £18.7m this effectively means that the Commissioner will be funding over £13.6m of capital spend from internal resources (CFR £18.7m less £5.1m in relation to PFI).

Currently, there is a significant differential between investment rates at 0.5% and the rate at which long term finance can be procured, which despite standing at historically low levels, will still cost over 2.5% pa. Consequently, at this juncture, undertaking long term borrowing is likely to have a prohibitively high short term cost to the revenue account. However, such funding decisions may commit the Commissioner to costs for many years into the future and it is therefore critical that a long term view is taken regarding the timing of such deals. It should also be recognised that by funding internally, there is an exposure to interest rate risk at the point that actual borrowing is undertaken. Accordingly, the Commissioner, in conjunction with its treasury advisor Arlingclose Ltd, will continue to monitor market conditions and interest rate prospects on an on-going basis, in the context of the Commissioner's capital expenditure plans, with a view to minimising borrowing costs over the medium to long term.

4.5.2. Short Term Borrowing

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

4.6. Investment Strategy

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

General policy

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

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

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

The Commissioner holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2015/16, the Commissioner's investment balance has ranged between £13.2m and £34.2m. The larger sum is due to the receipt in July 2015 of £15.6m pension top up grant from the Home Office which is drawn down steadily over the remainder of the year. Balances in 2016/17 are forecast to be similar to those of 2015/16. It is anticipated that some grant funding may be received in advance of the capital spend and at the peak, when the pensions grant is received in July, balances for investment could approach £40m.

Credit Rating - Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In addition to credit ratings, the Commissioner and its advisors, Arlingclose Ltd, select countries and financial institutions after analysis and ongoing monitoring of:

- Economic fundamentals (e.g., net debt as a % of GDP)
- Sovereign support mechanisms
- Share prices
- Corporate developments, news, articles, market sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

The investment strategy for 2015/16 was opened up slightly to include some additional classes of investment to allow more flexibility and diversification. The strategy for 2016/17 remains the same. The decision to enter into a new class of investment is delegated to the Commissioner's Chief Finance Officer. A full explanation of each class of asset is provided in Appendix A together with a schedule of the limits that will be applied.

4.6.2. Specified and non-specified investments

The DCLG guidance categorises investments as 'specified' and 'non-specified'.

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

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

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

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

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

There is currently one investment that at the time of transacting were for a period of greater than 364 days and as such would have been classified as 'Non-Specified' investments. At this point in time, the investment does not have a maturity greater than 364 days. There are no changes proposed to the criteria for making "Non-specified investments" as set out above. The option remains to make such investments with very highly rated counterparties up to the limit of £5m should suitable opportunities arise. All such investments would require prior approval by the Commissioner's Chief Finance Officer.

The Treasury Management Strategy is designed to be a dynamic framework which is responsive to prevailing conditions with the aim of safeguarding the Commissioner's resources. Accordingly, the Commissioner and its advisors Arlingclose Ltd will continuously monitor corporate developments and market sentiment with regards to counterparties and will amend the approved counterparty list and lending criteria where necessary. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy. It is proposed to continue the policy, adopted last year that the Commissioner's Chief Finance Officer, subject to consultation with the Commissioner, be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow. The Joint Audit and Standards Committee will be updated on any changes to policy. The performance of the Commissioner's treasury advisors and quality of advice provided is evaluated prior to the annual renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

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

Currently, Local Authorities (including PCC's) legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit. The Commissioner has no plans to use derivatives during 2016/17. Should this position change, the Commissioner may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require explicit approval.

4.6.4. Liquidity of investments

The investment strategy must lay down:

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

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

Under current market conditions there is still little opportunity to generate significant additional investment income by investing in longer time periods over 364 days. However, as always, investment plans should be flexible enough to respond to changing market conditions during the year. The estimate of investment income for 2016/17 amounts to £100k (£117k 2015/16) and actual investment performance will be reported regularly to the Commissioner and will be provided to members of the Joint Audit and Standards Committee as background information to provide guidance and support when undertaking scrutiny of Treasury Management procedures.

4.7. Treasury Management and Risk

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

4.8. Treasury Management Practices

4.8.1. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). CIPFA recommends that TMPs should cover the following areas:

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

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

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

5. Prudential Indicators 2016/17

5.1. Background

5.1.1. The Local Government Act 2003 provides the framework for capital finance, based on statutory compliance with a 'Prudential Code', most recently updated in 2011. Local Authorities including PCC's are now free to borrow, so long as the ensuing costs falling on the revenue account are deemed to be Affordable, Prudent and Sustainable. In this context, affordable is deemed to mean in relation to the Commissioner's overall spending plans.

5.2. Objectives of the Prudential Code

5.2.1. The key objectives of The Code are to ensure, within a clear framework, that Capital investment plans are affordable, prudent and sustainable (or to highlight, in exceptional cases, that there is a danger this will not be achieved so that the Commissioner can take remedial action). To demonstrate that Authorities have fulfilled these objectives, the Prudential Code sets out the Indicators that must be used. The indicators required by The Code are designed purely to support local decision making and are specifically not designed to represent comparative performance indicators. Use of them in this way would be misleading and counterproductive, not least as Authorities have very different levels of debt, capital plans etc.

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

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

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

5.3. Prudential Indicators 2016/17

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

5.4. Setting, Revising, Monitoring and Reporting

5.4.1. Prudential Indicators, other than those using actual expenditure taken from audited statements of accounts must be set prior to the commencement of the financial year to which they relate. Indicators may be revised at any time, and must, in any case, be revised for the year of account when preparing indicators for the following year. The Commissioner's Chief Financial Officer has a prescribed responsibility under The Code to ensure that relevant procedures exist for monitoring and reporting of performance against the indicators. The Prudential Indicators when initially set and whenever revised, must be approved by the body which approves the budget, i.e. The Commissioner.

6. Annual MRP Statement for 2016/17

6.1. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on authorities to make a prudent provision for debt redemption, this is known as the **Minimum Revenue Provision** (MRP). Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such guidance under section 21(1A) of the Local Government Act 2003. This sum known as the MRP is intended to cover the principal repayments of any loan over the expected life of a capital asset.

6.2. The DCLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by The Commissioner. This is now by agreement encompassed within the TMSS.

- 6.3. The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure, which gave rise to the debt, provides benefits.

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

- Option 1 – Regulatory Method based on 4% of the CFR after technical adjustments.
 - Option 2 – CFR Method, based on 4% of the CFR with no technical adjustments.
 - Option 3 – Asset Life Method, spread over the life of the asset being financed.
 - Option 4 – Depreciation Method, based on the period over which the asset being financed is depreciated.
- 6.4. It is proposed that The Commissioner's MRP policy for 2016/17 is unchanged from that of 2015/16 and that The Commissioner utilises option 1 for all borrowing incurred prior to the 1st April 2008 and option 3 for all borrowing undertaken from 2008/09 onwards, irrespective of whether this is against supported or unsupported expenditure. This policy establishes a link between the period over which the MRP is charged and the life of the asset for which borrowing has been undertaken. It is proposed that a fixed instalment method is used to align to the Commissioner's straight line depreciation policy.
- 6.5. MRP in respect of PFI and leases brought on to the balance sheet under the 2009 SORP and IFRS will match the annual principal repayment for the associated deferred liability. This will not result in an additional charge to the Commissioner's revenue budget as this is part of the capital repayment element of the PFI unitary charge.

7. Balanced Budget Requirement

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

8. Reporting on Treasury Activities

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

Appendix A

Counterparty Selection Criteria and Approved Counterparties

1. Background

- 1.1. The lending criteria set out below are designed to ensure that, in accordance with The Code of Practice, the security of the funds invested is more important than maximising the return on investments. Following consultation with the Commissioner's treasury advisors Arlingclose Ltd there are no amendments to the criteria used in determining approved investment counterparties for 2016/17 compared to those in operation for 2015/16.

2. Counterparty Selection Criteria

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

- 2.3. The approved investment counterparties for the 2016/17 investment strategy are summarised as follows:

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

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

3. Counterparty Groupings

- 3.1. The criteria for approving investment counterparties have been devised, grouped and graded as detailed in **Schedule A** (page 19).

4. Description of Credit Ratings

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

5. Counterparty Limits

- 5.1. The limitations on the amounts to be invested in the various categories of counterparty are set out in **Schedule A** (page 19). The limits are based on a percentage of the potential maximum sums available for investment during the year which have been forecast as up to £40m.

Schedule A – Counterparty Groupings and Associated Limits

Investment Limits						
Credit Rating	Maximum	1 Banks Unsecured	2 Banks Secured	3 Government Registered	4 Providers	5 Pooled Funds
<u>Category Limit 2016/17</u>	<i>Amount</i>	<i>£20m</i>	<i>£20m</i>	<i>Unlimited</i>	<i>£10m</i>	<i>£15m</i>
	<i>Duration</i>					
<u>Individual Institution/Group Limits</u>						
UK Government	Amount	N/A	N/A	£ unlimited	N/A	N/A
	Duration			50 Years		
AAA	Amount	£2m	£4m	£4m	£2m	£4m per fund
	Duration	5 years	20 years	50 years	20 years	
AA+	Amount	£2m	£4m	£4m	£2m	
	Duration	5 years	10 years	25 years	10 years	
AA	Amount	£2m	£4m	£4m	£2m	
	Duration	4 years	5 years	15 years	10 years	
AA-	Amount	£2m	£4m	£4m	£2m	
	Duration	3 years	4 years	10 years	10 years	
A+	Amount	£2m	£4m	£2m	£2m	
	Duration	2 years	3 years	5 years	5 years	
A	Amount	£2m	£4m	£2m	£2m	
	Duration	13 months	2 years	5 Years	5 years	
A-	Amount	£2m	£4m	£2m	£2m	
	Duration	6 months	13 months	5 years	5 years	
None	Amount	N/A	N/A	£2m	£2m	
	Duration			25 years	5 years	

Note, individual, group and category limits for 2016/17 are based on the potential maximum available for investment during the year which has been estimated at up to £40m.

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

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

Schedule B – Explanation of Counterparty Groupings

Class of Investment
<p>Category 1 - Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Commissioner's current account bank Nat West plc.</p>
<p>Category 2 - Banks Secured: Covered bonds, reverse repurchase agreements and other secured arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.</p>
<p>Category 3 - Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.</p>
<p>Category 4 - Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.</p>
<p>Category 5 - Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value (NAV) will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.</p> <p>Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Commissioner to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Commissioner's investment objectives will be monitored regularly.</p>

Schedule C – Description of Credit Ratings – Long Term Rating

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

Schedule C – Description of Credit Ratings – Short Term Rating

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

Schedule C – Description of Credit Ratings – Support Rating

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

Appendix B

Prudential Indicators 2016/17 to 2018/19

Introduction

The Prudential Code for Capital Finance in Local Authorities (Prudential Code) has been developed by the Chartered Institute of Public Finance and Accountancy to provide a code of practice to underpin the system of capital finance embodied in Part 1 of the Local Government Act 2003, the Prudential Code was revised in November 2011. Local Authorities (which includes Police and Crime Commissioner's) are free to determine their own level of capital investment controlled by self-regulation. The exercise of these new freedoms is subject to compliance with the requirements of the CIPFA Prudential Code, which is made a statutory requirement under the provisions of the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.

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

Prudential Indicators

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

1. Net Borrowing and the Capital Financing Requirement

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

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

The Commissioner's Chief Financial Officer reports that the Commissioner had no difficulty meeting this requirement for 2014/15, nor are any difficulties envisaged for the current or future years. This view takes into account all plans and commitments included in the 2016/17 budget. The table below provides a comparison of net borrowing and the Capital Financing Requirement.

Comparison of Net Borrowing and the Capital Financing Requirement					
	2014/15 Actual	2015/16 Revised Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£m	£m	£m	£m	£m
Net Debt (section 9 below provides analysis)	(14.143)	(8.016)	(8.492)	(6.219)	(5.150)
Capital Financing Requirement as at 31 March	17.037	18.714	18.400	17.977	17.546

2. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

The actual amount of capital expenditure that was incurred during 2014/15, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2016/17 budget plus known requirements in both 2017/18 and 2018/19 are set out in the table below.

Capital Expenditure	2014/15 Actual	2015/16 Revised Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£m	£m	£m	£m	£m
Capital Expenditure	9.459	10.646	6.883	9.836	6.684

Capital expenditure will be financed or funded as follows:

Capital Financing	2014/15 Actual	2015/16 Revised Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£m	£m	£m	£m	£m
Capital Receipts	1.067	0.000	0.000	0.000	0.898
Government Grants	0.521	0.576	1.945	6.336	2.303
Revenue Contributions	7.829	8.025	4.838	3.500	3.483
Total Financing	9.417	8.601	6.783	9.836	6.684
Borrowing *	0.042	2.045	0.100	0.000	0.000
Total Funding	0.042	2.045	0.100	0.000	0.000
Total Financing and Funding	9.459	10.646	6.883	9.836	6.684

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

3. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

Financing Costs include the amount of interest payable in respect of borrowing or other long term liabilities and the amount the Commissioner is required to set aside to repay debt, less interest and investments income. The Commissioner's financing costs can be both positive and negative dependent on the relative level of interest receipts and payments.

The actual Net Revenue Stream is the 'amount to be met from government grants and local taxation' taken from the annual Statement of Accounts, budget, budget proposal and medium term financial forecast. These figures are purely indicative and are, in particular, in no way meant to indicate planned increases in funding from Council Tax.

Council Tax Increase of 1.9% from 2016/17

Ratio of Financing Costs to Net Revenue Stream					
	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Financing Costs	0.207	0.242	0.314	0.288	0.262
Net Revenue Stream	96.714	94.871	95.675	86.473	87.455
Ratio	0.21%	0.26%	0.33%	0.33%	0.30%

4. Capital Financing Requirement

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

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

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

Capital Financing Requirement	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital Financing Requirement as at 31 March.	17.037	18.714	18.400	17.977	17.546

5. The Authorised Limit

The Authorised Limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. This limit includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary. The Authorised Limit must not be breached.

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

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

Authorised Limit for External Debt			
	2016/17 £m	2017/18 £m	2018/19 £m
External Borrowing	19.888	19.591	19.301
Other Long Term Liabilities	5.012	4.887	4.745
Total Authorised Limit	24.900	24.477	24.046

6. Operational Boundary

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

Occasionally, the Operational Boundary may be exceeded (but still not breach the Authorised Limit) following variations in cash flow. Such an occurrence would follow controlled treasury management action and may not have a significant impact on the prudential indicators when viewed all together.

Consistent with the Authorised Limit, the Commissioner's Chief Financial Officer has delegated authority, within the total Operational Boundary, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long Term Liabilities. Any such changes will be reported to the Commissioner and the Joint Audit and Standards Committee meeting following the change. The following limits for each year's Operational Boundary, excluding temporary investments are recommended:

Operational Boundary for External Debt			
	2016/17	2017/18	2018/19
	£m	£m	£m
External Borrowing	18.388	18.091	17.801
Other Long Term Liabilities	5.012	4.887	4.745
Total Operational Boundary	23.400	22.977	22.546

7. Actual External Debt

The Commissioner's actual external debt as at 31 March 2016 will be £5.122m, comprising other long term liabilities of £5.122m in relation to the PFI. It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investments rates compared to the costs of borrowing. It should be noted that all external borrowing with the PWLB (Public Works Loans Board) was repaid during 2012/13.

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

This is an indicator of affordability that shows the impact of capital investment decision on Council Tax. This indicator identifies specifically the additional cost to the taxpayer of the **new capital investment** proposed in the 2016/17 to 2018/19 Capital Programme.

The impact identifies the revenue expenditure that will arise as a result of approval of the 2016/17 capital programme. The revenue effects of previously approved capital schemes are not included in this indicator.

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

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

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

The estimate of the impact of the capital investment approved in the 2016/17 Budget on the Council Tax is set out in the table below. The figures are not cumulative and show the actual impact in each year.

Impact of capital investment decisions on the Council Tax			
	2016/17 £	2017/18 £	2018/19 £
Capital Expenditure funded from revenue	1.534m	1.573m	1.555m
Financing and direct revenue costs	0.000m	0.000m	0.000m
Total Incremental Revenue Effect of Capital Investment	1.534m	1.573m	1.555m
Incremental Impact on Band D Council Tax	9.146	9.481	9.302

9. Gross and Net Debt

The purpose of this treasury indicator is to highlight a situation where The Commissioner is planning to borrow in advance of need.

Gross and Net Debt			
	2016/17 £m	2017/18 £m	2018/19 £m
Outstanding Borrowing (at notional value)	-	-	-
Other Long Term Liabilities (PFI & Finance Lease at notional value)	5.012	4.887	4.745
Gross Debt	5.012	4.887	4.745
Less Investments	13.504	11.106	9.895
Net Debt	(8.492)	(6.219)	(5.150)

10. Fixed Interest Rate Exposures

It is recommended that The Commissioner sets an upper limit on its fixed interest rate exposures as follows.

Upper limits for net principal sums outstanding at fixed rates			
	2016/17	2017/18	2018/19
	£m	£m	£m
Net Principal sums Outstanding at Fixed Rates	24.90	24.48	24.05

This represents the position that all of the Commissioner's authorised external borrowing may be at a fixed rate at any one time.

11. Variable Interest Rate Exposures

It is recommended that the Commissioner sets an upper limit on its variable interest rate exposures as follows.

Upper limits for net principal sums outstanding at variable rates			
	2016/17	2017/18	2018/19
	£m	£m	£m
Net Principal sums Outstanding at Variable Rates	1.50	1.50	1.50

This is the maximum external borrowing judged prudent by the Commissioner's Chief Finance Officer that the Commissioner should expose to variable rates.

12. Maturity Structure of Borrowing

It is recommended that the upper and lower limits for the maturity structure of borrowings are as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

This indicator is primarily applicable to authorities which have undertaken significant levels of borrowing to finance their capital programmes in which case it is prudent to spread the profile of repayments to safeguard against fluctuations of interest payments arising from having to refinance a large proportion of the debt portfolio at any point in time. During 2012/13 the Commissioner repaid all outstanding external borrowing and as a result there is currently no requirement to apply stringent limits to the maturity profile of existing debt.

Period of Maturity	Upper Limit	Lower Limit
	%	%
Under 12 months	100.00	0
12 months and within 24 months	100.00	0
24 months and within 5 years	100.00	0
5 years and within 10years	100.00	0
10 years and above	100.00	0

13. Investments for longer than 364 days

The Treasury Management Strategy allows “non-specified” investments for periods of up to 5 years. The maximum of all investments with outstanding maturities greater than 364 days will be £5m.

Joint Audit & Standards Committee

09 March 2016

Agenda Item No 11(ii)



Office of the Police and Crime Commissioner Report

Treasury Management Practices 2016/17

Treasury Management Practices

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Finance staff have authority to undertake transactions on instruction from the Commissioner's Chief Finance Officer as part of the arrangements for shared financial services.

Schedule 1

Summary Identifying Risks of Treasury Management

The “**Treasury Management in the Public Services: Code of Practice and cross sectoral guidance notes**” (the Code) identifies twelve areas where statements of Treasury Management practices (TMPs) should be developed to implement the full requirements of the Code.

TMP 1 Risk Management

The Commissioner’s Chief Finance Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. They will report at least annually on the adequacy / suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in TMP6 – Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule 2.

1. Credit and Counterparty Risk Management

The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty’s diminished creditworthiness, and the resulting detrimental effect on the organisation’s capital or current (revenue) resources.

The Commissioner regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments methods and techniques and listed in schedule 2 of this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial or derivative arrangements.

To ensure this it will maintain a defined list of authorised counterparties and the group deposit limits. In conjunction with The Commissioner’s treasury advisors (Arlingclose Ltd) the credit worthiness of counterparties is reviewed on an ongoing basis. Where such monitoring results in significant changes to the

approved counterparty list, this will be reported to the Commissioner and the Joint Audit and Standards Committee through the quarterly treasury management activities report. The treasury advisory service provided by Arlingclose Ltd gives daily updates on credit worthiness which allows immediate action where necessary. Any amendments are subsequently put to the Commissioner for ratification. A weekly statement will be presented to the Commissioner's Deputy Chief Finance Officer for approval detailing all the week's investment activity and a summary of all amounts deposited at any one time by counterparty and category together with details of any borrowings undertaken or repaid in the week and the total outstanding at close of business for the week. Copies of this information are also provided to the Commissioner's Chief Finance Officer, Chief Constable's Chief Finance Officer and the Director of Corporate Support. Where exceptional circumstances make it necessary to deviate from the approved lending list limits this will be approved by the Commissioner's Chief Finance Officer (or in his/her absence by the Deputy Chief Finance Officer) in advance of the transaction being undertaken and will be reported to the Commissioner at the earliest opportunity.

2. Liquidity Risk Management

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business / service objectives will be thereby compromised.

The Commissioner considers that the prospect of ongoing liquidity problems is remote due to the nature and timing of its main income sources and the substance of major items of expenditure. However, it will ensure that the Policing Body has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This will be achieved through the use of a proven cash flow forecasting model. This is updated annually to include all known major income streams (e.g. Home Office Grant, RSG, NNDR, precepts, capital grant etc.) and all major payments (e.g. payroll, HMRC, weekly payment run estimates, etc.).

The Commissioner will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities. There are currently no plans to borrow in advance of need.

3. Interest Rate Risk Management

The risk that fluctuations in the level of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Commissioner will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

The Commissioner will achieve this by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to consideration and, if required, approval of any policy or budgetary implications.

The Commissioner will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy. There are currently no plans to utilise such instruments.

Revised interest forecasts for both the current and forward years are incorporated within the Commissioner's budget and medium term financial forecasts on a regular basis. An appropriate limit will also be defined in the annual strategy setting out the maximum amount of variable rate debt to be incurred. However, security of principal will always take precedence over interest returns in decisions over investment of our cash.

4. Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Commissioner will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. However, this is not considered to be an issue for the Commissioner at the moment, as all treasury transactions are currently undertaken in pounds sterling.

5. Refinancing Risk Management

The risk that maturing borrowings, capital, projects or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for refinancing, both capital and current (revenue), and / or that the terms are inconsistent with prevailing market conditions at the time.

The Commissioner will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured, documented and the maturity profile of the monies raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Commissioner as can be reasonably achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

6. Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements and that the organisation suffers losses accordingly.

The Commissioner will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

An Investment Strategy, as required in Section 15 of the Local Government Act 2003 will be put to the Commissioner annually for ratification as part of the treasury management strategy statement.

The Commissioner recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Regular scanning of the internal and external regulatory framework will be undertaken by the deputy Chief Finance Officer to aid the above.

7. Fraud, Error and Corruption and Contingency Management

The risk that the organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to

employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

The Commissioner will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

8. Market Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Commissioner will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Only very secure instruments and institutions are chosen with strict limits placed on the value of deposit that can be made with each institution (including group limits) thus limiting its exposure.

TMP 2 Performance Measurement

The Commissioner is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in schedule 2.

TMP 3 Decision Making and Analysis

The Commissioner will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and the processes and practices to be pursued in reaching decisions are detailed in Schedule 2.

TMP 4 Approved Instruments, Methods and Techniques

The Commissioner will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in Schedule 2 and within the limits and parameters defined in TMP1 Risk Management.

Where the Commissioner intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Commissioner will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products. There are currently no plans to utilise such instruments.

TMP 5 Organisation, Clarity, Segregation of Responsibilities and Dealing Arrangements

The Commissioner considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities. A separate statement of responsibilities exists to facilitate this and is set out in Schedule 2.

The principle on which this will be based is a clear distinction, as far as is feasible between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions and the audit and review of the treasury management function.

The Commissioner's Chief Financial Officer has overall responsibility for the treasury management activities but delegates day to day management of the function to the Deputy Chief Finance Officer.

If and when the Commissioner intends, as a result of lack of resources or other circumstances, to depart from these principles, the Commissioner's Chief Finance Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

On behalf of the Commissioner's Chief Finance Officer, the Deputy Chief Finance Officer will ensure that:

- there are clear written statements of the responsibilities for each post engaged in treasury management.
- there are appropriate arrangements for absence cover.
- that at all times, those engaged in treasury management will follow the policies and procedures set out.
- there is proper documentation for all deals and transactions.
- that procedures exist for the effective transmission of funds.

The present arrangements are detailed in schedule 2.

The delegations to the Deputy Chief Finance Officer in respect of treasury management are set out within schedule 2 of this document. The Deputy Chief Finance Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, as a CIPFA member, the "Standard of Professional Practice on Treasury Management".

TMP 6 Reporting Requirements and Management Information Arrangements

The Commissioner will ensure that regular reports are prepared and considered on the implementation of treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Commissioner and the Joint Audit and Standards Committee will receive:

- an annual report on the strategy and plan to be pursued in the coming year (before 31 March).
- A rolling three year statement of treasury Indicators, combining those required by the prudential code and by the treasury management code.
- regular (no less than quarterly) monitoring reports on treasury management activities and risks. In addition, where ongoing monitoring of the credit worthiness of approved counterparties has revealed a significant change, this will also be reported to the Joint Audit and Standards Committee.
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Commissioner's treasury management policy statement and TMPs.

The Joint Audit and Standards Committee will have responsibility for the scrutiny of treasury management strategy, policies and practices.

The present arrangements and the form of these reports are detailed in schedule 2.

TMP 7 Budgeting, Accounting and Audit Arrangements

The Commissioner's Chief Finance Officer will recommend and the Commissioner will approve and if necessary, from time to time will amend an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement and TMP4 Approved instruments, methods and techniques. The Commissioner's Chief Finance Officer will ensure the effective exercise of controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Commissioner will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force at that time.

The Commissioner will ensure that its auditors and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles. The Commissioner will also ensure that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP 8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Commissioner will be under the control of the Commissioner's Chief Finance Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Commissioner's Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP 1 liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in Schedule 2

TMP 9 Money Laundering

The Commissioner is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and for reporting suspicions, and will ensure that staff involved in this is are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in schedule 2.

TMP 10 Training and Qualifications

The Commissioner recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. The Commissioner will therefore seek to appoint individuals who are both capable and experienced and will also provide training to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

The Deputy Chief Finance Officer will on behalf of the Commissioner's Chief Financial Officer recommend and implement the necessary arrangements.

The Commissioner's Chief Finance Officer will ensure that Joint Audit and Standards Committee members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure they have the necessary skills to complete their role effectively.

The present arrangements are detailed in schedule 2.

TMP 11 Use of External Service Providers

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed as consistent with the Procurement Regulations. The monitoring of such arrangements rests with the Commissioner's Chief Finance Officer, and details of the current arrangements are set out in schedule 2.

The Commissioner has a formal contract with Arlingclose Ltd, to provide a range of technical advice and information covering the treasury business.

TMP 12 Corporate Governance

The Commissioner is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Commissioner has adopted and implemented the key principles of the CIPFA Code of Practice on Treasury Management. This, together with the other arrangements detailed in Schedule 2, are considered vital to the achievement of proper corporate governance in treasury management, and the Commissioner's Chief Finance Officer will monitor, and if and when necessary, report upon effectiveness of these arrangements.

Schedule 2

Treasury Management Practices

TMP 1 Risk Management

Liquidity Risk

In its day to day operations the Commissioner experiences wide fluctuations in its receipts and payments, although, the majority of its cash streams are known at least 3 days in advance. The policy will be to maintain the minimum cash balance hence make best use of potential income streams.

Performance measure – the daily bank balance on the main account should be maintained within a limit of + or - £2,000, this should be achieved 95% of the time (i.e. 347 days out of 365). A minimum investment balance of £250k should be held to cover unforeseen expenditure; this should be placed on treasury deposit overnight, within the liquidity select account or within instantly accessible money market funds.

Standby Facilities

- The Deputy Chief Finance Officer will ensure that the daily investment function has adequate cover. On a day to day basis treasury management tasks are performed by the Principal Financial Services Officer (Capital & Technical), in the event of his/her absence, there is a clear order of personnel designated for cover and that order is communicated to all involved (see below).
 - 1) Financial Services Officer – Corporate
 - 2) Assistant Chief Finance Officer
 - 3) Deputy Chief Finance Officer
- All programs and systems are held within the main body of the Commissioner's IT systems and are therefore backed up daily. A manual printed record of the daily transactions will be kept at least until External Audit has reviewed the statutory accounts.
- In the event that the Bankline system is not operational balances and transaction details can be obtained from the Nat West Corporate Office.
- Temporary borrowings / overdrafts will only be used in exceptional cases to manage day to day movements in cash balances

Interest Rate Risk

Details of approved interest rate exposure limits

The Commissioner is required to approve a series of Prudential Indicators, which includes recommended upper limits on exposure to fixed and variable interest rates. Details can be located in the annual Statement of Prudential Indicators.

Minimum / Maximum proportions of variable rate debt / interest

The requirement to set out a series of Prudential Indicators includes a requirement to set upper limits for exposure to fixed interest rates and variable interest rates. Details can be located in the annual Statement of Prudential Indicators.

Policies concerning the use of financial derivatives and other instruments for interest rate management.

Forward Dealing – forward dealing will not normally form part of the day to day activities other than arranging deposits to cover periods when signatory cover is limited and will be subject to approval by the Deputy Chief Finance Officer on behalf of the Commissioner's Chief Finance Officer.

Forward Borrowing – would be considered as part of the long-term debt authorisation process and in each case will be looked at on its own merits. The Commissioner will only progress when prudent to do so.

It should be noted that the current strategy does not approve the use of such derivatives.

Exchange Rate Risk

This is currently not a concern to the Commissioner as all receipts are presently in sterling.

Credit and Counterparty Risk

Criteria to be used for creating / managing approved Counterparty lists / limits – the Commissioner's Chief Finance Officer and the Deputy Chief Finance Officer will formulate suitable criteria for assessing and monitoring investment counterparties and shall construct a lending list comprising time, type, and specific Counterparty limits. An Investment strategy will be submitted to the Commissioner detailing selection procedures. Compliance with these limits and any significant changes to the approved counterparty list as a result of the ongoing review of the

creditworthiness of counterparties will be included in the regular monitoring reports provided to the Commissioner and the Joint Audit and Standards Committee.

Refinancing Risk; Debt / Other Capital Financing Maturity Profiling, Policies and Practices.

The Prudential Code requires that:

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

To that end the Commissioner will set annual prudential indicators and then proceed to operate within those boundaries, thus showing that all decisions taken adhere to the above.

Fraud, Error, Corruption and Contingency Management

Policy on Delegated Powers – members of staff undertaking day to day management of cash are identified in TMP 5. There will always be complete segregation of duties between staff involved in carrying out transactions in the Money Market and those authorised to transfer cash (any amendments to these policies will be reviewed by Management/Internal Audit prior to implementation).

Policy on the use of Internet Systems – The Bankline system operated by NatWest for obtaining balances and making payments is an internet based system. In addition to this counterparties are increasingly providing services via the internet from checking rates to viewing details of investments. Prior to using such facilities, an assessment will be made of the security of such arrangements and, when satisfied, approval will be obtained from the Commissioner’s Chief Finance Officer.

Emergency and Business Continuity Arrangements – the following standby facilities will be maintained.

- All staff involved in the treasury management function will have designated absence cover (see Policy)
- All local programmes and systems will be backed up on a daily basis and also printed weekly records are maintained.
- Bank balances can be manually obtained from the bank in the event of a Bankline Systems failure.

- Evidence of any error or discrepancy will be notified to the Commissioner's Chief Finance Officer and the Deputy Chief Finance Officer as soon as identified.
- Computer Systems are backed up on a daily basis by the IT department.
- Business Continuity Planning is actively managed, and includes all areas of finance and treasury.
- The Commissioner's Chief Finance Officer and the Deputy Chief Finance have remote access tokens which allow access to the treasury management records from another location if he/she is unable to operate from HQ (provided HQ systems are in operation).
- The Bankline system is internet based and as such bank account information can be accessed by appropriate staff from any location with internet access.

Treasury management is recognised as high priority for Financial Services and as such arrangements in the event of a business continuity event are detailed in the Financial Services Business Continuity Plan.

Insurance Cover Details – Fidelity Guarantee insurance is held for staff involved in treasury management processes at a suitable level and is reviewed annually.

Market Value of Investments

The investment strategy, whilst principally centred around investments with a fixed value such as cash fixed term deposits and AAA rated Money Market Funds has been extended to include AAA rated Money Market Funds with a variable net asset value (VNAV). The use of VNAV funds will be limited to longer term investments to minimise the risk of incurring a loss in value as a result of adverse market conditions funds and will be subject to advice and closely monitoring in conjunction with the Commissioner's treasury advisors Arlingclose Ltd.

TMP 2 Performance Measurement

Frequency and Processes for Tendering

Banking Services. Arrangements for banking services will be reviewed every 5 years to ensure that the level of prices and service delivery reflect efficiency savings achieved by the supplier and current pricing trends.

Money Broking Services In the main, the Commissioner deals directly with financial institutions although, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

Consultants/Advisors The Commissioner has appointed Arlingclose Limited as its treasury advisors.

Methods to be Employed for Measuring the Performance of The Commissioner treasury management activities – Benchmarks will be used to assess the performance of the Treasury Management function in the following areas:-

- Day to day cash balances, management to within + - £2,000.
- Investments – the yield on investments for over 3 months in duration will be measured against the average Bank of England base interest rate over the period of the investment.
- Long term borrowing against budget.
- Temporary borrowing against budget.
- Annual investment performance against budget.

These statistics will be reported to the Commissioner and the Joint Audit and Standards Committee on a quarterly basis.

Benchmarking and Calculating Methodology – The Commissioner will continue to search for appropriate benchmarks which effectively compare investment performance.

TMP 3 Decision Making and Analysis

Funding, Borrowing, Lending and New Instruments & Techniques

In respect of every decision made the Commissioner will:-

- Above all, be clear about the nature and extent of the risks to which it may be exposed.
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver its objectives and protect its interests, and to deliver good housekeeping.
- Ensure that counterparties are judged satisfactory in the context of the organisation's credit worthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transactions have been benchmarked against the market, and have been found to be competitive.

In respect of borrowing and other funding decisions, the Commissioner, in consultation with the Commissioner's Chief Finance Officer, will:-

- Consider the ongoing revenue liabilities created, and the implications for the Commissioner's future plans and indicative budgets.
- Evaluate the economic and market factors that might influence the manner and timing of any decisions to fund.
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing, and private partnerships.
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

In respect of investment decisions, the Commissioner will:-

- Consider the optimum period, in light of cash flow availability and prevailing market conditions.
- Consider alternative investment products and techniques available, especially the implications of using any which may expose the Commissioner to changes in the value of its capital.
- Ensure that asset security is always considered paramount in any investment.

TMP 4 Approved Instruments, Methods and Techniques

Approved Activities of the Treasury Management Function

- Borrowing.
- Lending.
- Debt repayment and rescheduling.
- Consideration, approval and use of new financial instruments and treasury management techniques.
- Managing the underlying risk associated with the capital financing and surplus funds.
- Managing cashflow.
- Banking activities.
- Leasing.
- Forecasting interest receipts and payments arising as a result of treasury activities.

Approved Instruments for Investment

- Deposits with banks and building Societies or local authorities up to 365 days
- Non-specified deposits with banks and building societies or local authorities up to 5 years
- Pooled Funds (including Triple A rated Money Market Funds both with a constant and variable net asset value).
- Registered Providers (including providers of social housing).
- Deposits with Government (including HM Treasury, Debt Management Office and Local Authorities).

Investment in any new instrument can only be undertaken following consultation with and approval by the Commissioner's Chief Finance Officer.

Approved Methods and Sources of Raising Capital Finance

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the Commissioner's Chief Finance Officer.

TMP 5 Organisation, Clarity, Segregation of Responsibilities and Dealing Arrangements

Policy on Delegation, Review and Reporting Arrangements

The Commissioner will receive and review reports on its treasury management strategy, policies and practices, including as a minimum, an annual strategy and plan in advance of the year and an annual report after its close.

They will also:-

- Approve amendments to the treasury management policy statement and treasury management practices.
- Approve the division of responsibilities and delegation within the treasury management function.
- Endorse relevant Codes of Practice on treasury business.
- Receive a quarterly report on treasury management activities.

Assurance with regards to scrutiny of treasury management strategy and policies is a function of the Joint Audit and Standards Committee. The Commissioner delegates overall arrangements for the treasury management function including determining appropriate strategy and procedures to the Commissioner's Chief Finance Officer. The Commissioner's Chief Finance Officer delegates to the Deputy Chief Finance Officer the undertaking of day to day treasury management activities in accordance with the strategies and procedures. All officers undertaking treasury management activity will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Commissioner nominates the Joint Audit and Standards Committee to be responsible for assurance in respect of effective scrutiny of the treasury management strategy and policies.

The **Joint Audit and Standards Committee** will:

- Receive quarterly and annual reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities.
- Review the Treasury Management strategy and policies to be satisfied that controls are satisfactory
- Review the treasury risk profile and adequacy of treasury risk management processes
- Review assurances on Treasury management such as external and internal audit reports

The **Commissioner's Chief Finance Officer** will:-

- Review the policy statement and annual strategy statement and present to the Commissioner.
- Review periodic treasury management reports and present to the Commissioner.
- Review the annual treasury management report and present to the Commissioner.
- Review compliance with relevant treasury Codes of Practice.
- Ensure that there is a written statement of responsibilities covering the complete treasury management function.
- Delegate the operation of the treasury management function to the Deputy Chief Finance Officer.
- Ensure the adequacy of internal audit, and liaising with external audit.
- Approve any long or short term borrowings.

The **Deputy Chief Finance Officer** will:-

- Ensure arrangements are in place for the preparation of periodic treasury management policy statements and an annual strategy statement.
- Hold the Principal Financial Services Officer (Capital & Technical) to account for the day to day management of the treasury function.
- Review the periodic reports on treasury management activities.
- Review the annual report on treasury management as soon as possible after the end of a financial year.
- Ensure that all staff who deal in treasury matters understand and have access to the Non Investments Product Code and the CIPFA Code of Practice.
- Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Oversee and approve investments made for periods greater than three months.
- Review the performance of the treasury function at least twice each financial year.
- Ensure adequate separation of duties.
- Institute a range of performance measures for treasury management.
- Recommend the appointment of external service providers.
- Ensure compliance with relevant Treasury Codes of Practice
- Document and maintain 'Treasury Management Practices' as set out in the Code of Practice
- Review alternative methods of investment
- Provide advice to the Commissioner's Chief Finance Officer in respect of any borrowings

The **Principal Financial Services Officer (Capital & Technical)** will:-

- Have overall responsibility for the daily treasury management activities
- Prepare periodic reports on treasury management activities
- Review treasury systems documentation
- Prepare and keep up to date cash flow projections for a 12 month rolling period
- Liaise with the Deputy Chief Finance Officer for any investment over three months
- Deal with counterparties and make a record of such
- Comply with the Non Investments Product Code and the CIPFA Code of Treasury Management
- Ensure credit worthiness and maintain lending list
- Ensure the training of those listed for absence cover is kept up to date.
- Ensure a spread of brokers is used
- Supply the Commissioner's Deputy Chief Finance Officer with a weekly report on treasury activities for authorisation and supply an electronic copy to the Commissioner's Chief Finance Officer, Chief Constable's Chief Finance Officer and the Director of Corporate Support.

Absence Cover for Daily Dealing Arrangements

In the absence of the Principal Financial Services Officer (Capital & Technical) the absence cover is to cascade thus:-

- 1) Financial Services Officer – Corporate
- 2) Assistant Chief Finance Officer
- 3) Deputy Chief Finance Officer

Each treasury deal transacted via the Bankline system requires a second individual to authorise the deal. The following posts will have responsibility for authorising Bankline deals:

- 1) Financial Services Officer – Command Support Unit (4.00 FTE used subject to availability)
- 2) Financial Services Assistant (Income and Controls)(Part Time 21 hrs)

Before any planned absence all staff will be notified of their required responsibilities.

The **Financial Services Assistant (Income and Controls)** will:-

- Reconcile treasury deals in the Commissioner cash book
- Receive and verify confirmation of treasury deals
- Reconcile general ledger entries in relation to treasury activity
- Produce management information for reporting treasury activities

Internal Audit will:-

- Complete periodic checks on the treasury management function and make recommendations where appropriate.
- Review compliance with agreed policies, procedures and Codes of Practice and make recommendations for improvement where appropriate.

Principles and Practices Concerning Segregation of Duties

The activities of the Treasury function will be carried out in accordance with the duties and responsibilities detailed above. In particular, day to day duties will be split to ensure that no one person can both initiate and then authorise payment.

Other than in the event of a technical failure all deposits will be initiated through the Bankline software – complete segregation of duties. It will be a disciplinary offence for individuals to release their personal operator cards or passwords. If a card is lost or stolen then the system administrator (either the Principal Financial Services Officer (Revenue & Systems) or Financial Services Assistant (Systems)) must be immediately informed - who will then immediately change all relevant computer access codes.

Dealing Limits

Approved dealers have the delegated power to enact transactions on a day to day basis within the constraints of the treasury management practice schedules and the procedure manual. They can, in particular operate within the limits laid down within the Counterparty Selection Criteria and Approved Counterparty List.

Policy on Broker's Services

In the main, the Commissioner deals directly with financial institutions, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

Policy on Taping of Conversations

The Commissioner's does not tape conversations with brokers.

Direct Dealing Practices

Direct deals will if appropriate be undertaken with anyone on the agreed counterparty list. Approved dealers have the delegated power to enact transactions and all transactions require independent authorisation by an approver before funds are transferred via Bankline.

Settlement Transmission Procedures

Once a deal has been agreed, either with a broker or direct with a third party, funds will be transferred in accordance with Bankline procedures.

Documentation Requirements

All transactions will be recorded on a daily basis on the Investments spreadsheet.

Arrangements Concerning the Management of Counterparty Funds

The Commissioner will not undertake transactions on behalf of other organisations

TMP 6 Reporting Requirements and Management Information Arrangements

Annual Treasury Management Strategy Statement

The treasury management strategy will set out the broad parameters of the treasury function for the forthcoming financial year. The strategy will be submitted to the Commissioner for approval, alongside the budget, capital programme and prudential indicators before commencement of each financial year.

The treasury management strategy will cover the following elements:-

- The prospects for interest rates, long and short term
- An investment strategy as set out in the Local Government Act 2003
- The expectations for debt rescheduling
- The treasury approach to risk management
- Any extraordinary treasury issue
- Any borrowing requirement under the Prudential Code
- Annual statement on MRP.

Policy on Interest Rate Exposure

The Commissioner Chief Finance Officer is responsible for incorporating the authorised borrowing limit and the fixed and variable rate exposure limits determined as part of the Commissioner's Prudential Indicators into the annual treasury management strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, a report will be submitted for approval to the Commissioner.

Annual Report on Treasury Management Activities

An annual report will be presented to both the Commissioner and the Joint Audit and Standards Committee at the earliest practicable meeting after the end of the financial year. This report will include the following:-

- A comprehensive picture for the financial year of all treasury policies, plans, activities and results
- Transactions executed and their revenue (current) effects
- Monitoring of compliance with approved policy, practices and statutory / regulatory requirements
- Monitoring of compliance with delegated powers
- Indication of performance especially for returns against budget, and performance against other like Authorities
- Comment on CIPFA Code requirements.

In addition, quarterly updates on Treasury Management activities will be presented to the Joint Audit and Standards Committee throughout the year.

Management Information Reports

Management information reports will be prepared weekly by the Principal Financial Services Officer (Capital & technical), and will be presented to the Commissioner's Deputy Chief Finance Officer, Commissioner's Chief Finance Officer, Chief Constable's Chief Finance Officer and the Director of Corporate Support.

These reports will contain the following:-

- An analysis of all investment decisions made during the week and by whom these decisions were made.
- An analysis of all investments currently placed by category.
- The current month's earned interest report, this will also show year to date and forecast budget.
- The current quarter's cashflow analysis.
- Any new borrowings or repayments in the week
- The amount of outstanding borrowings

Control reconciliation reports will be prepared monthly by the Financial Services Assistant (Income and Controls), which will be presented to the Principal Financial Services Officer (Capital & Technical).

These reports will contain:-

- Balance per the financial systems – this will be obtained after the monthly reconciliation of the bank
- Balance per the investment analysis as above.
- Explanation of any variance.

If for any reason any member of the treasury management team has reason to suspect any type of fraud or misappropriation he or she will this report directly to the Commissioner's Chief Finance Officer or in his/her absence to the Deputy Chief Finance Officer or the Internal Auditor.

TMP 7 Budgeting, Accounting and Audit Arrangements

Accounts

The cost of the treasury management function amounts, in the main, to the salaries of those involved. Small external costs are incurred for banking services and the treasury advice currently provided by Arlingclose. If any new external costs are to be incurred these will be reported separately during the budget monitoring process.

External Auditors

All records will be made available to both internal and external audit as and when required. As a minimum annual check external audit will gain third party confirmation of all year end balances on deposit.

TMP 8 Cash and Cash Flow Management

Cashflow Statements

A cashflow statement will be prepared before the beginning of each financial year to include all known elements of income from the revenue budget. The cash flow forecasts during the year will be maintained for a rolling 12 month period. Spending profiles will also be set out based on payroll projections and estimates of other payments. The cashflow statement will also be updated during the year on a daily basis to include major variations as or when they become known. The weekly activity report will also show the current quarter's cashflow projections.

TMP 9 Money Laundering

Policy for Establishing Identity/Authenticity of Lenders

The Prudential Code provides a framework for borrowing, subject to that borrowing being prudent, sustainable and affordable. Any borrowing will properly recognise the potential for money laundering and will only be undertaken from lending instructions of the highest repute.

Methodology for Identifying Sources of Deposit

The Commissioner only lends to organisations that appear on the Financial Services Authority's (FSA's) list of authorised banks and financial institutions, other local authorities and the Governments Debt Management Office (DMO).

The Commissioner's Financial Regulations require the Chief Constable's Chief Finance Officer to be responsible for ensuring compliance with the Money Laundering Regulations 2007.

The Chief Constable's Chief Finance Officer will:

- Implement internal reporting procedures
- Ensure relevant staff receive appropriate training in the subject
- Establish internal procedures with respect to money laundering
- Obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- Report their suspicions.

TMP 10 Training and Qualifications

Statement of Professional Practice (SOPP)

The Commissioner's Chief Financial Officer is a member of CIPFA, and she has a professional responsibility through both personal compliance and by ensuring that relevant staff are appropriately trained.

The Chief Constable's Chief Finance Officer and the Deputy Chief Finance Officer are also both members of CIPFA and as such have the same duty of care in the provision of any financial information. Other staff employed in the treasury management function will be qualified to the level that is appropriate to their post (as per the job description). All staff are required to undertake basic training prior to undertaking day to day treasury business and will, in addition, be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

All CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP) which includes a section in relation to treasury management.

Training courses run by CIPFA and other training providers will form the major basis of ongoing staff training. Records will be kept of all courses and seminars attended by staff in their personal training records file.

The Commissioner's Chief Finance Officer will ensure that members charged with governance in relation to treasury management will receive appropriate training and that records of such training received will be maintained. Training may be provided internally or externally.

The Non Investments Products Code: The Code is applicable to wholesale market dealings in non-investment products, including sterling wholesale deposits. The Code sets out for management and individuals at broking firms and principals, standards of good practice in the market. The spirit of the code applies equally to business transacted via electronic or traditional media. Principals include local authorities and other public bodies which operate in the wholesale markets covered by the NIP's code. The code is regularly updated and the latest version can be found on the Bank of England website at: <http://www.bankofengland.co.uk/markets/forex/fxjsc/index.htm>.

TMP 11 Use of External Service Providers

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times.

The use of any external service providers will, at all times, be subject to the Procurement Regulations / Financial Regulations of the Commissioner. The use of external services is currently restricted to banking services and treasury advice (investments and borrowing).

Advisers - The Commissioner has a formal contract with Arlingclose Ltd, to provide a range of technical advice and information covering the treasury business. This contract will be reviewed periodically in consultation with the Commissioner's Chief Finance Officer.

Banking – Banking services will be reviewed every 5 years to ensure that the level of prices and service delivery reflect efficiency savings achieved by the supplier and current pricing trends.

Brokers - In the main, the Constabulary deals directly with financial institutions, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

TMP 12 Corporate Governance

The Commissioner is fully committed to the CIPFA Code of Practice in Treasury Management and believes he has secured a framework for demonstrating openness and transparency of his treasury management function.

Free access to all information on our treasury management function will be given to all relevant interested parties.

Clear policies have been devised which outline the separation of roles in the treasury management function and the proper management of relationships both within and outside the Office of the Police and Crime Commissioner. All staff are fully appraised of their individual role and where the segregation of duty lies. Clear reporting lines also exist to report any breaches in procedure. This is further supported by well-defined treasury management responsibilities and job specifications.

The Commissioner seeks to ensure a fair distribution of business between brokers. The Commissioner's Chief Finance Officer receives a weekly report to evidence this.

On an annual basis, a treasury strategy is approved prior to the year, by the Commissioner and a year-end summary of treasury activities is reported to the Joint Audit and Standards Committee.

Regular treasury management activity updates are submitted to the Commissioner and the Joint Audit and Standards Committee during the year.

The Annual Governance Statements which are published each year and accompany the Statutory Statement of Accounts outlines details of the Commissioner's and Constabulary's governance and risk management processes which are applicable to treasury management activities.

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JASC 09-03-16TM Activities 2015-16 Quarter 3 (October to December 2015) (Agenda Item 12)



Cumbria Office of the Police and Crime Commissioner

Title: Treasury Management Activities 2015/16 Quarter 3 (October to December 2015)

PCC Executive Board: 24 February 2016 (Agenda Item 09)

Joint Audit & Standards Committee: 09 March 2016 (Agenda Item 12)

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

1. Purpose of the Report

- 1.1. The purpose of this paper is to report on the Treasury Management activities, which have taken place during the period October to December 2015 in accordance with the requirements of CIPFA's Code of Practice on Treasury Management.
- 1.2. Treasury Management activities are undertaken in accordance with the Treasury Management Strategy Statement and Treasury Management Practices approved by the Commissioner in February each year.

2. Recommendation

- 2.1. The Commissioner is asked to note the contents of this report. The report will also be presented to the Joint Audit and Standards Committee meeting of 9 March as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy.

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JASC 09-03-16TM Activities 2015-16 Quarter 3 (October to December 2015) (Agenda Item 12)

- 2.2. JASC Members are asked to note the contents of this report. The report is provided as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy. The report was presented to the Commissioner at his Executive Board meeting on 16 February.

3. Economic Background

- 3.1. The UK economy had a solid 2015 with overall growth estimated to be around 2.5%, a figure well in line with the trend rate. The labour market was also strong. Data released in December for the period to October 2015, showed employment the highest at 73.9% and unemployment at 5.2% the lowest it had been since 2006. As a result, wage growth was generally strong over the year; although having peaked at 3.3% in May, it fell to 2.4% in October. Consumer price inflation was very low over the second half of 2015, a collapse in food, fuel and transport costs along with a strong Pound being the contributors to this fall. Stronger wage growth and low inflation allowed real earnings to grow at the fastest rate in eight years. At the beginning of the October-December 2015 quarter the general consensus was that the MPC would look to raise interest rates in early 2016. However a number of factors have pushed back the expectation of a rate rise to Q3 or Q4 of 2016, with possibly one or two increases in 2017: inflation, having dipped below zero earlier in 2015, remained very low at 0.1% year/year in November 2015, oil prices have fallen even further and growth in China isn't looking like it is going to return to its usual 7%+ levels very soon.
- 3.2. In the US, the Federal Reserve raised interest rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. The accompanying statement justified this increase as due to continuing tightening of the labour market, the solid improvement in economic household spending and business fixed investment and a strong housing sector. The statement suggested we can expect four interest rises over 2016. Over 2015, the US dollar appreciated by 8%, leading to lower import prices. The decline in import prices filtered into consumer prices in 2015, which alongside the sharp drop in energy costs, depressed the headline inflation rate. However, as a result of the strong dollar and weak global demand, US exports have fallen by nearly 10% over the year. With the presidential elections coming up at the end the year, we should start to see uncertainty creep into the market until a clear winner emerges.
- 3.3. In the Eurozone, the European Central Bank announced a modest reduction in the Deposit Rate from -0.2% to -0.3% and an extension of their asset purchase programme by 6 months to March 2017.

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Overall, the Eurozone economic activity was stronger over 2015 and there was an improvement in unemployment to 10.5% from 11.5% a year earlier, which helped drive private consumption as a result. Eurozone CPI inflation fell below zero during 2015 and is currently hovering just above.

- 3.4. The slowdown in the Chinese economy became the largest threat to the region and to the prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to further market volatility as a consequence. As the global economy entered 2016, there was a high uncertainty about growth, the outcome of the US presidential election (no clear party or candidate can be identified as a winner right now) and the consequences of the vote whether the UK is to remain in the EU, the timing of which could well likely be summer 2016.

4. Treasury Management Operations and Performance Measures

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

The TMSS sets maximum limits for investments according to category. The categories and overall limit per category is illustrated in the table below together with the actual investments outstanding as at 31 December 2015. Within each category there are further limits to the total amount and duration of investments that can be placed with individual counterparties, these vary depending on the credit rating of the counterparty at the time the investment is made.

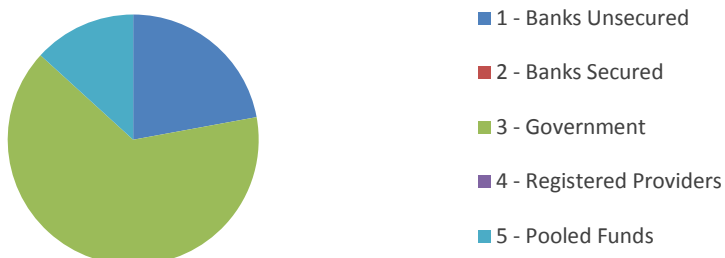
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JASC 09-03-16TM Activities 2015-16 Quarter 3 (October to December 2015) (Agenda Item 12)

Category	Category Limit (£m)	Actual Investments at 31 December (£m)	Compliance with Limit
1 - Banks Unsecured	20	4.269	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government	unlimited	12.485	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	2.553	Yes
Total		19.306	

A schedule detailing the individual investments that make up the £19.31m total invested at 31 December 2015 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.

Analysis of Outstanding Investments at 31 December 2015 by Category



4.2. Management of Cash Balances

The aim of the Treasury Management Strategy is to invest surplus cash and minimise the level of un-invested cash balances, whilst limiting risks to the Commissioner's funds. Actual un-invested balances for the months of October to December 2015 for the Commissioner's main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	92	1,174	13,155
Days Overdrawn	0	0	0

The largest un-invested balance occurred on the 3 December as a result of a large banking of seized cash. We are advised by the bank that transactions being posted during the day are subject to checking and can be removed, therefore, we do not invest these sums until the following day to limit the risk of being overdrawn.

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During the period October to December 2015 there were no instances where the main bank account was overdrawn.

Within the Treasury Management Strategy a target is set to achieve a daily balance of +/- £2k on the Commissioner's main bank account. Whilst the daily treasury management process always calculates the anticipated balance within these limits, daily transactions through the bank of which we are not aware (e.g. banking of cash/cheque receipts) can alter the closing balance for the day. During the months October to December 2015, the balance was within the £2k limit for 82 out of 92 days (89%). This statistic is skewed by our policy to ensure that all cash and cheques are banked on a Friday, as a minimum, more often if large sums are received. If cash is banked it clears our account on the same day and we will be over our £2k limit for 3 days over the weekend not just the day it is banked. This did not occur during this quarter.

An estimate of the interest forgone on un-invested balances over £2k during this three month period is £4.

4.3. Investment Activity

The table below illustrates the number and value of investments made with banks (category 1 unsecured & 2 secured) and Government (category 3) of the approved investment counterparties during the months of October to December 2015:

Month	Number of Investments	Total Value of Investments
		£m
October 2015	4	5.5
November 2015	1	1.0
December 2015	1	2.0

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

The Commissioner sets a limit for "non-specified" investments of over 364 days at the time of investment. The maximum of all investments with outstanding maturities greater than 364 days is set at a limit of £5m for 2015/16. The Commissioner currently has no investments that have an

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outstanding maturity of greater than 364 days. However, as at 31 December, there were two investments which at the time of investing, were for a period of just over 364 days. These are set out in the table below:

Borrower	Value £m	Investment Period (Days)	Date Invested	End Date	Period Remaining to maturity (days)	Actual Rate (%)
Lloyds Bank PLC	2.0	366	11/08/2015	11/08/2016	316	1.00%
Lancashire County Council	2.0	365	08/05/2015	06/05/2016	219	0.50%
Total	4.0					

4.4. Interest Earned

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

Month	Interest Amount (£)	Average Total Investment (£)	Average Return on Investment (%)
October 2015	11,197	26,580,591	0.50%
November 2015	10,467	25,104,230	0.51%
December 2015	10,253	23,090,361	0.52%
	31,917	24,923,113	0.51%

Total interest earned during April to December 2015 amounted to £93.7k. A simple pro-rata of this figure would suggest a full year effect of interest in the region of £125k. The current forecast is that interest receipts for 2015/16 will be £117k. This figure is slightly lower than the budget for the year which was set at £125k, the reduction reflects the lower rates currently being achieved on investments as a result of their short duration, which is in line with current policy and advice.

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

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	Amount (£000's)
Original Estimate 2015/16	125
Forecast Position June 2015	125
Forecast Position September 2015	122
Forecast Position December 2015	117
Increase/(Decrease) compared to estimate	-8
Increase/(Decrease) as a percentage	-6%

4.5. Investment Performance

As a performance measure for the quality of investment decisions, the rate achieved on maturing longer term investments of over three months in duration is compared with the average Bank of England base rate over the life of the investment. The table below provides details of the individual performance of investments (of over 3 month's duration at time of investment) for the months October to December 2015:

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Barclays Bank PLC	2	3	0.41%	0.50%
Government Treasury Bill	2	3	0.47%	0.50%
Government Treasury Bill	0.5	3	0.45%	0.50%

The above table illustrates that for the three maturing investments that were for a duration of 3 months, the return was slightly below the bank base rate.

5. Compliance with Prudential Indicators

- 5.1. All treasury related Prudential Indicators for 2015/16, which were set in February 2015 as part of the annual Statement of Treasury Management Strategy, have been complied with. Further details can be found at **Appendix 4**.

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6. Implications

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

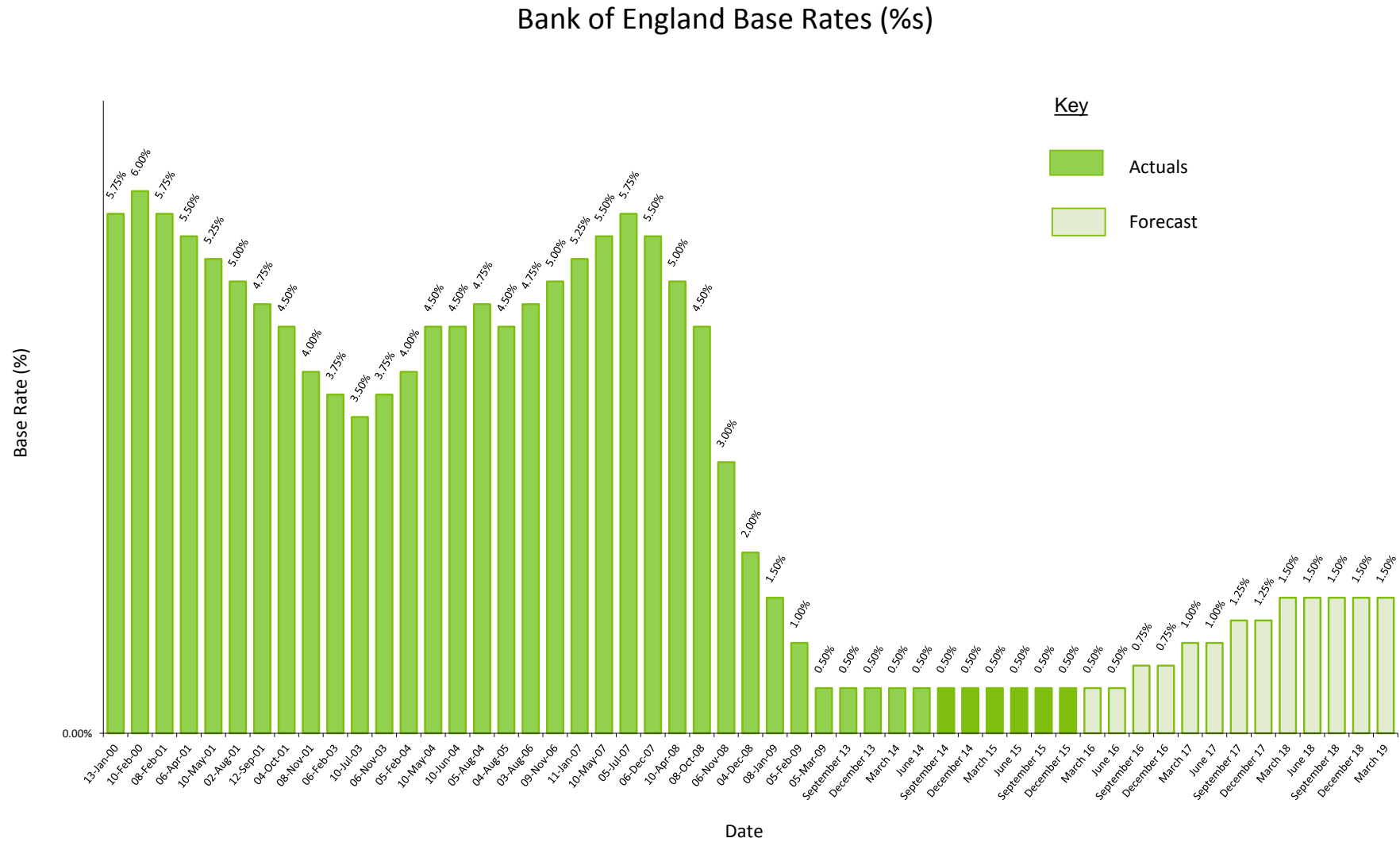
7. Supplementary informationAttachments

- Appendix 1 Recent history and projections of Bank Base Rates
- Appendix 2 Schedule of Investments as at 31 December 2015
- Appendix 3 Analysis of Investments as at 31 December 2015
- Appendix 4 Prudential Indicator Compliance

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JASC 09-03-16TM Activities 2015-16 Quarter 3 (October to December 2015) (Agenda Item 12)

Appendix 1



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JASC 09-03-16TM Activities 2015-16 Quarter 3 (October to December 2015) (Agenda Item 12)

Appendix 2**Schedule of Investments as at 31 December 2015**

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Lloyds Bank PLC	A+	11/08/2015	11/08/2016	224	1.00%	2,000,000	2,000,000
Svenska (Deposit Account)	AA-	Various	On Demand	N/A	0.35%	911,732	911,732
NatWest (Liquidity Select Account)	BBB+	31/12/2015	04/01/2016	O/N	0.25%	357,000	357,000
Svenska (CD*)	AA-	03/11/2015	03/02/2016	34	0.54%	1,000,000	1,000,000
						4,268,732	4,268,732
Category 2 - Banks Secured (Includes Banks & Building Societies)							
None							0
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
West Dunbartonshire Council	NR	24/07/2015	22/01/2016	22	0.40%	2,000,000	2,000,000
Lancashire County Council	NR	08/05/2015	06/05/2016	127	0.50%	2,000,000	2,000,000
Stirling Council	NR	14/12/2015	14/04/2016	105	0.500%	2,000,000	2,000,000
DMO - Treasury Bills	NR	06/07/2015	04/01/2016	4	0.490%	4,987,813	
DMO - Treasury Bills	NR	19/10/2015	18/01/2016	18	0.450%	499,427	
DMO - Treasury Bills	NR	01/09/2015	29/02/2016	60	0.510%	997,477	6,484,718
						12,484,718	12,484,718
Category 4 -Registered Providers (Includes Providers of Social Housing)							
None							0
						0	0
Category 5 -Pooled Funds (Includes AAA rated Money Market Funds)							
Aberdeen Asset Management	AAA	Various	On demand	O/N	Various	0	0
AIM	AAA	Various	On demand	O/N	Various	0	0
BlackRock	AAA	Various	On demand	O/N	Various	0	0
Fidelity	AAA	Various	On demand	O/N	Various	252,685	252,685
Goldman Sachs	AAA	Various	On demand	O/N	Various	0	0
Standard Life (Formally Ignis)	AAA	Various	On demand	O/N	Various	2,300,000	2,300,000
						2,552,685	2,552,685
Total						19,306,135	19,306,135

Note – the credit ratings shown in the above table relate to the standing as at 31 December 2015, as discussed in the main body of the report, the ratings are constantly subject to change.

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

CD* = Certificate of Deposit which are a negotiable form of fixed deposit and are ranked the same as a fixed deposit. The primary difference is that we are not obliged to hold the CD to maturity and cash can be realised by selling the CD on the secondary market.

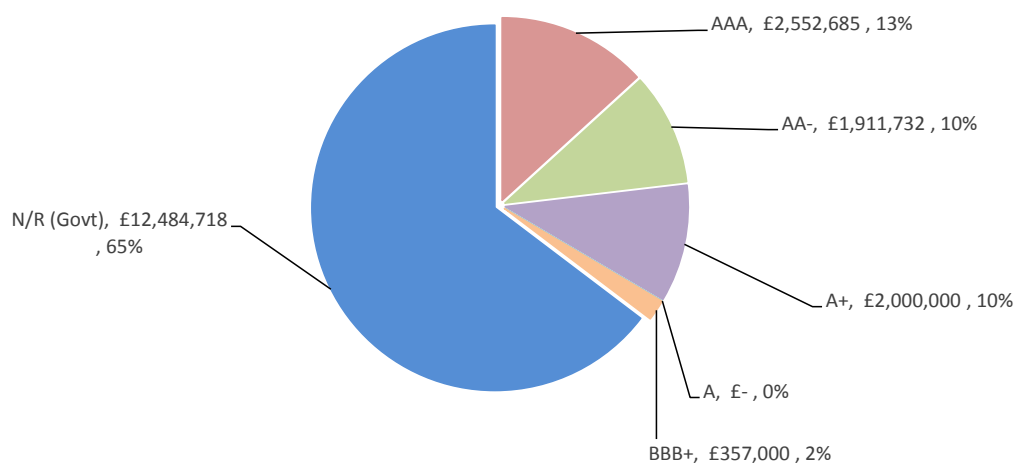
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JASC 09-03-16TM Activities 2015-16 Quarter 3 (October to December 2015) (Agenda Item 12)

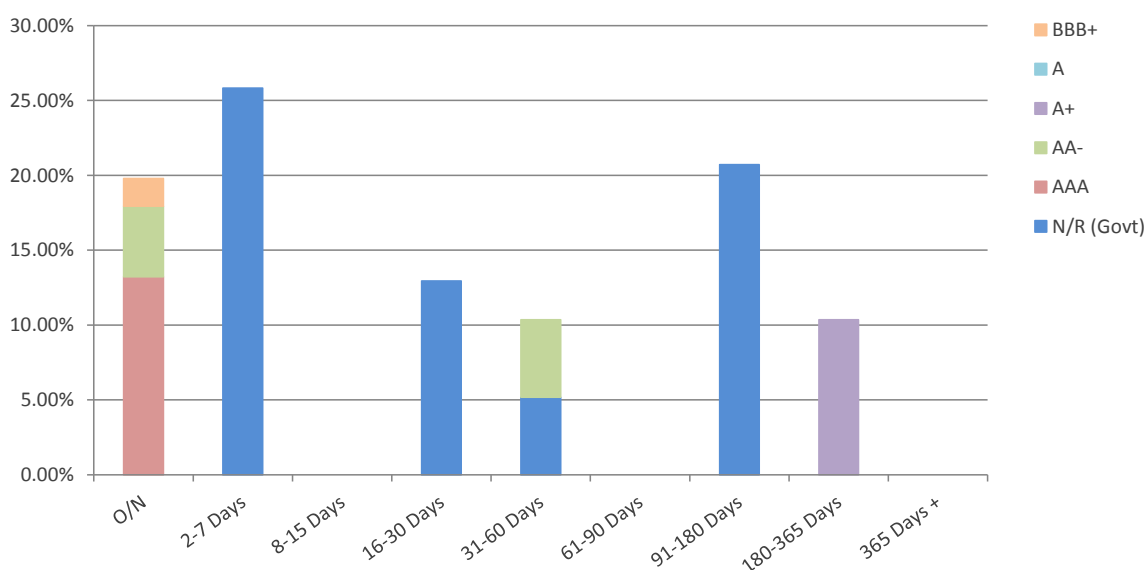
Appendix 3

Analysis of Outstanding Investments as at 31 December 2015

Analysis of Outstanding Investments by Credit Rating of Counterparty at 31 December 2015 (Minimum Criteria per TMSS A-)



Analysis of Outstanding Investments at 31 December 2015 by Number of Days to Maturity



Note – the credit ratings shown in the above charts relate to the standing as at 31 December 2015, as discussed in the main body of the report, the ratings are constantly subject to change.

Appendix 4

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

- The Local Government Act 2003 requires the Commissioner to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached during the year. The Affordable Borrowing Limit is made up of two components; the *Authorised Limit* and the *Operational Boundary*.
- The Authorised Limit represents an upper limit for external borrowing that could be afforded in the short term but may not be sustainable. The figure includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Commissioner's Authorised Limit was set at £25.31m for 2015/16.
- 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 2015/16 was set at £23.81m.
- The actual amount of external borrowing as at 31 December 2015 was £Nil which is well within the above limits. No new external borrowings have been undertaken in the current financial year.

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

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

	Limits for 2015/16	Actual Borrowing at 31 Dec'15	Compliance with limits
	£m	£m	
Upper Limit for Fixed Rate Exposure	25.31	0.00	Yes
Upper Limit for Variable Rate Exposure	1.50	0.00	Yes

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(c) Maturity Structure of Fixed Rate Borrowing

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

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing as at 31 Dec '15 £m	% Fixed Rate Borrowing as at 31 Dec '15 %	Compliance with Set Limits?
Under 12 months	100	0	0.00	0	Yes
12 months and within 24 months	100	0	0.00	0	Yes
24 months and within 5 years	100	0	0.00	0	Yes
5 years and within 10 years	100	0	0.00	0	Yes
10 years and above	100	0	0.00	0	Yes

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

- This indicator allows the Commissioner to manage the risk inherent in investments longer than 364 days.
- The limit for 2015/16 was set at £5m.
- As at 31 December 2015, the PCC had two investments totalling £4m which were for a duration greater than 364 days at the time of investment. Neither of which now have outstanding maturities greater than 364 days. Please see additional details within paragraph 4.3 above.

JOINT POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT AND STANDARDS COMMITTEE	Paper No.
Meeting date: 9 March 2016	
From: Audit Manager (Cumbria Shared Internal Audit Service)	

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 EXECUTIVE SUMMARY

- 1.1 *The Public Sector Internal Audit Standards require that the 'chief audit executive' must develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity'. For the Shared Internal Audit Service the Chief Audit Executive is the Group Audit Manager.*
- 1.2 *The QAIP is designed to provide assurance that the work of internal audit is undertaken in conformance with the Public Sector Internal Audit Standards.*
- 1.3 *Key elements of the QAIP are:*
 - *Ongoing monitoring of the performance of the internal audit activity*
 - *Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices; and*
 - *External assessments conducted in accordance with the PSIAS*

2.0 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS

- 2.1 *Internal Audit's work is designed to provide assurance to management and members that effective systems of governance, risk management and internal control are in place in support of the delivery of the PCC and Constabulary's priorities.*
- 2.2 *The Accounts and Audit Regulations 2015 impose certain obligations on the PCC and Chief Constable including a requirement that they undertake an*

adequate and effective internal audit of their accounting records and of their systems of internal control in accordance with proper practices in relation to internal control. From 1st April 2013, proper practices are defined as the Public sector Internal Audit Standards.

3.0 RECOMMENDATION

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

4.0 BACKGROUND

- 4.1 The PCC and Chief Constable must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal audit standards or guidance. 'Proper audit practices' are defined as those stated within the Public Sector Internal Audit Standards (PSIAS) which became mandatory for all UK public sector internal auditors from 1st April 2013.
- 4.2 The PSIAS require that a Quality Assurance and Improvement Programme is in place to provide reasonable assurance that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and continually improving Internal Audit's operations as well as contributing to the organisation achieving its objectives.
- 4.3 Specific requirements of the PSIAS are that it:
- Monitors the Internal Audit activity to ensure it operates in an effective and efficient manner (1300)
 - Assures compliance with the *Standards*, Definition of Internal Auditing and Code of Ethics (1300)
 - Helps the Internal Audit activity add value and improve organisational operations (1300)
 - Includes both periodic and ongoing internal assessments (1311)
 - Includes an external assessment at least once every five years (1312)
 - Reporting on the results of the QAIP and any improvements plans in the annual report (1320)
 - Disclosure of non conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards (1322)

4.4 A core element of the QAIP is the measures of performance that will allow internal audit to monitor its performance, identify improvements and demonstrate the value it adds to the OPCC and Constabulary. The suite of performance measures is appended to the Cumbria OPCC and Constabulary Internal Audit Charter.

4.5 The QAIP is documented in Appendix A.

Emma Toyne
Audit Manager
February 2016

APPENDICES

Appendix A - Quality Assurance and Improvement Programme

Contact: Emma Toyne, 01228 226261, emma.toyne@cumbria.gov.uk

Appendix A – Quality Assurance and Improvement Programme

INTERNAL ASSESSMENTS (PSIAS ref: 1311)

On-going reviews conducted through	Elements
Supervision of engagements	<ul style="list-style-type: none">• Work is allocated from the annual risk based plan by the internal audit management team across the shared service• Staff are involved in developing audit scope in conjunction with audit clients prior to commencement• Work is supervised to ensure that it complies with the approved methodology for carrying out an audit• Audit Manager / Principal Auditor attend close out meetings to support the auditor and ensure that key messages are relayed appropriately• Internal Audit reports signed off by Audit Manager• Audit reports with less than Reasonable Assurance subject to final review by Group Audit Manager
Regular, documented review of working papers during engagements	<p>Audit Manager / Principal Auditor review each audit file to ensure:</p> <ul style="list-style-type: none">• The scope and objectives of the audit have been agreed with clients and adequately documented and communicated• Key risks have been identified• The audit testing strategy has been designed to meet the objectives of the audit and testing undertaken to the extent necessary to provide an audit opinion for each piece of work• Audit has been completed in a thorough, accurate and timely manner• The standard of working papers and evidence collected during the audit are in accordance with audit processes and procedures• The draft audit report fully reflects all findings from the audit and these are properly explained and practical recommendations made• The assurance rating is fully supported by the working papers and can be justified by the auditor

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

Periodic reviews conducted through	Elements
Annual risk assessments for the purposes of annual audit planning	<ul style="list-style-type: none"> • Annual risk assessment of each organisation's audit universe as part of the planning process
Annual assessment of Internal Audit's conformance with its Charter, PSIAS with an improvement plan produced to address any areas of non-conformance identified	<ul style="list-style-type: none"> • Review of Charter for conformance • Annual completion of CIPFA checklist for assessing conformance with the PSIAS • Improvement plan produced to address areas of non-conformance. • Service development plan identifying actions for service improvement.
Benchmarking with other Internal Audit service providers	<ul style="list-style-type: none"> • CIPFA benchmarking • Networking at Police Audit Group Conference (national event)
Quarterly reports to audit committees on progress with delivery of the audit plan	<ul style="list-style-type: none"> • Preparation of progress report for each audit committee and attendance at audit committee by Group Audit Manager and / or Audit Manager.
Annual sign up to Code of Ethics by all internal audit staff	<ul style="list-style-type: none"> • Signed declaration from all internal audit staff
Annual completion of declaration of business interests from by all internal audit staff	<ul style="list-style-type: none"> • Signed declaration from all internal audit staff

EXTERNAL ASSESSMENTS (PSIAS ref:1310)

External Assessments will be carried out in accordance with the requirements of the PSIAS and reported to Audit and Standards Committee as appropriate.

REPORTING ON THE QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (PSIAS ref: 1320)

The results of the quality assurance programme and progress against any improvement plans must be reported in the annual report.

Internal Assessments – outcomes of internal assessments will be reported to the Joint Audit and Standards Committee on an annual basis;

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

Follow up – The Audit Manager will implement appropriate follow up actions to ensure that recommendations made in the reports and action plans developed are implemented in a reasonable timescale.

JOINT POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT AND STANDARDS COMMITTEE	Paper No.
Meeting date: 9 March 2016	
From: Audit Manager (Cumbria Shared Internal Audit Service)	

INTERNAL AUDIT: DRAFT INTERNAL AUDIT PLAN 2016/17

1.0 EXECUTIVE SUMMARY

- 1.1 The draft plan has been prepared in consultation with senior management and in conformance with the Public Sector Internal Audit Standards (PSIAS).
- 1.2 The Standards require that the Audit Manager prepares an annual risk based audit plan for review by Senior Management and Joint Audit & Standards Committee and approval by the Executive Board.
- 1.3 The attached draft plan has been prepared in accordance with the planning methodology agreed by the Shared Internal Audit Services Board. The approach included:
 - Consultation with senior management across the Office of the Police and Crime Commissioner and Cumbria Constabulary
 - Review of the strategic risk register and annual governance statement action plans for 2015/16
 - Review of outcomes of previous audit reviews and other inspections
 - Consideration of national, regional or emerging issues; and
 - A risk assessment to rank the audits in priority order
- 1.4 Where appropriate, consideration has also been given to other sources of assurance to avoid duplication and ensure the best use of Internal Audit resources.
- 1.5 The arrangements for follow up of internal audit reviews is also attached as an appendix to the plan.

2.0 RECOMMENDATION

- 2.1 ***Members are asked to note the draft internal audit plan for 2016/17.***

Joint Cumbria Office of the Police and Crime Commissioner and Cumbria Constabulary Internal Audit Plan 2016/17

1. Introduction

- 1.1 Internal Auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. Internal audit helps the Commissioner’s Office and Constabulary to achieve their objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.” (Chartered Institute of internal Auditors).
- 1.2 The Accounts and Audit Regulations 2015 require the Commissioner’s Office and Constabulary to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal audit standards or guidance.
- 1.3 The PSIAS affirm the need for annual risk based audit plans to be developed in order that the Head of Internal Audit can form an annual opinion on the organisations’ systems of risk management, governance and internal control.
- 1.4 This Internal Audit Plan has been prepared in line with the Public Sector Internal Audit Standards and following consultation with the senior management of both the Commissioner’s Office and Constabulary to identify the areas where it is considered that Internal Audit can add the greatest value. The Plan is attached at Appendix 1.

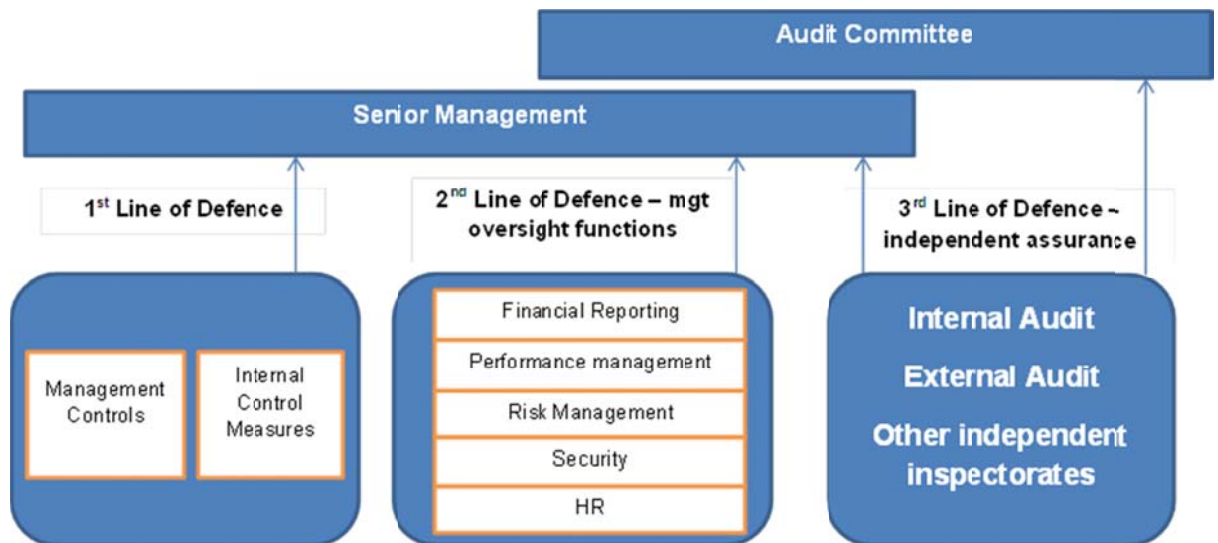
2. Internal Audit Service delivery

- 2.1 The PSIAS require that the Internal Audit plan sets out a high level statement of how the Internal Audit Service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.
- 2.2 Internal Audit at the Commissioner’s Office and Constabulary is delivered through a Shared Internal Audit Service. Cumbria County Council is the host authority for the Shared Service with other participants being; Carlisle City Council and Copeland Borough Council. The Shared Internal Audit Service is governed by a Shared Services Operations Board comprising the Section 151 Officers of each participating authority. A Shared Services Agreement is in place which has been signed up to by each organisation.
- 2.3 Internal audit reviews are undertaken using a risk-based approach in line with the PSIAS. This ensures that audit reviews focus on the areas of risk

and that assurance covers the wider framework of governance, risk management and internal controls.

3. Roles of Management and of Internal Audit

- 3.1 The respective roles of managers and internal audit are summarised in the three lines of defence model shown below which sets out the position of internal audit in providing assurance that the management arrangements over governance, risk management and internal control are adequate and effective.



- 3.2 It is the role of management to establish effective systems of governance, risk management and internal controls in order to:
- safeguard resources and prevent fraud;
 - ensure the completeness and reliability of records;
 - monitor adherence to laws, regulations, policies and procedures;
 - promote operational efficiency demonstrate the achievement of value for money; and
 - manage risk
- 3.3 It is the responsibility of management to establish the checks and balances needed to confirm that their systems are working effectively, that all information within them is accurate, that they are free from fraud or error.
- 3.4 Internal audit's role is to provide assurance that management are undertaking the appropriate checks over their systems to confirm that they are working effectively. It is not the role of internal audit to re-perform management's checks or to undertake such checking on management's behalf.

- 3.5 In order to safeguard its independence, Internal Audit does not have any operational responsibilities and is not responsible for any of the decision making, policy setting or monitoring of compliance within either the OPCC's Office or the Constabulary.

4. Internal Audit Resources

- 4.1 The Commissioner's Office and the Constabulary are part of the Shared Internal Audit Service. Internal Audit days to be provided are agreed annually with the Commissioner's Chief Finance Officer. The level of Internal Audit resource in the proposed plan has been determined so as to ensure that both organisations have appropriate internal audit coverage in order to provide an opinion on the systems of governance, risk and internal control, for each organisation, in line with the PSIAS and in order to support the preparation of the Annual Governance Statements.

5. Categories of Internal Audit Work

- 5.1 **Cross-cutting Reviews** – Reviews which are strategic in nature or which cut across both organisations. These reviews are designed to provide assurance that the Commissioner's Office and Constabulary have effective governance and risk management arrangements to mitigate strategic risks.
- 5.2 **Constabulary Risk-Based audit reviews** – these reviews have been identified in consultation with senior management.
- 5.3 **Financial System reviews** – A three year rolling programme of financial systems has been determined in conjunction with the OPCC and Chief Constable's Chief Finance Officers. The programme is attached at Appendix 2.
- 5.4 **Audit planning and management** – provision for management of internal audit activity in relation to the work undertaken for the Commissioner's Office and Constabulary has been built into the plan. This includes preparation of the annual internal audit plan, attendance at and preparation of progress reports for the Joint Audit and Standards Committee and liaison with management and the external auditor.
- 5.5 A summary of the number of days allocated to each category of audit work is shown below. Percentage figures from the 2014/15 audit plan are included for reference.

	2016/17		2015/16
Category	Days	% of total days	% of total days
Cross Cutting risk based	46*	16	22

audit reviews			
Constabulary risk-based audit reviews	147	54	53
Financial Systems	40	15	11
Follow up	15	5	2
Contingency	0	0	0
Police audit training and development event	2	1	1
Overhead (planning / management time)	24	9	10
TOTAL	274*	100	100

* includes 15 days carried forward from 15/16 for the governance audit (procurement)

5.6 Key points to note:

- An increase of 27 audit days due to the risks identified within the organisations. The 2015/16 plan provided 232 days.
- Overall the types of audit are consistent with the 2015/16 audit plan.

6. Performance Standards

- 6.1 A suite of performance measures has been developed and reported to Joint Audit & Standards Committee over the previous two years. It is proposed that the same measures will be used during 2016/17 and will continue to be reported quarterly to Joint Audit & Standards Committee.

7. Internal Audit Charter

- 7.1 It is a requirement of the PSIAS that the Joint Audit and Standards Committee regularly reviews and approves an internal audit charter. The charter sets out the role, purpose and responsibilities of internal audit. The charter provides for annual review and approval alongside the annual draft internal audit plan. The charter is attached at Appendix 3; no changes are being proposed.

Appendix 1 - Draft proposed internal audit plan 2016/17

Audit Review	Description	Days
Procurement (Audit of Constabulary and OPCC)	<p>Work brought forward from 15/16 Internal Audit plan.</p> <p>Additional days were required to fulfil the organisations' required scope from this review. It was agreed with the COPCC Chief Finance Officer that additional days should be allocated from 16/17 plan with work carried out and reported in 16/17.</p> <p><i>NB Days allocated include the 15 days carried forward from 15/16 plan</i></p>	25
Information Security (Audit of Constabulary)	Review to provide assurance over management arrangements to secure data held by the Constabulary.	20
Mobile and Digital (Audit of Constabulary)	<p>Identified through management consultation as a priority for Internal Audit assurance.</p> <p>The Constabulary has invested significant resources in this area. Internal Audit to provide assurance over management's arrangements to ensure value for money, effectiveness and efficiency from the initiative.</p>	15
Command and Control (Audit of Constabulary)	<p>Identified through management consultation as a priority for Internal Audit assurance.</p> <p>A Command and Control structure was established during 2015/16. Internal Audit to provide assurance over the Constabulary's arrangements for ensuring the new structure achieves its objectives and value for money.</p>	20
Criminal Justice Unit (Audit of Constabulary)	<p>Identified through management consultation as a priority for Internal Audit assurance.</p> <p>The Constabulary have moved to digital case files. Internal Audit to provide assurance that effective arrangements are in place within the Constabulary to ensure that case files are complete, robust and secure.</p>	20
Use of Stop Sticks (Stingers) (Audit of Constabulary)	<p>Identified through management consultation as a priority for Internal Audit assurance.</p> <p>Audit review to provide assurance that the Constabulary has effective arrangements in place for complying with regulations and ensuring that effective training is provided and equipment is appropriately maintained.</p>	15
Stop Search (Audit of Constabulary)	<p>Identified through management consultation as a priority for Internal Audit assurance.</p> <p>Audit review to provide assurance that the Constabulary has effective arrangements for ensuring compliance with the Best Use of Stop and Search Scheme.</p>	15
Offender Management	Identified through management consultation as a priority for Internal Audit assurance.	15

Audit Review	Description	Days
<i>(Audit of Constabulary)</i>	Audit review to provide assurance that the Constabulary has effective arrangements in place to ensure that offenders are progressed through the system efficiently.	
Receipt, handling and disposal of drugs <i>(Audit of Constabulary)</i>	Internal Audit review to provide assurance that the Constabulary has effective arrangements in place to ensure that seized drugs are properly accounted for from receipt through to disposal.	12
Self-service – travel expenses / overtime <i>(Audit of Constabulary)</i>	Identified through management consultation as a priority for Internal Audit assurance. Internal Audit review to provide assurance that the Constabulary has effective arrangements in place over the use of the system in relation to control and recording or travel expenses and overtime.	15
	Subtotal for risk based audits	172*
	Subtotal for non-risk based audits (see table below for detail)	102
	Total for all proposed audit work for 2016/17	274

* Includes 15 days brought forward from 15/16 Internal Audit plan

Other audit work to be included in the audit plan

Some audits are undertaken on a cyclical basis or because there are other requirements for the work to be done. This section outlines any additional non-risk assessed work planned for both organisations.

Audit Review	Description	Days
Governance <i>(Audit of Constabulary and OPCC)</i>	Cyclical programme of governance themed reviews. The 16/17 review will focus on the arrangements in place to ensure the Code of Corporate Governance is compliant with the updated CIPFA / SOLACE governance framework.	15
Annual Governance Statement (two separate reviews)	Review to provide assurance that sufficient and suitable evidence is available to support the Annual Governance Statement.	6
Financial System Reviews: <ul style="list-style-type: none"> • Pensions • Payroll • Main Accounting <i>(Cross Cutting Review)</i>	A rolling programme of financial systems audits is undertaken. The frequency of each review has been considered by the OPCC and Chief Constable's Chief Finance Officers and a risk assessment prepared taking into account internal management assurance statements, transaction volume, value, system changes and assurance provided from Internal Audit work.	15 15 10

Audit Review	Description	Days
Follow up: <ul style="list-style-type: none"> • Business Continuity Planning (Constabulary) • Business Continuity Planning (OPCC) • Duty Management System 	Internal audit follow up methodology includes the follow up of all audits resulting in less than Reasonable assurance	5 5 5
Attendance at police audit training and development event	n/a	2
Internal Audit Management	Time is built into the audit plan for the management of the shared service in relation to the work undertaken for the constabulary and the Commissioner's Office. To include; Attendance at Audit & Standards Committee (5 meetings in year) Preparation of progress reports and annual reports and opinions Audit planning Management liaison Effectiveness of Internal Audit – Compliance with PSIAS	4 6 9 4 1
	Subtotal for non-risk based audits	102

Appendix 2 – Financial System Reviews

The table below shows an indicative three year programme of financial system audit reviews designed to ensure that all key financial systems are audited on a regular basis. The OPCC and Chief Constable's Chief Finance Officers have risk assessed the financial systems taking into account assurances provided in management control questionnaires. The risk assessment will be undertaken annually to factor in any changes.

2016/17		2017/18		2018/19	
Review	Days	Review	Days	Review	Days
Pensions	15	Debtors	15	Pensions	15
Payroll	15	Treasury Management	10	Payroll	15
Main Accounting	10			Main Accounting	10
				Creditors	15
Totals	40		25		55



Cumbria Office of the Police and Crime Commissioner and Cumbria Constabulary

Internal Audit Charter

Introduction

- 1.1 This charter describes the purpose, authority, responsibilities and objectives of Internal Audit. It establishes Internal Audit's position within the entities of the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary and the nature of the Head of Internal Audit's functional reporting relationships with the Executive Board and the Joint Audit and Standards Committee. For the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary the role of the Head of Internal Audit is fulfilled by the Audit Manager of the Cumbria Shared Internal Audit Service.
- 1.2 The charter also provides for Internal Audit's rights of access to records, personnel and physical properties relevant to audit engagements. Final approval of the audit charter rests with the Executive Board having been subject to review by the Joint Audit and Standards Committee.
- 1.3 The Cumbria Shared Internal Audit Service is required to conform to the mandatory Public Sector Internal Audit Standards (PSIAS). These standards comprise a Definition of Internal Auditing, a Code of Ethics and the Standards by which Internal Audit work must be conducted. Any instances of non-conformance with the PSIAS must be reported to the Executive Board and the Joint Audit and Standards Committee and significant deviations must be considered for inclusion within Annual Governance Statements and may impact on the external auditor's value for money conclusion.
- 1.4 An audit charter is one of the key requirements of the PSIAS. As such, failure to approve an internal audit charter may be considered to be a significant deviation from the requirements of the Standards.
- 1.5 The charter must be presented to senior management, reviewed by the Joint Audit and Standards Committee and must be approved by the Police and Crime Commissioner and the Chief Constable, as the body charged with governance.
- 1.6 The Public Sector Internal Audit Standards use the terms 'board' and 'senior management' and require that the audit charter defines these terms for the purpose of the internal audit activity.

For the purposes of this charter the 'board' refers to the Executive Board, a board comprising the Police and Crime Commissioner, the Chief Constable, the Commissioner's Chief Executive (Monitoring Officer) and the Commissioner's Chief Finance Officer. The Joint Audit and Standards Committee for the Cumbria OPCC and Cumbria Constabulary is an independent

Committee fulfilling an assurance role in support of the overall arrangements for governance. The terms of reference of the Committee, in accordance with the recommendations of the CIPFA publication “Audit Committees Practical Guidance for Police and Local Authorities” incorporate review of the Internal Audit Charter. ‘Senior management’ refers to the Police and Crime Commissioner, Chief Executive and Chief Finance Officer for the OPCC and for Cumbria Constabulary the Chief Officer Group.

The Role of Internal Audit

- 2.1 Internal Audit is an independent, objective assurance and consulting service designed to add value and improve the Commissioner and Chief Constable’s operations. Internal Audit helps the Commissioner and Chief Constable to accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Arrangements for internal audit are secured by the Commissioner’s Chief Finance Officer on behalf of the Commissioner and Chief Constable through the Cumbria shared Internal Audit Service.
- 2.2 The Cumbria Shared Internal Audit Service (“Internal Audit”) provides an Internal Audit function for each of the organisations that form part of the shared service, namely;
 - Cumbria County Council (the host authority)
 - Carlisle City Council
 - Copeland Borough Council
 - Cumbria Constabulary and the Cumbria Office of the Police and Crime Commissioner
- 2.3 The services provided by Internal Audit are designed to assist the Commissioner and Chief Constable to continually improve the effectiveness of their respective risk management, control and governance framework and processes and to allow an independent, annual opinion to be provided on the adequacy of these arrangements.
- 2.4 Internal Audit activities in support of this include:
 - Planning and undertaking an annual programme of risk-based Internal Audit reviews focusing on risk management, internal control and governance
 - Review of arrangements for preventing, detecting and dealing with fraud and corruption
 - Review of overall arrangements for risk management and corporate governance

- Review of grant funded expenditure where assurance is required by funding bodies or where risks are considered to be high
- Provision of advice on risk and control related matters
- Consultancy services which may include hot assurance on projects or service and system development
- Investigation of suspected fraud or irregularity or provision of advice and support to management in undertaking an investigation
- Advice on strengthening controls following such an incident

Purpose, Authority, Responsibility and Objectives

Purpose

- 3.1 Internal audit is described by the Chartered Institute of Internal Auditors as a key component of corporate governance. When properly resourced, positioned and targeted, internal auditors act as invaluable eyes and ears for Senior Management, the Board and Audit Committees inside their organisations, giving an unbiased and objective view on what's happening in the organisation.
- 3.2 Internal Audit's core purpose is to provide Senior Management, the Joint Audit and Standards Committee and the Executive Board with independent, objective assurance that their respective organisations have adequate and effective systems of risk management, internal control and governance.
- 3.3 By undertaking an annual risk assessment and using this to prepare the annual risk-based audit plan, Internal Audit is able to target resources at the areas identified as highest risk to the Commissioner and Chief Constable. This then allows Internal Audit to give an overall opinion on the Commissioner and Chief Constable's systems of risk management, internal control and governance.
- 3.4 The annual report and opinion is a mandatory requirement and is a key contributor to the Commissioner and Chief Constable's Annual Governance Statements which accompany the annual statement of accounts. The Governance Statement provides assurance that an effective internal control framework is in place.

- 3.5 Internal Audit supports the respective Section 151 Officers to discharge their responsibilities under section 151 of the Local Government Act 1972, the Accounts and Audit Regulations 2015 and the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable. This Statement places on the Chief Finance Officers, the responsibility for ensuring that the Commissioner and Chief Constable have put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards.
- 3.6 Internal Audit supports the Chief Executive and Chief Constable in providing high level assurances relating to the OPCC and Constabulary's Governance arrangements.
- 3.7 Internal Audit also supports the Monitoring Officer in discharging his / her responsibilities for maintaining high standards of governance, conduct and ethical behaviour.

Authority

- 3.8 This charter provides the authority for Internal Audit's right of access to all activities, premises, records, personnel, cash and stores as deemed necessary to undertake agreed internal audit assignments. In approving this charter, the Commissioner and Chief Constable have approved this right of access and therefore the responsibility of all officers to comply with any reasonable request from members of the Cumbria Shared Internal Audit service.
- 3.9 This charter delegates to the Audit Manager for the Commissioner and Chief Constable, the responsibility to undertake an annual risk assessment in consultation with each organisation's management, and from this, prepare a risk based plan of audit work for review by the Joint Audit and Standards Committee and approval by the Executive Board.
- 3.10 Internal Audit shall have the authority to undertake audit work as necessary within agreed resources so as to achieve audit objectives. This will include determining the scope of individual assignments, selecting areas and transactions for testing and determining appropriate key contacts for interview during audit assignments.
- 3.11 The charter establishes that the Group Audit Manager and Audit Manager of the Shared Internal Audit Service has free and unfettered access to the Executive Board and the Joint Audit and Standards Committee and has the right to request a meeting in private with the

Commissioner, Chief Constable and/or Chair of the Joint Audit and Standards Committee should it become necessary.

Responsibilities and Objectives

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

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

Planning

- Develop an annual internal audit plan using a risk based methodology, based on at least an annual assessment of risk and incorporating risks and concerns identified by senior management
- Submit the annual audit plan to senior management and the Joint Audit and Standards Committee for review prior to approval by the Executive Board.
- Review agreed audit plans in light of new and emerging risks and report any necessary amendments to agreed plans to the Joint Audit and Standards Committee and Executive Board as appropriate.

Implementation

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

Reporting

- Any significant issues arising during audit fieldwork will be discussed with management as they are identified
- Draft audit reports will be produced on a timely basis following all audit reviews and these will be discussed with management prior to finalising, to ensure the factual accuracy of the report and incorporate management responses
- Quarterly progress reports will be prepared and reported formally to the Joint Audit and Standards Committee

- Internal Audit has a responsibility to report to the Executive Board any areas where there is considered that management have accepted a level of risk that may be unacceptable to the organisation
- Internal Audit has a duty to bring to the attention of the Executive Board and the Joint Audit and Standards Committee should the Group Audit Manager believe that the level of agreed resources will impact adversely on the provision of the annual audit opinion

Relationships with other Inspectorates

- Internal Audit will maintain effective relationships with other providers of assurance and external inspectorates in order to avoid duplication of effort and enable Internal Audit, where appropriate, to place reliance on the work of other providers

Non-Audit / management responsibilities

In order for Internal Audit to maintain its independence and thereby provide an independent and objective opinion, there are a number of areas that internal audit is not responsible for:

- Internal Audit does not have any operational responsibilities
- Internal Audit does not have any part in decision making within the organisation or for authorising transactions
- Internal Audit is not responsible for implementing its recommendations or for ensuring that these are implemented

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

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

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

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

Scope of Internal Audit Work

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

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

Position and Reporting Lines for Internal Audit

5.1 Internal Audit reports operationally to the PCC's Chief Finance Officer (S151 Officer). Functional reporting is to the Joint Audit and Standards Committee.

5.2 On a day to day basis Internal Audit will report the outcomes of its work to the senior officer responsible for the area under review. Progress and performance of Internal Audit will be monitored by the PCC's Chief Finance Officer and the Chief Constable's Chief Finance Officer who are charged with ensuring each organisation has put in place effective arrangements for Internal Audit of the control environment and systems of internal control as required by professional standards.

5.3 Internal Audit reports the outcomes of its work to the Joint Audit and Standards Committee on a quarterly basis. This includes as a minimum, a progress report summarising the outcomes of Internal Audit engagements as well as the performance of Internal Audit against the approved plan of work. Where audit activity has raised significant matters with regard to weaknesses in internal control, defined as audit reports providing either only 'limited/none' or 'partial' assurance or recommendations graded 'High', indicating significant risk exposure identified

arising from a fundamental weakness in the system of internal control, reports will be escalated by the Chief Finance Officer to the Executive Board.

5.4 On an annual basis, Internal Audit will prepare and present to the Executive Board and Joint Audit and Standards Committee, an annual report containing:

- The overall opinion of the responsible Audit Manager
- A summary of the work undertaken to support the opinion; and
- A statement of conformance with the Public Sector Internal Audit Standards

5.5 Should significant matters arise in relation to the work of Internal Audit; these will be escalated through the management hierarchy to the Commissioner, Chief Constable and/or to the Chair of the Joint Audit and Standards Committee as appropriate.

5.6 Where major changes are required to the agreed audit plan or Internal Audit is required to divert resource to urgent non-planned work, this will be agreed with the PCC's Chief Finance Officer and reported to the Executive Board and Joint Audit and Standards Committee. All changes to approved audit plans will be reported to the next meeting of the Joint Audit and Standards Committee.

Ethics, Independence and Objectivity

Ethics

6.1 Internal Audit works to the highest standards of ethics and has a responsibility to both uphold and promote high standards of behaviour and conduct.

6.2 All internal auditors working within the UK public sector are now required to comply with the mandatory Code of Ethics contained within the new Public Sector Internal Audit Standards. As such this code has been adopted by the Shared Internal Audit Service and all staff will be requested to sign up to the Code on an annual basis. Auditors within the shared service are also required to comply with the code of ethics of their professional bodies.

Governance and Independence of the Shared Internal Audit Service

6.3 Internal Audit is a Shared Audit Service between Cumbria County Council, Carlisle City Council, Copeland Borough Council, Cumbria Constabulary and the Police and Crime Commissioner. The host authority for the delivery of the Shared Audit Service is Cumbria County Council.

6.4 The governance of the provision of the Shared Internal Audit Service shall be carried out by the Shared Service Board whose role is to:

- Ensure that the Shared Internal Audit Service meets the requirement of the proper practices for Internal Audit
- Reach common agreement over issues such as standards, goals and objectives and reporting requirements
- Agree on the range of audit outputs
- Confirm the scope and remit of the audit function
- Agree reporting and performance arrangements for Internal Audit, including performance measures, delivery of plan, cost and impact tracking

Independence

6.5 Internal Audit is independent of all of the activities it is required to audit which ensures that the Executive Board and Joint Audit and Standards Committee can be assured that the annual opinion they are given is independent and objective. Whilst the Audit Manager reports operationally to the PCC's Chief Finance Officer, there is also a functional reporting line to the Executive Board and the Joint Audit and Standards Committee and the Audit Manager has direct access to the Commissioner, Chief Constable and the Chair of the Joint Audit and Standards Committee.

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

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

Resourcing, Proficiency and Due Professional Care

- 6.8 For Internal Audit to provide an opinion to the Commissioner and Chief Constable there must be a sufficiently resourced team of staff with the appropriate mix of skills and qualifications. Resources must be effectively deployed to deliver the approved programme of work.
- 6.9 It is the responsibility of each organisation to ensure that it approves a programme of audit work sufficient to provide an adequate level of assurance over their systems of risk management, internal control and governance.
- 6.10 In line with the requirements of the Standards, in the event that the Audit Manager considers that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences will be brought to the attention of the Executive Board and the Joint Audit and Standards Committee.
- 6.11 In line with the requirements of the PSIAS and the CIPFA Statement on the Role of the Head of Internal Audit 2010, the Group Audit Manager and Audit Manager are professionally qualified and appropriately experienced.

The Role of Internal Audit in Fraud-related work

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

Advice / Consultancy work

- 6.14 Where Internal Audit is requested to provide advice, consultancy or investigatory work, the request will be assessed by the Audit Manager. Such assignments will be accepted only where it is considered the following criteria are met:
- The work requested can be accommodated within the agreed audit days and Internal Audit has the skills to deliver the work

- The assignment will contribute to strengthening the control framework
- No conflict of interest could be perceived from Internal Audit's acceptance of the assignment

6.15 In line with the PSIAS, approval will be sought from the Executive Board for any significant additional consulting services not already included in the audit plan prior to accepting the engagement.

Management Responsibilities

7.1 For Internal Audit to be fully effective, it needs the full commitment and cooperation from the Commissioner and Chief Constable's senior management. In approving this charter, the Executive Board is mandating management to cooperate with Internal Audit in the delivery of the service by:

- Attending audit planning and scoping meetings and agreeing terms of reference for individual audit assignments on a timely basis
- Sponsoring each audit assignment at Chief Officer level or above
- Providing Internal Audit with full support and cooperation, including complete access to all records, data, property and personnel relevant to the audit assignment on a timely basis
- Responding to Internal Audit reports and making themselves available for audit closeout meetings to agree draft audit reports
- Implementing audit recommendations within agreed timescales

7.2 Instances of non-cooperation with reasonable audit requests will be escalated through the S151 Officers and ultimately to the Executive Board if necessary.

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

Quality Assurance

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

Internal assessments

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

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

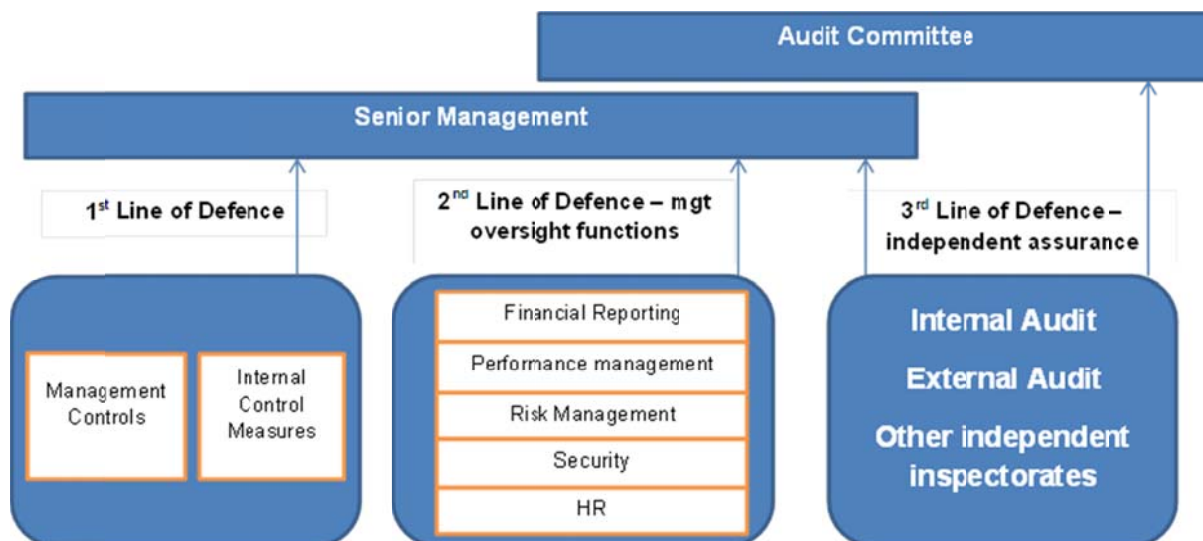
External assessments

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

Review of Audit Charter

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

Internal Audit – The Third Line of Defence



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

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

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

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

Internal Audit Performance Measures

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
Annual Measures to be reported in the Annual Report			
Output Measures			
Compliance with Public Sector Internal Audit Standards	Quality Assurance and Improvement Programme & checklist for assessing conformance with the PSIAS	100%. On-going and annual review to demonstrate conformance with the definition of Internal auditing, code of ethics and standards.	The internal audit service is required to comply with the PSIAS
Preparation of audit plan	Preparation of risk based audit plan to meet client timetables	100%. Measured annually	Annual agreed audit plan is required to enable delivery for the client.
People Measures			
CPD / Training	Average number of days for skills training per auditor	6 days per person. Reported annually.	CPD is a requirement of the PSIAS. An appropriately skilled workforce will ensure that staff within Internal Audit are continuously improving and adding value to the service provided to clients.

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
Monthly management measures to be reported to Audit Committees Quarterly			
Output Measures			
Planned audits completed	% of planned audit reviews (or approved amendments to the plan) completed in respect of the financial year.	95% (annual per shared service agreement, 95% target reflects need for audit plans to be dynamic and respond to emerging risks). This indicator will be monitored and reported quarterly to ensure the plan is on track to be delivered.	To enable an annual opinion to be provided on the overall systems of risk management, governance and internal control.
Audit scopes agreed	% of audit scopes agreed with management and issued before commencement of the audit fieldwork	100% Measured monthly Reported quarterly	To ensure the audit is targeted to key risks, has management buy in and adds value. Recommended in the Grant Thornton review of Internal Audit.
Draft reports issued by agreed deadline	% of draft internal audit reports issued by the agreed deadline or formally approved revised deadline agreed by Audit Manager and client.	80% (target is a reflection that this is a new way of working and deadlines may be impacted by several factors including client availability) Measured monthly Reported quarterly	Timely reports add impact & this was a recommendation in the Grant Thornton report.
Timeliness of final reports	% of final internal audit reports issued for Corporate Director comments within 5 working days of management response or closeout.	90% (target recognises that there may on occasion be delays in finalising reports, e.g. where further work is required to resolve matters identified at closeout meeting) Measured monthly.	Timely reports add impact & this was a recommendation in the Grant Thornton report.

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
		Reported quarterly	
Recommendations agreed	% of recommendations accepted by management	95% quarterly benchmark (the benchmark reflects that it is management's responsibility to assess their risks and take final decision on whether risk may be accepted)	Measures the quality and effectiveness of internal audit recommendations
Follow up	% of high priority audit recommendations implemented by target date	100% Quarterly	Indicates that Internal Audit are adding value to the organisation.
Assignment completion	% individual reviews completed to required standard within target days or prior approved extension by Audit Manager	75% (target reflects that this is a new way of working for the audit service and systems for monitoring time spent on assignments may need to be further developed) Measured monthly. Reported quarterly.	To ensure that all audit plans across the shared service can be delivered.
Quality Assurance checks completed	% QA checks completed	100%. Measured monthly Reported quarterly	To ensure compliance with the Public Sector Internal Audit Standards. Provides on going feedback to the audit team and identifies areas of good practice and areas for improvement
Customer Measures			
Post audit customer satisfaction survey	% of customer satisfaction surveys scoring the service as	80% (target reflects the need for internal audit to strive to deliver a customer focused service, but that due to the nature of internal audit roles	Gauge customer satisfaction and continuously improve the audit service.

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

Internal Audit Approach to Follow Up

It is a requirement of the PSIAS that the head of internal audit maintains a system to follow up the implementation of agreed actions from internal audit work.

In order to ensure the most effective use of resources, internal audit will follow up the implementation of agreed actions arising from all audits that result in partial or limited assurance.

Follow up will be undertaken approximately six months after the issue of the final audit report or in line with the latest agreed timescales for implementation. Where appropriate a revised audit opinion will be issued and reported to Joint Audit & Standards Committee.

Internal audit do not propose to follow up audit reviews where the initial assessment is reasonable or substantial as there is little merit in directing further audit resources at areas deemed to be effectively controlled.

Where a follow up is due, but management advise that all actions have not been fully implemented, the follow up will be deferred for a maximum of a month to allow actions to be fully implemented. Internal audit will undertake one follow up and the outcomes will be reported to Joint Audit & Standards Committee. Where the follow up does not allow for a revised audit opinion, the Chief Officer / Director will be informed and requested to continue to monitor the implementation within the directorate. A summary report will be provided to Joint Audit & Standards Committee. Internal audit will write to the Chief Officer / Director after a further six months to gain assurance that the remaining actions have been implemented.

Wherever possible, follow ups will be undertaken in the same year as the original audit in order that revised assurance can be incorporated within the annual report and opinion.

JOINT POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT AND STANDARDS COMMITTEE	Paper No.
Meeting date: 9 March 2016	
From: Audit Manager (Cumbria Shared Internal Audit Service)	

INTERNAL AUDIT: PROGRESS REPORT TO 31 JANUARY 2016

1.0 EXECUTIVE SUMMARY

1.1 *This report provides a review of the work of Internal Audit for the period to 31 January 2016.*

1.2 *Key points are:*

- There has been an amendment to the plan with 15 days' work allocated to the governance review (procurement) in 2015/16 being carried forward to 2016/17. This has been approved by the OPCC Chief Finance Officer / Deputy Chief Executive. The deferment of this audit in 2015/16 was made so that the scope of the work undertaken can be expanded.***
- The audit of the Cumbria Safeguarding Hub has been scoped jointly, at the request of the Constabulary, with Cumbria County Council's Children's Services. The audit will commence in May 2016 and, as a result, will be completed during 2016/17. This will not impact on our ability to provide an opinion for 2015/16.***
- Progress with the audit plan is on schedule. The percentage of planned days delivered (based on a reduction of 15 days in the 2015/16 plan) is broadly in line with the same period last year (78% compared to 81% in 2014/15), and 67% of audits have been completed (compared with 76% at the same point in 2014/15).***

- *All internal audit reports completed have been well received by management with completed action plans in place.*
- *The draft audit plan for 2016/17 has been prepared following consultation with Senior Managers in the OPCC and Constabulary. The proposed draft plan is presented to this meeting.*

2.0 POLICY POSITION AND BUDGETARY AND EQUALITY IMPLICATIONS

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

3.0 RECOMMENDATION

- 3.1 *Members are asked to note the report.*

3.2 BACKGROUND

- 3.3 The PCC and Chief Constable must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 3.4 Internal audit is responsible for providing independent assurance to the PCC and Chief Constable's senior management and to the Joint Audit and Standards Committee on the systems of governance, risk management and internal control.
- 3.5 It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls are operating effectively.
- 3.6 The internal audit plan for 2015/16 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage is focused on the areas of highest risk to both organisations. The plan has been prepared to allow the production of the annual internal audit opinion as required by the PSIAS.
- 3.7 This report provides an update on the work of internal audit for the period to 31 January 2016. It reports progress on the delivery of the 2015/16 audit plan and includes a summary of the outcomes of audit reviews completed in the period.

Status of internal audit work as at 31 January 2016

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2015/16 audit plan. Further detail on this is included at Appendix 2.

Audit plan year	Audit Status	Number of reviews
2015/16	<u>Audits completed:</u>	<u>12</u>
	Risk based audits	10
	Governance work	2
	<u>Audits in progress:</u>	<u>5</u>
	Risk based audits	2
	Financial systems	2

	Follow up	1
	<u>Audits to be started</u>	<u>1</u>
	Risk based audits	1**
	Financial systems	0
	<u>Audits in plan</u>	<u>18*</u>

* reduced from 20 reported previously as two audits relating to procurement will be carried forward into the 2016/17 Internal Audit plan. This has been agreed and approved by the OPCC Chief Finance Officer / Deputy Chief Executive.

** the audit of Cumbria Safeguarding Hub has been scoped and will commence in May 2016.

Outcomes from Final Audit Reports to 31 January

3.8 Six risk based audits have been finalised in the period. Three audits received substantial assurance and three received reasonable assurance.

3.9 We consider that the management response to internal audit reports during the year to date has been positive with agreed action plans in place for all audit recommendations.

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

Draft Reports Issued to 31 January

3.11 There are no reports in draft.

Work in progress at 31 January

3.12 Work is underway on the Code of Ethics, Firearms and the follow up to the 2013/14 property handling audit. Financial system reviews of pensions and creditors have commenced. The work on the Cumbria Safeguarding Hub has been scoped and, at the request of the Constabulary, is a joint review of the arrangements in place at both the Constabulary and Cumbria County Council's Children's Services directorate in relation to the Safeguarding Hub. The work is being undertaken by the Shared Internal Audit Service.

Emma Toyne
Audit Manager
1 February 2016

APPENDICES

Appendix 1: Final reports issued to 31 January 2016

Appendix 2: Progress on all risk based audits from the 2015/16 plan

Appendix 3: Internal audit performance measures to 31 January 2016

Contact: Emma Toyne, 01228 226261, emma.toyne@cumbria.gov.uk

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
Annual report 14/15	Presented to Audit and Standards Committee 6 May 2015.	N/A	Complete
Annual Governance Statement 14/15 – PCC	Presented to Audit and Standards Committee 6 May 2015.	N/A	Complete
Annual Governance Statement 14/15 - Constabulary	Presented to Audit and Standards Committee 6 May 2015.	N/A	Complete
Duty Management System	<p>The purpose of the audit was to provide assurance over the use of the Duty Management System in relation to recording overtime and TOIL.</p> <p>Areas of good practice identified were:</p> <ul style="list-style-type: none"> • involvement in the Origin user group at a national level; • high standards of integrity, conduct and ethical behaviour promoted within the organisation; • commitment to developing and improving the Strategic Resourcing Unit and addressing issues within the Duty Management System; • requirement for officers to confirm the accuracy and validity of data contained in iTrent overtime claim forms. <p>Two high priority issues were identified relating to a need to define:</p> <ul style="list-style-type: none"> • the objectives of the Duty Management System and links to relevant service plans or policing priorities; 	Partial assurance	Report presented to Joint Audit & Standards Committee 03/09/15

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> governance arrangements for the Duty Management System with appropriate lines of communication. <p>Nine medium priority issues were identified:</p> <ul style="list-style-type: none"> officers are not required to declare the validity and accuracy of overtime data uploaded to the Duty Management System; there are no formal procedures in place within the Strategic Resourcing Unit to guide staff involved in updating and maintaining data within the Duty Management System; There has been no formal identification of the skill set requirement or preparation of a formal training plan to effectively deliver training to Resourcing Co-ordinators across the force. Resourcing Co-ordinators are not subject to regular, structured supervision and feedback regarding their performance. The Duty Management System does not make the selection of pay or time for each entry of overtime mandatory during the input stage. The reporting function for DMS is under-utilised for data quality assurance activity. Users with update access permissions can input overtime against their own records. There is currently no mechanism in place to identify all overtime recorded in DMS and give assurance that it is either paid or rolled forward correctly as TOIL. Arrangements to ensure DMS access permissions are adjusted / removed for staff who change jobs within the organisation are not currently in place. 		
Performance monitoring	<p>The purpose of the review was to provide assurance that the arrangements in place to improve data quality are robust.</p> <p>A number of strengths were identified</p>	Substantial assurance	Report circulated to Joint Audit &

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> • Policing priorities are cascaded down from the Policing Plan into other plans and strategies. • An approved, up to date Performance Management Framework is in place that clearly supports the delivery of strategic policing objectives, as set out in the Policing Plan. • There is a nominated Director who is accountable for performance management at a strategic level. • Bi-monthly reporting by the Constabulary to the OPCC Executive Board on the performance framework. • Effective challenge of progress in achieving priorities from the Police and Crime Commissioner and internally via Performance Development Conferences. • Actions to address performance issues are documented and tracked with clear ownership. • Clear definitions of performance measurement, performance monitoring and a performance management framework within performance documentation. • Regular opportunities to share good practice and achievements. • Involvement in regional performance groups to scrutinise performance, share best practice and identify opportunities for improvement. • A quality assurance process is in place to ensure the reliability and integrity of performance information provided to senior management and the OPCC. • Benchmarking of Cumbria's performance against most similar forces. <p>There were no recommendations arising from this audit.</p>		Standards Committee

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
Budget management – constabulary payroll	<p>The purpose of the audit was to provide assurance over the methodology for preparing the police officer payroll budget and monitoring and reporting on the budget.</p> <p>The following strengths were identified:</p> <ul style="list-style-type: none"> • Responsibility for developing the police officer payroll budget methodology has been clearly defined. • A zero based approach is taken to budget setting, with budgets being built up from the bottom based on existing post and staff data; • There is clarity over finance staff and budget holder responsibilities, which is annually restated through the use of a budget book; • There is ongoing and effective dialogue between the finance team, budget managers, HR and the change team which informs the budget model. • There is a challenge process in place over budget setting at various hierarchical levels. This challenge includes independent recalculation by the Chief Finance Officer with a commitment to further develop this process in the future; • There is a detailed forecast of spend by extrapolating existing staff costs, and incorporating the implications of decisions of the Workforce Development Group. • There are clear explanations for forecasts and variances in narrative reports signed off by the budget holder. • There is a clear reporting framework and consolidation process. • There is an appropriate escalation process to keep senior management fully informed. <p>No recommendations were made.</p>	Substantial	Report circulated to Joint Audit and Standards Committee

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
Mobile devices – project management	<p>The purpose of the audit was to provide assurance over the governance arrangements and project management for Tranche 1 of the mobile devices project.</p> <p>The audit identified a number of areas of good practice:</p> <ul style="list-style-type: none"> • There is an approved business case for the Mobile and digital Programme with clear links to service & organisational objectives. • Approval for the project was based on a full understanding of the benefits against cost outlined in the Business Case • There is a project risk register reflecting current risks, with details of mitigating actions. • There is a link between the project risk register and the organisational risk register which enables higher category project risks to be escalated as necessary. • A Project Steering Group has been appointed to oversee the programme. • A sound project governance structure is in place. There is a clearly defined project team including a named Project Manager and roles & responsibilities have been clearly defined and allocated to all members of the team. • Standard project control methodologies have been adopted (PRINCE2 & MSP). • The Project methodologies ensure that there is a timetable with stage deadlines. • Compliance with the project methodology is rigorously enforced by the Project Team. • A budget has been set in accordance with the Business Case. • Actual expenditure is regularly compared to budgeted expenditure and results are reported monthly to the Project Steering Group. • Mechanisms are in place to ensure appropriate action would be 	Substantial	Report circulated to Joint Audit and Standards Committee

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
	<p>taken on any overspends at key stages of the project.</p> <ul style="list-style-type: none"> • Comprehensive testing was undertaken to ensure the equipment and applications purchased complied with the requirements set out in the Business case. • The Project Manager holds regular project meetings where progress and delivery at various stages is discussed. • The Project Manager ensures stage deadlines are achieved and takes appropriate action where a stage deadline may not been achieved. • The Project Manager reports monthly to the Project Steering Group and the OPCC on progress made against timetable. • A post implementation review was carried out at the end of Tranche 1 with lessons learnt to be applied to future stages. <p>No recommendations were made.</p>		
ICT Strategy	<p>The purpose of the audit was to provide assurance over management's arrangements for governance of the ICT strategy and plans to deliver it.</p> <p>The audit identified the following areas of good practice:</p> <ul style="list-style-type: none"> • An approved ICT Strategy is in place that clearly supports the delivery of strategic policing objectives, as set out in the Policing Plan. • There is a nominated Director who is accountable for ICT Strategy at a strategic level. • There is an ICT department risk register reflecting current risks, with details of mitigating actions. Risks are discussed regularly and widely at ICT SMT and escalated as necessary. • A sound project governance structure is in place for delivery of the 	Substantial	Report circulated to Joint Audit and Standards Committee

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
	<p>ICT Strategy. There are defined project teams, including named Project Managers, and clearly described roles & responsibilities.</p> <ul style="list-style-type: none"> • A balance of technical and stakeholder input was received to ensure the ICT Strategy meets business needs / service requirements effectively. • There are regular opportunities to identify lessons learned and good practice and feed this in to delivery mechanisms. • A high level departmental plan is in place that shows how the ICT Strategy will be delivered within specific timescales. Project methodologies ensure there are detailed timetables, with stage deadlines, for the delivery of individual projects within the ICT Strategy. • Progress against the plans (departmental & project) is monitored regularly by project boards, ICT SMT and Force Strategic Development Board. • There has been full and detailed consideration of the budget and resources required to implement the ICT Strategy, involving Finance, HR and Chief Officers with ongoing discussions around capacity, capability and affordability. <p>No recommendations were made.</p>		
Complaints Handling (Constabulary)	<p>The audit was undertaken to provide assurance on management's arrangements for monitoring and reporting of statistical and qualitative data regarding the number and nature of complaints, outcomes and trends and how that information is used to inform and improve future service delivery, both from internal monitoring activity and feedback from the Ethics and</p>	Reasonable	Report circulated to Joint Audit and Standards

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
	<p>Integrity panel.</p> <p>A number of strengths were identified:</p> <ul style="list-style-type: none"> • Cumbria Constabulary has formally adopted the Independent Police Complaints Commission's (IPCC) statutory guidance on complaints handling and supplemented this with comprehensive and up to date flowchart guidance. The guidance is easily accessible via the force intranet. • Quarterly reporting to the Ethics and Integrity Panel on complaints activity and performance to enable the Police and Crime Commissioner to hold the Chief Constable to account. • The Ethics and Integrity Panel undertakes quarterly dip sampling of constabulary complaint files to independently scrutinise adherence to policy and procedures. Findings and recommendations are shared with the team and acted upon. • Roles and responsibilities for complaints handling are clearly defined with a Detective Inspector post dedicated to complaints management. • Management are committed to developing and improving complaints management arrangements and could demonstrate recent improvement activity to address new IPCC standards regarding access for minority groups. <p>Two medium priority issues were identified relating to:</p> <ul style="list-style-type: none"> • Including indicative timescales for responses or actions within initial letters to complainants acknowledging receipt of complaints; • Tracking actions determined by the PSD's Tasking and Co-ordination Group until they are satisfactorily resolved. 		Committee

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
	One advisory issue was raised in respect of surveying complainants with regard to the complaints handling process.		
Complaints Handling (OPCC)	<p>The purpose of the audit was to provide assurance over management's arrangements complaints handling. The review focussed on policy and procedures and monitoring adherence to them.</p> <p>A number of areas of good practice were identified during the course of the audit:</p> <ul style="list-style-type: none"> • Comprehensive and up to date COPCC arrangements for complaint handling which incorporates the policy and flowchart guidance. These are approved by the Chief Executive and published on the PCC's website. • Ease of access, through the PCC's website, for the public to find out how to lodge a complaint against the Constabulary / PCC. • Every effort is made to support complainants throughout the process, including the provision of a guide in both English and Polish and the contact details of other organisations that provide assistance. • Complaints management procedures provide a thorough and structured approach to dealing with complaints, including flowchart guidance. • Responsibility for complaints management is clearly and comprehensively defined. • Sound arrangements are in place for the COPCC to keep abreast of relevant legislation and guidance relating to complaints management. • Ongoing monitoring of adherence to the Complaints policy and procedures, at an appropriate level. • Quarterly reporting by the Constabulary to the Ethics and Integrity Panel on complaints activity to enable the Commissioner to hold 	Substantial	Report circulated to Joint Audit and Standards Committee

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
	<p>the Chief Constable to account.</p> <ul style="list-style-type: none"> • The Ethics and Integrity Panel undertakes quarterly dip sampling of constabulary complaint files to independently scrutinise adherence to policy and procedures. • Publication of complaints received about the Commissioner and the outcome of each, demonstrating openness to public scrutiny and accountability. <p>No recommendations were made.</p>		
Data Protection and Freedom of Information Act (Constabulary)	<p>The purpose of the audit was to provide assurance over management arrangements in place over Freedom of Information and Data Protection requests. The audit focussed on compliance with legislation, efficiency of responses and quality assurance arrangements and tracking and monitoring individual cases against statutory deadlines.</p> <p>The audit identified the following areas of good practice:</p> <ul style="list-style-type: none"> • Regular opportunities are taken for the Force Disclosure Manager to keep abreast of relevant legislation and guidance relating to information requests and identify good practice to inform internal processes. • A logging and tracking system is in place that facilitates monitoring progress against statutory deadlines. • Six monthly reporting by the Constabulary to the Ethics and Integrity Panel on compliance with legislation relating to information requests. • Responsibility for information disclosure is clearly and comprehensively defined within job descriptions and procedures. There is a central resource to manage information requests with key contacts in service areas responsible for collating the information. 	Reasonable	Report presented to Joint Audit and Standards Committee 09/03/16

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> Tailored training is provided to staff involved in addressing information requests. <p>Two medium priority issues were identified in respect of :</p> <ul style="list-style-type: none"> Supervisory arrangements for confirming compliance with policies and procedures regarding information requests and the quality of outcomes. The need for regular, structured supervision and feedback on performance for Disclosure and Compliance staff. <p>One advisory issue was identified with regard to FOI procedures including an initial assessment of whether customers can be directed to information already in the public domain.</p>		
Data Protection and Freedom of Information Act (OPCC)	<p>The purpose of the audit was to provide assurance over management arrangements in place over Freedom of Information and Data Protection requests. The audit focussed on compliance with legislation, efficiency of responses and quality assurance arrangements and internal case management.</p> <p>Good practice was identified in the following areas:</p> <ul style="list-style-type: none"> Comprehensive and up to date Subject Access and Freedom of Information procedures are in place which refer directly to relevant legislation and guidance. Arrangements for review of these procedures are clear. FOI requests received by the COPCC are published on the website in a Disclosure Log. The log provides details of all requests received and responses provided (with links to additional / supporting documents). This demonstrates the COPCC's commitment to supporting information requests and openness and transparency to the public. 	Substantial	Report circulated to Joint Audit and Standards Committee

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> Responsibility for information disclosure is clearly and comprehensively defined within job descriptions and procedures. Tailored training is provided to staff involved in addressing information requests. Opportunities are taken for the Governance & Business Services Manager to keep abreast of relevant legislation and guidance relating to information requests and identify good practice to inform internal processes. A logging and tracking system is in place that facilitates monitoring progress against statutory deadlines. The Commissioner is kept abreast of Constabulary compliance with legislation relating to FOI information requests through six monthly reporting to the Ethics and Integrity Panel. This assists him in holding the Chief Constable to account. <p>There were no recommendations.</p>		
Safeguarding IT assets	<p>The purpose of the audit was to provide assurance over management arrangements in place for safeguarding IT assets. The audit focussed on policies and procedures and quality of record keeping and monitoring arrangements.</p> <p>We identified the following good practice points:</p> <ul style="list-style-type: none"> The Service Improvement Plan has identified the need for more consistent and frequent auditing of IT assets; There is a robust risk management process at the Constabulary ensuring that any significant risk areas relating to IT assets are registered. There are policies & procedures in place relating to IT assets and all staff have access via SharePoint 	Reasonable	Report presented to Joint Audit and Standards Committee 09/03/16

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> • Arrangements are in place to identify any new legislation relating to IT assets or the data they hold via the Police on-line Knowledge Area (POLKA) • Staff holding IT assets are required to sign forms (SyOPs) to confirm understanding of their responsibilities relating to asset and the data held within. • Staff are reminded of their responsibilities via intranet on-line news. • IT assets are recorded in a designated asset management tool; MSCM • Processes are in place to ensure that staff leaving the force must return all IT assets • There are secure disposal procedures of hardware and data with a contractor • Access to IT asset storage rooms (and the main server room) is security protected • All IT assets are insured to replacement value. • All IT assets are asset tagged. <p>Three medium priority recommendations were made in respect of:</p> <ul style="list-style-type: none"> • Formalising responsibility for keeping up to date with emerging legislation; • Updating procedures to include current processes • Establishing a mechanism to demonstrate that all newly purchased equipment is promptly recorded in the database. 		

Appendix 1 – Final reports issued to 31 January 2016

Assignments	Main Points	Assessment	Current Status
<p>In addition to the above, the Audit Manager attended the Police Audit Group Conference in July. Areas covered at the conference were taken into consideration when preparing the 2016/17 draft Internal Audit plan.</p> <p>The 2016/17 draft Internal Audit plan is presented to this Committee for information as a separate agenda item.</p>			

Appendix 2 – Progress on 2015/16 Audit Plan

PCC / Constabulary Review	Audit	Stage	Feedback form returned
Constabulary	ICT strategy	Complete – Final report issued	No Reminder issued 19/01/16
Constabulary	Complaints handling	Complete – Final report issued	Yes
OPCC	Complaints handling	Complete – Final report issued	Yes
Constabulary	Cumbria Safeguarding Hub	Work scoped jointly with Cumbria County Council's Children's Services at the request of the Constabulary. Fieldwork will commence in May.	n/a
Constabulary	Mobile devices (project management)	Complete – Final report issued	No Issued 12/11/15 Reminder 20/11/15 Reminder issued 19/01/16
Constabulary	Data protection and Freedom of Information Act	Complete – Final report issued	No – reminder issued 01/02/16.
OPCC	Data protection and Freedom of Information Act	Complete – Final report issued	Yes
Constabulary	Performance monitoring and reporting, including data quality	Complete – Final report issued	Yes
Constabulary	Safeguarding assets	Complete – Final report issued	No Reminder issued

Appendix 2 – Progress on 2015/16 Audit Plan

PCC / Constabulary Review	Audit	Stage	Feedback form returned
			19/01/16
Constabulary	Budget management (payroll)	Complete – Final report issued	Yes
Constabulary	Duty Management System	Complete – Final report issued	Yes
Constabulary	Code of ethics / organisational values	Fieldwork underway.	n/a
Constabulary	Firearms	Fieldwork underway.	n/a
Constabulary	Governance (procurement & commissioning)	Work scoped and carried forward into 16/17 Internal Audit plan as agreed by the OPCC Chief Finance Officer / Deputy Chief Exec.	n/a
OPCC	Governance (procurement & commissioning)		n/a
OPCC & Constabulary	Financial system review - Pensions	Fieldwork underway.	n/a
OPCC & Constabulary	Financial system review - Creditors	Fieldwork underway.	n/a
Constabulary	Follow up – property handling	Fieldwork underway.	n/a
Constabulary	Annual Governance Statement 2014/15	Complete	n/a
OPCC	Annual Governance Statement 2014/15	Complete	n/a

Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Completion of audit plan	% of audits completed to final report	76% 95% (annual target)	67%	<p>Target is taken from the actual figure for the same period in 2014/15</p> <p>The plan is progressing as intended. The lower percentage of reports finalised is a result of the scheduling of work agreed at the start of the year.</p> <p>We are confident that all audit work will be delivered in the year with the exception of the Safeguarding Hub. This will not impact on our ability to provide the annual opinion.</p>
	Number of planned days delivered	147 217* (annual target)	170	<p>Target is taken from the actual figure for the same period in 2014/15</p> <p>Planned days delivered is on track based on profiling of audit work specified by the OPCC and Constabulary.</p> <p>* reduced by 15 days from 232 (governance audit of procurement to be carried forward to 16/17).</p>
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	

Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	100%	
Timeliness of final reports	% of final reports issued for corporate director comments within five working days of management response or closeout meeting.	90%	100%	
Recommendations agreed	% of recommendations accepted by management	95%	100%	
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	100%	
Quality assurance checks completed	% of QA checks completed	100%	100%	
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	86%	Figure is based on six returned client feedback forms as detailed in Appendix 2.
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	78%	Chargeable time has improved in the period but was impacted on in Q2 by a finance team restructure and training. The figure continues to be closely monitored by the audit management team.

Appendix 3 – Internal audit performance measures

Cumbria Shared Internal Audit Service

Internal Audit Report for Cumbria Constabulary



Agenda Item No 16(i)



Audit of Safeguarding IT Assets

Draft Report Issued: **29 October 2015**

Final Report Issued: **13 January 2016**

Audit Resources

Title	Name	Email	Telephone
Audit Manager	Emma Toyne	Emma.Toyne@cumbria.gov.uk	01228 226250
Lead Auditor(s)	David Kendrick	David.Kendrick@cumbria.gov.uk	01228 226250

Audit Report Distribution

For Action:	Jason Corbishley, Head of ICT
For Information:	Stephen Kirkpatrick, Director of Corporate Support
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on the 9 th March 2016, will receive the following parts of the report: Executive summary (sections 1-4) and the Management Action Plan (section 5)

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

Cumbria Shared Internal Audit Service

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



1. Background

- 1.1. This report summarises the findings from the audit of Safeguarding of IT Assets. This was a planned audit assignment which was undertaken in accordance with the 2015/16 Audit Plan.
- 1.2. IT is central to how Cumbria Constabulary operates with increasing numbers of mobile and portable devices being purchased as part of the ICT Strategy. It is important that these assets and the data they contain are safeguarded from loss, misappropriation or misuse.

2. Audit Approach

2.1. Audit Objectives and Methodology

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

2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Director of Corporate Support and the agreed scope areas for consideration were identified as follows:
 - Policies and procedures
 - Asset management arrangements (quality of record keeping and monitoring arrangements).

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

3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.

- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Safeguarding of IT Assets to provide **Reasonable** assurance.

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

4. Summary of Recommendations, Audit Findings and Report Distribution

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

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. Management - achievement of the organisation's strategic objectives	-	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.1.)	-	2	-
3. Information - reliability and integrity of financial and operational information	-	-	-
4. Security - safeguarding of assets (see section 5.2)	-	1	-
5. Value - effectiveness and efficiency of operations and programmes	-	-	-
Total Number of Recommendations	0	3	0

- 4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:
- The Service Improvement Plan has identified the need for more consistent and frequent auditing of IT assets;
 - There is a robust risk management process at the Constabulary ensuring that any significant risk areas relating to IT assets are registered.

- There are policies & procedures in place relating to IT assets and all staff have access via SharePoint
- Arrangements are in place to identify any new legislation relating to IT assets or the data they hold via the Police on-line Knowledge Area (POLKA)
- Staff holding IT assets are required to sign forms (SyOPs) to confirm understanding of their responsibilities relating to asset and the data held within.
- Staff are reminded of their responsibilities via intranet on-line news.
- IT assets are recorded in a designated asset management tool; MSCM
- Processes are in place to ensure that staff leaving the force must return all IT assets
- There are secure disposal procedures of hardware and data with a contractor
- Access to IT asset storage rooms (and the main server room) is security protected
- All IT assets are insured to replacement value.
- All IT assets are asset tagged.

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

4.4.1. *High priority issues:*

- None

4.4.2. *Medium priority issues:*

- Responsibility for keeping up to date with emerging legislation should be formalised.
- Procedures relating to the security of IT assets should be updated to include current processes.
- A mechanism to demonstrate all newly purchased IT equipment is promptly recorded within the Microsoft System Centre Service Manager (MSCSM) database should be established.

4.4.3. *Advisory issues:*

- None

Comment from Director of Corporate Support

I am very satisfied with the findings of the Safeguarding ICT assets audit and the reasonable level of assurance achieved. The strengths identified together with small number of medium priority recommendations highlight the already high level of internal controls in place and demonstrates the good practices followed in order to maintain these crucial assets. Each of the recommendations will be addressed across the Professional Standards and ICT departments within agreed timescales.

5. Matters Arising / Agreed Action Plan

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

● **Medium issue**

Audit finding	Management response
<p>(a) Responsibility for identifying and incorporating emerging legislation</p> <p>The Records & Information Security Manager confirmed that keeping upto date with current legislation in this area and ensuring that it is reflected in policies and procedures is one of his key responsibilities though this is not defined in his job description.</p>	<p>Agreed management action:</p> <p>The role profile for the records and information security manager will be updated.</p>
<p>Recommendation 1:</p> <p>Responsibility for keeping up to date with emerging legislation relating to IT equipment should be clearly defined.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> Emerging legislation may not be identified where responsibility has not been clearly designated. The Constabulary may not comply with statutory requirements in this area. 	<p>Responsible manager for implementing:</p> <p>DCI Furzana Nazir</p> <p>Date to be implemented:</p> <p>TBC</p>

● **Medium issue**

Audit finding	Management response
<p>(b) Procedures</p> <p>The IT Operations working procedure (dated September 2006) relating to the update and maintenance of the asset database refers to Assyst rather than MSCSM which is the system now in use to record IT Assets.</p> <p>Also the procedure in use does not make reference to the disposal of IT assets by Greenworld.</p>	<p>Agreed management action:</p> <p>We will update the procedures to refer to the database currently in use. .</p> <p>We will cross reference our procedures for the control of IT assets to the procedures for the</p>

Similarly the "Responsibilities of the Hardware Team and Radio Services" procedure does not reflect the arrangement for disposal (though to date Greenworld has not been used for the disposal of radios and an agreed process will need to be established for these in due course).	disposal of IT assets.
<p>Recommendation 2:</p> <p>Procedures should be updated to reflect the MSCSM system now in use to record IT Assets and the link to Greenworld on disposal.</p> <p>The Responsibilities of the Hardware Team and Radio Services procedure should be updated to reflect disposal once the process has been agreed.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> Procedures which are out of date are more likely to be imprecise and unclear. Staff may not adhere to current requirements where procedures are out of date. 	<p>Responsible manager for implementing: Head of ICT</p> <p>Date to be implemented: 12/2015</p>

5.2. Security – safeguarding of assets.

● **Medium issue**

Audit finding	Management response
<p>a) Prompt recording of new IT assets</p> <p>Staff were unable to demonstrate how they promptly record receipt of new assets within the MSCSM database.</p>	<p>Agreed management action:</p> <p>We will make endeavour to update the database with new assets received as soon as practically possible following delivery.</p>
<p>Recommendation 3:</p> <p>A mechanism should be put in place to ensure that all newly purchased equipment is added to the MSCSM database on a timely basis</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> Misappropriation of assets Undervalued assets 	<p>Responsible manager for implementing: Head of ICT / Director of Corporate Support</p> <p>Date to be implemented: 12/2015</p>

Audit Assurance Opinions

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

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

Grading of Audit Recommendations

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

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

Recommendation Follow Up Arrangements:

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

Cumbria Shared Internal Audit Service

Internal Audit Report for Cumbria Constabulary

Agenda Item 16(ii)



Audit of Data Protection & Freedom of Information Requests

Draft Report Issued: **8th December 2015**

Final Report Issued: **18th January 2016**

Audit Resources

Title	Name	Email	Telephone
Audit Manager	Emma Toyne	emma.toyne@cumbria.gov.uk	01228 226254
Lead Auditor	Sarah Wardle	sarah.wardle@cumbria.gov.uk	01228 226255

Audit Report Distribution

For Action:	David Cherry (Force Disclosure Manager)
For Information:	Furzana Nazir (DCI Professional Standards)
Audit Committee	The Audit Committee, which is due to be held on 9th March 2016, will receive the report.

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

Cumbria Shared Internal Audit Service

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



1 Background

- 1.1 This report summarises the findings from the audit of Cumbria Constabulary's Data Protection and Freedom of Information requests. This was a planned audit assignment which was undertaken in accordance with the 2015/16 Audit Plan.
- 1.2 The Freedom of Information Act 2000 (FOI Act) gives anybody the right to access information held by public authorities (subject to some exemptions). The Data Protection Act 1998 (DP Act) gives individuals a 'right of subject access' to their personal information held by organisations.
- 1.3 Compliance with Freedom of Information and Data Protection legislation is important to the organisation because it avoids sanctions and helps to build a positive reputation. Transparency is an important aspect of good governance. Openness and good quality information is fundamental to public confidence and contributes to efficient and successful achievement of policing objectives.

2 Audit Approach

2.1 Audit Objectives and Methodology

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

2.2 Audit Scope and Limitations

- 2.2.1 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Director of Professional Standards and the agreed scope areas for consideration were identified as follows:
 - Compliance with legislation.
 - Efficiency of responses and quality assurance arrangements.
 - Tracking and monitoring individual cases against statutory deadlines.

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

3 Assurance Opinion

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

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

4 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2 There are **3** audit recommendations arising from this review.

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

4. Security - safeguarding of assets (see section 5.4)	-	-	-
5. Value - effectiveness and efficiency of operations and programmes	-	-	-
Total Number of Recommendations	-	2	1

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

- Regular opportunities are taken for the Force Disclosure Manager to keep abreast of relevant legislation and guidance relating to information requests and identify good practice to inform internal processes.
- A logging and tracking system is in place that facilitates monitoring progress against statutory deadlines.
- Six monthly reporting by the Constabulary to the Ethics and Integrity Panel on compliance with legislation relating to information requests.
- Responsibility for information disclosure is clearly and comprehensively defined within job descriptions and procedures. There is a central resource to manage information requests with key contacts in service areas responsible for collating the information.
- Tailored training is provided to staff involved in addressing information requests.

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

4.4.1 *High priority issues:*

No high priority issues were identified.

4.4.2 *Medium priority issues:*

- Supervisory arrangements are not currently in place to check compliance with policies and procedures relating to information requests and the quality of outcomes.
- Disclosure and Compliance staff are not subject to regular, structured supervision and feedback regarding their performance.

4.4.3 *Advisory issues:*

- FOI procedures do not include an initial assessment of whether customers can be directed to information already in the public domain.

Comment from the Deputy Chief Constable:

Compliance with policies and procedures governing the management of information is important to maintaining transparency which is critical to re-assure the public in order to maintain their trust, confidence and support.

We acknowledge and welcome the audit findings which will be actioned and compliance will be monitored by the DCC as part of the Constabulary governance framework.

5 Matters Arising / Agreed Action Plan

5.1 Information - reliability and integrity of financial and operational information.

● **Medium priority**

Audit finding	Management response
<p>a) Quality Assurance / Compliance Checks</p> <p>Arrangements are not in place to check compliance with policies and procedures relating to information requests and the quality of outcomes e.g. to ensure they are accurate, appropriate, proportionate, consistent and the constabulary has properly addressed the original request. This has been acknowledged within the Professional Standards Department and a restructure is underway which will include a supervisor post within the disclosure team to address the weaknesses and report directly to the Force Disclosure Manager. There is a need within the disclosure team for supervisory responsibility to be clearly defined and allocated. This should include quality assurance activities and feedback to staff regarding their performance</p>	<p>Agreed management action:</p> <p>The supervisor post has been agreed by Finance and ACPO.</p> <p>A job profile is being prepared which will outline the roles and responsibilities</p>
<p>Recommendation 1:</p> <p>The roles and responsibilities of the new supervisor post will need to be clearly defined, reflected in procedures and incorporated into a staff performance review process.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Reputational damage arising from poor quality information being forwarded to customers. • Wasted resources preparing unnecessary / excessive / inadequate responses. • Reputational damage and sanctions through a failure to meet statutory deadlines. 	<p>Responsible manager for implementing:</p> <p>Force Disclosure Manager / DCI Professional Standards</p> <p>Date to be implemented:</p> <p>03/2016</p>

● **Medium priority**

Audit finding	Management response
<p>b) Staff Performance</p> <p>Disclosure and Compliance staff are not subject to regular, structured supervision and feedback regarding their performance. Annual appraisals haven't taken place for a number of years and there is no arrangement for staff to receive regular one-to-ones with their manager.</p>	<p>Agreed management action:</p> <p>The Force Disclosure Manager will undertake structured supervision throughout his team.</p>
<p>Recommendation 2:</p> <p>Arrangements should be in place for disclosure and compliance staff to receive formal, structured supervision on a regular basis.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Poor performance. • Training, development and support needs are not identified and addressed. • Failure to continuously improve the service. 	<p>Responsible manager for implementing:</p> <p>Force Disclosure Manager</p> <p>Date to be implemented:</p> <p>03/2016</p>

● **Advisory Issue**

Audit finding	Management response
<p>c) Procedures</p> <p>FOI & subject access procedures have been produced and are available to staff. However the FOI procedures do not include an initial assessment of whether customers can be directed to information already in the public domain. This could reduce the time spent referring information requests to service areas for action and maximise disclosure team resources.</p>	<p>Agreed management action:</p> <p>We will incorporate the initial assessment process into our FOI procedures.</p>
<p>Recommendation 3:</p> <p>FOI procedures should include an initial assessment of whether customers can be directed to information already in the public domain.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Inefficient use of resources. 	<p>Responsible manager for implementing:</p> <p>Force Disclosure Manager</p> <p>Date to be implemented:</p> <p>03/2016</p>

Appendix A

Audit Assurance Opinions

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

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

		matters may also be present.
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Grading of Audit Recommendations

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

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

Recommendation Follow Up Arrangements:

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

Monitoring Key Audit Recommendations





Introduction

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

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

Report Summary

Summary of Actions	PCC	CC	Joint	Total
Open actions b/fwd from last report	0	13	1	14
New actions since last report	0	7	0	7
Total actions this report	0	20	1	21
Actions completed since last report	0	16	1	17
Open actions c/fwd to next report	0	4	0	4

Summary of Total Actions by Status	PCC	CC	Joint	Total
 Completed	0	16	1	17
 Ongoing	0	3	0	3
 timescale exceeded	0	1	0	1
 not yet due	0	0	0	0
Total	0	20	1	21

Key to Grade:

Cumbria Shared Internal Audit Service




The shared internal audit service have recently changed the format of their reports and the grading applied to audit recommendations. The table below provides a key to both the new and old grading.

New Grade/Priority		Previous Grade/Priority	
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control.	1	Major recommendation that indicates a fundamental control weakness that must be addressed
Medium	Some risk exposure identified from a weakness in the system of internal control.	2	Recommendation to be addressed in order to establish a satisfactory level of internal control
Advisory	Minor risk exposure/suggested improvement to enhance the system of control.	3	Minor recommendation made to improve the system under review

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

External Audit – Grant Thornton




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

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Budget Management (OPCC & CC)	27/05/2015	02/06/2015	N/A	Shared Internal Audit Service	R2 Non-matched invoices should only be approved by authorised signatories.	Medium	Principal Financial Services Officer, Revenue & Systems Mark Carter	<p>The Central Services Department (CSD) processes will be reviewed.</p> <p>A monthly check on the accuracy of the approvals listing will be carried out to ensure that changes are enacted promptly. CSD will be alerted to the updated list.</p> <p>August 2015 - A spreadsheet is currently being developed. This will be made available to CSD for them to check non-matched invoices are appropriately authorised. This work has been delayed due to a number of late returns of delegations. The work is now scheduled to be completed and available to CSD by the end of September 2015.</p> <p>November 2015 - The approvals list for CSD is a work in progress (currently 90% complete). Additional spot checking invoice signatures as part of the pay run approval process have also been implemented.</p> <p>February 2016 - This action was completed on 4 January 2016 (apologies, for not advising of this at the meeting of 4/2/16)</p>	30/06/2015	30/09/15	
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R2 We recommend that the strategy is reviewed in line with best practice and formally approved by senior management and communicated as appropriate.	Medium	Chief Superintendent, Territorial Policing Steven Johnson	<p>A Business Continuity Management Strategy will be developed in line with the Policy.</p> <p>August 2015 - Please see ACC Martland's response to R3. The specific actions have all been tasked and will be closely monitored via Operations Programme Board.</p> <p>November 2015 - Authorised Professional Practice (APP) has been consulted and the BCM policy has also been bench marked against Merseyside Police BCM policy.</p> <p>The BCM strategy is in the process of being reviewed in line with the 13 critical activities proposed by ACPO guidance. Once this has been considered by Ops Board it will be uploaded to the Force BCM SharePoint site for access by all staff.</p> <p>February 2016 - The Cumbria Constabulary Business Continuity Strategy has been reviewed and redrafted. T/ACC Towler, acting in his capacity as Chair of the Operations Programme Board, on behalf of the Chief Officer Group has reviewed and approved the new strategy. The strategy has therefore been formally adopted and cascaded to all staff via the Business Continuity SharePoint site. Business Continuity Plan owners have been updated and a revised template plan has been drafted for use in the 2016/17 reviews of departmental BC plans.</p>	30/11/2015	-	
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R3 We recommend that a mechanism is established to provide assurance to the Chief Constable that all business continuity plans have been prepared, are in line with organisational requirements and the approved business continuity policy and strategy, and are updated in line with the organisations agreed timescales.	High	Assistant Chief Constable Darren Martland	<p>Business continuity management arrangements will be reviewed 6 monthly at Operations Board. Operations Board will report to Chief Officers' Group.</p> <p>August 2015 - The ACC has confirmed that the 7 audit recommendations in relation to business continuity planning have been 'actioned' to the relevant 'owners' and progress will be actioned / monitored at the monthly Operations Programme Board, which is chaired by the ACC. Although the 'target dates' are set for 11/2015, the ACC is keen to progress asap, and will discuss at the next meeting of operations board, which is scheduled to take place on Sept. 4th 2015.</p> <p>November 2015 - The Constabulary Business Continuity Policy is set for formal review on a 3 yearly cycle as part of the normal policy review mechanisms. Business Continuity Strategy is currently being developed and when published will be set and reviewed annually by Operations Board. Operations Board will own the annual review process for departmental business continuity plans and a standing item created on the Operations board agenda. Civil Contingencies Unit will provide the monitoring function on behalf of Operation board in respect of business continuity arrangements and conduct a 6 monthly audit of business continuity plans to ensure all departments plans are current and compliant with the policy and strategy. Issues identified will be raised with the departmental head and Operations board (where appropriate).</p> <p>February 2016 - The Business Continuity Policy has been formally reviewed and adopted. (see R2) The associated Business Continuity Strategy has now also been formally reviewed and adopted. The Business Continuity policy and strategy provide the mechanisms to ensure the mechanisms are in place to ensure that BCM plans are submitted, reviewed, updated and exercised. The strategy highlights that the Operations Programme Board will oversee the annual review of business continuity plans by way of formal agenda items between October and December. Operations Programme Board will in turn provide update to the Chief Officer Group.</p>	30/11/2015	-	

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R4 We recommend that arrangements are introduced to ensure that emerging legislation and best practice is reflected in the constabulary's arrangements. The current plan template should be updated to refer to the current Standards for BCM.	Medium	Chief Superintendent, Territorial Policing Steven Johnson	Checks will be made to ensure that legislation is up to date when Policy is updated. August 2015 - Please see ACC Martland's response to R3. The specific actions have all been tasked and will be closely monitored via Operations Programme Board. November 2015 - Command Support Unit (CSU) have assumed responsibility for policy review. Links between CSU and the BCI re-emerging legislation and best practice to be established. Policy now reflects current BCM standards and will be kept updated by CSU and Civil Contingencies Unit (CCU). Once strategy is finalised as per R2 then current plan templates will be updated to reflect the revised constabulary critical activities. February 2016 - The Command Support Unit Policy Officer will review all changes in legislation / best practice from the Business Continuity Institute relevant to the Forces BCM plans. They will update the policy and strategy as required. The current Policy, Strategy and BCM plans have been updated to reflect current national standards BS ISO22301:2012 and marked accordingly.	01/12/2015	-	🔧
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R5 We recommend that a corporate review of critical activities and functions is undertaken to ensure that these are priorities across the constabulary. ACPO guidance has suggested 13 critical activities for police forces which may be a useful reference for this work.	High	Chief Superintendent, Territorial Policing Steven Johnson	Critical activities will be reviewed as part of the Policy review. August 2015 - Please see ACC Martland's response to R3. The specific actions have all been tasked and will be closely monitored via Operations Programme Board. November 2015 - As per R2 update above February 2016 - The newly adopted and agreed Business Continuity Strategy includes specific reference to the 13 critical activities referred to in the ACPO guidance. The strategy has been made available to all staff via the dedicated Business Continuity SharePoint site. A revised template plan has been produced and will be used for the 2016/17 reviews of departmental BCM plans arrangements to ensure the critical activities and functions are corporate across the Constabulary.	31/05/2016	-	🔧
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R1 The objectives of the Duty Management System should be defined, with clear links to strategic policing priorities. There should be periodic evaluation of system objectives.	High	Superintendent, Operational Support Mark Pannone	We will locate objectives within the Cedar system. We will then proceed to map these objectives against what we want the system to do moving forward. November 2015 Work is progressing with ICT and HR to ensure that strategic objectives of DMS are understood, incorporated within the system and matched to strategic policing priorities. February 2016 - An Origin Strategic Roadmap 2014 – 2017 supported by Capita is in place. This has been reviewed by the Head of Human Resources and confirmed as current.	31/12/2015	-	🔧
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R2 Governance arrangements for the Duty Management System should be defined and clearly communicated to those involved.	High	Superintendent, Operational Support Mark Pannone	We will define governance arrangements for the Duty Management system and will communicate these arrangements accordingly. November 2015 - Ownership of DMS rests with HR with operational management under the resource co-ordination team. Development and maintenance of DMS through Head of HR and DMS Strategy Group. February 2016 - Ownership of DMS rests with the Human Resources Department with operational management under the Force Resourcing Cell. Development and maintenance of the Duty Management System is through the Head of Human Resources. This has been confirmed by the Head of Human Resources. ACTION – Documentation detailing the ownership will be made available to all relevant staff via SharePoint.	31/12/2015	-	🔧

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update February 2016 - Update Required	Target Date	Revised Target Date	Status
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R3 Officers should be required to confirm the accuracy and validity of all overtime data entered to the Duty Management System, whether elected for payment or TOIL.	Medium	Inspector Lee Skelton	<p>A pre-formatted electronic form will be used with the necessary declarations included.</p> <p>November 2015 Communications have gone out in force orders to: i) Reiterate to officers roles and responsibilities regarding claims – Audit trail currently in place through email. ii) Reiterate that No one other than DMOs to put on the duty system any extensions of duty which incur overtime.</p> <p>In the longer term, options to improve the DMS system/processes and links to the overtime system are being considered.</p> <p>February 2016 - i) There is an audit trail currently in place where an Officer requests overtime be recorded onto DMS. This is by virtue of an email which requires formal endorsement by the Inspector who authorised the officer's overtime before it is entered onto DMS by Resource Coordinators.</p> <p>ii) The above process has been communicated to all officers on force orders and also stating that No one other than Resource Coordinators are to put extension of working hours on the duty system whether for PAY or TIME.</p> <p>Ongoing action - In order to audit compliance, a discoverer report has been requested to identify any DMS Records that have been created by persons other than Resource Coordinators.</p>	31/12/2015	-	🚧
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R4 Duty management procedures should be documented and made available to staff, with arrangements to subject the procedures to periodic management review. Relevant training should be provided.	Medium	Inspector Lee Skelton	<p>Standard operating procedures will be put in place for the Duty Management System.</p> <p>Procedures will be consolidated into one document to allow for clarity and consistency. (There is a new shift system in the pipeline with an implementation date of 28/09/15).</p> <p>November 2015 - Standard operating procedures currently being produced. Staff currently aware where the information is stored.</p> <p>February 2016 - Resource Coordinators abide by various procedures: 1. Police Regulations 2. Police Staff Terms and Conditions 3. Standard Operating procedures which are available on the Resource Coordination SharePoint site.</p> <p>All Resource Coordinators have access to this information which is reviewed as required by departmental heads.</p>	31/12/2015	-	🚧
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R5 The skill set requirement for Resourcing Co-ordinators should be formally identified and a training plan to effectively upskill Resourcing Co-ordinators across the force should be developed.	Medium	Inspector Lee Skelton	<p>We are currently in the process of implementing training to Resourcing Co-ordinators using a recent new recruit as a starting point.</p> <p>November 2015 Work is progressing on an update of the DMO role profile and skills requirements. A training programme to ensure that individual DMOs have all the requisite skills to undertake their role is being put in place.</p> <p>February 2016 - a) Role profiles are available through HR on what determines the requirements of a Resource Coordinator. b) A skills Matrix has been sent to all Resource Coordinators where skills gaps and additional training requirements have been highlighted. c) Additional training has been initiated through Capita with the first two day course delivered in February 2016 (A second is planned for March 2016 – further courses are available through Capita at no additional cost to the force) d) A set programme is now in place to show competency.</p>	31/12/2015	-	🚧
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R7 a) The blank option should be removed from the drop down list during the overtime input stage OR	Medium	Inspector Lee Skelton	<p>We will set option b in place as an interim until option a is achieved.</p> <p>DMO's will be the only employees able to action this until option a is implemented.</p> <p>November 2015 a) ICT Request has been submitted to have the blank field removed. The implications of this are currently being investigated within the ICT department. b) Part of the new procedures of inputting overtime is to ensure that the only persons permitted to put on overtime are DMO's. c) Discoverer report to identify duties where the choice of PAY or TIME has not been selected is being developed. d) Staff have been instructed not to amend any duties for overtime, this should be done through DMO's.</p>	31/07/2016	-	🚧
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R7 b) Clear procedures should be issued in this area, with monitoring arrangements in place to pick up on and correct overtime entered against this option.	Medium	Inspector Lee Skelton	<p>February 2016 - Update Required a) An ICT request was submitted to have this field removed however Capita have stated that this is not possible. b) The Constabulary process has been amended to ensure that only Resource Coordinators should enter overtime on DMS. All supervisors have been updated by email to this effect. (See Recommendation 9 below) c) An audit report now takes place through finance highlighting those reports on a month by month basis that do not have a PAY or TIME shown against them. The result of this report is actioned by Resource Coordinators to rectify any discrepancies. However as yet this does not cover all entries only those subsequently claimed for PAY on iTrent. ACTION - A request has been submitted to extend the current audit to identify all records when neither PAY or TIME have been selected on DMS.</p>	31/12/2015	-	🚧

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Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R8 A suite of reports should be developed to give management assurance over the quality of data in the system and levels of TOIL in different functions / areas.	Medium	Inspector Lee Skelton	We will consider our requirements and seek to develop reports to present the information in an appropriate manner. Where reports cannot be prepared we will need to accept the risks around this. November 2015 - A set of reports to provide checks and balances within the system have been requested. February 2016 - A suite of Discoverer reports has been developed and is available through IT which can be tailored as required.	31/12/2015	-	☀
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R9 The Business Board decision to route all input of DMS overtime input via Resourcing Co-ordinators should be implemented forthwith. On implementation- a) Sergeant and Inspector update access permissions should be removed. OR b) Sergeants and Inspectors should be made aware of the new procedures for routing all DMS overtime input via Resourcing Co-ordinators and monitoring arrangements should be established to check adherence.	Medium	Inspector Lee Skelton	We have chosen option b and this will be included in procedures and implemented accordingly. November 2015 a) Message disseminated to all supervisors regarding their responsibilities in respect of DMS b) Supervisor training amended through Andrew Simmons in ICT training c) Force orders to reflect roles and responsibilities of all supervisors d) Checks to ensure that overtime is recorded accurately on DMS will be enhanced. February 2016 - Update Required a) A message has been disseminated to all supervisors regarding their responsibilities in respect of DMS. b) Supervisor training amended through Andrew Simmons in ICT training to reflect current practice. c) Force orders have been issued to reflect roles and responsibilities of all supervisors d) Finance conduct audits in relation to overtime payments.	31/12/2015	-	☀
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R10 Overtime data in DMS should be cleansed with any outstanding issues followed up. Thereafter a mechanism should be established to give management ongoing assurance that all overtime is either paid or rolled forward accurately as TOIL.	Medium	Superintendent, Operational Support Mark Pannone	We will discuss this issue with HR and Finance. The responsibilities will be determined as part of the governance arrangements detailed in recommendation 2. November 2015 Checks on anomalies have been carried out for an 8 month period. However, periodic reviews are still required to resolve ongoing outstanding issues. Discoverer reports to provide checks between the DMS and overtime systems have been requested. February 2016 - Finance now run monthly reports highlighting areas required to be addressed - Namely:- Potential duplicate payments, forced TOIL payments. - Except for the issues highlighted in Recommendation 7 the data held within DMS is of high confidence. The significant majority of errors are as a result of discrepancies borne from the use of two independent IT systems to administer working hours and payroll. Both systems have their own independent authorising officers. Attempts have been made to combine this function, however at this time this is not possible although there is an expectation that “updated versions” of the DMS may allow for this functionality. As such it is not possible to eliminate all errors. However this audit report documents the control measures that have been implemented to reduce the risk.	31/03/2016	-	☀
Complaints Handling (CC)	17/12/2015	18/12/2015	09/03/2016	Shared Internal Audit Service	R1 Initial letters to complainants should clarify time targets for responses.	Medium	T/Detective Inspector Complaints Paul Jenner	We will amend our standard letters to complainants to include timescales for decisions / updates. February 2016 - Check conducted letters have been amended, they have time targets on for complainants.	31/12/2015	-	☀
Complaints Handling (CC)	17/12/2015	18/12/2015	09/03/2016	Shared Internal Audit Service	R3 Arrangements should be in place to track actions until they are fully resolved and this should be adequately documented.	Medium	DCI Professional Standards Furzana Nazir	We will track actions from previous meetings through to resolution. February 2016 - All actions are now tracked until they are fully resolved.	29/02/2016	-	☀
Safeguarding IT Assets (CC)	13/01/2016	13/01/2016	09/03/2016	Shared Internal Audit Service	R1 Responsibility for keeping up to date with emerging legislation relating to IT equipment should be clearly defined.	Medium	DCI Professional Standards Furzana Nazir	The role profile for the records and information security manager will be updated. February 2016 - There is currently uncertainty regarding this audit recommendation, clarification is being sought from the shared internal audit team. Members will be updated at the meeting.	TBC	-	☀
Safeguarding IT Assets (CC)	13/01/2016	13/01/2016	09/03/2016	Shared Internal Audit Service	R2 Procedures should be updated to reflect the MSCSM system now in use to record IT Assets and the link to Greenworld on disposal. The Responsibilities of the Hardware Team and Radio Services procedure should be updated to reflect disposal once the process has been agreed.	Medium	Head of ICT Jason Corbishley	We will update the procedures to refer to the database currently in use. . We will cross reference our procedures for the control of IT assets to the procedures for the disposal of IT assets. February 2016 - Changes have been made to the procedures and the name of the system has changed.	31/12/2015	-	☀

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Safeguarding IT Assets (CC)	13/01/2016	13/01/2016	09/03/2016	Shared Internal Audit Service	R3 A mechanism should be put in place to ensure that all newly purchased equipment is added to the MSCSM database on a timely basis	Medium	Director of Corporate Support Stephen Kirkpatrick Head of ICT Jason Corbishley	We will make endeavour to update the database with new assets received as soon as practically possible following delivery. February 2016 - Work is still under way and processes are currently being re-developed.	31/12/2015	-	
Data Protection & Freedom of Information Requests (CC)	18/01/2016	19/01/2016	09/03/2016	Shared Internal Audit Service	R1 The roles and responsibilities of the new supervisor post will need to be clearly defined, reflected in procedures and incorporated into a staff performance review process.	Medium	DCI Professional Standards Furzana Nazir Force Disclosure Manager David Cherry	The supervisor post has been agreed by Finance and ACPO. A job profile is being prepared which will outline the roles and responsibilities February 2016 - David Cherry to meet with Kerry Rogerson, HR to complete draft role profile, with a view to this being completed prior to the proposed target date of 31st March	31/03/2016	-	
Data Protection & Freedom of Information Requests (CC)	18/01/2016	19/01/2016	09/03/2016	Shared Internal Audit Service	R2 Arrangements should be in place for disclosure and compliance staff to receive formal, structured supervision on a regular basis.	Medium	Force Disclosure Manager David Cherry	The Force Disclosure Manager will undertake structured supervision throughout his team. February 2016 - 15 week reviews of team members to commence with effect from 1st March 2016.	31/03/2016	-	



Joint Audit & Standards Committee

Title: OPCC Risk Management Strategy

Date: 9 March 2016

Agenda Item No: 18

Originating Officer: Joanne Head

CC:

Executive Summary:

The Office of the Police and Crime Commissioner provides policing services for Cumbria in a constantly changing and challenging environment. The Risk Management Strategy sets out the OPCC responsibility for risk management and how risks are managed.

Recommendation:

That the Joint Audit and Standards Committee review and provide comment to inform the final version of the strategy to be approved by the Police and Crime Commissioner.

1. Introduction & Background

- 1.1 The risk management strategy sets out the governance arrangements in respect of the management of risk including arrangements for holding to account the Chief Constable for the management of risks within the force. The strategy is reviewed on an annual basis.

2. Issues for Consideration

- 2.1 The strategy sets out the commissioner's objectives in respect of risk management and the arrangements in place for meeting those objectives through a risk management framework. The framework incorporates clear roles and responsibilities for risk management and a methodology for assessing risk and mitigating actions.
- 2.2 Mr Jack Jones, member of the Joint Audit and Standards Committee has been consulted regarding updating the Risk Management Strategy. The revised strategy is presented to the committee for review.
- 2.3 As previously reported to the Committee the OPCC has undertaken a review of the wording contained within the Risk Matrix for the scoring of impact and likelihood. This has enabled

wording and examples relevant to the Office of the Police and Crime Commissioner and its work to be used. A decision was also taken to move from a 5x5 matrix to a 4x4 matrix, removing the ability to potentially score risks on an average. The Risk Management Strategy has been updated within the methodology section to reflect these changes.

- 2.3 The Risk Template within the strategy has been updated to reflect the new style of recording both strategic and operational risks.
- 2.4 On 6 April 2016 the Police and Crime Commissioner, Mr Rhodes, will review all Governance Documents in relation to the OPCC, including the Risk Management Strategy. Following consideration and following approval the strategy will be implemented from 6 April 2016.

3. Implications

3.1 Financial

Effective risk management practices supports the reduction of risks that may have financial implications.

3.2 Legal

Risk management strategy supports the overall arrangements for governance and is underpinned by strategic and operational risk registers that seek to manage the risks pertaining to legal and governance within operational practice.

3.3 Risk

The risk management strategy ensures risks are identified, assessed and managed with clear ownership of the risk and activity to mitigate its impact. The strategy seeks to encourage risk taking where this has clear positive benefits.

3.4 HR / Equality

Key staff roles are identified within the strategy with responsibility for areas of risk management.

4. Supplementary information

Appendix 1 – OPCC Risk Management Strategy



Cumbria Office of the Police and Crime Commissioner

**Risk Management Strategy
2016/2017**

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- 4.** Our Approach to Risk Management
- 5.** Risk Management Objectives
- 6.** Risk Management Framework
- 10.** Risk Management Methodology
- 13.** Risk Management Responsibilities
- 16.** Strategic Risk Register Template

Introduction

The Office of the Police and Crime Commissioner for Cumbria is committed to providing the highest quality of policing services to the people of Cumbria. We do this in a constantly changing and challenging environment. This strategy is about the approach and arrangements we have in place to manage the risks we encounter in doing this.

Risk management involves the identification, assessment and prioritisation of risks and taking action to control, minimise and monitor them. Risks are threats that have potential to impact on our organisation and the delivery of our objectives and services. Sometimes they can be positive as well as negative. Risk management activity ensures we protect against negative threats whilst recognising and taking advantage of positive opportunities.

Our strategy sets out responsibilities for risk management, what we do and how we do it. It incorporates a number of key objectives and what we aim to achieve from the arrangements we have in place. In doing so our strategy provides assurance and contributes to the overall arrangements we have for governance.

Our Approach to Risk Management

Police and Crime reduction services are delivered in a high risk environment. Like many public service organisations we are continually challenged to change the way we do things, to improve and to reduce cost. In doing this the level of risk we take as an organisation increases. Our approach to risk management recognises this by seeking to ensure we have a structured approach to manage those risks. Our approach seeks to ensure that our people and organisation are protected without stifling innovation or adversely restricting the taking of risks where we can see there are positive benefits from doing so. We describe this as being risk aware. This strategy sets out the things we have in place to embed a risk aware culture. These are:

- **Risk Management**

Objectives: Our overall aims that set out what we want to achieve from the arrangements we have in place for risk

- **Risk Management**

Methodology: The way we review our risks to understand their impact and decide how we will manage them

- **Risk Management**

Framework: The specific things we have in place that supports the delivery of our objectives

- **Risk Management**

Responsibilities: Specific responsibilities for different areas of risk for which our Commissioner, chief officers, staff, committee and auditors are accountable

The rest of this strategy sets out more information on our objectives, framework, methodology, responsibilities and sets out how we record our risks on our risk register.

Risk Management Objectives

Risk management makes an important contribution in helping to achieve our aims and deliver better services. Through being aware of risk and having an understanding of its impact we can make better decisions about what and how we do things. Risk management works best when we have a culture that is risk aware. Our strategy aims to achieve this by providing a framework that helps to integrate and embed risk management into our day to day business. To do this we have identified a number of objectives that we are committed to. This section of our strategy sets out what they are and what we will do to achieve them.

Objective 1: We will ensure that Risk management is part of the process for delivering policing and crime reduction in Cumbria through the Constabulary and our wider Partners. We will do this by:

- Maintaining an effective risk management strategy, a framework through which the strategy is implemented and a risk register to manage risks
- Holding the Constabulary and wider Partners to account in respect of their arrangements for risk management

Objective 3: We will ensure that there is clear ownership and accountability for risks. We will do this by:

- Establishing clear roles and responsibilities in relation to risk management within our strategy
- Ensuring all risks on our risk register has a risk owner and an action owner

Objective 2: We will ensure that our organisation is risk aware and that arrangements for risk management comply with best practice. We will do this by:

- Providing communications and guidance through our website to spread good practice
- Ensuring our officers are appropriately trained in risk management practice
- Subjecting our risk management arrangements to annual review

Objective 4: We will provide a framework for evaluating and responding to risks that is easy to understand and supports decision making. We will do this by

- Setting out a framework for risk management
- Including within the framework a methodology for scoring risks and timescale for risk review based on the risk score.

Risk Management Framework

Our risk management framework sets out the things we have in place to manage risk and who is responsible for them. They form the substantive part of what we do to achieve our risk management objectives. The framework comprises:

RISK MANAGEMENT FRAMEWORK

Risk Register

Our risks are recorded on a risk register. The register holds key information about each risk including a description of the risk, a score for the risk, what we are doing to manage the risk currently and any further actions we plan to take. It identifies the risk owner and the score determines how frequently that owner will review the risk to ensure we are taking appropriate action. The risk register groups risks into three risk categories; strategic risks, operational risks and project risks.

RISK MANAGEMENT FRAMEWORK

Risk Classification

Risks are grouped on our risk register into one of three classifications. The classification determines who is responsible for managing the risk and how those risks are managed. The classifications are:

- Strategic Risks – risks that threaten the achievement of strategic objectives such as those in our policing plan and other core strategies.
- Operational Risks – these are risks to our operating systems, service delivery and the objectives in our business plans.
- Project Risks – risks identified as being significant to the projects being undertaken by the Commissioner.

RISK MANAGEMENT FRAMEWORK

Risk Methodology

Risk Methodology is about how we score our risks. Our strategy sets out a consistent way to do this that takes account of the impact of the risk and likelihood of it occurring. The higher the risk score the more frequently we will assess the actions that we have in place to mitigate the risk. We score both the inherent risk and the mitigated risk. The inherent risk score tells us what the impact of the risk could be if we took no action whilst the mitigated score tells us how much we have reduced the risk as a result of things we do to manage it.

RISK MANAGEMENT FRAMEWORK

Police & Crime Plan

The Police and Crime Commissioner has a Police and Crime Plan which identifies the work to be undertaken by the Commissioner, the Office of the Police and Crime Commissioner; and how policing will be delivered in Cumbria. The development of the plan informs our work in relation to strategic risks. Strategic risks are incorporated within the strategic risk register which is approved by the Police

and Crime Commissioner and presented to the Audit and Standards Committee for scrutiny. Operational risks are included within the operational risk register and are actively managed through the Commissioner's Office under the direction of the Chief Executive.

RISK MANAGEMENT FRAMEWORK

Project Risks

Project risks are managed very dynamically due to the more limited timescale across which projects are typically delivered. They are reviewed prior to each project board and presented to each meeting. This means that the pace of the project and the frequency of meetings are aligned to the review of risks. The terms of reference for all project boards includes responsibility for managing project risks.

RISK MANAGEMENT FRAMEWORK

Risk Review

Our overall arrangements for risk are reviewed annually by the Chief Executive as part of the review of wider governance arrangements. The review is reported in the Annual Governance Statement alongside our Statement of Accounts, which is approved by the Police and Crime Commissioner. The statement is subject to external audit and presented with the Accounts to our Audit and Standards Committee.

RISK MANAGEMENT FRAMEWORK

Risk Appetite & Tolerance

Risk appetite is developed in the context of the organisation's risk management capability. It is not a single, fixed concept and there will be a range of appetites for different risks which need to align. Risk appetite must take into account differing views at a strategic and operational level and these may vary over time. If a level of risk is not acceptable then it must be managed accordingly. Risk tolerance allows for variations in the amount of risk COPCC is prepared to tolerate for a particular activity or project. How COPCC will deal with risk tolerance for all its risks and this is addressed within the methodology section of this strategy.

COPCC will strive to manage both strategic and operational risks to a level which is acceptable or where it is negated, taking into account the costs of any mitigations which are required. Depending upon the circumstances it may be necessary to set a different risk appetite for a particular area of business or project but the general default position for COPCC will be medium/cautious.

The OPCC has a Risk Matrix which illustrates assessments of the likelihood and impact scores which are plotted onto a (4 x 4) Risk Matrix. This determines the level of inherent risk and, later, to demonstrate the residual position after the application of controls to mitigate and reduce risk

LIKELIHOOD	Very High	4	4	8	12	16
	High	3	3	6	9	12
	Medium	2	2	4	6	8
	Low	1	1	2	3	4
			1 Low	2 Medium	3 High	4 Catastrophic
		Magnitude of Impact				

Key

Risk Management Action Level	Low Priority No additional action needed Maximum review time frame 12 months	Some additional activity may be necessary Maximum review time frame 6 months	Activity required in current year Maximum review time frame 3 months
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RISK MANAGEMENT FRAMEWORK

Risk Responsibility

Our strategy allocates specific roles and responsibilities to members and officers for Risk Management. This ensures there is clarity and accountability for ensuring our practices are embedded and our objectives are achieved.

RISK MANAGEMENT FRAMEWORK

Fraud Risk Assessment

Fraud risk assessment is used to assist staff to identify and deal with any suspected risk of fraud and ensure that adequate and effective internal control arrangements are in place. As part of the preparation process for the financial statements of accounts, evidence and assurances are provided for scrutiny to the external auditors. This information is then assessed and incorporated into the final statement of accounts. Our independent Audit and Standards Committee is provided with a copy of the final statement of accounts for consideration and can monitor any fraud issues which are raised.

We have an Anti-Fraud and Corruption Policy which provides staff with information on fraud and corruption including contact details for the reporting of any concerns. Our independent Audit and Standards Committee reviews the policy and ensures that it meets recommended practices. Also in place is a Whistleblowing Policy (Confidential Reporting) which provides effective mechanisms for 'open' and 'confidential' reporting of wrongdoing.

RISK MANAGEMENT FRAMEWORK

Internal Audit

Our arrangements for risk management and those of the Constabulary are subject to internal audit provided as part of a shared internal audit service within Cumbria. The service has adopted the Public Sector Internal Audit Standards (PSIAS) which ensures that they undertake risk based internal auditing. This methodology is used to help our organisation accomplish its objectives. Our independent Audit and Standards Committee receives the findings of audit work and monitors the implementation of actions following any audit recommendations.

RISK MANAGEMENT FRAMEWORK

Decision Making and Risk

Our reporting formats include a section on the risk implications of any decision and course of action. This ensures that decisions are taken on an informed basis and agreement can be reached on how risks should be managed.

RISK MANAGEMENT FRAMEWORK

Lead Officer for Risk

Our Governance & Business Services Manager is designated as lead officer for risk. This means that one of our staff has specific responsibility for maintaining an up to date awareness of risk management practices and ensuring we embed a risk aware culture. Our lead officer attends risk management meetings with the Constabulary to assure their arrangements and that our risk registers are aligned where it is appropriate. This is one of the ways we hold the Constabulary to account for their risk management arrangements.

Collectively this framework ensures that we have a systematic approach to managing our risks. It facilitates proper consideration of the implications of decisions and actions and provides a mechanism through which we can evaluate how well our approach is working in practice. Internal and external audit provide a further layer of validation and scrutiny of our arrangements.

Risk Management Methodology

This strategy adopts a risk management methodology to assess the impact of a risk should it materialise and the likelihood of this happening. This methodology plays an important part in determining how much attention we need to give to managing specific risks through helping us to consider the implications should they arise. The methodology involves scoring risks based on the likelihood of the risk happening and the impact. It uses a 4x4 matrix that produces a risk score of between 1 and 16.

RISK MATRIX : LIKELIHOOD		
Likelihood Score	Description of likelihood over the next 4 years	
4	Very High	Will undoubtedly happen, possibly frequently
3	High	Will probably happen, but not a persistent issue
2	Medium	May happen occasionally
1	Low	Not expected to happen, but is possible

RISK MATRIX: IMPACT

Impact Score	Description					
		IMPACT ON SERVICE OBJECTIVES	FINANCIAL IMPACT	IMPACT ON PEOPLE	DURATION OF IMPACT	IMPACT ON REPUTATION
4	Catastrophic	Unable to function, inability to fulfil obligations – total failure of at least 2 areas of activity	Severe financial impact (Above £5m / budget implications)	Internally – wholesale resignation, unable to staff OPCC Externally – service user death	In excess of 1 year to recover pre event position	Severe damage to reputation Sustained and prolonged national media interest PCC resignation
3	High	Significant impact on service provision – total failure of at least 1 area of activity with impact across all areas of business	Significant financial impact (over £1m)	Internally – increased staff turnover/ shortage Externally – general/systemic poor user	Between 6 months to 1 year to recover to pre event position	Significant damage to reputation Short term national / longer term local media interest

				experience		
2	Medium	Material impact on service objectives – at least 2 areas of business / several personal objectives	Material financial impact (over £250k - £1m)	Internally – high level of staff absences Externally – multiple poor service user experience	Between 2 to 6 months to recover to pre event position	Adverse publicity, noticeable damage to reputation. Short term local media interest
1	Low	Some impact on service objectives – single area of business/ individual objectives	Some financial impact (up to £250k)	Internally - low morale Externally – some poor service user experience	Up to 2 months to recover	Some damage to reputation 1 day local media interest

RISK MANAGEMENT METHODOLOGY

Using the Methodology

There are a number of steps to using our methodology to ensure that risks are effectively considered and appropriate controls are put in place to manage them.

Firstly the inherent or base risk score is calculated. This is the risk score that would result if there is no action taken to manage the risk. Using the matrix above a score would be calculated by multiplying the likelihood score with the impact score. It is important to understand this base risk as it helps us to assess what might happen if the measures we put in place to manage the risk fails or if we put nothing in place. It supports decision making on the level of effort that should be directed towards reducing the risk.

Once the base risk has been scored, consideration is given to what we can do and what we are doing to reduce the risk. These are our risk control measures. The risk is then scored again, taking into account the effects of our actions. This produces a mitigated risk score against which we can then decide to do one of four things:

- Take/Tolerate - We decide to accept the risk and take no further measures
- Transfer - We transfer all or part of the risk, for example through insurance or to other agencies/contractors
- Reduce - We introduce additional control measures to reduce the risk
- Avoid – We aim to eliminate the risk, for example by ceasing to provide a service or by doing something a different way

If we choose to transfer, treat or terminate the risk we then update our mitigated risk score once these actions have been taken. The overall inherent and mitigated risks scores are reviewed cyclically with the score determining how often we do the review. Risks with scores of between 8 and 16 are reviewed on a quarterly basis; and those scoring between 4 and 6 are reviewed every 6 months. All other risks are reviewed annually. The exception is project risks that are reviewed at each project board meeting due to the limited life of project activity and the impact of risk on project delivery.

The inherent and mitigated risk score, control measures and any additional planned control measures are documented within our risk register. We assign a 'RAG' rating (Red, Amber and Green) to identify whether a risk is Acceptable (Green); Tolerable with actions (Amber); or Unacceptable with urgent action required (Red) to each of the COPCC risks. This assists in the easy identification of those risks which require urgent attention or close monitoring to those which can be reviewed on a less frequent basis.

The register identifies the review frequency and the officer responsible for managing the risk. Strategic risks under the direction of Police and Crime Commissioner are presented at least annually to Audit and Standards Committee with this risk strategy. At each quarterly meeting of the Committee, strategic risks which have been reviewed during the last quarter are presented for their oversight.

Risk Management Responsibilities

Our strategy allocates specific responsibilities to key individuals, and any OPCC committees and boards to ensure clear lines of accountability for managing risk. This section of our strategy sets out those responsibilities.

RISK MANAGEMENT RESPONSIBILITIES

The Police and Crime Commissioner

The Police and Crime Commissioner has strategic responsibility for the overall arrangements for risk management. An annual governance statement is approved annually by the Commissioner which includes a commentary on the effectiveness of risk management arrangements by the Commissioner's Chief Internal Auditor.

The Commissioner is responsible for strategic risks as identified within the strategic risk register and for understanding and challenging risks as part of their processes for developing policy and decision making.

The Commissioner has responsibility for holding the Constabulary and wider partners to account for their arrangements in respect of risk management and providing public assurance of such. The Commissioner annually approves the risk management strategy and takes overall responsibility for the strategic risk register.

RISK MANAGEMENT RESPONSIBILITIES

Chief Officers

The OPCC Chief Executive has responsibility for maintaining sound systems of internal control including risk management processes. The Chief Executive also has responsibility for ensuring an operational risk register is maintained to support the management of those risks that may impact on the delivery of the OPCC business plan.

The Chief Executive reports on the effectiveness of arrangements for risk management within the Annual Governance Statement to the PCC and to the Audit and Standards Committee. The Chief Finance Officer has responsibility for ensuring appropriate internal audit arrangements are maintained and for insurance in respect of those risks that are transferred.

RISK MANAGEMENT RESPONSIBILITIES

Managers and Staff

Managers and staff - have responsibility for the strategic and operational risks arising in their service areas. They must ensure teams carry out risk assessments to inform control measures and mitigating action. They are responsible for ensuring risks that may impact on the delivery of their business objectives are recorded in the strategic and operational risk register and actively managed.

Where a risk is identified by a manager or member of staff which affects another part of COPCC's business then this will be highlighted to the appropriate manager or member of staff for inclusion within the register. A risk which is considered to have a significant effect on medium to long term

objectives can be escalated to the Executive Team for consideration, inclusion within the strategic risk register and appropriate action identified and instigated. Following their consideration it may be reported to the Commissioner to appraise him of the issues.

OPCC staff are able to receive direction and instruction regarding their responsibilities for operational risk from a number of sources. These include – information contained within policy/strategy and procedure manuals; as part of their induction process; from their line manager; the lead officer for risk and specific training courses where required.

RISK MANAGEMENT RESPONSIBILITIES

Project Managers

Project managers are responsible for ensuring any project risks are actively recorded on a project risk and issues log. All risks should be scored in line with the agreed risk methodology within this risk strategy and reported to the project board to ensure appropriate action is taken. As part of updates or project reports any identified risks should be reported upon, with particular attention to those which may disrupt or halt the project.

RISK MANAGEMENT RESPONSIBILITIES

Independent Audit and Standards Committee

The Office of the Police and Crime Commissioner and the Constabulary have in place a Joint Audit and Standards Committee which has independent membership.

The Committee will examine evidence provided by internal and external audit and other governance areas to ensure that we demonstrate we are actively managing our risks. This provides independent assurance to the Commissioner, Chief Executive and Chief Finance Officer.

The relevant terms of reference of the Joint Audit and Standards Committee are:

- Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the Police and Crime Commissioner and the Chief Constable in addressing risk-related issues reported to them.
- Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy, actions and resources.

RISK MANAGEMENT RESPONSIBILITIES

Internal and External Audit

Internal audit are responsible for periodically reviewing the effectiveness of risk management processes including the verification that controls are operating as intended. This source of independent assurance is a fundamental part of the evidence used to discharge our accountability for reviewing the effectiveness of our governance arrangements. External auditors review the annual governance statement that sets out how we have complied with our arrangement for risk

management and will test a number of financial controls that mitigate against financial risks as part of their audit work on the financial statements

RISK MANAGEMENT RESPONSIBILITIES

Lead Officer for Risk

The OPCC Governance & Business Service Manager is the lead officer for risk. This responsibility includes:

- Pro-actively driving forward the management of risk
- Liaison with the Constabulary, other partners and major contractors to monitor compliance with and the effectiveness of their risk management arrangements and reporting thereon to the Police and Crime Commissioner
- Monitoring the implementation of the risk management action plans of both the OPCC and Constabulary
- Bring to the attention of the Police and Crime Commissioner and/or Audit and Standards Committee any concerns about the arrangement for risk management
- The provision of a risk register system to aid the recording, review, analysis and reporting of strategic and operational risks
- Maintaining an up to date awareness of risk management practice and leading on communications and guidance to support the embedding of a risk aware culture

Risk Register Template

Risk No:	Risk Title:	
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Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

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

[illegible]



Joint Audit & Standards Committee

Title: OPCC Risk Management Monitoring

Date: 24 February

Agenda Item No: 19

Originating Officer: Stuart Edwards

CC:

Executive Summary:

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

Recommendation:

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

1. Introduction & Background

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

2. Issues for Consideration

- 2.1 Appended to this report at Appendix 1 is the OPCC's strategic risk register which has been reviewed and updated since the last meeting of the Committee. There is one identified risk which is:
 - Strategic Finance

- 2.2 The committee will note that two previously identified strategic risks – Efficient and Effective Policing (R2) and Delivery of the Police and Crime Plan (R3) have been removed from the strategic risk register. Following review the mitigated scoring for R2 and R3 each gave a total score of 6, and would mean that the risk would be reviewed again within 6 months. These two risks are now incorporated within the operational risk register at risk number 7 and 17 and the strategic risk register has been notated to illustrate the move.
- 2.3 The OPCC has undertaken to review its operational risk register, rationalising it to appropriately reflect the operational risks it faces. At the Committee's September meeting the members asked for reassurance that where appropriate operational risks which were scoring highly would be escalated to the strategic risk register. It was agreed that the front sheet of the operational risk register would be presented to the Committee to provide assurance that other areas of risk were being considered and regularly monitored. A copy of the front sheet is attached at Appendix 2.
- 2.4 The Governance and Business Services Manager met with the Constabulary's lead for Risk Management, the Director of Corporate Improvement Ms Jane Sauntson, on Tuesday 23 February. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.
- 2.5 Discussions took place in relation to the two separate risk registers, the risks identified therein and any risks which may impact upon the other organisation which may need to be recorded within the relevant strategic risk register if it does not already appear.
- 2.6 One risk was to be removed and two new risks were to be incorporated within the Constabulary's strategic risk register. Risk No 22 – Funding Gap was to be removed as the risk had now changed. This would be replaced with a risk which related to achieving the level of savings required. The second new risk related to a potential increase in service demands and threats along the West Coast of Cumbria resulting from the development of the nuclear industry.
- 2.7 Further information with regard to both of these new risks will be included within the Constabulary's reports to the Committee. The Commissioner/OPCC will need to consider the likelihood and impact of these risks when setting future budgets and developing any future police and crime plan.

3. Implications

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

OFFICE OF THE POLICE & CRIME COMMISSIONER – STRATEGIC RISK REGISTER

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

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

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

Scores:

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

Risk No: R1	Risk Title: STRATEGIC FINANCE	The Police and Crime Commissioner is required to set a balanced budget. Resources from central Government formula grant provide the significant majority of funding to deliver police services. Reductions in that funding will have a substantial impact on the level of policing that can be provided and on the potential to deliver the Commissioner's wider responsibilities.
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Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
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		Unmitigated Score			Mitigated Score				Actions					
What is the cause of the risk? (Lack offailure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date	
Lack of resources within the medium term budget to provide sufficient funding for the Constabulary to deliver current levels of policing service. High levels of funding uncertainty are impacting on this risk from 2017/18 (expected implementation date for the new formula)	This risk may lead to a reduction in the level of police services and/or result in Cumbria Constabulary not being viable as an independent force. Alternative options for delivering a police service in Cumbria may have to be considered. This may impact on the extent to which services respond to local needs in Cumbria. During the period of change there may be reductions in public assurance/confidence.	4	4	16	3	4	12	Chief Executive (Reduce)	Work continues to model the potential financial impact ensuring the change team develop proposals for the full potential range of income reductions. The constabulary is implementing a scalable model of policing. Work is on-going to establish a minimum funding requirement. The Constabulary and OPCC have responded to the government funding consultation and made representations regarding the impact of current proposals.	Budget monitoring processes and internal controls ensure that financial commitments do not exceed planned expenditure. The financial control environment is tested annually by internal and external audit. HMIC Peel inspections and external auditors review overall financial resilience and the track record of delivering savings.	Work is being undertaken to develop a potential future operating model for policing in Cumbria The Commissioner and Chief Constable will fully engage in the on-going process for formula review	Chief Finance Officer	May 2016	

OFFICE OF THE POLICE & CRIME COMMISSIONER – OPERATIONAL RISK REGISTER

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			Risk Owner		Actions		Reviews
Risk No.	Risk Title	Total Score	Risk Owner	Action Owner	Any outstanding actions YES/NO	Date for actions to be completed	Date of review
FINANCE							
01	Budget Management	6	Chief Finance Officer	Deputy CFO	No		May 16
02	Investment Counterparty Risk	3	Chief Finance Officer	Deputy CFO	No		Nov 16
03	Financial Governance	2	Chief Finance Officer	Deputy CFO	No		Nov 16
04	Shared Services	2	Chief Executive	Deputy Chief Executive	No		Nov 16
05	Asset Management	2	Chief Executive	Chief Finance Officer	No		Nov 16
06	Insurance	4	Chief Executive	Chief Finance Officer	No		May 16
PARTNERSHIPS & COMMISSIONING							
07	Performance / delivery of the police and crime plan	4	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		May 16
08	Partnerships & Collaboration	6	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		May 16
09	Commissioning of Services	6	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		May 16
COMMUNICATION AND BUSINESS SERVICES							
10	Reputation	8	Head of Communications & Business Services	Engagement Officer	No		May 16
11	Public Engagement / Consultation	4	Head of Communications & Business Services	Engagement Officer	No		May 16
12	Complaints	3	Head of Communications & Business Services	Governance & Business Services Manager	Yes	May 16	May 16
13	Diversity	3	Head of Communications & Business Services	Governance & Business Services Manager	No		Nov 16
14	Independent Custody Visiting Scheme & Animal Welfare Scheme	6	Head of Communications & Business Services	Governance & Business Services Manager	No		May 16
CHIEF EXECUTIVE / MONITORING OFFICER							
15	Non-Financial Governance	2	Chief Executive	Head of Communications & Business Services	No		Nov 16
16	PCC Elections 2016 / Transition	2	Chief Executive	Head of Communications & Business Services	No		
R2	Efficient and Effective Policing	6	Chief Executive	Chief Executive	No		May 16



Joint Audit & Standards Committee

Title: OPCC Risk Management Monitoring

Date: 10 March 2016

Agenda Item No: 19

Originating Officer: Stuart Edwards

CC:

Executive Summary:

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

Recommendation:

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- 2.2 The OPCC has undertaken to review its operational risk register, rationalising it to appropriately reflect the operational risks it faces. At the Committee's September meeting the members asked for reassurance that where appropriate operational risks which were scoring highly would be escalated to the strategic risk register. It was agreed that the front sheet of the operational risk register would be presented to the Committee to provide assurance that other areas of risk were being considered and regularly monitored. A copy of the front sheet is attached at Appendix 2.
- 2.3 The Governance and Business Services Manager met with the Constabulary's lead for Risk Management, the Director of Corporate Improvement Ms Jane Sauntson, on Tuesday 23 February. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.
- 2.4 Discussions took place in relation to the two separate risk registers, the risks identified therein and any risks which may impact upon the other organisation which may need to be recorded within the relevant strategic risk register if it does not already appear.
- 2.5 One risk was to be removed from the register, this being Risk No 24 regarding the potential significant increase in reported rape and sexual offences. A specific resource has been identified to deal with such reported offences and was no longer considered a strategic risk. Further details of this will be included within the Constabulary's report on the agenda.
- 2.6 The one risk which affected both organisations related to future Funding Formulas. The 2015 budget announcement identified that cuts to policing budgets would not be as severe as originally thought. Although in future years this would not continue to be the case and would need to be considered when setting future budgets and developing future police and crime plans.

3. Implications

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

OFFICE OF THE POLICE & CRIME COMMISSIONER – STRATEGIC RISK REGISTER

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OFFICE OF THE POLICE & CRIME COMMISSIONER – OPERATIONAL RISK REGISTER

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01	Budget Management	6	Chief Finance Officer	Deputy CFO	No		May 16
02	Investment Counterparty Risk	3	Chief Finance Officer	Deputy CFO	No		Nov 16
03	Financial Governance	2	Chief Finance Officer	Deputy CFO	No		Nov 16
04	Shared Services	2	Chief Executive	Deputy Chief Executive	No		Nov 16
05	Asset Management	2	Chief Executive	Chief Finance Officer	No		Nov 16
06	Insurance	4	Chief Executive	Chief Finance Officer	No		May 16
PARTNERSHIPS & COMMISSIONING							
07	Performance / delivery of the police and crime plan	4	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		May 16
08	Partnerships & Collaboration	6	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		May 16
09	Commissioning of Services	6	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		May 16
COMMUNICATION AND BUSINESS SERVICES							
10	Reputation	8	Head of Communications & Business Services	Engagement Officer	No		May 16
11	Public Engagement / Consultation	4	Head of Communications & Business Services	Engagement Officer	No		May 16
12	Complaints	3	Head of Communications & Business Services	Governance & Business Services Manager	Yes	May 16	May 16
13	Diversity	3	Head of Communications & Business Services	Governance & Business Services Manager	No		Nov 16
14	Independent Custody Visiting Scheme & Animal Welfare Scheme	6	Head of Communications & Business Services	Governance & Business Services Manager	No		May 16
CHIEF EXECUTIVE / MONITORING OFFICER							
15	Non-Financial Governance	2	Chief Executive	Head of Communications & Business Services	No		Nov 16
16	PCC Elections 2016 / Transition	2	Chief Executive	Head of Communications & Business Services	No		

R2	Efficient and Effective Policing	6	Chief Executive	Chief Executive	No		May 16
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Joint Audit and Standards Committee

Agenda Item 20

TITLE OF REPORT:	Constabulary Quarterly Risk Management Update
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DATE OF MEETING:	9th March 2016
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ORIGINATING OFFICER:	Strategic Development, Corporate Improvement
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PART 1 or PART 2 PAPER:	PART 1 (OPEN)
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Executive Summary:

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

Corporate Improvement has carried out a quality assurance check of all the departmental and operational risk registers to ensure that risk is effectively managed across the organisation. The Strategic Risk Register has been updated to reflect the latest situation, following consideration at Chief officer Group on 22nd February 2016.

Recommendations:

That the Audit and Standards Committee:

1. Note the Constabulary's current strategic risks, and that a quarterly review of all risk registers was completed in February 2016.
2. Note the removal of risk 24 from the Strategic Risk Register regarding the potential for a significant increase in the number of reported rape and sexual offences being reported to the Constabulary caused by the large number of high profile cases reported in the media which has positively encouraged more victims to come forward and report these serious offences, as this has occurred and is being actively monitored and managed.

MAIN SECTION

1. Introduction and Background

1.1 Strategic Risks

Risk is the threat that an event or action will affect the Constabulary's ability to achieve its organisational aim and objectives.

Each risk is managed at the level where the control to manage the risk resides. Therefore strategic risks are managed by the Chief Officer Group, significant operational risks are managed by Operations Board (Joint Crime and Territorial Policing Board) and significant strategic business risks are managed in the relevant business department and via the Business Board. Projects and programmes also have their own risks that are managed by the project / programme teams.

Strategic risks are those affecting the medium to long term objectives of the Constabulary and are the key, high level and most critical risks that the Constabulary faces. Best practice indicates that the number should be between 5 and 10.

The Chief Constable in his 'Annual Statement of Corporate Governance' determines the strategic direction for the Constabulary which is 'Keeping Cumbria Safe'. Following consultation, the annual review of the Constabulary's Strategic Assessment (based on operational intelligence), performance results, recommendations from independent inspections and audits and a review of the organisations' strategic risks, the following objectives have been identified as key in reducing 'threat, risk and harm' and tackling our communities' concerns:

- Dealing with the issues related to vulnerable children - child abuse and child sexual exploitation.
- Responding to vulnerable adults and children who go missing from home.
- Reducing the harm caused by domestic abuse, violent and sexual offenders, encouraging people to report to the police.
- Preventing and detecting violence against the person offences, sexual offences and acquisitive crime.
- Preventing and dealing with antisocial behavior.
- Tackling alcohol and drug related crime and disorder.

The strategic risks identified by the Constabulary are concerned with:

1. The implications of longer-term reduction in budget and the level of savings required.
2. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme.
3. Failure to deliver required change.
4. Performance and productivity of police officers.
5. The integrity of police officers and staff.

The table on page 3 outlines the Constabulary's five strategic risks and provides the RAG rating (Red, Amber, and Green) for each risk (**RAG risk rating = impact x likelihood**). It also indicates which Constabulary objectives the risks link to.

Strategic Risk Register

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
26	The Chief Constable & Chief Financial Officers	<p>As a result of the potential changes to police funding formula, and the removal of dampening funding, there will be a detrimental and significant impact on the available budget and a requirement for substantially increased savings. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.</p> <p>If this risk occurs, the Constabulary may have to focus on responsive reactive policing and maintaining public protection functions, but reducing investigative capacity to focus on serious crime only; any volume crime where there is no public safety risk will only be investigated if there is spare capacity.</p>	Very High	Very High	25	25	All	Scenario planning for worst case savings. Marketing and Communications involvement. Robust challenge re achievability of the required savings to Government.

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
25	The Chief Constable and Head of ICT	The Constabulary may be unable to fulfil its key strategic objectives because the new Emergency Services Network has potential to breach the Constabulary's risk capacity and appetite in terms of cost and acceptable levels of service provision. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.	Very High	Very High	25	25	All	Established links with the Home Office to conduct preliminary identification and analysis of risk involved. The introduction of an ICT led Project team to conduct a more thorough identification and analysis of risks and to provide suitable risk response actions.
2	Director of Corporate Improvement & Director of Corporate Support	The Constabulary may not have the capacity to deliver the Change Programme and Corporate Support Business Plan, in particular the reliance on IT to deliver systems which improve officer productivity and reduce manual intervention in processes. If this risk occurs the Constabulary would have to find further savings.	High	Medium	10	12	All	Dedicated resources have been allocated to the Change Programme and the Change Strategy has been developed, including contingency plan Financial budgeting and forecasting, including comprehensive MTFP completed and reviewed quarterly. Workforce plan developed. Mobile & Digital Steering Group established to deliver systems to improve productivity. ICT workload prioritised quarterly via FSDB. Resourcing of Change and Business Plans has been completed. Revised governance arrangements have been implemented to improve strategic oversight and delivery. Dedicated planning day held on 29 January 2016 to schedule all the complex and

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
								interdependent change across the Constabulary with plan for delivery. Appointment of chief superintendent to deliver change in the operational organisation, coordinating business change. Revised ICT Strategy approved in January 2016. Revised change strategy approved in Nov 2015 which includes capacity building.
11	Assistant Chief Constable and Director of Corporate Improvement	The Constabulary's performance may be adversely affected due to the significant level of change across the Constabulary as a whole. This may result in adverse publicity and reputational damage, and potential direct intervention from Her Majesty's Inspector of Constabulary (HMIC).	Medium	Medium	20	9	All	The Change Programme coordinates all change activities and manages risk at programme level and review level. There are robust governance arrangements in place for the Change Programme strategies. There is a comprehensive Communications Strategy for the Change Programme. Unison and the Federation are fully engaged in the change management processes. Effectiveness of Dec 2014 Performance Development Conferences has been evaluated and actions have been completed. A revised communications strategy has been developed to improve awareness and engagement, internally and externally. The Constabulary is driving forward the national well-being agenda, following attendance at a conference facilitated by the University of Central Lancashire. The Constabulary has developed a local strategy to support officers

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
								and staff, including notification of access to services.
23	The Deputy Chief Constable and Head of Professional Standards	There may be reduced public confidence in the Constabulary and reduced engagement with frontline police officers and staff due to a perceived (because of current national media focus and government communication) or actual lack of integrity amongst police officers and staff. This would result in significant reputational damage and a potential drop in performance because of less public support.	Medium	Low	9	6	All	<p>Action Plan from HMIC Fear or Favour Police Integrity Inspection 2012 and 2013, including roll out of the integrity Model.</p> <p>Comprehensive policy framework including confidential reporting line and whistleblowing. Regularly reviewed and updated.</p> <p>Training and awareness as a direct result of specific incidents that have happened in the force.</p> <p>Proactive media management of specific cases.</p> <p>Ethical audits – business interests and internet usage.</p> <p>User satisfaction, including treatment by officers and staff, as part of performance framework and processes.</p> <p>Quarterly reports to PCC on all professional standard issues and complaints.</p> <p>PCC audit through dip sampling of complaints cases.</p> <p>HMIC Integrity Inspection 2014 recommendations have been implemented.</p> <p>CoP Code of Ethics has been rolled out and incorporated into individual and organisational performance meetings. Feedback from the HMIC Effectiveness and Legitimacy Inspection in November 2015 said the Constabulary has well embedded the Code of Practice and the</p>

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
								<p>National Decision Model across the organisation.</p> <p>There is a PSD control strategy in place which is reviewed every 6 months.</p> <p>A revised communications strategy has been developed to improve awareness and engagement.</p> <p>Development of transparency arrangements with public.</p>

Risk Tolerance Levels

Risk Score 1-4

Acceptable.
No action is required but continue monitoring.

Risk Score 5-12

Tolerable risks but action is required to avoid a Red status.
Investigate to verify and understand underlying causes and consider ways to mitigate or avoid within a specified time period.

Risk Score 15-25

Unacceptable. Urgent attention is required.
Investigate and take steps to mitigate or avoid within a specified short term.

Changes identified at COG on 22nd February 2016 include:

Risk 24 – It was agreed to remove this risk as the Constabulary has seen a significant increase in the number of reported rape and sexual offences being reported, and is being actively monitored and managed.

Further to the update provided at the last meeting, around concerns associated with the development of the nuclear industry along the west of the county and possible population increase, a community impact assessment is currently being carried out. This risk will be scored and added to the Strategic Risk Register once this work is complete.

1.2 Drivers for Change

Effective risk management is a key component of effective corporate governance. Managing risk will contribute towards delivery of the strategic priorities. There are potential significant consequences from not managing risk effectively.

Robust risk management will help improve decision-making and drive corporate activity that represents value for money.

Effective risk management will help protect the reputation of the Constabulary and the Office of the Police and Crime Commissioner, safeguard against financial loss and minimise service disruption.

1.3 Consultation processes conducted or which needs to be conducted

Individual risk owners have been consulted as part of the standard risk management arrangements. COG reviewed and approved the strategic risk register on 22nd February 2016.

1.4 Impact assessments and implications on services delivered

Not applicable- described in the risk register where appropriate.

1.5 Timescales for decision required

Not applicable to this report.

1.6 Internal or external communications required

None

2. Financial Implications and Comments

Any financial implications are described in the relevant risks outlined within this report.

3. Legal Implications and Comments

Any legal implications are described in the relevant risks outlined within this report.

4. Risk Implications

The Constabulary's risks are described in section one of this report.

5. HR / Equality Implications and Comments

Any HR / Equality implications are described in the relevant risks outlined within this report.

6. ICT Implications and Comments

Any ICT implications are described in the relevant risks outlined within this report.

7. Procurement Implications and Comments

Any procurement implications are described in the relevant risks outlined within this report.

8. Supplementary Information

9.1 List any relevant documents and attach to report

Appendix 1	Risk Scoring Matrix
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9.2 List persons consulted during the preparation of report

- All Departmental Risk Owners.
- Territorial Policing and Crime Command Risk Owners.
- Extended Chief Officer Group.

Risk Scoring Matrix

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

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

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

Agenda Item 21



Cumbria Constabulary

2015 Value for Money Profiles' Analysis

Cumbria Constabulary: 2015 Value for Money Profiles' Analysis

This analysis covers the 2015 Value for Money Profiles published by Her Majesty's Inspector of Constabulary (HMIC) in November 2015. The profiles compare the forces within Cumbria's peer group (Most Similar Group (MSG)) and these are: Lincolnshire, Norfolk and North Wales. The aim of the profiles is to compare performance and the costs of achieving that performance.

The Constabulary has pro-actively utilised the VFM Profiles as one of a number of analyses and tools to identify areas where there may be potential to make cost savings, which are then developed through the Constabulary's Change Programme.

It is also important to recognise that the VFM Profiles in themselves have limitations and that they require more detailed investigation before they can be safely used as basis for decision making. In particular the profiles focus on costs per head of population, which tends to show Cumbria as relatively expensive across all services due to its low resident population – it should be noted that the impact of increased population due to tourism is not taken into account. In addition caution needs to be exercised in ensuring that costs and categorisations give a true comparison on a like for like basis, as forces can - and do - budget in different ways and there may be an element of subjectivity with regard to allocating costs. Where this is a potential cause of discrepancy, this has been highlighted in this analysis.

In 2014, a comprehensive analysis of the profiles was undertaken and presented to Joint Audit and Standards Committee and the Police and Crime Panel. The analysis focused particularly on areas of service where Cumbria was identified as an outlier compared with its peer group - that is, either:

- providing better value for money or,
- performing less well and services are, or appear to be, more expensive based on the criteria used in the profiles

The analysis provided explanation and outcomes for identified service areas, and specified where action was being taken to improve value for money.

The analysis found that services identified as being significantly above the MSG average cost were as a result of one or more of the following:

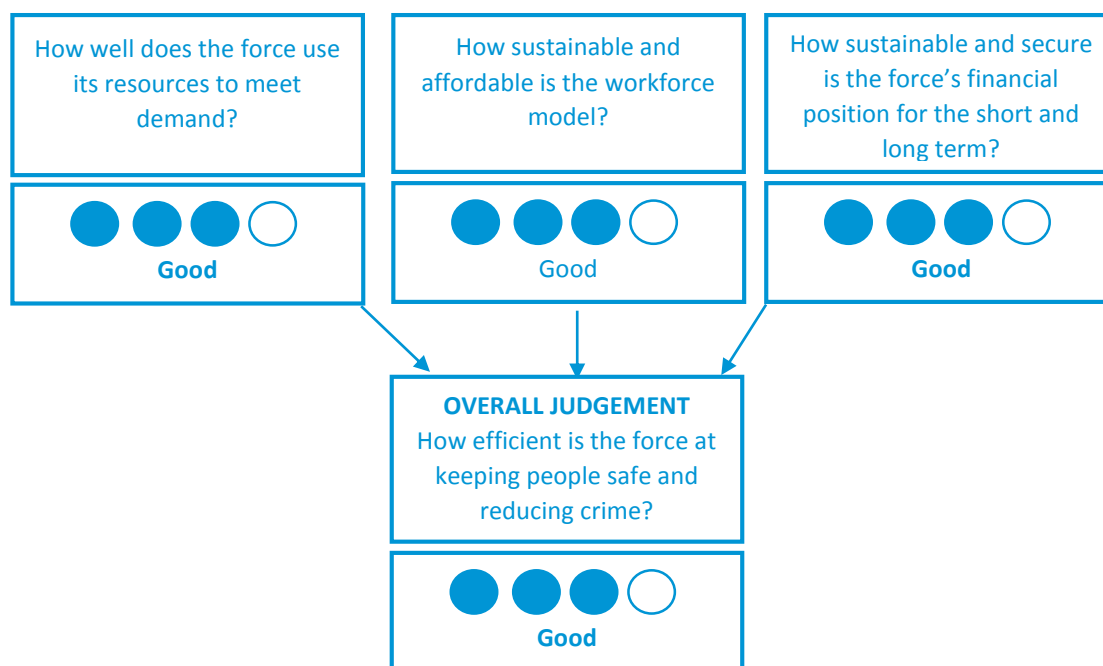
- a strategic decision by the Constabulary to invest in that area in order to deliver either specific performance benefits or provide reassurance through preventative policing strategies
- fixed costs, either operational or business costs, that cannot be changed
- the limited number of cost drivers used to explain differences in service costs in the peer group (that is, only cost per head of population or cost per full time equivalent (FTE) are used in the profiles)

- services that are more expensive and where there is scope to identify further efficiencies and provide better value for money for the taxpayer in Cumbria.

The 2015 profiles show that the areas identified as being significantly above the MSG average cost are the same this year as they have been in previous years and this analysis evidences that the reasons for this are consistent across the period.

HMIC Inspection on Efficiency 2015

It should be noted that HMIC inspects the Constabulary for Value for Money and efficiency every year. The Constabulary has always achieved a **Good** judgement and this is the case for 2015. The Constabulary has been assessed as follows:



General points about the VfM profiles

- Cumbria is a demographic outlier when comparing it to its MSG and this will continue to be the case, regardless of any VfM comparators. Cumbria's geography, topography and socio-economic environment are unique, which is evidenced by the fact that Cumbria only appears in the MSG group of two other forces, only one of which is in Cumbria's MSG. There are fixed costs associated with this regardless of other comparisons.

- Population is the main determinant used in the profiles for assessing value for money – that is, cost per head. This significantly disadvantages Cumbria, which has the lowest population of 42 forces (excluding City of London), is the fourth largest covering 2,613 square miles, is sparsely populated, is classified as 98% rural and is geographically isolated. The additional cost of delivering services in this physical geography is not taken into account.

The sparsity of the population, the rural nature of the county and the isolated geographic location of the county in England, results in higher cost to deliver police services compared to other forces and, limits opportunities for cost effective collaborations with other forces for specialist operational services or private companies to provide services. Cumbria Constabulary requires more people and more equipment to deliver a police service to a small population distributed over a large area. For Cumbria, a conservative estimate determines this to be £14.2 million per annum and equates to a 13% premium. This is in line with estimates of 10% - 20% for provision of public services in rural areas.



- Significant examples of the additional fixed costs incurred, which result from the physical geography of Cumbria (irrespective of how and by whom police services are provided and policy or strategy decisions made by senior management) are as follows:
 - the larger number of officers required to meet the demand, with more officers needed to cover the larger area, regardless of the number of incidents or crimes, because a minimum number is required to deliver a safe 24/7 emergency response service that protects life, within publically acceptable levels and to national standards. Our current plans take us to this level.
 - wide area network (WAN) – the cost of secure ICT connectivity between police estate (security levels are determined by government to manage threat and ensure security)
 - additional mobile masts to ensure radio communications coverage compared to less mountainous areas (Cumbria requires 99 masts to cover its geography, compared to Warwickshire's 66 masts – also a large rural county with the closest population and

crime levels to Cumbria)

- significant cost driver for fleet and associated transport costs and in providing operating bases to ensure that effective patrol strategies can be delivered
- fixed costs for specialist operational resources and commanding ranks required to meet statutory obligations for PACE reviews, mutual aid and the Strategic Policing Requirement, which affect Cumbria disproportionately due to its small size (note that Cumbria operates with 21% fewer commanding ranks compared to its MSG)
- No account is taken of additional demand placed on the police resulting from increased population from tourism in Cumbria. The official Cumbria Tourist Board statistics show that 41.5 million people visited the county during 2014/15.

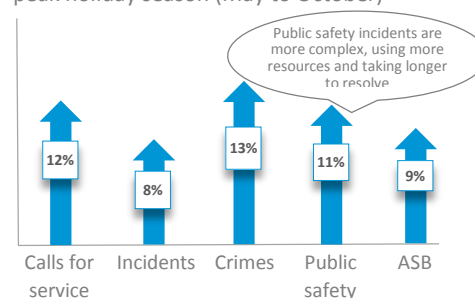
The graphs show the average impact on Cumbria Constabulary of peak holiday season and dealing with non-residents for the 12 month period to end August 2015.

Using official statistics from ONS' Tourism Atlas of England and Wales and based on the number of overnight stays, the resident population of Cumbria increases by an average of 32,970 daily or 6.21%.

Impact of tourism on police in Cumbria

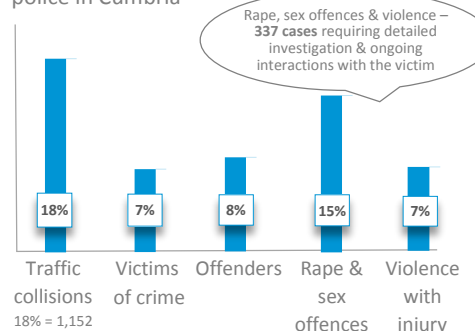
Graph 1:

Increase in average weekly demand during peak holiday season (May to October)



Graph 2:

Percentage of non-residents dealt with by police in Cumbria



Analysis of outliers

The areas that have been analysed for 2015 are those categories of spend where Cumbria is considered an outlier compared to its MSG. An outlier is defined as being in the top or bottom 10% and where the effect of the difference is greater than £1 per head of population.

These are described in the table overleaf.

VfM Category	Cumbria Data	MSG Data	Context and/or Explanation	Recommended action
NON STAFF COSTS				
NRE Non staff costs Comparison is on per head population (php) of Net Revenue Expenditure	£29.4m/28% budget £59 php	Norfolk £42.8m/27% £49 php *Lincs £42.8m/39% £59 php *N Wales £38.2m/26% £55 php *Also outliers in their own MSGs. Note that Lincs has outsourced its operational support and business support functions	This is an outlier due to capital financing costs of £4.9m, including a revenue contribution to capital of £3.8m. The Constabulary has committed to spending significant capital to drive innovation to modernise policing in the county, especially:- -investment in technology reducing the cost base through leading-edge mobile working and digitisation of processes so that maintain frontline service can be maintained with significantly fewer, more visible and more productive officers, deployed over a huge geography - investment in estate to reduce operating costs and provide fit for purpose police stations and custody suites that meet nationally mandated standards Cumbria has the lowest actual spend on non-staff costs in its MSG.	None
Non staff costs as a percentage of force workforce costs (wfc): Restructure training and conference	£2.2m 2.8% of wfc	Norfolk £0.6m/0.5% Lincs £0 N Wales £0.7m/0.7%	Cumbria is ranked first – that is most expensive - in the country at 2.8% of workforce costs. The next most expensive force (not named) is at 1.1%. Cumbria includes its management of change budget as part of restructure costs and it is possible and likely that other forces account for this in a different way – therefore comparisons are not like for like. Removing the management of change element (value £1.9m) leaves £0.3m for training and conference, or 0.5% of workforce costs - lower than the 0.6% national average and significantly lower than the MSG average of 1%.	None
ROADS POLICING				
NRE by function: Roads Policing	£3.8m £7.7php	Norfolk £3.3m/£3.7php Lincs £0.3m/£0.4php N Wales £4.1m/£5.9php Note: only Lincs is an outlier in its group –they are part of the East Midland collaboration with Leics Northants and Notts	Note that the comparison is not like for like. Cumbria Roads Policing includes the Armed Response Vehicle, because officers are double hatted and multi-skilled. Other forces have these as separate units and firearms are categorised as Operational Support. For Cumbria, Operational Support Unit Firearms is the cheapest in the country and is an outlier. When combining roads and firearms, Cumbria is 21% lower cost compared to the MSG average and 45% lower cost compared to the national average:	Roads Policing will form part of discussion for collaborative activity, but the geography and position of the county will provide some challenge in effectively driving

VfM Category	Cumbria Data	MSG Data	Context and/or Explanation				Recommended action	
NRE by function: Roads Policing -Use of resources	75 FTE officers 23 FTE staff	Norfolk	92 officers 23 staff		Roads and Firearms £m	MSG average cost £m	National average cost £m	out further cost to a significant degree. CSR identified firearms capability as an area of growth over the four year period as part of national security arrangements.
		Lincs	5 officers 16 staff	Cumbria	4.1	5.2	7.4	
				Norfolk	6.9			
				Lincs	3.2			
		N Wales	70 officers 18 staff	N Wales	6.6			
				Cumbria has the lowest central operations support command team and support overheads in its group. Roads Policing has been reviewed and significant cost has been removed.				
SUPPORT FUNCTIONS								
NRE by function: Support functions	£24.5m £49.3php	Norfolk	£35.1m/£40php	The areas that make Cumbria more expensive per head of population are ICT and Fleet costs, where the force is an outlier. Note that Lincolnshire has outsourced its business support functions and operational support functions. It should be noted that Cumbria costs are less than any other force in its MSG for support functions and back office functions have already reduced by 39% since 2010.				A further review of business support, plus decisions on our ICT strategy and collaborative options, is scheduled for 2016/17 as part of the Change Programme
		Lincs	£24.8m/£33.8php					
NRE by function: Support functions- Use of resources	48 FTE officers 223 FTE staff	N Wales	£34m/£49php					
		Norfolk	43 officers 344 staff					
		Lincs	26 officers 92 staff					
		N Wales	48 officers 311 staff					
ICT and FLEET								
NRE by function: Support functions: ICT	£8.3m £16.6php Cost per FTE £4,531	Norfolk	£8m/£9.1php Cost per FTE £2,875	The fixed costs have already been noted in this report, as has the decision to invest in ICT to reduce annual operating costs through modernisation. Nevertheless, the Constabulary is scheduled to review this area of the business and annual requirements to zero-based budget, together with financial challenge, are driving down costs in this area. Cumbria is on a par with overall expenditure per MSG but as expected is higher when compared to cost per FTE because Cumbria has fewer staff. However, productivity is a key factor which is not measured by VfM profiles.				As previous point plus, work is ongoing with the University of Cumbria to determine productivity measures
		Lincs	£7.4m/£10.1php Cost per FTE £4,937					
		N Wales	£8.9m/£12.8php Cost per FTE £3,432					

VfM Category	Cumbria Data	MSG Data	Context and/or Explanation	Recommended action
NRE by function: Support functions: Fleet	£2.6m £5.3php	Norfolk £3.7/£4.2php Lincs £2.1m/£2.9php N Wales £3.8m/£5.4php	The additional costs of fleet have already been documented as part of this report. In addition, the LSE with HMIC has undertaken some work about factors that provide challenges for policing. Early data identifies that Cumbria's average travel times are 70% more than the national average.	Fleet Services has a significant 4 year reduction target as part of the budgeting process
DEMAND				
Demand: Emergency Incidents: Changes to antisocial behaviour incidents (last 12 months)	-13%	Norfolk -7% Lincs -9% N Wales -8%	Cumbria has the fourth largest reduction in ASB incidents that are categorised as emergency incidents. The Constabulary has well-established problem solving, engagement and and neighbourhood activities, that are continuing under the new structure, plus much work has been done on accurate crime recording which is likely to have played a part in changing how incidents are categorised. A piece of research and analysis is being undertaken to identify all the reasons so that all best practice can be promulgated across the force.	None – work in progress as outlined

There were no performance outliers in the profiles.