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Our reference: DM

Date: 22 April 2016

## **AGENDA**

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

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

A Meeting of the Joint Audit & Standards Committee will take place on **Tuesday 3<sup>rd</sup> May 2016** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **10:15am**.

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

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

Please note – there will be a private meeting with Internal Audit at 9.30am

### **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 9 March 2016 (copy enclosed)

**5. ACTION SHEET**

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

**6. CORPORATE UPDATE**

**7. EXTERNAL AUDIT FEES**

To receive from the external auditors the proposal in respect of audit fees. (GT)

- i. OPCC
- ii. Constabulary

**8. OPCC 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. *(To be presented by the Governance & Business Services Manager)*

**9. OPCC 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. *(To be presented by the Governance & Business Services Manager)*

- 10. ETHICS AND INTEGRITY GOVERNANCE**  
To receive an annual report from the chair of the Ethics and Integrity Panel. *(To be presented by the Governance & Business Services Manager)*
- 11. INTERNAL AUDIT –ANNUAL REPORT**  
To receive the Head of Internal Audit’s Annual Report including the Annual Audit Opinion
- 12. EFFECTIVENESS OF INTERNAL AUDIT**  
To receive a report from the PCC Chief Finance Officer in respect of the effectiveness of internal audit *(To be presented by the PCC Chief Finance Officer)*
- 13. 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 *(To be presented by the Chair of JASC)*
- 14. TREASURY MANAGEMENT ANNUAL REPORT/ACTIVITIES**  
To receive for information the treasury management annual report and an update on Treasury Management Activity for Jan – Mar *(To be presented by the Deputy Chief Finance Officer)*
- 15. ANNUAL GOVERNANCE STATEMENT (OPCC)**
  - (i) 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 *(To be presented by the Audit Manager)*
  - (ii) Effectiveness of Governance Arrangements**  
To receive a report from the PCCCFO/PCC Chief Executive on the effectiveness of the PCC’s arrangements for Governance *(To be presented by the PCC Chief Finance Officer)*
  - (iii) Code of Corporate Governance**  
To consider the PCC Code of Corporate Governance *(To be presented by the PCC Chief Finance Officer)*
  - (iv) Annual Governance Statement**  
To consider the PCC Annual Governance Statement for the financial year and to the date of this meeting *(To be presented by the PCC Chief Finance Officer)*

**16. ANNUAL GOVERNANCE STATEMENT (Constabulary)**

- (i) **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  
*(To be presented by the Audit Manager)*
- (ii) **Effectiveness of Governance Arrangements**  
To receive a report from the CCCFO on the effectiveness of the CC's arrangements for Governance *(To be presented by the Chief Constable's Chief Finance Officer)*
- (iii) **Code of Corporate Governance**  
To consider the CC Code of Corporate Governance *(To be presented by the Chief Constable's Chief Finance Officer)*
- (iv) **Annual Governance Statement**  
To consider the CC Annual Governance Statement for the financial year and to the date of this meeting *(To be presented by the Chief Constable's Chief Finance Officer)*

**17. INTERNAL AUDIT REPORTS**

- (i) Code of Ethics
- (ii) Follow up on Property Handling
- (iii) Main Financial Systems: Police Pensions
- (iv) Main Financial Systems: Creditors
- (v) Surrendered and Seized Firearms

**18. JOINT AUDIT PLAN UPDATE FOR THE POLICE AND CRIME COMMISSIONER FOR CUMBRIA AND THE CHIEF CONSTABLE FOR CUMBRIA CONSTABULARY**

To receive from the external auditors an update report on progress on the 2015/16 interim audit and the results of their initial risk assessment for the value for money conclusion. *(To be presented by Grant Thornton)*



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

**JOINT AUDIT & STANDARDS COMMITTEE**

Minutes of a Meeting of the Joint Audit & Standards Committee held on Wednesday 9<sup>th</sup> March 2016 in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 10.00 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)  
Engagement Manager, Grant Thornton (Richard McGahon)  
Deputy Chief Constable (Michelle Skeer)  
Commissioner's Chief Finance Officer (Ruth Hunter)  
Deputy Chief Finance Officer (Michelle Bellis)  
Constabulary Chief Finance Officer (Roger Marshall)  
Financial Services Assistant –Systems (Dawn Cowperthwaite)  
Financial Services Assistant – Income and Controls (Dawn Masters)  
Governance & Business Services Manager (Joanne Head)

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

**215. APOLOGIES FOR ABSENCE**

Apologies for absence were received from the Grant Thornton Engagement Lead (Fiona Blatcher).

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

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

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

Item No	Item	Paragraph No
6	Corporate Update	7



## **217. DISCLOSURE OF PERSONAL INTERESTS**

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

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

The minutes of the meeting held on Thursday 4<sup>th</sup> February 2016 had been circulated with the agenda. One of the members commented on requiring further clarification surrounding late tenders and this was agreed. 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 Thursday 4<sup>th</sup> February 2016 be approved.

## **219. ACTION SHEET**

The action sheet of the meeting held on Thursday 4<sup>th</sup> February 2016 had been circulated with the agenda. The following comments were made.

The Chair noted that all actions had been cleared and that the next action sheet would only contain issues that came out of today's meeting.

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

## **220. CORPORATE UPDATE**

The Deputy Chief Constable (DCC) gave a brief update on operational issues affecting the Constabulary in the previous quarter. They also advised that two convictions for murder and one for manslaughter had been secured in the Jordan Watson case as well as a guilty verdict on the murder in Cockermouth.

## **221. HMIC UPDATE REPORT**

The DCC provided an update on how the Constabulary was addressing HMIC inspection recommendations and introduced an ongoing piece of work which aimed to make the whole process as simple and streamlined as possible.

The Chair commented that they were happy with the approach from a governance perspective in terms of the level of oversight and how HMIC reports were being dealt with and would like to revisit this every six months. The DCC agreed that this was a suitable timeframe.



The Chair commented that the HMIC Inspection of PEEL – Vulnerability in the report mentioned five recommendations but that the action status showed two complete and one started. The Deputy Chief Constable confirmed that it should read as two complete and three started.

The Chair asked if red risks got escalated onto the operational risk register. The Deputy Chief Constable confirmed that if any risks were red yes they would be escalated.

The Chair commented that they were always concerned when an inspection methodology drove the corporate plan, as it should not be this way round, although they acknowledged that they could see why this had been done and they were pleased to see it on this occasion. The DCC commented that these were areas that were being worked on already and that they had amended in order to make them easier for staff and officers to understand and follow, this also had the effect of making evidence easier to collect for HMIC.

## **222. ANNUAL WORK PROGRAMME: ASSURANCE FORMAT**

The Commissioner's Chief Finance Officer (CFO) introduced the Annual Work Programme for the committee and asked if there were any comments the members would like to make.

The Chair commented that the members would like a little more input into the Annual Report of the Audit and Standards Committee presented on the 3<sup>rd</sup> May 2016 to ensure that the committee's views were adequately reflected. The Deputy CFO advised that they were currently working on the draft report and once they had completed the draft they could circulate the report to members for comment. The Chair agreed this plan.

## **223. EXTERNAL AUDIT PLAN**

The Engagement Manager introduced the Joint Audit Plan for the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary and drew attention to a number of items within it.

- Earlier closedown – the auditors were anticipating the accounts for 2015/16 would be signed off before the deadline of 31<sup>st</sup> July. This would mean achieving the earlier deadline two years ahead of the public sector deadline
- PCC elections – it was noted that the OPCC was on track with regards to the transition
- Significant risks – the report summarised potential significant risks identified for the year

The report also included the audit fees for the year 2015/16.



## 224. JOINT AUDIT AND STANDARDS COMMITTEE UPDATE

The Engagement Manager presented an update report in respect of progress on the external audit plan and drew attention to a number of items within it, highlighting that officers had been asked to provide comments throughout the report in order to provide a more rounded picture.

A member commented that the report published by HMIC recommended a fundamental review of local partnership arrangements to assess whether they were fit for purpose should be undertaken within six months of the Criminal Justice Board establishing an operating framework. The member asked if that review had taken place and also commented that the report indicates that the Commissioner should be actively involved in that. The Engagement Manger confirmed that a comment had been received from the Commissioner but that comments from the Chief Constable and Commissioner had been combined into one. In terms of the fundamental review the Engagement Manger believed that certain key areas had been looked at.

The member asked for assurance that the current local partnership arrangements were fit for purpose. The Chief Constables Chief Finance Officer (CFO) commented that there was recognition that there were some issues and that lessons were to be learnt and an action plan had been formulated to address this going forward.

The Chair commented that this specific HMIC report had not been on the earlier list presented in the HMIC update report. The DCC confirmed this and commented that they had not been involved in this evaluation as the Commissioner chaired the meetings but that she would take it back and review. The Chair asked if the Engagement Manager was going to take this forward as part of their audit. The Engagement manager confirmed that they may do following discussions with the Commissioner's Chief Executive and the Constabulary CFO.

The Commissioner's CFO commented that it was the governance that the committee needed to be assured about in terms of actioning the HMIC recommendations. The Chair noted that there should have been a review within six months and that their concerns were around if this review had taken place.

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

## 225. TREASURY MANAGEMENT

The Deputy Chief Finance Officer (DCFO) presented the Treasury Management Strategy statement for approval. The Strategy was consistent with how it has been presented in previous years. They advised that the interest rates in the report were different as Arlingclose had since reviewed their forward forecasts and the figures within the Strategy were based on a point in time. Interest rates were currently at a low level and had been since March 2009, the strategy forecasts gradual increases in the base rate but Arlingclose were now forecasting lower interest rates for longer period of time, probably into 2018. When the strategy is



reviewed next year this would be taken into account. The strategy includes a borrowing and investment strategy, there were currently no plans to borrow in the short term although the Commissioner does have an underlying need to borrow as measured by Capital Financing Requirement. Also included were detailed Treasury Management Practices. The Deputy CFO commented that she was happy to take any questions.

The Chair commented that it was really useful to have the presentation from Arlingclose prior to the meeting to put the report into context.

A member commented that the report was brilliant but asked for clarification in relation to the Capital Financing table on Government grants. The grant seemingly increased from 2016 onwards and they asked for clarification on why this was. The Deputy CFO confirmed that this was not the receipt of grants but the application of capital grants to fund the organisations capital expenditure. The member asked if this was something to do with the flood funding Capital expenditure. The Commissioner's CFO confirmed that it was not specifically related to this and commented that they had restructured the priority given to using different types of resource in order to position themselves as effectively as possible in preparation for potential funding losses from formula grant in 2017/18.

Another member commented that they were very pleased with the report which explained the technical issue involved thoroughly.

Another member commented on the sequence as the Commissioner had already approved the strategy before it came to the committee. The Deputy CFO commented that the strategy was the overarching principle of what they are going to do and that it was delegated to the Commissioner's CFO so that if the organisation had concerns about a particular bank, for example, it could be delegated to the Commissioner's CFO to amend the strategy, it is only if the committee felt that there was something fundamentally wrong with the strategy that it would need to be taken back to the Commissioner.

The Chair praised the report but raised concerns that the strategy did not fully reflect the range of data used by Arlingclose when making recommendations to clients as they advised during an earlier seminar that they take into account a number of factors when advising clients. The Commissioner's CFO advised that this was a very fluid environment and that the main reason for using advisors was that there were so many different considerations to take into account. The Chair accepted this point but felt that it could be made more explicit within the report. The Deputy CFO advised that the Strategy for 2017/18 would be amended to reflect that the Counterparty Selection Criteria was used as a framework and that end decisions were made using a range of economic data.

The Chair confirmed that the committee were content with the strategy subject to the discussed amendment to recognise the wider counterparty selection criteria.



## **226. TREASURY MANAGEMENT ACTIVITIES 2015/16 QUARTER 3 (OCTOBER TO DECEMBER 2015)**

The Deputy Chief Finance Officer presented the Treasury Management Activities 2015/16 Quarter 3 report and said that she was happy to take questions.

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

The Chair advised that the items on internal audit would be taken in a different order to that which was in the agenda.

## **227. 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 31 January 2016. The key points of the report are given below:

- 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 CFO / 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 was on schedule. The percentage of planned days delivered (based on a reduction of 15 days in the 2015/16 plan) was 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.

A member asked if a reminder from the committee may help regarding the feedback forms on audits which had not been received. The Audit Manager confirmed that one of these had now been received and the Deputy CFO confirmed that a reminder was sent on the 2<sup>nd</sup> March 2016. The DCC confirmed that she would get an update from ICT.



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

## **228. INTERNAL AUDIT REPORTS**

During the last quarter audit reports on Safeguarding IT Assets, Data Protections and FOI Requests were completed and circulated to the members. Audit reports on PCC Complaints Handling, PCC FOI & DP and Complaints have been reviewed by committee members and copies will be available to view on the OPCC website.

A member asked a question on the Safeguarding IT Assets audit regarding recording of new IT assets. The member asked for confirmation that a mechanism been put in place to ensure that all newly purchased equipment has been added to the database? The Constabulary CFO confirmed that this was still showing as red on the audit recommendations report but that this would be taken up and an adequate mechanism for recording assets would be put in place, they agreed to provide further feed-back at the next meeting.

The Chair commented that the date to be implemented of the responsibility for identifying and incorporating emerging legislation was shown as TBC. The Audit manager confirmed that they had used TBC as a holding place as the DCI responsible for implementing this had not at the closedown meeting and they had not received a response from the DCI regarding a specific date.

A member queried the Data Protection and FOI Request audit as it mentioned that there had been no supervision of staff over a number of years which caused concern. Another member clarified that the issue was around the appraisal of staff performance and if this was an isolated problem.

The DCC advised that the previous PDR system had been stopped two years ago as it had not been fit for purpose and that a new PDR system, which the College of Policing has completely revised with a larger focus on continued professional development, would be put in place in the near future. They further confirmed that in the meantime, 5 weekly performance reviews had been undertaken for police officers.

The Chair confirmed that they were concerned that annual appraisals have not been taking place according to the report and asked how could it happen that nobody noticed that this had not happened. The DCC confirmed that it was not the case that no one had noticed but that a whole new system was being brought in. The Chair asked if this applied across the organisation. The DCC confirmed that it does and undertook to look at the specific case highlighted within the audit report in order to get to the bottom of the problem.

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

## **229. PROPOSED INTERNAL AUDIT PLAN/INTERNAL AUDIT CHARTER**

The Audit Manager presented the proposed internal audit plan which had been prepared in consultation with senior management and in conformance with the Public Sector Internal Audit Standards (PSIAS).

The Chair confirmed that the committee was content with the plan.

## **230. JASC QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

The Audit Manager presented the JASC quality assurance and improvement programme (QAIP) which was designed to provide assurance that the work of internal audit was undertaken in conformance with the Public Sector Internal Audit Standards.

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

A member commented that under standards the external assessment needed to take place at least every five years and asked if arrangement were in place. The Audit Manager confirmed that the intention was to have the assessment undertaken next year. The Commissioner's CFO confirmed that they have had discussions regarding the choice surrounding who will undertake the assessment.

At 12.05pm the Governance & Business Services Manager entered the meeting.

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

The Constabulary CFO presented the Monitoring Key Audit Recommendations report. A number of audit recommendations had been brought forward from the previous meeting but the majority of those recommendations have now been implemented.

A member requested an update at the next meeting on items with a red status.

The Chair commented that they were pleased to note that the non-matched invoices recommendation has now been completed.

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

### **232. OPCC RISK MANAGEMENT STRATEGY**

The Governance & Business Services Manager presented an update on the OPCC's annual review of the risk management strategy.

The Chair expressed her thanks to the committee lead member for risk management for his contribution to this.

The Chair commented that the committee was to review and provide comment on the final version of this strategy to be approved by the Commissioner. The Governance & Business Services Manager confirmed that the committee would see the strategy first before going to the Commissioner.

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

### **233. OPCC RISK MANAGEMENT MONITORING**

The Governance & Business Services Manager presented an update on the OPCC Risk Management Monitoring report.

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

### **234. CONSTABULARY QUARTERLEY RISK MANAGEMENT UPDATE**

The DCC presented the Constabulary Quarterly Risk Management Update advising that risk 24 had been removed, this risk was around rape and sexual offences on the back of the Saville effect and the concern that this was going to have a knock on impact in terms of reputational issues for the constabulary. There had been an increase in rape and sexual offences but this has been managed.

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

### **235. CONSTABULARY VFM PROFILES**

The DCC presented a report on the 2015 Value for Money Profiles Analysis. At times Cumbria can be seen as expensive as most analysis is done on a costs per population basis. There are certain areas that Cumbria have to spend a lot more on due to the size of the county and the geography of the area. The Value for Money Profile is reviewed regularly.

A member asked about the Most Similar Group (MSG) and which constabularies were similar to Cumbria? The DCC confirmed that these were Norfolk, Lincolnshire and North Wales.



A member commented that it was a good analysis and that it was all too easy to fall back on 'Cumbria is different'. Clarification was requested on whether the MSG's overlapped, is North Wales in another MSG? The Commissioner's CFO confirmed that they are all different, North Wales will have a different MSG to Cumbria. The DCC confirmed that the MSG's are assigned, they cannot be chosen.

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

**Meeting ended at 12.25 pm**

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

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

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# Joint Audit & Standards Committee – Action Sheet

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
<b>DATE OF MEETING: 9<sup>th</sup> March 2016</b>					
218	Item 4 – Minutes of Meeting and Matters Arising Members asked for further clarification surrounding late tenders. Roger Marshall to liaise with Les Hopcroft. Les Hopcroft to redraft and circulate by email clarification to all members.	Les Hopcroft / Roger Marshall	May 2016		
222	Item 8 – Annual Work Programme Members would like more input in the Annual Report of the Audit and Standards Committee. Michelle Bellis to circulate copy to all members.	Michelle Bellis	Beginning of April 2016	A copy of the draft report was circulated to members for comment on Friday 18 March with a return date of Friday 8 April. The finalised report will be presented to the 3 May meeting of JASC.	Complete
224	Item 10 – Joint Audit and Standards Committee update Michelle Skeer to look into why the HMIC report on Local Criminal Justice Partnerships is not on the HMIC inspection list	Michelle Skeer	September 2016		
224	Item 10 – Joint Audit and Standards Committee update Richard McGahon to liaise with Stuart Edwards and Roger Marshall regarding the HMIC report on Local Criminal Justice Partnerships and if this is going to be taken forward in their audit	Richard McGahon	September 2016		
225	Item 11 – Treasury Management Strategy Statement 2016/17 and Prudential Indicators 2016/17 to 2018/19 The members asked that the strategy for 2017/18 be amended to be made more explicit in terms of the Counterparty Selection Criteria not being the only consideration	Michelle Bellis	March 2017	On further consideration of the action raised and having reviewed the suite of TMSS documents we think that this action is already covered in a number of places. MB emailed members 21 March with some suggested strengthening to the wording for the 2017/18 TMSS.	Complete
227	Item 15 – Internal audit – progress report Michelle Skeer to get update from ICT on return of the audit feedback forms	Michelle Skeer	May 2016		
228	Item 16 – Internal Audit Report	Michelle Skeer	May 2016		

	Michelle Skeer to feed back to the committee regarding the appraisal of the member of staff in PSD				
231	Item 17 – Monitoring of Audit, Internal Audit and other recommendations and action plans Roger Marshall to provide an update at the next meeting on items with a red status.	Roger Marshall	July 2016		



Mr Richard Rhodes  
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7 April 2016

Dear Mr Rhodes

### **Planned audit fee for 2016/17**

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

### **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for police audited bodies for 2016/17. PSAA have proposed that 2016/17 scale audit fees are set at the same level as the scale fees applicable for 2015/16.

The Police and Crime Commissioner's (PCC) scale fee for 2016/17 has been set by PSAA at £30,338. The scale fee for the Chief Constable's office (CC) is £15,000. The total fee for the audit of the Police and Crime Commissioner's (PCC) group financial statements, including the statements of the Chief Constable, is £45,338.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

#### **Chartered Accountants**

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### Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

### Value for Money conclusion

The Code requires us to consider whether the PCC has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

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 has 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.*

### Billing schedule

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2016	7,585
December 2016	7,584
March 2017	7,584
June 2017	7,585
<b>Total</b>	<b>30,338</b>

### Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2016 to March 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VfM conclusion and work on the whole of government accounts return will be completed by the end of August 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2016 to March 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the PCC's accounts and VfM.
Final accounts audit	June to August 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to August 2017	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	August 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2017	Annual audit letter to the PCC	The letter will summarise the findings of all aspects of our work.

### Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Fiona Blatcher	0161 234 6393 / 07880 456196	<a href="mailto:Fiona.C.Blatcher@uk.gt.com">Fiona.C.Blatcher@uk.gt.com</a>
Engagement Manager	Richard McGahon	0141 223 0889 / 07880 456156	<a href="mailto:Richard.A.McGahon@uk.gt.com">Richard.A.McGahon@uk.gt.com</a>
In Charge Auditor	Richard Robinson	0141 223 0888	<a href="mailto:Richard.Robinson@uk.gt.com">Richard.Robinson@uk.gt.com</a>

**Additional work**

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

**Quality assurance**

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Fiona Blatcher', written in a cursive style.

Fiona Blatcher

For Grant Thornton UK LLP

cc Ms Ruth Hunter, Commissioner's Chief Finance Officer/Deputy Chief Executive, The Cumbria Office of the Police and Crime Commissioner



Mr Jerry Graham  
 Chief Constable  
 The Chief Constable for Cumbria Constabulary  
 Carleton Hall  
 PENRITH  
 Cumbria  
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 4 Hardman Square  
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7 April 2016

Dear Mr Graham

### **Planned audit fee for 2016/17**

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

### **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for police audited bodies for 2016/17. PSAA have proposed that 2016/17 scale audit fees are set at the same level as the scale fees applicable for 2015/16.

The Chief Constable's (CC) scale fee for 2016/17 has been set by PSAA at £15,000. The scale fee for the Police and Crime Commissioner (PCC) is £30,338. The total fee for the audit of the Police and Crime Commissioner's (PCC) group financial statements, including the statements of the Chief Constable, is £45,338.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

#### **Chartered Accountants**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales No OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.  
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### Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

### Value for Money conclusion

The Code requires us to consider whether the CC has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

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 Chief Constable has 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.*

### Billing schedule

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2016	3,750
December 2016	3,750
March 2017	3,750
June 2017	3,750
<b>Total</b>	<b>15,000</b>

### Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2016 to March 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VfM conclusion and work on the whole of government accounts return will be completed by the end of August 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2016 to March 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the CC's accounts and VfM.
Final accounts audit	June to August 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to August 2017	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	August 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2017	Annual audit letter to the PCC	The letter will summarise the findings of all aspects of our work.

### Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
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Engagement Manager	Richard McGahon	0141 223 0889 / 07880 456156	<a href="mailto:Richard.A.McGahon@uk.gt.com">Richard.A.McGahon@uk.gt.com</a>
In Charge Auditor	Richard Robinson	0141 223 0888	<a href="mailto:Richard.Robinson@uk.gt.com">Richard.Robinson@uk.gt.com</a>

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Yours sincerely

A handwritten signature in black ink, appearing to read 'Fiona Blatcher', written in a cursive style.

Fiona Blatcher

For Grant Thornton UK LLP

cc Mr Roger Marshall, Chief Constable's Chief Finance Officer, Cumbria Constabulary



## Cumbria Office of the Police and Crime Commissioner

Joint Audit & Standards Committee  
3 May 2016  
Agenda Item No 08

### Effectiveness of OPCC Risk Management Activity Monitoring

Report of the Chief Executive

#### 1. Introduction and Background

1.1 The Police and Crime Commissioner has a statutory responsibility to provide policing services for Cumbria. This takes place in a constantly changing and challenging environment and therefore the Office of the Police and Crime Commissioner (OPCC) must ensure that it has robust systems and processes in place to identify, monitor and react appropriately to risk.

#### 2. Effectiveness of Arrangements for Risk Management

2.1 In order to ensure that the OPCC's arrangements for Risk Management are effective a number of areas of business are monitored to ensure compliance and identify any risks to the organisation.

##### Risk Management Strategy

2.2 In 2015 the Governance Manager undertook an annual review of the Risk Management Strategy. The strategy outlined the OPCC's approach to risk management and was updated to reflect changes to the way in which the OPCC identified and reviewed strategic and operational risks. Assistance was provided by the Joint Audit and Standards Committee (JASC) lead for Risk, Mr Jack Jones, on various elements within the strategy including risk appetite. JASC were provided with a draft copy of the strategy to review and did not provide any further recommendations.

2.3 Following the review and update the revised Risk Management Strategy was presented to the Police and Crime Commissioner on 1 April 2015 at his public Executive Board Meeting. The strategy was approved and implemented immediately. The strategy has contributed to the overall governance arrangements which are in place for the Office of the Police and Crime Commissioner (OPCC). It has allowed strategic and operational risks to be identified and provided guidance to enable staff to deal with these appropriately and effectively. Being a dynamic document it assists the consideration of risk to permeate throughout the OPCC's business when making decisions.

2.4 During 2015-16 and in response to training on risk management, a number of areas of risk management set out within the strategy were further developed. Of significance, the OPCC senior management team reviewed the existing arrangements for scoring risks and developed a new methodology. Changes were also made to how information is recorded and reported on risks. These developments were

incorporated into the Risk Management Strategy for 2016-17 that was subject to review by the Joint Audit and Standards Committee in March 2016 prior to approval by the Commissioner in April 2016 at his Executive Board.

## Risk Monitoring

2.5 During 2015-16, with input from the Chartered Institute of Public Finance and Accountancy, the risk registers for the OPCC have been fundamentally reviewed with the objective of supporting more dynamic risk management processes. This has resulted in a reduction in the number of strategic risks and a more focused operational risk register with a mechanism for moving risks between the two. Assurance from the Joint Audit and Standards Committee has been enhanced through the reporting of both strategic risks in full supported by the high level register for operational risks. This provides the Committee with oversight that all expected risks are captured and being appropriately scored and monitored.

2.6 Within the reporting period on a quarterly basis JASC were presented with the updated strategic risk registers to enable them to have oversight in line with their terms of reference. The Committee has not identified any areas of concern in relation to the identified risks or the actions in place to deal with them.

2.7 During 2015-16 the Commissioner made 47 decisions based on information provided including any areas of risks which need to be considered. The Executive Support Officer when receiving and logging decision forms ensures that this section of the form is completed to enable the Commissioner to make an informed decision. No forms have been received where this section has not been completed.

2.8 Project risks have been monitored on a cyclical basis during 2015-16 in respect of specific OPCC projects. During the year project risk registers recorded risks and mitigating actions for The Bridgeway project and transition for the new Police and Crime Commissioner. The Bridgeway project was completed and transitioned to business as usual in December 2015, following which the project risk register for this project was archived in February 2016.

## Oversight of Constabulary Strategic Risks

2.9 The Governance Manager in addition to monitoring OPCC risks also carries out monitoring of Cumbria Constabulary's strategic risks. This has taken place on a quarterly basis during 2015-16 whereby the Governance Manager met with the Constabulary's Director of Corporate Improvement who has responsibility for the Constabulary's Strategic Risk Management. The meetings provide an opportunity to identify risks which impacted upon both organisations. During 2015-16 there was one risk identified which impacted upon both organisations this being current and future funding. The Governance Manager gained assurance that the Constabulary had correctly identified the risk and had appropriate mitigations in place to deal with and monitor the risk and no areas of concern were identified.

## Risk Training

2.10 In 2015 to enable staff to be confident in identifying and dealing with risk the OPCC provided risk management training to all staff by a CIPFA approved trainer. This training has been utilised by staff throughout 2015-16 when considering and dealing with both strategic and operational risks. An additional session was held in May 2015 for members of the Executive Team to assist them in the formulation of a new strategic risk register and providing additional support and guidance and assisting in the development of the OPCC's risk appetite. The Governance Manager, as OPCC lead officer for risk management, also attended this

training. On a six monthly basis the Governance Manager discussed risk management with staff at team meetings to assist with development and understanding. No areas of concern have been raised or identified at these times.

## Joint Audit and Standards Committee

2.11 During 2015-16 the Governance Manager presented the OPCC's strategic risk register to the Joint Audit and Standards Committee on four separate occasions. This afforded the OPCC the benefit of the committee testing the validity of the recorded risks and mitigations; reviewing the current arrangements and ensuring the integration of risk management into governance and decision making processes. No areas of concern or issues were identified by the committee.

## Lead Officer

2.12 The Governance Manager is the OPCC lead officer for risk and carried out this role throughout 2015-16. In order to maintain skills and knowledge they attended training provided to the OPCC in March and May 2015. On a quarterly basis they have ensured that the OPCC's strategic and operational risk registers were updated by those members of staff who have responsibility for individual risks. No areas of concern or issues have been identified by the Governance Manager during 2015-16.

## 3. Internal Audit

3.1 As part of the annual audit programme for 2015-16 Internal Audit carried out reviews over a number of areas of business within the OPCC and Cumbria Constabulary. Each review evaluated any exposures to risks relating to the organisation through its governance, operation and information systems. Audit reviews undertaken during 2015-16 did not identify any new or unidentified risks to the OPCC.

## 4. Conclusions

4.1 From the monitoring which has taken place during 2015-16 by the Office of the Police and Crime Commissioner, no unidentified risks have been identified or occurred. When taking this into consideration assurance can be gained that the strategy, policy, systems and processes in place are working effectively.

## 5. Recommendations

Members of the Joint Audit and Standards Committee are asked to consider this report and:

- (i) determine whether they are satisfied with the effectiveness of the OPCC's processes and monitoring of risk.
- (ii) determine whether they wish to make any recommendations to the Commissioner with regard to future developments or improvements in those arrangements

**Stuart Edwards**  
**Chief Executive**

**Financial Implications:** 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 organisation which are financially dependent upon it.

**Risk Management Implications:** if the OPCC does not identify and mitigate risks then it may mean that it cannot carry out its statutory function efficiently and effectively.

**Legal Implications:** 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.

Contact points for additional information

Joanne Head – Governance Manager

Tel: 01768 217734

E Mail: [joanne.head@cumbria.police.uk](mailto:joanne.head@cumbria.police.uk)



## Cumbria Office of the Police and Crime Commissioner

Joint Audit & Standards Committee  
3 May 2016  
Agenda Item No 09

### Effectiveness of OPCC Anti-Fraud and Corruption Activity Monitoring

Report of the Chief Executive

#### 1. Introduction and Background

1.1 The Police and Crime Commissioner has a statutory responsibility to provide policing services for Cumbria. The Office of the Police and Crime Commissioner (OPCC) must ensure that effective processes and procedures are in place to deliver that service in an environment free from fraud and corruption.

1.2 To safeguard against fraud and corruption the Commissioner and OPCC staff operate in an open and transparent environment. This is achieved by a variety of methods including making decisions in public, publishing information on its website including registers of interests, decisions, declarations of gifts and hospitality and expenses.

1.3 On an annual basis arrangements to prevent and detect Fraud and Corruption are reviewed and approved by the Police and Crime Commissioner. These arrangements provide clear definitions of fraud, corruption, theft and irregularity within the strategy.

1.4 The Anti-Fraud and Corruption Policy provides clarity over roles, responsibilities and duties of staff within the OPCC. The Deputy Monitoring Officer undertakes an annual dip sample between the gifts and hospitality registers, the contact with supplier register and decisions made by the Commissioner.

#### 2. Effectiveness of Arrangements for Anti-Fraud and Corruption

2.1 In order to ensure that the OPCC's arrangements for Anti-Fraud and Corruption are effective a number of areas of business are monitored to ensure compliance and identify any fraudulent or corrupt practices.

2.2 During 2015-16 and in compliance with arrangements covering gifts and hospitality the Governance Manager has issued a notice on a monthly basis to all OPCC staff formally requesting the documentation of any gifts and hospitality offered during the previous month. Staff identified what the gift or hospitality was; who it was offered to and whether it was accepted or declined. They have made notification of 25 offers of hospitality and 1 offer of a gift, 4 of which were declined and the remainder accepted. Upon completion the registers are published on the OPCC website at the beginning of the following month. The Governance Manager has not identified any areas of concern or irregularities.

2.3 In accordance with guidelines set by the Secretary of State the Commissioner is eligible to claim allowances and expenses whilst carrying out his role. The Commissioner on a monthly basis will complete an expenses form which includes a declaration stating that the expenses have been necessarily incurred. They are then approved or declined by the Chief Executive. In line with the Elected Local Policing Bodies (Specified Information) Order 2011 authorised expenses are published on the OPCC website. During 2015-16 the Commissioner made 11 expense claims in which no incorrectly claimed expenses were identified by the Chief Executive. A further level of assurance is provided by the fact that claims are processed and paid by the Constabulary's Central Services Department who re-check the claims against the Home Office criteria before making payment.

2.4 OPCC members of staff, independent custody visitors, members of the Joint Audit and Standards Committee and members of the Ethics and Integrity Panel are eligible to claim expenses in line with approved policies and procedures. Each individual must sign a declaration stating that the expenses claimed were necessarily incurred during the course of their agreed duties. All claimed expenses are checked for accuracy and signed off by the Chief Executive or the Governance Manager whichever is the appropriate authority to approve the expense claim. Throughout 2015-16 no irregularities or fraudulent claims were made by any of those mentioned above.

2.5 On the 23 April 2015 the Commissioner submitted a signed declaration of interest setting out any business and personal interests for which the Office should be aware in the context of the integrity of decision making. This form was published on the Commissioners website on 24 April 2016 to ensure public transparency of declarations. During 2015-16 the commissioner made 47 decisions, of which the decision forms recorded that there were no personal and prejudicial interests. The Governance Manager has undertaken a review during the year of each decision form against the published declaration of interests and has confirmed that no conflicts of interests have been identified regarding any decisions the Commissioner has made during 2015-16.

2.6 During 2015-16 and in compliance with the arrangements governing supplier contacts, the Governance Manager has issued a notice on a monthly basis to all OPCC staff formally requesting the documentation of any supplier contacts that have taken place in the previous month. Staff have made notification of 77 supplier contacts during the year through this process. These notifications form a supplier contact register that has been reviewed by the Governance Manager to provide assurance during procurement processes that there are no conflicts of interest at contract award. The Governance Manager has confirmed that during 2015-16 no issues or areas of concern have been identified in relation to this area of work.

2.7 On behalf of the Commissioner the Ethics and Integrity Panel at their quarterly meetings review the Constabulary's performance in relation to Anti-Corruption. Reports provide information on the number, categories of reported incidents, officer and staff suspensions, ongoing cases and investigations which are being dealt with by the Constabulary. This enables the Panel to identify emerging trends or patterns which the Panel can then ensure that preventative measures are put into effect. The Panel report their findings to the Commissioner at his public Executive Board meetings. During 2015-16 the Panel considered five reports covering this area of business from which no issues or areas of concern have been identified by the Panel and raised with the Commissioner.

2.8 On an annual basis the Constabulary undertakes a number of financial tasks for the OPCC including under Section 6 of the Audit Commission Act 1998 to provide relevant data for the National Fraud Initiative. The initiative uses advanced data matching techniques to tackle a broad range of fraud risks faced by the public sector. The Constabulary participates, on the OPCC's behalf within the Audit Commission National Fraud Initiative having completed fraud risk assessments for the financial year. No incidents of fraud were identified to the OPCC's Chief Finance Officer during the 2014-15 process. The outcome of the 2015-16

process at the time of writing this reported is awaited.

2.9 To encourage reporting by OPCC staff of anything they are concerned about posters have been reissued throughout the offices providing up to date contact numbers if they feel apprehensive about reporting an issue to their line manager. The OPCC have not been advised of any issues being raised with external organisations.

### 3. Internal Audit

3.1 As part of the annual audit programme Internal Audit carry out reviews of a number of areas of business within the OPCC and Cumbria Constabulary. Each review evaluates any exposures to risks relating to the organisations governance, operation and information systems. Audit reviews undertaken during 2015-16 did not identify any risks to the OPCC in relation to fraud or corruption.

### 4. Conclusions

4.1 From the monitoring which has taken place during 2015-16 by the Office of the Police and Crime Commissioner, no instances of fraud or irregularity have been identified or reported. No allegations have been made against any member of staff or the Police and Crime Commissioner. When taking this into consideration assurance can be gained that the policy, systems and processes in place are working effectively.

### 5. Recommendations

Members of the Joint Audit and Standards Committee are asked to consider this report and:

- (i) determine whether they are satisfied with the effectiveness of the OPCC's monitoring of Anti-Fraud and Corruption Activity.
- (ii) determine whether they wish to make any recommendations to the Commissioner with regard to future developments or improvements in those arrangements

**Stuart Edwards**  
**Chief Executive**

**Legal Implications:** the OPCC has a statutory obligation with regard to preventing and dealing with fraud and corruption as outlined within the report.

**Financial Implications:** If the OPCC does not actively manage any potential or actual fraud and corruption then there is the potential for the organisation to suffer financially, therefore having an impact upon its ability to provide policing services in Cumbria.

**Risk Management Implications:** there is a potential for the organisation to suffer not only financially, but with regard to its reputation leading to a loss of public confidence. The OPCC could be open to legal challenge if it does not actively identify and manage fraud and corruption.

**Human Rights Implications:** None Identified

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

Contact points for additional information

Joanne Head – Governance Manager

Tel: 01768 217734

E Mail: [joanne.head@cumbria.police.uk](mailto:joanne.head@cumbria.police.uk)



## Cumbria Office of the Police and Crime Commissioner

Joint Audit & Standards Committee  
3<sup>rd</sup> May 2016  
Agenda Item No 10

### Ethics and Integrity Panel Annual Report

Report of Chair of the Ethics and Integrity Panel

#### 1. Introduction and background

- 1.1 The purpose of the Ethics and Integrity Panel is to promote and influence high standards of professional ethics in all aspects of policing and to challenge; encourage and support the Commissioner and the Chief Constable in their work in monitoring and dealing with issues of ethics and integrity in their organizations. The Panel's role is to identify issues and monitor change where required. It has no decision making powers, although it is able to make recommendations to the Commissioner and the Chief Constable. The Panel considers questions of ethics and integrity within both organisations and provides strategic advice and support in relation to such issues.
- 1.2 The Panel meets on a quarterly basis in private but its agenda and reports are published on the Commissioner's website following each meeting, with only sensitive or confidential information being excluded. Reports are provided by the Commissioner to the Executive Board to provide information about the Constabulary's performance in areas which relate to ethics and integrity. The purpose is to promote public confidence.
- 1.3 An annual work programme has been agreed to enable it to fulfil its terms of reference and scrutiny role. The annual work programme fixes the tasks to be undertaken by the Panel at each of its scheduled meetings and has been set to ensure whenever possible that meetings are balanced in terms of the volume of work. The programme was reviewed at the end of 2015 and revised for 2016.
- 1.4 This report provides an overview of the work that the panel has carried out during 2015.

#### 2. Public Complaints and Quality of Service

- 2.1 The Panel undertook quarterly dip sampling of the Constabulary's public complaint files reviewing a total of 67 files. For each of the files reviewed, the Panel members provided feedback on how they felt the complaint had been processed and, where appropriate, provided advice on specific areas which could be dealt with differently in the future to improve the service provided to the complainant and the person being complained about. Whilst the Panel does not review the outcome of individual complaints, specific cases are discussed where there are particular areas of concern. The Panel has noted that there has been a positive response to their observations by members of the Professional Standards Department.

The Panel makes recommendations based on its dip-sampling. These recommendations are collated within an action sheet which is monitored by the Panel to ensure that these are completed in a timely manner. The Constabulary has responded positively to these recommendations over the past 12 months. The Panel was largely satisfied with the way in which the Constabulary have responded to recommendations. The Panel will continue to monitor progress on recommendations and provide feedback where appropriate.

2.2 At each dip sample any recommendations are collated within an action sheet, some of which include:

- suggested changes to information provided within communications to make it easier for members of the public to understand the complaints process;
- in some instances identify who was making the apologies for wrongdoing, this needs to be clearly explained;
- when dealing with complex matters or detailed sets of facts and in sensitive cases, it would be good practice for letters to be reviewed by another officer before being sent to the complainant to avoid errors and misunderstandings;
- the use of social media by officers and staff should be within policy and guidelines. Gatekeeping should be rigorous and effective to prevent errors occurring and subsequent complaints being made;
- 'Words of Advice' - the file should contain a record of the specific advice given. The register where this could be recorded is weeded on an annual basis;
- a potential conduct issue was highlighted within a complaint file by the Panel and subsequently passed to the relevant department to deal with the issue.

2.3 The actions plans are monitored by the Panel at its next dip sample session to ensure that these are completed and where appropriate implemented in a timely manner.

2.4 The Panel has also been asked by the Police and Crime Commissioner to look at specific complaint files following communication to him from members of the public. The Panel undertook reviews and concluded that on each occasion, overall, the complaint had been dealt with fairly and in line with statutory guidance. However, specific feedback was provided where it was felt that improvements could be made.

2.5 At their quarterly meetings the Panel receives performance data from the Constabulary on the number of complaints they have received and how these have been subsequently managed, including whether this was in line with required timescales. It has been noticed that consistently the number of force appeals upheld has been very low compared with the number upheld by the Independent Police Complaints Commission (IPCC). To this end the Panel at its May 2016 meeting specifically reviewed a number of appeal files (*number to be inserted*) in order to ascertain whether appeals are being processed in line with statutory guidance. (*Insert any identified issues*)

### 3. Police Officer and Police Staff Misconduct

3.1 As part of their work programme the Panel has reviewed police officer and police staff misconduct files prior to their August meeting. The Panel identified this as an area of business that should come within its purview: It had not been an area previously reviewed in-depth by the Commissioner or his office.

- 3.2 The Panel reviewed a number of files, providing views and recommendations for any improvement in the way information was provided or public perception of the handling of such cases. These included;
- any identified welfare issues should be clearly identified within the file along with who has responsibility for them;
  - any advice given to officers or staff should be fully documented within the file;
  - full explanation of removal of suspension or why a case has been concluded should be included within a file.
  - details of why a matter is downgraded following an appeal should be fully documented within the file;
  - potential learning issues for the organizations should be identified within the file and how this will be disseminated.
  - where suspension is invoked it should be clear as to the reasons why and although each case is different a consistent approach should be taken.

The actions plans are monitored by the Panel at their next dip sample session to ensure that these are completed and where appropriate changes are implemented in a timely manner.

- 3.3 The Panel receives, on a quarterly basis, information relating to police officer misconduct as part of the Constabulary's Anti-Fraud and Corruption Unit report. On a six monthly basis it receives information relating to police staff misconduct. This enables the Panel to monitor performance in relation to these areas of business and consider any patterns or trends.
- 3.4 Having reviewed such files, the Panel has gained assurance that the Constabulary are dealing with misconduct and complaints in a professional manner. On the whole, the Panel considered that the files were dealt with properly. The Panel recognised that it could not substitute its judgement for that of the decision-maker in individual cases. Nevertheless, the Panel did provide observations on a small number of cases where it was thought that a member of public might question the outcome given the information presented on the file.

#### **4. Code of Ethics and Code of Conduct**

- 4.1 As part of the Panel's role it considers whether, based on the information that it is provided and reviews, the Constabulary and the Police and Crime Commissioner have embedded within their organisations the Code of Ethics and Code of Conduct respectively.
- 4.2 When carrying out reviews of performance the Panel was provided with evidence of the methods used by the Constabulary to promote the Codes of Ethics since its inception. These included training courses which all officers and staff were required to undertake, information on noticeboards, newsletters and Chief Officer road shows. In its contact with senior officers, the Panel was assured that those officers were cognisant of ethical considerations in the work of the Constabulary.
- 4.3 Similarly the Commissioner upon taking office swore an oath to act with integrity and signed a Code of Conduct. A Code of Ethics developed by the Association of Police and Crime Commissioners (APCC) has also been adopted by the Commissioner. It sets out how the Commissioner has agreed to abide by the seven standards of conduct recognised as the Nolan Principles. This Ethical Framework allows transparency in all areas of work of the Police and Crime Commissioner. These principles encompass the Commissioner's work locally and whilst representing Cumbria in

national forums. The Panel did not identify any complaints had been received from either members of staff or the Commissioner and notably no complaints had required investigation by the Police and Crime Panel regarding the Commissioner.

- 4.4 Based on the information reviewed and in discussions with the Constabulary and the Commissioner, the Panel consider that they take the ethos of the Code of Ethics and Code of Conduct seriously.

## 5. Grievances and Civil Claims

- 5.1 On a six monthly basis the Panel reviewed Grievances being processed by the Constabulary during agreed reporting periods. Although the numbers were very low, the Panel was assured that the Constabulary were proactively encouraging officers and staff to raise such matters. It was noted that many issues were raised and dealt with on an informal basis which those concerned felt was more beneficial.
- 5.2 On behalf of the Police and Crime Commissioner the Panel monitor Civil Claims being processed by the Constabulary's Legal Department. It received information about the types of claims being made, the stage the proceedings had reached and about the claims that had been resolved. As part of this review the Panel seeks assurance that any trends are being identified and how the organisation learnt from particular cases disseminating information throughout the organisation to avoid future risks and claims.
- 5.3 To date the Panel has not identified any issues or concerns in either area of business.

## 6. Information Management

- 6.1 As public authorities, the Office of the Police and Crime Commissioner (OPCC) and Cumbria Constabulary are required to process information in an appropriate manner including complying with the Freedom of Information Act 2000 and the Data Protection Act 1998. Both of these Acts entitles an individual to request information from a public authority and as such public authorities must comply with requests under this legislation.
- 6.2 On a six monthly basis the Panel has reviewed both organisations compliance with these requirements. It was recognised that the Constabulary did not consistently respond to requests within the statutory timescales. The Information Commissioner's Office recognised that this was not isolated to Cumbria and was due to the large volume of requests received by all forces.
- 6.3 In response to this the Constabulary had subsequently taken steps and created a new post to support this area of business. At the May 2016 meeting of the Panel, (*insert findings following meeting*).

## 7. Thematic Inspections

- 7.1 The Panel has also been asked to specifically review and provide feedback on two areas of Constabulary work. The first of these was the Performance Discretion Framework which was introduced as part of the new Command and Control system. The framework gives officers discretion not to investigate or attend incidents allowing the Constabulary to rationalise the work

that they carried out with reducing resources.

- 7.2 The Panel was assured that each decision was made following background checks and any gathered intelligence. Each decision was signed off by a supervising officer who had the ability to overturn the decision should they feel it necessary.
- 7.3 In May 2016 the Panel reviewed this area of business (*insert findings following meeting*).
- 7.4 In 2015 HMIC had carried out a thematic inspection of the Constabulary's use of Stop and Search Powers, following which they made a number of recommendations to the Constabulary. In February 2016 the Panel undertook a dip sample of stop and search forms with a view to assessing whether the information contained within the form provided enough evidence to substantiate the grounds for the stop and search.
- 7.5 The Panel found very few such forms which fully explained the reason for the stop and search and that none had been checked by a supervising officer. In addition, many of the forms contained so little information it was unclear whether the powers were being properly exercised. The Panel recognised that the officers it spoke to regarding this issue recognised that substantial improvements needed to be made. The Constabulary had undertaken to complete a classroom based training programme for all officers. The Panel would review this area of work at their August meeting and include their findings in their quarterly report to the Police and Crime Commissioner's public meeting. The Panel expects to see a significant improvement in this area once training had been rolled out.

## 8. Internal Audits

- 8.1 During late 2015 Internal Audit undertook reviews of Complaint processes and Freedom of Information & Data Protection processes for both the OPCC and the Constabulary. Recommendations were made in relation to the Constabulary for both of these areas of business.
- 8.2 In line with the Panel's annual work programme these areas of business are monitored and reviewed by the Panel and they have therefore undertaken to assess whether the recommendations have been actioned and where necessary implemented.
- 8.3 During May 2016 the Panel ..... (*insert findings following meeting*)

## 9. Conclusion

- 9.1 During its first year the Ethics and Integrity Panel has reviewed a number of areas of work within the OPCC and the Constabulary providing guidance and recommendations in line with their terms of reference. These recommendations have been welcomed by the OPCC and Constabulary with a number of changes to processes; procedures and information being made as a direct result of the Panel's work.
- 9.2 It has been recognised that the future work of the Panel will continue to be developed to best utilise the independent Panel and consider ethical issues facing both organisations. Some areas have been identified as:
- Secondary business interests

- Ethical issues identified by the Valuing Individuals Group
- Further Thematic Inspections

## 10. Recommendations

The Joint Audit and Standards Committee are asked to:

- receive and note the draft report on the work undertaken by the Ethics and Integrity Panel during the past year; and
- note the changes to processes and practices as a direct result of work and recommendations made by the Panel.

DRAFT

<p><b>JOINT POLICE &amp; CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT AND STANDARDS COMMITTEE</b></p>	<p>Paper No.</p>
<p>Meeting date: 3 May 2016</p>	
<p>From: Audit Manager (Cumbria Shared Internal Audit Service)</p>	

## **INTERNAL AUDIT: ANNUAL REPORT 2015/16**

### **1.0 EXECUTIVE SUMMARY**

1.1 *This report provides a summary of the outcomes of the work of internal audit for 2015/16 and includes the Head of Internal Audit's opinion on the effectiveness of the Police and Crime Commissioner and Chief Constable's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards.*

1.2 *Key points from internal audit's annual report are:*

- *The audit of the Safeguarding hub will be completed during 2016/17. This does not impact on our ability to provide an annual opinion.*
- *A total of 17 audit reviews have been finalised. This represents 94% of the planned audit work for the year.*
- *Of the 17 audits completed in the year, 15 contributed to the organisations' overall assurance. 14 of the 15 audits received reasonable or higher assurance. We consider this to be a very positive outcome. For the one audit receiving less than reasonable assurance (Duty Management System) there has been regular reporting, to the Joint Audit and Standards Committee, on progress in implementing the recommendations. Time has been included in the 16/17 internal audit plan to follow up this audit.*

1.3 **Summaries of the outcomes of all completed audits during the year are included at Appendix 1. The text shaded in grey has been reported to Joint Audit and Standards Committee through regular progress reports during the year.**

## **2.0 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS**

2.1 **Internal Audit's assessment of internal control forms part of the annual assessment of the system of governance, risk management and internal control, which is now a mandatory requirement.**

2.2 **The Audit Plan aims to match internal audit coverage with the PCC and Constabulary's corporate risk assessment.**

2.3 **Internal Audit must conform to the Public Sector Internal Audit Standards which require the preparation by the Head of Internal Audit of an annual opinion on the overall systems of governance, risk management and control. Regular reporting to Joint Audit and Standards Committee enables emerging issues to be identified during the year.**

## **3.0 RECOMMENDATION**

3.1 **Members are asked to note:**

- **The progress achieved in 2015/16 in delivering the audit plan.**
- **The Head of Internal Audit's opinion and assurance statement on the PCC and Constabulary's overall systems of governance, risk management and internal control for the year ended 31<sup>st</sup> March 2016.**
- **The Head of Internal Audit's declaration of conformance with the mandatory Public Sector Internal Audit Standards.**
- **The results of the Quality Assurance and Improvement programme**
- **The Head of Internal Audit's declaration of Internal Audit independence as required by the PSIAS.**

## **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 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.
- 4.2 Internal audit is responsible for providing independent assurance to the PCC and Constabulary's senior management and to the Joint Audit and Standards Committee on the systems of governance, risk management and internal control.
- 4.3 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.

### **Internal Audit Opinion**

- 4.4 The purpose of this report is to give my opinion as the Head of Internal Audit for the PCC and Cumbria Constabulary on the adequacy and effectiveness of both organisations' systems of risk management, governance and internal control from the work undertaken by internal audit for the year ended 31<sup>st</sup> March 2016.
- 4.5 This report is a key contributor to the PCC and Constabulary's Annual Governance Statement.
- 4.6 In giving this opinion, it should be noted that assurance can never be absolute and it is not possible to give complete assurance that there are no major control weaknesses. My opinion is based on the work undertaken by internal audit during the year, including the outcomes of follow up work.
- 4.7 I am satisfied that sufficient internal audit work has been undertaken to allow me to give a conclusion on the adequacy and effectiveness of risk management, governance and internal control. I can also report that there has been no threat to the independence of internal audit that would impact on the provision of my annual opinion statement.

- 4.8 In my opinion, the PCC and Constabulary's frameworks of governance, risk and internal control is reasonable and audit testing has confirmed that controls are generally working effectively in practice.
- 4.9 One audit did not receive reasonable assurance; however, this does not affect my ability to give a conclusion of reasonable assurance over the organisations' overall arrangements for governance, risk management and internal control. The Constabulary have responded positively to the audit and this gives assurance that the issues raised have been taken seriously. Issues arising from the audit are summarised in Appendix 1. There is an action plan in place in respect of progress and the Constabulary has provided the Joint Audit and Standards Committee with progress updates at each meeting. Internal Audit has made provision to follow up this work in the 16/17 internal audit plan. The Constabulary has requested that the follow up be undertaken during the second quarter of 16/17.
- 4.10 Where internal audit work has identified scope for improvements, the management response has been appropriate and action plans agreed.
- 4.11 The Shared Service Group Audit Manager has undertaken review of all internal audit work contributing to the annual opinion statement and is able to confirm that all work has been undertaken in accordance with the Public Sector Internal Audit Standards and with the Quality Assurance and Improvement Programme. All audit work has been reviewed at key stages by the Audit Manager or nominated deputy and is supported by appropriate evidence.
- 4.12 The Group Audit Manager supports the assurance opinion provided in this report.

### **Internal audit performance**

- 4.13 A suite of performance measures were used to monitor Internal Audit's performance during 2015/16. The results are shown below.

<b>Measure</b>	<b>Description</b>	<b>Benchmark</b>	<b>Actual</b>
Completion of audit plan	% of audits completed to final report	95% (annual target)	94%*
	Number of planned days delivered	217	207
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client	100%	100%

Measure	Description	Benchmark	Actual
	notification issued prior to commencement of fieldwork.		
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 of 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%	90%
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	78%

\* This represents a single audit as referred to at 1.2 of the executive summary.

### **Internal audit coverage and outputs**

4.14 15 reviews contributing to the assurance rating have been finalised with all, except DMS, receiving at least reasonable assurance levels.

4.15 The following table summarises the total number of audit evaluations made during 2015/16.

Assurance level	Constabulary		OPCC		Joint	
	Total	%	Total	%	Total	%
Substantial	4	36	2	100	0	-
Reasonable	6	55	0	-	2	100
Partial	1	9	0	-	0	-
No / limited	0	-	0	-	0	-
<b>Total (with assurance)</b>	<b>11</b>	<b>100</b>	<b>2</b>	<b>100</b>	<b>2</b>	<b>100</b>

N/A	1		1		0	
Grand total	12		3		2	

4.16 Appendix 1 provides the detail of audit work undertaken over the year to 31<sup>st</sup> March 2016. Text that is shaded in grey was reported to Joint Audit & Standards Committee at its meeting on 9<sup>th</sup> March and is included here for completeness.

### **Results of the Quality Assurance and Improvement Programme**

4.17 The QAIP was presented to the March 2016 JASC. We can confirm that the QAIP was followed in 2015/16.

### **Statement of Conformance with Public Sector Internal Audit Standards**

4.18 We have reviewed our conformance with the Public Sector Internal Audit Standards. The review took the format of a self-assessment against the checklist contained within the Local Government Application Note which accompanies the Public Sector Internal Audit Standards.

4.19 The outcomes of the review confirm that internal audit work has been undertaken in accordance with the Public Sector Internal Audit Standards.

**Emma Toyne**  
**Audit Manager**  
*25th April 2016*

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## **APPENDICES**

### ***Appendix 1: Audits completed for the year ended 31<sup>st</sup> March 2016***

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

## Appendix 1 – Final reports issued to 25 April 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"> <li>• involvement in the Origin user group at a national level;</li> <li>• high standards of integrity, conduct and ethical behaviour promoted within the organisation;</li> <li>• commitment to developing and improving the Strategic Resourcing Unit and addressing issues within the Duty Management System;</li> <li>• requirement for officers to confirm the accuracy and validity of data contained in iTrent overtime claim forms.</li> </ul> <p>Two high priority issues were identified relating to a need to define:</p> <ul style="list-style-type: none"> <li>• the objectives of the Duty Management System and links to relevant service plans or policing priorities;</li> </ul>	Partial assurance	Report presented to Joint Audit & Standards Committee 03/09/15

Appendix 1 – Final reports issued to 25 April 2016

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> <li>• governance arrangements for the Duty Management System with appropriate lines of communication.</li> </ul> <p>Nine medium priority issues were identified:</p> <ul style="list-style-type: none"> <li>• officers are not required to declare the validity and accuracy of overtime data uploaded to the Duty Management System;</li> <li>• 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;</li> <li>• 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.</li> <li>• Resourcing Co-ordinators are not subject to regular, structured supervision and feedback regarding their performance.</li> <li>• The Duty Management System does not make the selection of pay or time for each entry of overtime mandatory during the input stage.</li> <li>• The reporting function for DMS is under-utilised for data quality assurance activity.</li> <li>• Users with update access permissions can input overtime against their own records.</li> <li>• 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.</li> <li>• Arrangements to ensure DMS access permissions are adjusted / removed for staff who change jobs within the organisation are not currently in place.</li> </ul>		
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 25 April 2016**

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

## Appendix 1 – Final reports issued to 25 April 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"> <li>• Responsibility for developing the police officer payroll budget methodology has been clearly defined.</li> <li>• A zero based approach is taken to budget setting, with budgets being built up from the bottom based on existing post and staff data;</li> <li>• There is clarity over finance staff and budget holder responsibilities, which is annually restated through the use of a budget book;</li> <li>• There is ongoing and effective dialogue between the finance team, budget managers, HR and the change team which informs the budget model.</li> <li>• 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;</li> <li>• There is a detailed forecast of spend by extrapolating existing staff costs, and incorporating the implications of decisions of the Workforce Development Group.</li> <li>• There are clear explanations for forecasts and variances in narrative reports signed off by the budget holder.</li> <li>• There is a clear reporting framework and consolidation process.</li> <li>• There is an appropriate escalation process to keep senior management fully informed.</li> </ul> <p>No recommendations were made.</p>	Substantial assurance	Report circulated to Joint Audit and Standards Committee

**Appendix 1 – Final reports issued to 25 April 2016**

Assignments	Main Points	Assessment	Current Status
<p>Mobile devices – project management</p>	<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"> <li>• There is an approved business case for the Mobile and digital Programme with clear links to service &amp; organisational objectives.</li> <li>• Approval for the project was based on a full understanding of the benefits against cost outlined in the Business Case</li> <li>• There is a project risk register reflecting current risks, with details of mitigating actions.</li> <li>• 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.</li> <li>• A Project Steering Group has been appointed to oversee the programme.</li> <li>• A sound project governance structure is in place. There is a clearly defined project team including a named Project Manager and roles &amp; responsibilities have been clearly defined and allocated to all members of the team.</li> <li>• Standard project control methodologies have been adopted (PRINCE2 &amp; MSP).</li> <li>• The Project methodologies ensure that there is a timetable with stage deadlines.</li> <li>• Compliance with the project methodology is rigorously enforced by the Project Team.</li> <li>• A budget has been set in accordance with the Business Case.</li> <li>• Actual expenditure is regularly compared to budgeted expenditure and results are reported monthly to the Project Steering Group.</li> <li>• Mechanisms are in place to ensure appropriate action would be</li> </ul>	<p>Substantial assurance</p>	<p>Report circulated to Joint Audit and Standards Committee</p>

Appendix 1 – Final reports issued to 25 April 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"> <li>• Comprehensive testing was undertaken to ensure the equipment and applications purchased complied with the requirements set out in the Business case.</li> <li>• The Project Manager holds regular project meetings where progress and delivery at various stages is discussed.</li> <li>• The Project Manager ensures stage deadlines are achieved and takes appropriate action where a stage deadline may not been achieved.</li> <li>• The Project Manager reports monthly to the Project Steering Group and the OPCC on progress made against timetable.</li> <li>• A post implementation review was carried out at the end of Tranche 1 with lessons learnt to be applied to future stages.</li> </ul> <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"> <li>• An approved ICT Strategy is in place that clearly supports the delivery of strategic policing objectives, as set out in the Policing Plan.</li> <li>• There is a nominated Director who is accountable for ICT Strategy at a strategic level.</li> <li>• 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.</li> <li>• A sound project governance structure is in place for delivery of the</li> </ul>	Substantial assurance	Report circulated to Joint Audit and Standards Committee

## Appendix 1 – Final reports issued to 25 April 2016

Assignments	Main Points	Assessment	Current Status
	<p>ICT Strategy. There are defined project teams, including named Project Managers, and clearly described roles &amp; responsibilities.</p> <ul style="list-style-type: none"> <li>• A balance of technical and stakeholder input was received to ensure the ICT Strategy meets business needs / service requirements effectively.</li> <li>• There are regular opportunities to identify lessons learned and good practice and feed this in to delivery mechanisms.</li> <li>• 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.</li> <li>• Progress against the plans (departmental &amp; project) is monitored regularly by project boards, ICT SMT and Force Strategic Development Board.</li> <li>• 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.</li> </ul> <p>No recommendations were made.</p>		
Complaints Handling (Constabulary)	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	Reasonable assurance	Report circulated to Joint Audit and Standards

Appendix 1 – Final reports issued to 25 April 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"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Roles and responsibilities for complaints handling are clearly defined with a Detective Inspector post dedicated to complaints management.</li> <li>• 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.</li> </ul> <p>Two medium priority issues were identified relating to:</p> <ul style="list-style-type: none"> <li>• Including indicative timescales for responses or actions within initial letters to complainants acknowledging receipt of complaints;</li> <li>• Tracking actions determined by the PSD’s Tasking and Co-ordination Group until they are satisfactorily resolved.</li> </ul>		Committee

## Appendix 1 – Final reports issued to 25 April 2016

Assignments	Main Points	Assessment	Current Status
	<p>One advisory issue was raised in respect of surveying complainants with regard to the complaints handling process.</p>		
<p>Complaints Handling (OPCC)</p>	<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"> <li>• 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.</li> <li>• Ease of access, through the PCC's website, for the public to find out how to lodge a complaint against the Constabulary / PCC.</li> <li>• 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.</li> <li>• Complaints management procedures provide a thorough and structured approach to dealing with complaints, including flowchart guidance.</li> <li>• Responsibility for complaints management is clearly and comprehensively defined.</li> <li>• Sound arrangements are in place for the COPCC to keep abreast of relevant legislation and guidance relating to complaints management.</li> <li>• Ongoing monitoring of adherence to the Complaints policy and procedures, at an appropriate level.</li> <li>• Quarterly reporting by the Constabulary to the Ethics and Integrity Panel on complaints activity to enable the Commissioner to hold</li> </ul>	<p>Substantial assurance</p>	<p>Report circulated to Joint Audit and Standards Committee</p>

**Appendix 1 – Final reports issued to 25 April 2016**

Assignments	Main Points	Assessment	Current Status
	<p>the Chief Constable to account.</p> <ul style="list-style-type: none"> <li>• The Ethics and Integrity Panel undertakes quarterly dip sampling of constabulary complaint files to independently scrutinise adherence to policy and procedures.</li> <li>• Publication of complaints received about the Commissioner and the outcome of each, demonstrating openness to public scrutiny and accountability.</li> </ul> <p>No recommendations were made.</p>		
<p>Data Protection and Freedom of Information Act (Constabulary)</p>	<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 an monitoring individual cases against statutory deadlines.</p> <p>The audit identified the following areas of good practice:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• A logging and tracking system is in place that facilitates monitoring progress against statutory deadlines.</li> <li>• Six monthly reporting by the Constabulary to the Ethics and Integrity Panel on compliance with legislation relating to information requests.</li> <li>• 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.</li> </ul>	<p>Reasonable assurance</p>	<p>Report presented to Joint Audit and Standards Committee 09/03/16</p>

## Appendix 1 – Final reports issued to 25 April 2016

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> <li>• Tailored training is provided to staff involved in addressing information requests.</li> </ul> <p>Two medium priority issues were identified in respect of :</p> <ul style="list-style-type: none"> <li>• Supervisory arrangements for confirming compliance with policies and procedures regarding information requests and the quality of outcomes.</li> <li>• The need for regular, structured supervision and feedback on performance for Disclosure and Compliance staff.</li> </ul> <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"> <li>• 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.</li> <li>• 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.</li> </ul>	Substantial assurance	Report circulated to Joint Audit and Standards Committee

## Appendix 1 – Final reports issued to 25 April 2016

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> <li>• Responsibility for information disclosure is clearly and comprehensively defined within job descriptions and procedures.</li> <li>• Tailored training is provided to staff involved in addressing information requests.</li> <li>• Opportunities are taken for the Governance &amp; Business Services Manager to keep abreast of relevant legislation and guidance relating to information requests and identify good practice to inform internal processes.</li> <li>• A logging and tracking system is in place that facilitates monitoring progress against statutory deadlines.</li> <li>• 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.</li> </ul> <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"> <li>• The Service Improvement Plan has identified the need for more consistent and frequent auditing of IT assets;</li> <li>• There is a robust risk management process at the Constabulary ensuring that any significant risk areas relating to IT assets are registered.</li> <li>• There are policies &amp; procedures in place relating to IT assets and all staff have access via SharePoint</li> </ul>	Reasonable assurance	Report presented to Joint Audit and Standards Committee 09/03/16

Appendix 1 – Final reports issued to 25 April 2016

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> <li>• 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)</li> <li>• Staff holding IT assets are required to sign forms (SyOPs) to confirm understanding of their responsibilities relating to asset and the data held within.</li> <li>• Staff are reminded of their responsibilities via intranet on-line news.</li> <li>• IT assets are recorded in a designated asset management tool; MSCM</li> <li>• Processes are in place to ensure that staff leaving the force must return all IT assets</li> <li>• There are secure disposal procedures of hardware and data with a contractor</li> <li>• Access to IT asset storage rooms (and the main server room) is security protected</li> <li>• All IT assets are insured to replacement value.</li> <li>• All IT assets are asset tagged.</li> </ul> <p>Three medium priority recommendations were made in respect of:</p> <ul style="list-style-type: none"> <li>• Formalising responsibility for keeping up to date with emerging legislation;</li> <li>• Updating procedures to include current processes</li> <li>• Establishing a mechanism to demonstrate that all newly purchased equipment is promptly recorded in the database.</li> </ul>		
Code of Ethics	The purpose of the audit was to provide assurance over management arrangements for communication, feedback to staff and lessons learned in respect of the Code of Ethics.	Reasonable assurance	Report circulated to Joint Audit and Standards

**Appendix 1 – Final reports issued to 25 April 2016**

Assignments	Main Points	Assessment	Current Status
	<p>We identified the following good practice points:</p> <ul style="list-style-type: none"> <li>• Visible and formal senior management commitment to following the College of Policing’s Code of Ethics;</li> <li>• Quarterly reporting on integrity to the Ethics and Integrity Panel allowing independent review and challenge and to enable the Police and Crime Commissioner to hold the Chief Constable to account;</li> <li>• Arrangements to reinforce Code of Ethics training on a regular basis through the PASS newsletter, as part of an ongoing commitment to ethical behaviour are in place;</li> <li>• Support, advice and guidance are readily available to staff on ethical issues and there are frequent reminders of this;</li> <li>• Arrangements are in place for staff to raise ethical issues on a confidential basis. These are made known to all staff;</li> <li>• Opportunities are taken to learn lessons from breaches of professional standards and to increase understanding of ethical behaviour.</li> </ul> <p>Three medium priority recommendations were made around:</p> <ul style="list-style-type: none"> <li>• Ensuring all staff have received mandatory training on the Code of Ethics;</li> <li>• Defining and allocating responsibility for ethical behaviour to a senior manager within the Constabulary;</li> <li>• Consistently implementing consideration of standards of professional and ethical behaviour within the performance development review process.</li> </ul>		<p>Committee and is available for presentation at the 03/05/16 meeting.</p>
Firearms	<p>The purpose of the audit was to provide assurance over management arrangements for receiving recording, storing and the retention and disposal of surrendered and seized firearms.</p> <p>We identified the following areas of good practice:</p>	Reasonable assurance	Report circulated to Joint Audit and Standards

Appendix 1 – Final reports issued to 25 April 2016

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> <li>• There is visible senior management support for reducing the volume of unwanted and illegal firearms in circulation in the county, including active participation in national and regional gun amnesties.</li> <li>• The public are actively encouraged to surrender unwanted and unlicensed firearms during gun amnesties as part of a force media strategy.</li> <li>• There is close liaison between Firearms Operations and Firearms Licencing teams.</li> <li>• Safety is paramount during the seizing and surrender of firearms and this message is clearly conveyed through communications, guidance material and the availability of authorised firearms officers throughout the county.</li> <li>• Access to armouries is carefully restricted and both successful and unsuccessful access attempts are logged.</li> </ul> <p>Five medium priority issues were identified in respect of:</p> <ul style="list-style-type: none"> <li>• Update of firearms recovery procedures and ensuring all current aspects of firearms handling are included</li> <li>• Ensuring firearms awareness and safe recovery training makes reference to the policy and procedures and where staff can access them.</li> <li>• Further strengthening the arrangements for initial receipting of surrendered firearms and ammunition</li> <li>• Arrangements to assure management that firearms and ammunition records are complete and accurate</li> <li>• Defining arrangements for dealing with seized and surrendered firearms that cannot be returned to lawful owners.</li> </ul> <p>One advisory recommendation was made to ensure information outlining</p>		<p>Committee and is available for presentation at the 03/05/16 meeting.</p>

## Appendix 1 – Final reports issued to 25 April 2016

Assignments	Main Points	Assessment	Current Status
	<p>the arrangements for surrendering unwanted and unlicensed firearms is available to the public outside of amnesties.</p>		
Pensions	<p>The purpose of the audit was to provide assurance over management arrangements in place for pensions. The audit focussed on data quality and backdated lump sum adjustment payments calculated by Capita.</p> <p>The following strengths were identified:</p> <ul style="list-style-type: none"> <li>• Back dated amounts owed to police officers were paid in full within Home Office deadlines.</li> <li>• The contract for pensions administration makes it clear that any errors in payment resulting in losses or claims for damages will be met by the Contractor. The Contracting Authority will not indemnify the Contractor for any such loss.</li> </ul> <p>One medium priority recommendation was made to ensure that management have full assurance that adequate data quality checks are undertaken on information supplied to the contractor and used in the pension lump sum calculations.</p>	Reasonable assurance	Report circulated to Joint Audit and Standards Committee and is available for presentation at the 03/05/16 meeting.
Creditors	<p>The purpose of the audit was to provide assurance over management arrangements in place for creditors. The audit focussed on procedures and training, permissions and responsibilities, supplier maintenance and set up, system reporting and reconciliations and performance monitoring and reporting.</p> <p>Areas of good practice identified was as follows:</p> <ul style="list-style-type: none"> <li>• Service standards are clearly defined and performance is kept under regular review and reported to senior management.</li> </ul>	Reasonable assurance	Report circulated to Joint Audit and Standards Committee and is available for presentation at the 03/05/16

**Appendix 1 – Final reports issued to 25 April 2016**

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> <li>• System validations, exception reporting and reconciliation arrangements contribute to the quality of data in the accounts payable and accounting systems.</li> <li>• The approval and creation of user access profiles is well controlled and takes account of roles to ensure adequate segregation of duties.</li> <li>• The system ensures timely payments are made that meet supplier payment terms.</li> </ul> <p>Three medium priority recommendations were made around:</p> <ul style="list-style-type: none"> <li>• Ensuring accounts payable procedures are kept under review</li> <li>• Providing formal, structured feedback on performance to staff on a regular basis;</li> <li>• Arrangements for deactivating suppliers.</li> </ul>		meeting.
Property Handling follow up	<p>The purpose of the audit was to follow up the implementation of internal audit recommendations made in the property handling audit issued in October 2013. Based on the evidence at the time of the initial audit we concluded that the controls in operation provided limited assurance.</p> <p>Our follow up identified that four of the ten recommendations in the original report had been successfully implemented. The remaining six recommendations were partially completed but that further action is needed to fully address the risks exposed. Progress to date was such that the audit opinion has now been revised to reasonable assurance.</p>	Reasonable assurance	Report circulated to Joint Audit and Standards Committee and is available for presentation at the 03/05/16 meeting.

## Appendix 1 – Final reports issued to 25 April 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 was presented to the March 2016 Joint Audit and Standards Committee.</p>			

## Appendix 2 – Progress on 2015/16 Audit Plan

<b>PCC / Constabulary Review</b>	<b>Audit</b>	<b>Stage</b>	<b>Feedback form returned</b>
Constabulary	ICT strategy	Complete – Final report issued	Yes
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	Yes
Constabulary	Data protection and Freedom of Information Act	Complete – Final report issued	Yes
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	Yes
Constabulary	Budget management (payroll)	Complete – Final report issued	Yes
Constabulary	Duty Management System	Complete – Final report issued	Yes
Constabulary	Code of ethics / organisational values	Complete – Final report issued	Feedback form issued 18/04/16

## Appendix 2 – Progress on 2015/16 Audit Plan

<b>PCC / Constabulary Review</b>	<b>Audit</b>	<b>Stage</b>	<b>Feedback form returned</b>
Constabulary	Firearms	Complete – Final report issued	Feedback form issued 25/04/16
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	Complete – Final report issued	Feedback form issued 22/04/16
OPCC & Constabulary	Financial system review - Creditors	Complete – Final report issued	Feedback form issued 22/04/16
Constabulary	Follow up – property handling	Complete – Final report issued	Feedback form issued 20/04/16
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	95% (annual target)	94%	All audit work has been delivered in the year with the exception of the Safeguarding Hub. This work was delayed due to a request from the Constabulary to undertake a joint audit with Cumbria County Council's Children's Services. Work is underway on this audit. The delay of this work does not impact on our ability to provide the annual opinion.
	Number of planned days delivered	217* (annual target)	207	10 days still to be delivered on the Safeguarding Hub audit.  * reduced by 15 days from 232 (governance audit of procurement to be carried forward to 16/17).
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	100%	

### Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
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%	90%	Figure is based on ten 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 remained stable in the period. It was impacted on in Q2 by a finance team restructure and training. The figure continues to be closely monitored by the audit management team.



## Cumbria Office of the Police and Crime Commissioner

Joint Audit & Standards Committee May 3<sup>rd</sup> 2016: agenda Item 12  
Office of the Police and Crime Commissioner/Chief Constable Decision  
Meeting May 3<sup>rd</sup>/ May 4<sup>th</sup> 2016 agenda item 6

### Review of effectiveness of the arrangements for Audit 2015-16

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

#### 1. Introduction and Background

1.1 The Accounts and Audit Regulations 2015 removed the requirement within the 2011 Regulations to conduct an annual review of the effectiveness of the arrangements for audit. Assurances in respect of the arrangements for audit are however part of a robust governance framework. They support the Commissioner in placing reliance on the opinion of the Head of Internal Audit and support the Joint Audit and Standards Committee in placing reliance on the work and reports of the internal auditors. An effective internal audit service is also a characteristic with the seven principles of the CIPFA 2016 Good Governance Framework.

1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines the system of Internal Audit as the entirety of the arrangements for audit put in place by the entity, including the activities of any oversight committee. This report sets out an overall judgment, based on that review. The review comprises the arrangements for internal audit, detailed within this report and the arrangements for the Joint Audit and Standards Committee, detailed in the Committee's Annual Report accompanying this item on the agenda.

1.3 The review process seeks to provide assurance that the arrangements are adequate and effective. This is based on a judgment made following an assessment of compliance with relevant codes and standards. For internal audit the review is undertaken against the Public Sector Internal Audit Standard (PSIAS). The review, in assessing the adequacy and effectiveness of the internal audit function, provides further assurance in respect of the reliance that can be placed on the opinion given by the Head of Internal Audit in her annual report for the Annual Governance Statement. The review of the effectiveness of the arrangements for the Joint Audit and

Standards Committee is undertaken in line with the CIPFA 2013 guidance<sup>1</sup> that provides an evaluation self-assessment framework and a checklist of good practice.

## 2. Effectiveness of the Internal Audit Function

2.1 The effectiveness of the internal audit function is reviewed on the basis of compliance by the Internal Audit shared service provider with the PSIAS. The Audit Manager is required under the PSIAS to include within her annual report, a statement of conformance with the Standards. Any instances of non-conformance must be reported to the Joint Audit and Standards Committee. Furthermore, any significant non-conformance should be considered for inclusion within the Commissioner and Chief Constable's respective Annual Governance Statements.

2.2 The Public Sector Audit Standards support audit effectiveness by setting out a set of requirements for the governance, management and delivery of internal audit. This includes a requirement to develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of internal audit activity. Key elements of the QAIP include on-going monitoring of the performance of the internal audit activity, periodic assessment or self-assessment and external assessment. The QAIP also ensures that reasonable assurance is provided that Internal Audit is performing its work in accordance with its Internal Audit Charter, which is consistent with the PSIAS and that it operates in an effective and efficient manner.

2.3 The QAIP was presented to members of the Joint Audit and Standards Committee at their meeting 9 March 2016 for review. The QAIP report set out what was in place during 2015-16 and what is envisaged to be in place during 2016-17. The QAIP set out for members how audit engagements are supervised, how work including final reports are reviewed, arrangements for the audit manual and performance measures. The QAIP also includes the annual assessment of Internal Audit's conformance with its Charter and annual completion of the CIPFA checklist for assessing conformance with the PSIAS. At the same meeting members received the Internal Audit Charter. The Internal Audit Charter sets out the purpose, authority, responsibility and objectives of Internal Audit, providing clarity on how Audit works, its scope, lines of reporting and requirements in respect of objectivity and independence. The Charter, alongside the QAIP, supports the organisation and its auditors in ensuring the delivery of arrangements for Internal Audit that are effective. During the year members of the Joint Audit and Standards Committee has also received monitoring reports on actual performance against Internal Audit's performance framework at their quarterly meetings.

2.4 The summary of the outcomes of the completed self-assessment is attached to this report at Appendix A and is further supported by an evaluation of the role of the Head of Internal Audit against the CIPFA standard at Appendix B. The full 50 page checklist is retained on file for review by the External Auditors. The Annual

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<sup>1</sup> audit committees\Practical Guidance for Local Authorities and Police

Report of the Head of Internal Audit, provided within this agenda, confirms that the Standards within the PSIAS have been complied with.

2.5 Whilst the review of internal audit against the PSIAS provides the primary source of assurance, further assurance of the effectiveness of internal audit is taken from the opinion provided by the external auditors. This is included within Grant Thornton's Progress Update Report for the 2015-16 audit. The report sets out that the external auditors have completed a high level review of internal audit's overall arrangements. Their work has not identified any issues that they wish to bring the Commissioner or Chief Constable's attention. Overall, they conclude that the internal audit service continues to provide an independent and satisfactory service to the PCC and the Chief Constable and that internal audit work contributes to an effective internal control environment at both entities.

### 3 Effectiveness of arrangements for an Audit Committee

3.1 The effectiveness of the arrangements for an audit committee have been assessed by reviewing the arrangements for the Joint Audit and Standards Committee against the assessment criteria and checklist provided by CIPFA in its 2013 publication, audit committees\Practical Guidance for Local Authorities and Police. The guidance document provides a detailed regulatory framework against which the work and activity of the committee, in addition to the overall arrangements, can be assessed and consideration given to areas for improvement and development. The key messages arising from the review are that:

- The Committee has continued to build on the firm foundations put in place at the inception of the OPCC, expanding and refining its remit in the light of changing circumstances and emerging trends.
- Members are recruited appropriately and the range of skills has been strengthened through new appointments.
- The Committee's remit complies with best practice.
- The Committee is supported by key members of the OPCC and Chief Constable's management teams at all Committee meetings to ensure that members are appropriately informed when considering the issues.
- Audit and Standards Committee members have carried out their duties diligently, achieving 95% attendance, have made a valued contribution to governance arrangements and have taken action on specific issues.
- Members have substantially increased their formal and informal training and development activities.

3.2 The overall conclusion and assessment from the review is that the Joint Audit and Standards Committee is effective in its operation. The review has demonstrated that within the areas of the self-assessment the Committee can evidence substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as being evidence of effectiveness. Against the self-assessment checklist the committee achieves a consistent grade of 4 or 5 across all areas. The full report of the review of effectiveness is included on the agenda to this meeting.

## 4.0 Conclusions

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

(i) The review of the internal audit shared service against the PSIAS, and supported by the review of the role of the Head of Internal Audit, demonstrates that the service is effective

(ii) The annual review of the arrangements for an audit committee in accordance with the guidance, assessment criteria and checklists defined by CIPFA, demonstrates that the Joint Audit and Standards Committee is effective in its operation

4.2 When taken together, there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2016, or to the date of this meeting.

## 3. Recommendations

5.1 Members of the Joint Audit and Standards Committee are asked to consider this report and:

(a) Determine whether they are satisfied with the effectiveness of Internal Audit for the year to 31 March 2016 and to the date of this meeting, and

(b) Consider any areas where they might wish to make recommendations to the Commissioner and Chief Constable for improvements in 2016-17.

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

(a) Determine whether they are satisfied with the effectiveness of Internal Audit for the year to 31 March 2016 and to the date of this meeting, taking into account the views of the Joint Audit and Standards Committee, and

(b) Consider any areas where they might wish to see improvements or changes in 2016-17.

**Stuart Edwards**  
Commissioner's Chief Executive

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

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

**03 May 2016**

**Human Rights Implications:** None Identified

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

**Personnel Implications:** None Identified

**Financial Implications:** None Identified

**Risk Management Implications:**

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

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## Appendix A – Review of Internal Audit Effectiveness

### 1. Definition of Internal Auditing

- 1.1. Internal audit work is carried out in line with the definition of internal auditing so as to provide independent assurance on the Commissioner's and Chief Constable's systems of risk management, governance and internal control.
- 1.2. All internal audit reviews result in an audit report detailing the level of assurance that can be given. Standard definitions are in place to ensure consistency in the assurance levels across the service.
- 1.3. Internal audit does not have any operational responsibilities, thereby ensuring its ability to independently review all of the Commissioner and Chief Constable's systems, processes and operations.

### 2. Code of Ethics

- 2.1. The internal audit team have been made aware of the mandatory code of ethics within the PSIAS and have the opportunity to discuss this at team meetings.
- 2.2. All internal audit work is performed with independence and objectivity and all staff are aware of the need for them to declare any relevant business interests in order that any potential conflict of interest or compromise to audit objectivity is effectively managed.
- 2.3. Staff are aware of their responsibilities in relation to confidentiality and information governance.
- 2.4. Arrangements are in place to ensure that work is performed by staff with the appropriate skills, knowledge and experience and that training and development needs are identified through annual appraisals and six month reviews.

### 3. Purpose, Authority and Responsibility

- 3.1. An internal audit charter is in place which defines the purpose, authority and responsibility of internal audit as well as its rights of access to all information, premises and personnel for the purpose of completing internal audit reviews.
- 3.2. The charter sets out the functional reporting line of the Group Audit Manager / Audit Manager to the Joint Audit and Standards Committee to ensure internal audit independence.
- 3.3. The Audit Manager attends all meetings of the Joint Audit and Standards Committee.
- 3.4. The Audit Manager has direct access to the Chief Officer Group, the Chief Executive, the Commissioner and the Joint Audit and Standards Committee Chair.
- 3.5. The reporting lines for the Audit Manager ensure that internal audit independence is maintained and in line with the Standards, the Audit Manager reports directly to the Commissioner's Chief Finance Officer (S151 Officer) who is a member of the Executive Board.

- 3.6. There have been no identified threats to internal audit independence or objectivity during the year.
- 3.7. The Standards refer to the arrangements for the Audit Manager's appraisal. Input and feedback should be obtained from the Chief Executive or equivalent and Chair of the Audit Committee. This is a requirement of the employing organisation designed to protect the independence of the Audit Manager in relation to those audits that may be subject to undue influence, being within the area of the appraiser's responsibility. Whilst this is not a requirement for either the Commissioner or the Chief Constable, the Commissioner's Chief Finance Officer, on behalf of both entities, will provide feedback on the performance of the Audit Manger as part of the arrangements for management of the shared audit service.

#### 4. Proficiency and Due Professional Care

- 4.1. The Audit Manager is professionally qualified and experienced to deliver an effective internal audit service.
- 4.2. Job descriptions and person specifications reflect the duties required to deliver the risk-based approach to internal auditing and the skills needed to undertake the roles.
- 4.3. The team has a wide range of skills and experience brought about in part by the creation of the Shared Internal Audit Service which brought together a number of existing internal audit teams into a single service.
- 4.4. All audit work is undertaken with due professional care and reviewed by an Audit Manager to ensure that the work undertaken supports conclusions reached.
- 4.5. A Quality Assurance and Improvement Programme (QAIP) has been in place during 2015-16. The programme has been formally documented and was reported to the Joint Audit and Standards Committee on 9 March 2016. This includes the adoption of a comprehensive performance framework that is incorporated within the audit charter. The Joint Audit and Standards Committee have received quarterly reports monitoring actual performance against the framework.

#### 5. Performance Standards

- 5.1. Internal audit work is undertaken to support the purpose of internal audit as defined within the audit charter. Management arrangements are in place to ensure that all work is delivered in accordance with the charter and to deliver relevant assurance to management, the Joint Audit and Standards Committee, the Commissioner and Chief Constable.
- 5.2. Risk based audit plans have been developed across the shared internal audit service. The plans have been developed to enable an overall annual opinion to be provided on the arrangements for governance, risk management and internal control.

- 5.3. In developing the plans, account has been taken of the organisation's risk management frameworks, the expectations of senior management and emerging national and local issues.
- 5.4. Audit plans have been developed based on a documented risk assessment. Arrangements are in place to report required amendments to audit plans to the Joint Audit and Standards Committee should this become necessary.
- 5.5. The plans identify the audit resources required to deliver them and arrangements are in place to allocate the workload across the audit team in advance to ensure all plans can be delivered.
- 5.6. Arrangements are in place to ensure the audit manual is continually updated as working practices continue to be reviewed.
- 5.7. Internal audit contributes to improve the Commissioner and Chief Constable's operations through delivery of approved audit plans. Internal audit recommendations are aimed at strengthening performance and risk management, governance and ethical policies and values and internal controls.

## 6. Engagement Planning

- 6.1. All internal audit reviews are scoped and a brief prepared setting out the scope and objectives of the audit work together. This process ensures that management input to the scope of each audit. A standard client notification document has been designed and has been used for all audit reviews. Audit scopes include consideration of systems, records, personnel and premises.
- 6.2. The audit planning process includes a preliminary assessment of risk for each audit included in the plan. Auditors then undertake research as part of planning individual audit reviews to identify specific risks within the area under review. Within the risk based approach, once the scope of an audit is agreed, a full risk identification exercise is undertaken as part of the audit fieldwork. This ensures that risk is considered throughout the audit process.
- 6.3. The Internal Audit management review process ensures that work plans are prepared for each audit that document how the audit objectives will be met and that sufficient audit work is undertaken to support conclusions reached.
- 6.4. There is a document retention policy in place to manage audit records.
- 6.5. All internal audit work is subject to management review, and there is a consistent approach in place to documenting and retaining evidence of this review.
- 6.6. All internal audit reports are issued in draft for management comments and agreement of the factual accuracy and completion of the action plan. Clients have the opportunity to discuss the draft reports with the auditor.
- 6.7. Audit final reports issued in relation to 2015-16 audit plans were accurate, comprehensive and complete. All contained an assurance statement and agreed action plan.

6.8. The Audit Manager produces an annual report to the Joint Audit and Standards Committee and the Executive Board, which includes the overall opinion on the arrangements for governance, risk management and internal control. The report includes a summary of the work undertaken in support of the opinion.

## 7. Monitoring Progress

7.1. Arrangements are in place for follow up of agreed actions arising from internal audit reports and the outcome of these is reported to the Joint Audit and Standards Committee within the quarterly progress reports.

## 8. Communication of the Acceptance of Risks

8.1. Arrangements are in place to ensure that where key risks are accepted by management, this is discussed with senior management. Should the Audit Manager consider that the organisation is accepting a level of risk that may be unacceptable, this would be reported to the Joint Audit and Standards Committee and the Executive Board.

## Appendix B - CIPFA Statement on the Role of the Head of Internal Audit 2010

### 1. Introduction

1.1 In 2010, CIPFA published a Statement on the [Role of the HIA in Public Sector Organisations](#) in recognition of the critical position occupied by the HIA within any organisation in helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. CIPFA introduced a 'comply or explain' requirement which has been formally set out within the CIPFA / SOLACE publication ['Delivering Good Governance in Local Government: Framework Addendum \(2012\)'](#).

1.2 The Addendum sets out 21 key elements of the typical systems and processes that comprise governance arrangements and requires that the annual review of the effectiveness of governance arrangements makes reference to each of these key elements.

1.3 In relation to the role of the Head of Internal Audit, the Addendum states that a key element of governance includes the arrangements for:

"Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and where they do not, explain why and how they deliver the same impact."

1.4 In order to make a public declaration of conformance with the Statement, it is recommended that a self-assessment is undertaken against the detailed requirements set out within the publication and signed off by the Chief Financial Officer / Corporate Management Team.

### 2 The Five Principles

2.1 The Statement sets out how the requirements of legislation and professional standards should be fulfilled by HIA's in carrying out their role and is structured under five core principles:

2.2 The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by

- championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

2.3 To perform this role, the Head of Audit:

- must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee
- must lead and direct an internal audit service that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

2.4 The table below sets out the completed self-assessment for the HIA operating the shared internal audit service on behalf of the Commissioner and Chief Constable.

Ref	Governance Requirement	Commissioner/Chief Constable arrangements and any required actions	Assessment of conformance		
			Y	N	P
<b>Principle 1: The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments</b>					
1.1	Set out the HIA's role in good governance and how this fits with the role of others.	HIA Role Profile sets out the contribution of the annual report of the HIA to the Annual Governance Statement. The PCC CFO acted as a panel member for recruitment to the HIA post.	✓		
1.2	Ensure that the importance of good governance is stressed to all in the organisation, through policies, procedures and training	Code of Corporate Governance sets out the frameworks that are in place to support the overall arrangements. There are individual codes for the COPCC and Constabulary that are subject to audit	✓		
1.3	Ensure that the HIA is consulted on all proposed major projects, programmes and policy initiatives.	Major projects, programmes and policy initiatives were considered during the planning stage and incorporated into the plan as appropriate. The process for development of the audit plan ensures engagement with the business to identify risks and developments for inclusion within the audit programme. E.g. 2015-16 mobile and digital audit	✓		
<b>Principle 2: The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control</b>					
2.1	Set out the responsibilities of the HIA, which should not include the management of operational areas.	Responsibilities of the HIA are set out in the Role Profile and do not include any operational responsibilities. This is further supported by the shared service nature of the function with the	✓		

Ref	Governance Requirement	Commissioner/Chief Constable arrangements and any required actions	Assessment of conformance		
			Y	N	P
		County Council as provider			
2.2	Ensure that internal audit is independent of external audit.	Internal audit is independent of external audit. IA plans will be shared with external audit, but will not be in any way directed by external audit.	✓		
2.3	Where the HIA does have operational responsibilities the HIA's line manager and the Audit Committee should specifically approve the IA strategy for these and associated plans and reports and ensure the work is independently managed.	n/a			
2.4	Establish clear lines of responsibility for those with an interest in governance (e.g. Chief Executive, Chief Legal Officer, Chief Financial Officer, and Audit Committee, non-executive directors /elected representatives). This covers responsibilities for drawing up and reviewing key corporate strategies, statements and policies	Clear lines of responsibility are set out in job roles, the scheme of delegation and key supporting governance documents e.g. financial regulations, procurement regulations, grant regulations. The Joint Audit and Standards Committee has a clear terms of reference consistent with the CIPFA guidance.	✓		
2.5	Establish clear lines of reporting to the Leadership Team and to the Audit Committee where the HIA has significant concerns	Reporting lines are defined within the Internal Audit Charter which has been reviewed by the Joint Audit and Standards Committee and agreed by the Executive Board.	✓		
2.6	Agree the terms of reference for internal audit with the HIA and the Audit Committee as well as with the Leadership Team	The Internal audit charter sets out internal audit's terms of reference. The charter has been approved by the Executive Board following review by the Joint Audit and Standards Committee.	✓		

Ref	Governance Requirement	Commissioner/Chief Constable arrangements and any required actions	Assessment of conformance		
			Y	N	P
2.7	Set out the basis on which the HIA can give assurances to other organisations and the basis on which the HIA can place reliance on assurances from others.	The basis of assurances provided to other organisations is set out within the Shared Services agreement. Various sources of assurance have been taken into consideration in preparing audit plans to ensure optimum audit coverage.	✓		
2.8	Ensure that comprehensive governance arrangements are in place, with supporting documents covering e.g. risk management, corporate planning, anti-fraud and corruption and whistleblowing.	Key governance documents include the Code of Corporate Governance, scheme of delegation, arrangements for anti-fraud and corruption, financial regulations and procurement regulations. Risk management arrangements are in place and the corporate risk register for each organisation is reported to the Joint Audit and Standards Committee and Executive Board.	✓		
2.9	Ensure that the annual internal audit opinion and report are issued in the name of the HIA.	Annual report of the Head of Internal Audit contains the internal audit opinion. This report is presented to the Joint Audit and Standards Committee by the Head of Internal Audit for review prior to approval by the Executive Board.	✓		
2.10	Include awareness of governance in the competencies required by members of the Leadership Team.	Role profiles for the Chief Executive, CFO and deputy monitoring officer are based on the relevant professional standards and include governance responsibilities. Constabulary Chief Officers are trained on governance matters as part of their professional qualification.	✓		
2.11	Set out the framework of assurance that supports the annual governance report and identify internal audit's role within it.	The framework of assurance that supports the annual governance statement is documented within the Statement itself and the	✓		

Ref	Governance Requirement	Commissioner/Chief Constable arrangements and any required actions	Assessment of conformance		
			Y	N	P
	The HIA should not be responsible for preparing the report	accompanying Code of Corporate Governance. Both documents set out the role of audit. The documents are prepared by the respective Chief Finance Officers of both entities.			
2.12	Ensure that the internal audit strategy is approved by the Audit Committee and endorsed by the Leadership Team.	IA is no longer required to produce a strategy. This was a requirement of the CIPFA Code of Practice for IA (2006) which has been replaced by the Public Sector Internal Audit Standards (PSIAS) which now require the annual internal audit plan to contain a high level statement of how the service is to be delivered. This was included within the Internal Audit annual plan for 2015-16.	✓		
<b>Principle 3: The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.</b>					
3.1	Designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement.	The Audit Manager is the designated HIA for the OPCC.	✓		
3.2	Ensure that where the HIA is an employee that they are sufficiently senior and independent within the organisation's structure to allow them to carry out their role effectively and	N/A			

Ref	Governance Requirement	Commissioner/Chief Constable arrangements and any required actions	Assessment of conformance		
			Y	N	P
	be able to provide credibly constructive challenge to the Management Team.				
3.3	Ensure that where the HIA is an employee the HIA is line managed by a member of the Management Team. Where the HIA is not an employee then the reporting line must be clearly set out in the contract or agreement with the internal audit supplier.	The arrangements for management of the shared service are set out within shared service agreement and operate through a shared service board attended by the CFO. The HIA reports into the board.	✓		
3.4	Establish an Audit Committee in line with guidance and good practice.	There is a joint Audit and Standards Committee which is the recommended approach in the Financial Management Code of Practice for the Police Forces of England and Wales. The Committee has undertaken an annual self-assessment against the CIPFA practical guidance checklist and has assessed itself as performing appropriately.	✓		
3.5	Set out the HIA's relationship with the Audit Committee and its Chair, including the Committee's role (if any) in appointing the HIA.	The relationship is set out in the Internal Audit Charter.	✓		
3.6	Ensure that the organisation's governance arrangements allow the HIA: <ul style="list-style-type: none"> <li>▪ to bring influence to bear on material decisions reflecting governance;</li> <li>▪ direct access to the Chief Executive, other Leadership</li> </ul>	There are appropriate arrangements in place to allow the HIA to perform these functions appropriately and these are set out in the Internal Audit Charter.	✓		

Ref	Governance Requirement	Commissioner/Chief Constable arrangements and any required actions	Assessment of conformance		
			Y	N	P
	<p>Team members, the Audit Committee and</p> <ul style="list-style-type: none"> <li>▪ external audit; and</li> <li>▪ to attend meetings of the Leadership Team and Management Team where the HIA considers this to be appropriate.</li> </ul>				
3.7	Set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in (significant) partner organisations.	This is defined within the Internal Audit Charter	✓		
3.8	Set out the HIA's responsibilities relating to partners including joint ventures and outsourced and shared services.	The HIA responsibilities are defined within the approved audit charter.	✓		
<b>Principle 4: The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.</b>					
4.1	Provide the HIA with the resources, expertise and systems necessary to perform their role effectively.	Internal audit is considered to be adequately resourced to deliver the level of service currently required.	✓		
4.2	Ensure that the Audit Committee sets out a performance framework for the HIA and their team and assesses performance and takes action as appropriate.	A range of performance measures have been reported quarterly to The Joint Audit & Standards Committee.	✓		
4.3	Ensure that there is a regular external review of internal audit quality	The PSiAs introduced a requirement for formal external inspection of internal audit. External inspection is due by Marc 2018 and will be complete within this timescale.	✓		
4.4	Ensure that where the HIA is from another organisation that they do not also provide the external audit service	The Shared Internal Audit Service does not provide the external audit service.	✓		

Ref	Governance Requirement	Commissioner/Chief Constable arrangements and any required actions	Assessment of conformance		
			Y	N	P
<b>Principle 5: The HIA in a public service organisation must be professionally qualified and suitably experienced</b>					
5.1	Appoint a professionally qualified HIA whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation.	HIA is ACCA qualified. HIA responsibilities are defined within the role profile for the post. The Internal Audit Charter supports the organisational understanding of the HIA role.	✓		
5.2	Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in his or her role.	HIA has 20 years' internal audit experience within Local Government and undertakes CPD to keep her skills up to date.	✓		



## Cumbria Office of the Police and Crime Commissioner

Joint Audit & Standards Committee

3 May 2016

Agenda Item 13

### Annual Report of the Joint Audit and Standards Committee 2015/16

Report of the Commissioner's Chief Finance Officer and Chief Constable's Chief Finance Officer

#### 1. Introduction and background

1.2 On an annual basis the work of and arrangements for the Commissioner and Chief Constable's Joint Audit and Standards Committee are assessed against the assessment criteria and checklist provided by CIPFA in its 2013 publication, audit committees\Practical Guidance for Local Authorities and Police. The guidance document provides a detailed regulatory framework against which the work and activity of the committee, in addition to the overall arrangements, can be assessed and consideration given to areas for improvement and development. The assessment forms the basis of the judgement made on the effectiveness of the overall arrangements for audit. It is also used to develop the Committee's Annual Report, the review process involving consideration of the work carried out by the committee over the course of the year and the impact of that work in supporting improvement.

#### 2. 2015/16 Annual Report

2.1 The draft 2015/16 annual report is presented to members for consideration. The overall conclusions from the report are that the Committee continues to be effective in its role, and that the widening of Committee's assurance framework during 2015/16 has resulted in a number of areas within the CIPFA framework achieving the highest level of compliance with the CIPFA framework.

2.2 Whilst the process of assessment has provided sufficient assurance for the Chief Finance Officer to make his/her judgement on the effectiveness of the overall arrangements for Audit, the Annual Report document is presented in a draft format, to facilitate Committee members contributions ahead of the report being finalised. The final approved report will be presented to the Commissioner and Chief Constable as part of the arrangements for approving and signing the Annual Governance Statements. It will also be available to

the public on the Commissioner's website and be presented by the Committee Chair to the Police and Crime Panel.

### 3. Recommendations

3.1 Members of the Joint Audit and Standards Committee are asked to review the draft annual report of the Committee and determine:

- i. whether they wish to make any changes to the content/wording of the document
- ii. whether they wish to make any changes to the self-assessment score of the Committee's compliance with the CIPFA framework or checklist
- iii. whether they wish to identify any further areas for development in respect of the work of the Committee

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

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

20 April 2016

Human Rights Implications: **None Identified**

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

Personnel Implications: **None Identified**

Financial Implications: **None Identified**

Risk Management Implications:

The Annual Governance Statement and the underpinning reviews, including the review of the Joint Audit and Standards Committee are designed and intended to provide assurance on and compliance with high standards of corporate governance, including effective control and mitigation of the risk environment in which the Commissioner and Chief Constable discharge their respective responsibilities.

Contact points for additional information

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Joint Audit and Standards Committee  
Annual Report 2015/16



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## Joint Audit and Standards Committee Annual Report

### Foreword of the Committee Chair

Welcome to the 2015/16 Annual Report of the Joint Audit and Standards Committee. The Committee is an independent body that provides assurance to the Commissioner and Chief Constable on their arrangements for governance. The Committee achieves this by undertaking a wide range of reviews against an annual work programme. Through providing support and challenge the Committee aims to improve and add value to those areas of governance within its remit.

This full report summarises the work of the Committee for the 2015/16 financial year in line with the CIPFA guidance<sup>1</sup> that encourages an annual review of the Committee's effectiveness. The Executive Summary aims to provide an overview of the key elements of the guidance. It provides a summary and key highlights of the Committee's performance in support of the conclusions and assessment score.

During the course of the year Committee members have considered over 76 reports covering matters of governance. Within that work members have directed their focus towards making a significant contribution to maintaining and strengthening the governance of both the Office of the Police and Crime Commissioner and of the Constabulary. Our work has included undertaking a substantive

review of key elements of the governance

framework,

challenging and monitoring the approach to risk management, making key recommendations regarding its improvement and scrutinising the effectiveness of arrangements to secure value for money.

The review of the Committee's work has highlighted scope for improvement in one area within the Committee's core functions and this is in the area of promoting reporting and accountability. The Committee look forward to working with the new Police and Crime Commissioner; with the Police and Crime Panel; and others to help ensure that public reporting and accountability in Cumbria is as good as it can be.

In presenting this annual report, the Committee wishes to thank the Commissioner and Chief Constable's officers and appointed auditors for their support. I hope you will find this report informative, and that the information it provides supports a wider understanding of the contribution made by the Committee to the Commissioner and Chief Constable's arrangements for governance.

*During 2015/16 Committee members have received 76 reports covering matters of governance including 15 internal audit reviews and the Commissioner and Chief Constable's Statement of Accounts.*

Fiona Daley

Joint Audit and Standards Committee Chair

<sup>1</sup> Chartered Institute of Public Finance and Accountancy (CIPFA): audit committees\Practical Guidance for Local Authorities and Police 2013.

## Executive Summary

The purpose of an audit committee is to provide those charged with governance<sup>2</sup> independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

CIPFA's guidance document, Audit Committee's Practical Guidance for Local Authorities and Police, recommends that audit committees review their effectiveness annually. The Annual Report of the Committee sets out the conclusions of that review and provides a commentary on the effectiveness of the Committee in fulfilling its purpose.

*CIPFA notes the importance of the capacity of the Committee to promote good governance, making things better, not just reviewing what has happened in the past.*

The review covers four areas, Core Committee Functions, Wider Functions, Independence and Accountability and Membership and Effectiveness. For each area under review, the overall conclusions are assessed against an evaluation key with a score of 1-5, with 5 indicating the highest level of effectiveness.

The overall conclusions from the assessment is that the committee is highly effective in its operation. The key messages arising from the review are that:

- The Committee has continued to build on the firm foundations put in place at the inception of the OPCC, expanding and refining its remit in the light of changing circumstances and emerging trends.
- Members recruited appropriately and the range of skills strengthened through new appointments.
- The Committee's remit complies with best practice.
- The Committee is supported by key members of the OPCC and Chief Constable's management teams at all Committee meetings to ensure that members are appropriately informed when considering the issues.
- Audit and Standards Committee members have carried out their duties diligently, achieving 95% attendance at meetings, have made a valued contribution to governance arrangements and have taken action on specific issues.
- Members have substantially increased formal and informal training and development activities and adjusted their remit accordingly.

### Core Functions

- Promoting Good Governance (5)
- Supporting Internal Audit and Internal Control (5)
- Supporting Risk Management (5)
- Assurance Frameworks and Planning (5)
- Supporting Value for Money (5)
- Values & Countering Fraud and Corruption (5)
- External Audit and Inspection (5)
- Promoting Reporting and Accountability (4)

The committee achieves a consistent grade of 4 or 5 across all areas of the assessment against the Core Functions and a grade 5 assessment against the Wider Functions of Ethical Values and Treasury Management. Independence and Accountability and Membership and Effectiveness both score a grade 5, being evidenced as fully compliant with best practice requirements.

<sup>2</sup> The Commissioner and the Chief Constable

In the one area where the Committee has not achieved a grade 5 (promoting effective public reporting, partnership governance and accountability), there are plans to improve and develop the arrangements. The Committee's continues to strive for improvements across all areas of its activities and plans for 2016/17 include:

- Helping to improve the outcome focus of the next Police and Crime Plan so that delivery can be measured more effectively.
- Exploring ways to strengthen partnership working with the Police and Crime Panel and the Ethics and Integrity Panel.
- Build on existing recruitment process to attract good quality applicants to replace retiring member.
- Introduce comprehensive induction training for new members.
- Support and closely monitor the OPCC and Constabulary plans to address the increasingly stringent funding environment.
- Support and challenge the process for the transfer of responsibilities to the incoming Commissioner.

In carrying out the review Committee members have been able to evidence numerous examples of their impact. This has included:

- Improvements in the clarity of analysis and reporting of risk management within the OPCC.
- Taking steps to ensure that the Committee are appropriately briefed on issues including funding, views of Police and Crime Panel and integration with Ethics and Integrity Panel.
- Improvements to the joint procurement regulations both in terms of the overall wording of the document and greater clarity being provided in respect of the tender opening process.
- Increased understanding of the impact of regulatory changes in relation to the treasury management function, supporting robust scrutiny of the annual treasury management strategy.
- Oversight and scrutiny of a wider range of thematic audit reports recognising the increasing scope of each entities risk profile.
- Improvement of clarity of key documents relating to integrity.
- Changing the committee's arrangements for scrutiny of financial arrangements to support early closedown recognising that this limits the capacity of the committee to input to the pre-audited financial statements.

The review of the effectiveness of the arrangements has demonstrated that the Committee can evidence substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as the factors that evidence the Committee's effectiveness.

The Committee's full Annual Report provides further information on the assessment process and CIPFA standards, this together with the Committee's Terms and Reference and detailed work programme for 2015/16 can be found on the Commissioner's website at <http://www.cumbria-pcc.gov.uk/governance-transparency/audit-committee.aspx>. The Joint Audit and Standards Committee holds public meetings, Committee papers and audit reports are all available on the Commissioner's website using the above link.

## Joint Audit and Standards Committee Annual Report 2015/16

### Introduction

The purpose of an audit committee is to provide those charged with governance<sup>3</sup> independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

CIPFA's document, *Audit Committee's Practical Guidance for Local Authorities and Police*, recommends that audit committees review annually their effectiveness. This report sets out for the Commissioner and Chief Constable's Joint Audit and Standards Committee the conclusions of that review and provides a commentary on the effectiveness of the Committee in fulfilling its purpose.

### Review of Effectiveness

The review has been undertaken against the framework of the CIPFA document. It reviews the activities and impact of the Committee against the guidance in relation to the purpose and functions for Audit Committees and a checklist for effectiveness. The full range of activities undertaken by the Committee during 2015/16 is also set out in Appendix A as a consolidated summary of the work of the Committee in fulfilling its functions. For each of the areas in the CIPFA guidance, an assessment is made to award a grade in accordance with the CIPFA standard, based on the conclusions of the review. The grades are set out in table one below. In addition to consideration of Committee activity the review of effectiveness is also supported by consideration of the issues of Committee independence and objectivity and the skills and experience of members. Audit Committee members have further agreed a self-assessment checklist for good practice, included with the CIPFA document to support the annual review.

Table One: CIPFA Effectiveness Evaluation Assessment Key

Score	Assessment Key
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvements across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. This is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

<sup>3</sup> The Commissioner and the Chief Constable

## Overall Conclusions and Assessment

The overall conclusion and assessment is that the Audit and Standards Committee is extremely effective in its operation.

The review has demonstrated that within the areas of the self-assessment the Committee can evidence the effective use of substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as being evidence of effectiveness. The committee achieves a consistent grade of 5 in 7 out of the 8 areas of the assessment against the Core Functions (with the other being graded a 4) and a grade 5 assessment against the Wider Functions of Ethical Values and Treasury Management. Independence and Accountability score a grade 5 and Membership and Effectiveness also score a grade 5. In areas where the Committee has not achieved a grade 5 there are plans to improve and develop the arrangements. The key messages arising from the review are that:

- Committee members have carried out their duties diligently, meetings are well attended and members have made an effective contribution to governance arrangements
- For 2015/16, the Committee's work programme has been expanded to facilitate a wider scope of reporting arrangements and strengthened the assurance members provide. This has resulted in the score for effectiveness moving up from Grade 4 to Grade 5 across five areas of the CIPFA assessment.
- Members have kept up to date with training and developments. From 2015/16 these arrangements have been formalised with the inclusion of a corporate briefing prior to Committee meetings and bi annual sessions to support development and a more in-depth understanding of areas of business within the Committee's remit. The development sessions undertaken during 2015/16 have included workshops on the change programme, risk management, crime recording, treasury management and the budget and medium term financial strategy.



The rest of this report sets out the requirements of the CIPFA guidance, the arrangements for the Committee and the evidence and conclusions of the review. It is set out in four sections with supporting appendices:

- Section One: Core Committee Functions and the Effectiveness Checklist page 9-24
- Section Two: Possible Wider Functions of an Audit Committee page 25-26
- Section Three: Independence and Accountability page 27-28
- Section Four: Membership and Effectiveness page 29-31
- Appendix A: Committee Activities 2015/16 page 32-36
- Appendix B: Committee Terms of Reference Assurance Framework page 37-45
- Appendix C: Committee Attendance page 46
- Appendix D: Committee Chair and Member Role Profiles page 47-50
- Appendix E: CIPFA Good Practice Checklist page 51-53

## Section One: Core Committee Functions and the Effectiveness Checklist

### Promoting the Principles of Good Governance/Annual Governance Statement

*CIPFA notes the importance of the capacity of the Committee to promote good governance, making things better, not just reviewing what has happened in the past.*

CIPFA guidance makes clear that Audit Committees should address governance principles in the course of its regular business rather than governance being limited to a once a year reporting process.

There should be a local code of governance setting out how the principles of the CIPFA SOLACE good governance framework are applied, that should be reviewed by the Committee. Police Audit Committees should review the AGS of both the Commissioner and the Chief Constable prior to approval. The CIPFA guidance provides that to meaningfully review the Annual Governance Statement (AGS), the Committee should be in a position to draw on their knowledge of the governance

arrangements as they are established and on assurances of their operation in practice. It should also ensure that the AGS is underpinned by a framework of assurance.

Over the course of the year the Committee should receive reports and assurances over the application of the governance framework, monitor action plans and recommendations and consider the application of governance principles to other agenda items. CIPFA notes the importance of the capacity of the Committee to promote good governance, making things better, not just reviewing what happened in the past.

Self-evaluation, examples, areas of strength and weakness

The Committee's annual work programme includes an independent cyclical review of the Commissioner and Chief Constable's governance framework and all material governance arrangements. During 2015/16 the work of the Committee has included:

- Reviewing and advising on revisions to and the updating of joint procurement regulations, the OPCC risk management strategy and the OPCC treasury management strategies and practices. The review of treasury management included a briefing by external treasury management advisors in respect of changes to the regulatory environment for investment counterparties, following which members were able to robustly challenge changes in the approach to investment strategy. Members input to joint procurement regulations has resulted in improvements to the overall wording of the document and greater clarity being provided in respect of the tender opening process.
- A review of the role of the Commissioner and Chief Constables Chief Finance Officer against the CIPFA guidance for police and consideration of the Chief Finance Officer's review of the effectiveness of

arrangements for governance, including internal audit and a review of the role of the Head of Internal Audit against CIPFA guidance.

- In line with CIPFA recommendations, the Committee reviewed the Chief Constable and Commissioner's AGS in May, prior to the publication of the unaudited statement and again in September prior to publication alongside the audited accounts. Alongside the AGS, members reviewed the Commissioner and Chief Constables Code of Corporate Governance.
- The Committee receive all audit reports in full, at the point in which they were finalised, with members requesting that reports with significant issues are tabled at Committee meetings. Members have given specific focus to audit reports covering business continuity planning, duties management, safeguarding ICT assets, data protection and freedom of information.
- The annual audit programme includes a number of governance specific audits. During 2015/16 this has included audit of the ICT strategy, code of ethics/organisational values, data protection and freedom of information. A further piece of work to review the governance arrangements for procurement and commissioning has been carried forward to 2016/17 to allow the scope of the work to be extended. During 2016/17 the approved audit plan will focus on the arrangements in place to ensure the Code of Corporate Governance is compliant with the updated CIPFA/SOLACE governance framework in addition to the review of governance arrangements for procurement and commissioning as carried forward from 2015/16.
- The scope of the audit plan has been significantly developed since 2014/15 to ensure it provides wider governance assurance beyond financial systems and financial governance e.g. the plan for 2015/16 has included audit reviews of the ICT strategy, mobile and digital project, security of ICT assets, performance monitoring and reporting, the duties management function, firearms and Tasers and Cumbria safeguarding hub. The approved 2016/17 plan will further increase the scope of audit work with audit work covering information security, command and control, criminal justice, use of stop sticks, stop search and offender management.
- At their meeting in May internal audit provided members with a draft annual audit opinion and an audit report on the Annual Governance Statement providing assurance from the Head of Internal Audit. This was followed by a final report presented at the meeting in June. Members also receive further assurance at each meeting through reports from the external auditors. This included the Audit Findings Report presented to members in September setting out the external auditor's un-qualified opinion on the financial statements and an un-qualified value for money conclusion.

Through these arrangements and their prior experience and skills, members develop a robust understanding of governance across the OPCC and Constabulary and the extent to which those arrangements are well embedded. This provided the basis on which Committee members provided assurance and add value with regard to governance.

Conclusion and Overall Assessment: **Assessment Grade 5.**

The Committee is fully compliant with the CIPFA guidance. Clear evidence is available from a number of sources that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

## Contributing to the development of an effective control environment & supporting the quality and independence of Internal Audit

*The Audit Charter is a key governance document setting out the purpose, authority, responsibilities and objectives of Internal Audit.*

CIPFA guidance makes clear that the Audit Committee has a clear role in relation to oversight of the internal audit function.

Within policing, the advisory role of the Committee means that this responsibility is managed through support and review of the arrangements for internal audit. These arrangements are set out under the requirements of the Public Sector Internal Audit Standard (PSIAS) and the supporting Local Government Application Note (LGAN) within an Audit Charter.

The Audit Charter sets out the functional reporting arrangements between Internal Audit, the Board<sup>4</sup> and the Joint Audit and Standards Committee. CIPFA guidance sets out a number of roles for the committee as part of the support and review arrangements. These are to oversee Internal Audit's independence, objectivity, performance and professionalism, support the effectiveness of the internal audit process and promote the effective use of internal audit within the assurance framework.

### Self-evaluation, examples, areas of strength and weakness

The Committee's annual work programme, in line with the CIPFA guidance, includes a review of the Internal Audit Charter and a review of a risk based internal audit plan including the audit budget and number of audit days within the plan. The report that incorporates the Plan and Charter was received by members in March 2015 in respect of the 2015/16 financial year. In March 2016 members approved the Plan and Charter for 2016/17 which has increased the number of audit days by 42 from 232 in 2015/16 to 274 in 2016/17. Of the increase, 15 days have been carried forward from the 2015/16 plan to provide additional scope in the audit of procurement governance the remaining 27 days reflect increased work identified by the OPCC and Constabulary in relation to risks identified. The plan sets out the process undertaken to assess risks and develop a programme of audit in accordance with the risk based approach of the PSIAS.

*The Committee meets annually and independently with the Internal Auditors and receives an annual report and opinion from the Chief Internal Auditor*

The Audit Charter, in compliance with the PSIAS, makes a number of statements setting out how the arrangements for Internal Audit provide assurance with regard to ethics, independence and objectivity, including arrangements for resourcing and ensuring proficiency and due professional care. The Committee

<sup>4</sup> The Executive Board comprising the Commissioner, the Chief Constable, the Commissioner's Chief Executive and the Commissioner's Chief Finance Officer

receive an annual statement on conformance with the PSIAS and LGAN. In reviewing the Audit Charter Committee members are able to assess and challenge the robustness of these arrangements.

The Committee meets annually and independently with the Internal Auditors and receives an annual report and opinion from the Chief Internal Auditor on the adequacy and effectiveness of governance, risk management and internal control. The report includes a summary of the audit work on which the opinion is based. This is supported by a report from the Chief Finance Officer on the overall effectiveness of the arrangements for internal audit including the opinion of the external auditor.

The Committee receives all internal and external audit reports in full supporting assurance on the overall control environment. The reporting format was improved in 2014/15 to provide a stronger link between audit recommendations and control objectives. The reports also aim to focus attention on internal control strengths and recommendations. Members have considered reports across a diverse range of Constabulary and OPCC business including ICT strategy, complaints handling, mobile devices, performance monitoring, safeguarding ICT assets, budget management (payroll), duties management, code of ethics/organisational values, firearms, pensions, creditors, data protection and freedom of information.

*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 Commissioner and Chief Constable's objectives*

Monitoring against performance measures and benchmarks for the Internal Audit service was introduced in 2014/15 and has continued throughout 2015/16. Proposed performance measures are reviewed at the start of the financial year and have been included within the Internal Audit Charter on the recommendation of the Committee. Members have received a quarterly monitoring report assessing actual performance against the benchmark. In 2014/15 recommendations were made by members regarding ways in which the service might improve the volume of post audit customer feedback. The result is that during 2015/16 feedback forms have been provided in respect of the majority of finalised audits. Where these were not initially received, a programme of reminders both by internal officers and by internal audit is implemented to ensure 100% compliance.

The terms of reference of the Committee and associated annual work programme fully complies with the detailed CIPFA guidance. Collectively these arrangements ensure members are able to make effective judgements on the effectiveness of internal controls and Internal Audit provision, making recommendations with regards to improvement.

#### Conclusion and Overall Assessment: **Assessment Grade 5.**

The Committee is fully compliant with the CIPFA guidance. Clear evidence is available from a number of sources that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

## Supporting arrangements for the governance of risk and effective arrangements to manage risk

CIPFA guidance references that Police Audit Committees are directed in the Home Office Financial Management Code of Practice to advise the Commissioner and Chief Constable on the adoption of appropriate risk management arrangements.

It also notes the assurance that risk management provides in respect of the AGS and when reviewing the risk based internal audit plan. The guidance describes governance of risk as the arrangements for leadership, integration of risk management arrangements, ownership and accountability. Effective arrangements to manage risk include:

- those for reviewing risks,
- arrangements that secure the ownership and management of strategic, operational and project risks,
- assurance arrangements for risk assessing strategies and polices,
- the arrangements for monitoring effectiveness and supporting the development and embedding of good practice in risk management.

*The Risk Management Strategy is a comprehensive document that provides the basis for members to challenge and provide assurance over how risks are governed and managed.*

### Self-evaluation, examples, areas of strength and weakness

In accordance with the CIPFA guidance, specific actions undertaken by the Committee during 2015/16 included:

- Receipt at the Committee's meeting in May of a retrospective report from the Chief Executive setting out the OPCC arrangements for monitoring the effectiveness of risk management. This was the second annual report on the arrangements for risk management following a recommendation made by the Committee in 2013/14.
- Reviewing the arrangements for risk management within the Constabulary and making specific recommendations regarding improving the openness and transparency of those arrangements. This has resulted in agenda items on risk management being moved from the private agenda to the public meetings.
- Review of the Commissioner's annual Risk Management Strategy. The strategy is a comprehensive document that provides the basis for members to challenge and provide assurance over how risks are governed and managed. The strategy now includes on recommendation from the Committee

arrangements for determining risk appetite. The review of Risk Management Strategy is supported by a quarterly review of strategic risk registers that set out the most significant risks facing the Commissioner and Constabulary and the mitigations in accordance with the methodology within the strategy. This ensures the Committee has an effective understanding of the significant risks facing both organisations and can hold risk managers to account.

- During 2014/15 an internal audit review of the arrangements for risk management within the Constabulary and the OPCC was undertaken. The audit report for the Constabulary resulted in an audit opinion providing substantial assurance, while the report for the OPCC resulted in an audit opinion providing reasonable assurance. The audit made a number of recommendations including the need for the strategic risk register to be more clearly aligned to strategic objectives and the need for staff development in the area of risk management. As a result of the audit the OPCC received development support from CIPFA and the committees lead member on risk during 2015/16 to review and challenge the approach to risk management including a full review of the risk registers. All recommendations from the audit reports have now been fully implemented and changes have been made to the way risks are managed, scored and reviewed.

*The Committee has nominated a lead member for risk who provides prior input and advice on the Risk Management Strategy prior to its consideration by the full Committee*

In accordance with best practice, the Committee also compiles and maintains a separate, dedicated risk register to manage risks relating to the Committee's own activities.

During 2014/15, self-assessment by the Committee of its own effectiveness in supporting the arrangements for risk management identified that members would benefit from a more in depth understanding of risk management practice across both the Constabulary and OPCC. In May 2015, the development session included a presentation by the Strategic Development Manager on the Constabulary approach to risk management, which provided the opportunity for a more detailed dialogue on the arrangements. As a result of this session, member's capability for robust in year scrutiny of the management of risks and undertaking risk interrogation of key strategic risks has improved.

Conclusion and Overall Assessment: **Assessment Grade 5.**

The Committee is fully compliant with the CIPFA guidance. Clear evidence is available from a number of sources that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

## Assurance Frameworks and Assurance Planning

CIPFA guidance explains assurance frameworks as a description that typically outlines the key areas of assurance required by the Audit and Standards Committee that supports the AGS and is available to enable the Committee to meet its terms of reference.

A framework will support the ability to ensure that assurance is planned and delivered efficiently and effectively, avoiding duplication and with independence across a range of assurance providers. It also ensures that the Committee is clear on the extent to which assurance is reliant on the arrangements for Internal Audit.

*The Audit and Standards Committee operates with an assurance-based work programme aligned to its terms of reference*

Self-evaluation, examples, areas of strength and weakness

The Audit and Standards Committee operates with an assurance-based work programme aligned to its terms of reference and that, in line with the guidance, forms an appropriate balance between cost and risk. The assurance framework that was in place for 2015/16 is set out at appendix B and includes assurances from management, Chief Officers, internal and external audit and external inspectorates. During 2015/16 and in recognition of CIPFA's updated guidance for Audit Committees, members have:

- Improved the arrangements for assurance in relation to a number of areas within the work programme. This included receipt at the May meeting of monitoring reports covering the areas of risk management anti-fraud and corruption monitoring, and monitoring the effectiveness of the Commissioner's code of conduct and PCC/Officer protocol. At their February and March meetings the Committee received reports covering the Commissioner and Chief Constable's arrangements for providing value for money.
- Improved the efficiency and focus of assurance gathering at formal meetings of the Committee by excluding from the agenda audit reports where there are no significant/material issues arising.
- Received an assurance report from the Chief Finance Officer in respect of the sources of assurance members can place reliance on in respect of their review of the statement of accounts.
- Increased the number of Committee meetings from 4 to 5 per year to ensure that members can give appropriate time and consideration to agenda items in the context of the widening of the assurance framework.

Conclusion and Overall Assessment: **Assessment Grade 5**

The Committee is fully compliant with the CIPFA guidance. Clear evidence is available from a number of sources that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

## Supporting the development of robust arrangements for value for money and best value

The CIPFA guidance notes that in the Police sector it is the Chief Constable that has statutory responsibility for securing value for money and that the Commissioner's responsibility is to hold the Chief Constable to account for this duty.

The Audit and Standards Committee role is to support both the Commissioner and Chief Constable to fulfil their responsibilities through the assurance process. This should focus on arrangements to ensure value for money and the progress in achieving value for money. This includes how performance in value for money is evaluated as part of the AGS and the Committee's consideration of the external audit opinion on value for money. The AGS should be focused on outcomes and value for money. The Committee should also consider what other assurances are available.

*The Constabulary has developed and agreed a Continuous Improvement, Efficiency and Value for Money Strategy, which sets out the principles the Constabulary will follow and specific reviews which aim to secure maximum value from the resources available to it.*

*The overall arrangements for value for money are concluded on by the external auditors who provide for the Committee their opinion on value for money. The conclusion for 2014/15 was positive.*

### Self-evaluation, examples, areas of strength and weakness

The Commissioner's Code of Corporate Governance and AGS sets out the arrangements for securing the achievement of the goals and objectives set out within the Police and Crime Plan. This includes a performance framework that supports the Commissioner in holding the Chief Constable to account for VFM. These documents also references the receipt annually of HMIC value for money profiles and inspection reports that further support VFM accountability.

The Chief Constable's Code of Corporate Governance provides reference for the Committee to the Constabulary Continuous Improvement, Efficiency and Value for Money Strategy, which sets out the principles the Constabulary will follow and specific reviews, which aim to secure maximum value from the resources available to it. The AGS references the specific reviews that have been undertaken during the year and the improvements in efficiency and effectiveness arising from that work.

The work of the Committee further supports value for money in providing an overview of the treasury management strategy and activities that helps to promote value in the treasury function. This will have greater impact in future years, when decisions will need to be made in respect of borrowing. The timing of decisions will be instrumental to the value for money achieved from the balance between borrowing costs and investment returns.

The overall arrangements for value for money are concluded on by the external auditors who provide for the Committee their opinion on value for money. The conclusion for 2014/15, received by the Committee in the External Auditor's September 2015 Audit Findings Report was positive.

From 2014/15 the format internal audit reports have supported wider assurance for members by covering a specific control objective on 'value: the effectiveness and efficiency of operations and programmes.' Specific audit recommendations with value for money implications are categorised within audit reports under this heading.

Following a review by the Committee during 2013/14 that identified limited 'other' sources of assurance with regard to value for money and securing best value, the Committee now routinely receives a number of reports from the OPCC and Constabulary with a specific focus on value for money. This has included an analysis of HMIC value for money profiles for the Constabulary and OPCC, including further work to benchmark OPCC costs and structure, and the outcome of the HMIC PEEL review of efficiency, effectiveness and legitimacy. As part of the review of the arrangements for value for money, members also sought assurances regarding the approach to the management of reserves, the reserves strategy was included as part of the member development session on the budget, medium term financial strategy and change programme provided in March 2016.

#### Conclusion and Overall Assessment: **Assessment Grade 5**

The Committee is fully compliant with the CIPFA guidance. Clear evidence is available from a number of sources that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

## Helping to implement values of good governance & countering fraud and corruption

CIPFA guidance states that the role of the Audit and Standards Committee is to have oversight of counter-fraud strategy, assessing whether it meets recommended practice, governance standards and complies with legislation.

The Committee should understand the level of fraud risk to which the organisation is exposed and the implications for the wider control environment. The guidance also recognises the link to ethical standards and the role of the committee in championing good counter-fraud practice. The committee should also monitor performance on counter fraud activity including monitoring action plans and overseeing any major areas of fraud.

### Self-evaluation, examples, areas of strength and weakness

The Audit and Standards Committee undertakes a cyclical review of counter-fraud strategy, policy and action plans as part of the arrangements for review of all core strategic governance documents. This provides an opportunity for members to consider the approach to counter-fraud within the context of the wider governance arrangements and internal controls that support the anti-fraud approach. These arrangements include those covering codes of conduct and ethical behaviour.

During 2015/16 members reviewed and provided constructive feedback on the overall arrangements for integrity. As a result of this feedback changes and improvements have been made to support the clarity of key documents.

In May 2015 members received a report from the Chief Executive monitoring the anti-fraud and corruption arrangements within the OPCC. The report sets out the activity that takes place during the year in line with the strategy and policy and to ensure anti-fraud arrangements are well embedded. The report covered the 2014/15 financial year and members will receive in May 2016 a report covering the 2015/16 financial year.

During 2014/15 the arrangements for anti-fraud and corruption within the OPCC and Constabulary were subject to internal audit with members receiving reports with an audit judgement of substantial assurance for the OPCC and reasonable assurance for the Constabulary. The Constabulary report made six medium priority recommendations primarily covering the areas of cross checks and reviews of disclosure registers. During 2015/16 members monitored the implementation of these recommendations.

In September 2015, as part of the arrangements for the financial statements, members received copies of the Commissioner and Chief Constable's letter of management assurance. These are prepared by the respective

Chief Finance Officers and include a full fraud risk assessment. Within the assessment members are briefed on any actual or suspect fraud that has taken place during the year and any changes to the control environment as a consequence of that fraud.

Members further support their understanding of the control environment through receipt of audit reports. During 2015/16 members received audit reports with judgements of substantial or reasonable assurance on audits across the major financial systems including pensions and creditors. Members receive the full report on all audits supporting a wider understanding of internal controls that can be gained from summary reports.

During 2015/16 the Committee has operated as a Standards Committee for the Commissioner. This has included monitoring the effectiveness of the Commissioner's Code of Conduct and PCC/Officer Protocol, supporting the approach to ethical standards. In 2015/16 the Commissioner and Constabulary established an independent Ethics and Integrity Panel to facilitate a more in-depth scrutiny of arrangements for ethics and integrity including Constabulary conduct matters and the handling of complaints. The first annual report of the Ethics and Integrity Panel was provided to members of the Joint Audit and Standards Committee in June 2015.

#### Conclusion and Overall Assessment: **Assessment Grade 5**

The Committee is fully compliant with the CIPFA guidance. Clear evidence is available from a number of sources that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

## External Audit & Inspection

CIPFA guidance states that the Audit Committee's role should include receiving and considering the work of the external auditor.

This includes receiving the planned work programme and reports following completion of the audit work such that the committee is able to make judgements on audit resources, assess the effectiveness and quality of the audit (this may include feedback from key people e.g. CFO) and report to the Commissioner or Chief Constable where appropriate. The Committee should also support the implementation of external audit recommendations, review any non-audit work undertaken and have the opportunity to meet separately and privately with the external auditors. The guidance also recognises the assurance that can be provided from reports about financial management and governance from wider inspection agencies.

### Self-evaluation, examples, areas of strength and weakness

The Joint Audit and Standards Committee receive all reports of the External Auditors and conduct an annual private meeting with the External Auditors. The External Auditors have attended all Committee meetings during 2015/16. The Committee's terms of reference are fully compliant with the CIPFA guidance and provide for an annual private meeting with the External Auditors. The Committee receives inspection reports from other agencies where these are relevant to the Committee's functions. Recommendations arising from audit and inspection are monitored for implementation by the Committee.

Membership of the Audit and Standards Committee includes the skills and experience of a former district auditor and former S151 officer, in addition to members who have significant experience of committees fulfilling an audit function. This ensures that the Committee have the skills and experience to assess the work of the external auditors and will have clear expectations regarding the requirements in respect of seniority, quality and experience of audit staff. During 2015/16 members have:

- Undertaken robust scrutiny of the external audit plan, including questioning the robustness of work that will be carried out in respect of the value for money conclusion and the assurance it can provide.
- Received the External Auditors Annual Fee letter that includes a disclosure from the external auditors in respect of their tender to provision of tax and VAT helpline services to the Commissioner and Constabulary. This was not considered to create any conflicts.
- Received the External Auditors Audit Findings report covering the financial statements, matters of governance and the value for money conclusion in respect of the 2014/15 financial year.
- During 2014/15 members challenged the purpose of audit questions raised within the External Auditors progress report, resulting in agreement that the report will be more specifically tailored to the Constabulary/OPCC and will include a management response to

issues raised. These improvements have been recognised in the 2015/16 progress report.

- Scrutinised HMIC reports covering value for money (HMIC annual profiles) and efficiency, effectiveness and legitimacy (PEEL inspections). Members have also received a report and briefing from the Deputy Chief Constable covering the full HMIC inspection programme for the Constabulary and issues that need to be brought the attention of members. From 2015/16 members have

received regular briefings on any relevant inspection matters as they arise through the formal corporate update session included within each meeting.

- In 2014/15 Members agreed a change to their terms of reference to incorporate responsibility as an audit panel, to oversee the appointment of external auditors for the Commissioner, at the time the relevant provisions of the 2014 Local Audit and Accountability Act come into effect.

### Conclusion<sup>5</sup> : Assessment Grade 5

The Committee is compliant with the CIPFA guidance through a combination of the activity undertaken and the particular specialist mix of skills and experience within the Committee membership.

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<sup>5</sup> This assessment of effectiveness is undertaken against the core functions of the committee with the CIPFA guidance; it is not included in the effectiveness checklist but has been graded on a similar basis.

## Promoting effective public reporting, partnership governance & accountability

*The Committee should consider how assurances of governance are gained in respect of partnership arrangements and may seek to consider these assurances through processes for the AGS.*

The guidance from CIFPA on the core functions of an audit committee focuses primarily on the role of the Committee in relation to financial reporting and governance and specifically on the work of the Committee in relation to the statement of accounts.

This is recommended to include reviewing consistency between the foreword to the accounts, the financial statements and the committee's own understanding of financial challenges and risks, reviewing the sustainability of policies, areas of judgment and changes in accounting policies/treatment. The guidance also notes that the Committee should give consideration to the accessibility of the statements to the lay person e.g. use of plain English and key messages. The Committee should review the financial statements prior to approval, although best practice is to review the accounts prior to the commencement of the audit.

The guidance also considers how the Committee supports transparency and public accessibility in relation to decision making taken through partnership arrangements, specifically where these involve stewardship of public funds. The guidance identifies these arrangements as strategic relationships, shared services, commercial relationships and third sector. The Committee should consider how assurances of governance are gained in respect of partnership arrangements and may seek to consider these assurances through processes for the AGS.

### Self-evaluation, examples, areas of strength and weakness

**Financial reporting:** The statement of accounts is presented to the Audit and Standards Committee prior to formal approval and at a joint meeting of the Committee and the Executive Board. This facilitates members in undertaking their review of financial statements and providing assurances to the Commissioner and Chief Constable.

The financial statements are supported by a report from the Chief Finance Officer that consolidates for members all key areas of assurance on which they can place reliance in respect of the statements and details significant areas of risk and the basis of material judgments. This dialogue assists in explaining a number of complex transactions within the 2014/15 statements arising from changes in legislation that have impacted on how the Chief Constables financial position is presented. The 2015/16 report also highlighted to members the work undertaken by the finance team to improve the presentation and accessibility of the financial statements.

*The financial statements are supported by a report that consolidates all key areas of assurance and details significant areas of risk and the basis of material judgments.*

Whilst best practice dictates that the statements would be presented to the Committee prior to the commencement of the audit, there is a resource cost to delivering this. This is particularly the case with the financial statements for policing that require a set of group statements and two single entity statements. During 2014/15 the draft unaudited accounts were presented to the Committee in June and the subsequent audited accounts were presented in September alongside the External Auditors Audit Findings report.

Planning for the expected early closedown timetable for Local Authority financial statements means that the committee will now receive the audited 2015/16 statements at their meeting in July 2015. The timing of the May 2016 meeting is such that the draft (subject to audit) statements will not have been produced. In order to provide members with an early opportunity to review and scrutinize the accounts, a copy of the draft statement of accounts will be provided by email to members at the time it is published on the website prior to the start of the external audit review.

The arrangements in respect of governance for partnerships are set out in the appropriate governance documents that are presented to the Committee for cyclical review as part of their review of governance. During 2014/15 Financial Regulations were subject to review by members. This included changes to the arrangements for grant making which on member's recommendation have been strengthened in respect of responsibilities for ensuring compliance with requirements. Commensurate changes were also made to the grant regulations to incorporate this recommendation. Members also received in June 2014 the Commissioner's Grant Regulations that provide a framework for working with partners and the third sector. During 2015/16 members reviewed and contributed to the further development of the Role of the CFO (both OPCC and CC), the Joint Procurement Regulations incorporating a Code of Business Conduct and the requirements in respect of collaborative procurement, the OPCC Scheme of Delegation, the OPCC Arrangements for anti-fraud and Corruption and the OPCC Code of Conduct.

The overall arrangements for partnerships are set out within the Commissioner and Chief Constable's Code of Corporate Governance which was received by members in May 2015 alongside the AGS, setting out how those arrangements have been complied with. The Internal Auditor's report on the Annual Governance Statement received alongside the Code and AGS confirmed for members that the AGS was accurate and had been prepared in line with the correct process.

#### Conclusion and Overall Assessment: **Assessment Grade 4**

The Committee is compliant with the CIPFA guidance but would need to receive the unaudited statement of accounts prior to publication in order to fully meet best practice standards in respect of the contribution to financial reporting. This is unlikely to be achievable at least in the short term as a result of resource constraints. In respect of partnership governance the Committee receives assurance from a number of sources within the overall arrangements for governance. The conclusion is that there is clear evidence from some sources that the Committee is actively and effectively supporting improvements across some aspects of this area.

## Section Two: Possible Wider Functions of an Audit

### Committee

*The Committee has received and reviewed the Treasury Management Strategy, including related investment and borrowing policies and a comprehensive document covering treasury management practices*

#### Ethical Values and Treasury Management

The Audit and Standards Committee undertake two areas of work that CIPFA guidance acknowledges are appropriate to the role of the Committee but not a core function. These areas are Ethical Values and Treasury Management.

In relation to ethical values the guidance acknowledges the role of the Committee in promoting high standards and that it may take on the role and responsibilities of a standards committee.

With regards to Treasury Management the Committee may be nominated as the responsible body for ensuring effective scrutiny of the Treasury Management Strategy and policies. The guidance is clear that this excludes executive and decision making roles in relation to this function. Scrutiny involves developing an understanding of treasury matters and receiving treasury activity reports to support this, reviewing policies and procedures, treasury risks and assurances.

Self-evaluation, examples, areas of strength and weakness

Evaluation of the role of the Committee in respect of ethical values is covered in the section on good governance & countering fraud and corruption<sup>6</sup>. In respect of treasury management the Committee received and reviewed at its March 2015 meeting the treasury management strategy, including related investment and borrowing policies and a comprehensive document covering treasury management practices that would apply to the 2015/16 financial year.

During 2015/16 members have also received and reviewed the arrangements for Treasury Management proposed for 2016/17. This included a robust scrutiny of the strategy, where members have been keen to ensure an appropriate balance between risk and return in respect of the range of permissible investment counterparties and increased risk in the more traditional banking investments.

To ensure members sufficiently understand treasury matters, training has been provided by the Commissioner's treasury management advisors and treasury management activities reports are presented to

<sup>6</sup> The conclusion and assessment of that review is a grade 5

the Committee at every regular meeting. This understanding is further supported by the skills and experience profile of members of the Committee.

Conclusion<sup>7</sup> : **Assessment Grade 5**

The Committee is fully compliant with the CIPFA guidance through a combination of the activity undertaken and the particular specialist mix of skills and experience within the Committee membership.

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<sup>7</sup> This assessment of effectiveness is undertaken against the core functions of the committee with the CIPFA guidance; it is not included in the effectiveness checklist but has been graded on a similar basis.

## Section Three: Independence and Accountability

CIPFA guidance sets out a position statement that covers the key features that should be evidenced within all Audit Committees.

Outside of this statement arrangements should reflect local circumstances and focus on factors promoting effectiveness. The Committee is fully compliant with the requirements within the CIPFA guidance to ensure independence and accountability. Specifically:

- The Committee acts as the principal non-executive advisory function supporting those charged with governance<sup>8</sup> and is independent of executive and operational responsibilities. The Committee has access to and is accountable to the Executive Board<sup>9</sup>, meets at least 5 times a year and operates with a set of Committee standing orders to regulate business including matters received in public and those to be considered in private.
  - The Committee meets privately and independently with the external auditors and the internal auditors as part of its annual agenda.
  - The Chief Officers<sup>10</sup> or appropriate senior substitutes of the Commissioner and Chief Constable attend all meetings of the Committee. Internal audit and external audit are in attendance in addition to other officers as appropriate to the agenda. The Committee is able to call on other officers as required.
- The Committee is well attended, attendance for 2015/16 is set out at Appendix C.
- This report constitutes the Annual Report on the assessment of the Committee's performance and is reported to the Executive Board and the Police and Crime Panel.
  - The arrangements for the Committee comply with the guidance set out within the Home Office Financial Management Code of Practice. The Code states that the Commissioner and Chief Constable should establish an independent Audit Committee. It is recommended that this is a joint committee and that the Commissioner and Chief Constable should have regard to the CIPFA Guidance on Audit Committees.
  - The Committee maintains its independence by ensuring a focus through the work programme on oversight of governance, risk, control and the audit process. It has no delegated decision making or approval powers from the Commissioner or Chief Constable.
  - Agenda items are planned up to 12 months in advance through the development of an annual work programme agreed by the Committee in March and developed from the
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- <sup>8</sup> The Commissioner and the Chief Constable
- <sup>9</sup> The Executive Board comprising the Commissioner, the Chief Constable, the Commissioner's Chief Executive and the Commissioner's Chief Finance Officer
- <sup>10</sup> Chief Finance Officers, Chief Executive, Deputy Chief Constable

assurances needed to fulfil the Committee's terms of reference.

- The relationship between the Committee and Commissioner and Chief Constable's respective Chief Finance Officers is one of reciprocal support and constructive challenge.
- The Committee receives full audit reports at the point in which they are agreed, determining those that will be considered as part of the formal Committee agenda on the grounds of the materiality and significance of audit findings.
- All meetings of the Committee are held in public and members have actively challenged

the reasons for any issues being discussed in private. Agendas and papers are published on the Commissioner's website supporting accountability and transparency.

- The work program of the Committee ensures it can be effective in holding to account those officers who are responsible for implementing recommendations and actions arising from review. This is achieved through monitoring reports presented at each Committee meeting.
- The assurance format of the Committee's work programme and this Annual Report ensure that the Committee itself is effectively held to account for its own performance.

### Conclusion<sup>11</sup> : Assessment Grade 5

The Committee is fully compliant with the CIPFA guidance in respect of independence and accountability. This is based on the arrangements for the Committee that ensures independence, compliance with regulatory requirements and public accountability.

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<sup>11</sup> This assessment of effectiveness is undertaken against the core functions of the committee with the CIPFA guidance; it is not included in the effectiveness checklist but has been graded on a similar basis.

## Section Four: Membership and Effectiveness

*Police audit committees should comprise between three and five members who are independent of the Commissioner and Chief Constable*

CIPFA guidance recognises that the membership, composition and operation of the audit committee is a key factor in achieving the characteristics of a good audit committee.

These are defined as:

- Membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role.
- Membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- A strong, independently minded chair, displaying a depth of knowledge, skills and interest
- Unbiased attitudes – treating auditors, the executive and management fairly
- The ability to challenge the executive and senior managers when required.

Police audit committees should comprise between three and five members who are independent of the Commissioner and Chief Constable. Recruitment should be publically advertised with a job description that sets out requirements for knowledge and expertise. Candidates should be able to demonstrate their political independence. Appointments should be for a fixed term and formally approved by the Commissioner and Chief Constable and members should follow a Code of Conduct. The guidance acknowledges that the role of Chair may be advertised specifically and will need to take into account the characteristics required by an effective Chair. Induction training and other briefing and training updates should form part of a programme informed by a review of knowledge and skills.

Self-evaluation, examples, areas of strength and weakness

Membership, composition and operation of the Audit and Standards Committee comply with the CIPFA guidance. The Committee comprises four independent members, appointed through public advert for a tenure of 4 years, with a potential to extend to a maximum of 8 years in compliance with the practices recommended by Standards for England. Independence and objectivity, including political independence is secured through restrictions on membership. Specifically membership excludes:

- Serving elected members/officers of Local Authorities and/or similar bodies
- Former members/officers of Local Authorities and/or similar bodies (time restricted to 3 years)
- Individuals active in local or national politics

- Individuals who have significant business or personal dealings with the Constabulary/Commissioner
- Individuals who have close relationships with any of the above including immediate family members.

In addition, standard disqualifications apply to ensure the avoidance of any reputational embarrassment, for example individuals who have been removed from a trusteeship of a charity, anyone under a disqualification order under the Company Directors Disqualification Act. Appointed committee Members are required to abide by a Code of Conduct and Member/Officer Protocol.

The requisite skills and experience of members are secured through the recruitment process based on a role profile. The profiles distinguish between the experience and skills expected of the Committee Chair and those expected of Committee members. The role profile is supported by a person specification that sets out essential and desirable skills, experience and ability across a range of governance, risk, finance and audit requirements. The person specification requirements are set out below. The role profiles for committee members are set out at appendix D.

Essential experience and knowledge	Special aptitudes, intelligence and skills	Desirable experience and knowledge
<ul style="list-style-type: none"> <li>• <i>Experience in Chairing at Committee/Board level.</i></li> <li>• Sound experience of strategic planning, risk management and performance management.</li> <li>• Ability to assure financial and statistical information</li> <li>• Experience of leading or conducting or reviewing audit activity.</li> <li>• Experience of scrutinising financial information and processes.</li> <li>• Knowledge of best practices in governance and internal control</li> <li>• Good understanding of the roles of Internal and External Audit.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Be able to demonstrate leadership skills to fulfil the responsibilities of the Audit Committee Chair.</i></li> <li>• Ability and confidence to challenge and hold to account.</li> <li>• Treat auditors, executives and management equally and with respect.</li> <li>• To maintain an up to date knowledge and awareness of national and local policing and crime issues.</li> <li>• To have high ethical standards</li> <li>• Good communication skills, both written and oral, with the ability to actively contribute to discussion and debate</li> </ul>	<ul style="list-style-type: none"> <li>• Practical experience in the financial and/or general management of businesses or public sector organisations.</li> <li>• Experience of a Local Government Environment.</li> <li>• Audit Committee/Standards Committee (or equivalent) experience.</li> <li>• Professional Financial Qualification (CCAB or Audit based)</li> </ul>

Note – text in italic relates to skill relevant only to the committee chair.

Members are recruited independently of the Commissioner and Chief Constable but are subject to their approval. At the end of 2014/15 recruitment was undertaken for a new Committee Chair and new Committee Member due to the tenure of the existing chair coming to the end of his term. The recruitment process resulted in the appointment of an existing member of the Committee as Chair and a further appointment of a new member to the Committee. The tenure of the new member formally commenced on April 1<sup>st</sup> 2015 with that member having attended the Committee's March 2015 meeting as a visitor for induction. The appointment of a new member has further strengthened the Committee, the new member is a Solicitor and has widened the skill set of the Committee.

The work programme for members has included for 2015/16 formalised development seminars prior to Committee meetings, these sessions support members with a more in-depth understanding of areas within the remit of the Committee's terms of reference. During 2015/16 the development sessions have included the change programme, risk management, crime recording, treasury management (with the Commissioner's external advisors) and the budget and medium term financial strategy. In addition for 2015/16, the meeting agenda now includes a corporate update, this update is usually provided by the Deputy Chief Constable or Chief Finance Officer's and provides a flavor of the key issues facing the OPCC/Constabulary at the time. One of the members has represented the Committee at a regional police audit committee workshop organised by Grant Thornton.

#### Conclusion<sup>12</sup> : **Assessment Grade 5**

The Committee is compliant with the CIPFA guidance in respect of effective membership. This is based on the arrangements for the composition, recruitment and operation of the Committee that ensures independence and a specialist mix of skills and experience that make the Committee members effective in their roles. Effectiveness of members scrutiny function has been enhanced during 2015/16 through a more structured approach to member development and the regular inclusion of a corporate update on the agenda for all meetings. In addition, copies of all HMIC inspection reports are now routinely provided to members and from February 2016, the opportunity to discuss these reports and receive an update regarding report recommendations is included on the agenda for meetings.

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<sup>12</sup> This assessment of effectiveness is undertaken against the core functions of the committee with the CIPFA guidance; it is not included in the effectiveness checklist but has been graded on a similar basis.

## Joint Audit &amp; Standards Committee 2015/16 Activities

6 May 2015	23 June 2015	3 September 2015	4 February 2016 <i>(Cancelled from 8 December)</i>	9 MARCH 2016
<p><b>DEVELOPMENT SESSION</b> On the change programme and risk management</p> <p><b>EXTERNAL AUDIT FEES</b> To receive from Grant Thornton UK LLP the External Audit Fee 2015-16 for (i) Office of the Police &amp; Crime Commissioner; and (ii) Cumbria Constabulary</p> <p><b>OPCC RISK MANAGEMENT MONITORING</b> To receive an annual report on Risk Management Activity including the Commissioner's arrangements for holding the Chief Constable to account for Constabulary Risk Management.</p> <p><b>OPCC ANTI FRAUD AND CORRUPTION</b> (i) OPCC Anti-Fraud and Corruption Activity Monitoring- To receive an annual report from the Chief Executive on activity</p>	<p><b>CORPORATE UPDATE</b> on HMIC reports</p> <p><b>UPDATED JASC WORK PROGRAMME</b> To receive an updated Work Programme, members to note</p> <p><b>ANNUAL STATEMENT OF ACCOUNTS</b> To receive the un-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 (i) PCC Statement of Accounts (ii) PCC Summary Statement of Accounts (iii) CC Statement of Accounts (iv) CC Summary Statement of Accounts</p> <p><b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations</p>	<p><b>PRIVATE MEETINGS</b> Separate meeting between the members and Internal Audit and External Audit.</p> <p><b>CORPORATE UPDATE</b> on funding formula review/CSR and Cumbria Deal.</p> <p><b>THE JOINT AUDIT FINDINGS FOR THE POLICE AND CRIME COMMISSIONER FOR CUMBRIA AND THE CHIEF CONSTABLE FOR CUMBRIA CONSTABULARY</b> To receive from the External Auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditors Value for Money Conclusion</p> <p><b>ANNUAL STATEMENT OF ACCOUNTS – POLICE AND CRIME COMMISSIONER</b> To receive reports from the Chief Finance Officer for the Police and Crime Commissioner (i) Report of the Chief Finance Officer: Assurance Framework</p>	<p><b>DEVELOPMENT SESSION</b> Presentation by the Assistant Chief Constable on crime recording</p> <p><b>CORPORATE UPDATE</b></p> <p><b>JOINT ANNUAL AUDIT LETTER 2014-15</b> To receive from the External Auditors the Joint Annual Audit Letter and reports</p> <p><b>ANNUAL REVIEW OF GOVERNANCE 2015-16</b> To review the COPCC and Constabulary arrangements for governance; cyclical review over three years covering: (a) Role of the PCC's Chief Finance Officer (b) Role of the Chief Constables Chief Finance Officer (c) Procurement Regulations (d) Scheme of Delegation (e) Arrangements for Anti-Fraud and Corruption (f) Arrangements for Integrity including Codes of Conduct, Complaints and Integrity protocols</p>	<p><b>DEVELOPMENT SESSION</b> Presentation by Arlingclose on treasury management and also presentation by the CFOs and Deputy CFO on the budget, medium term financial strategy and the change programme.</p> <p><b>CORPORATE UPDATE</b></p> <p><b>HMI UPDATE REPORT</b> (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</p> <p><b>ANNUAL WORK PROGRAMME: ASSURANCE FORMAT</b> To review and approve an annual work programme covering the framework of assurance against</p>

6 May 2015	23 June 2015	3 September 2015	4 February 2016 <i>(Cancelled from 8 December)</i>	9 MARCH 2016
<p>in line with the arrangements for anti-fraud and corruption (ii) OPCC Arrangements for Anti-Fraud and Corruption - To receive a report from the Chief Executive on the arrangements for Anti-Fraud and Corruption for 2015/16</p> <p><b>MONITORING AND EFFECTIVENESS OF THE PCC/OFFICER PROTOCOL AND THE CODE OF CONDUCT</b> To receive an annual report from the Chief Executive with regard to the operation and effectiveness of the PCC/Officer Protocol and Code of Conduct</p> <p><b>INTERNAL AUDIT – ANNUAL REPORT 2014/15</b> To receive the Head of Internal Audit’s Annual Report including the Annual Audit Opinion</p> <p><b>REVIEW OF EFFECTIVENESS OF THE ARRANGEMENTS FOR AUDIT 2014/15</b> To receive a report from the PCC Chief Finance Officer in respect of the effectiveness</p>	<p><b>INTERNAL AUDIT – ANNUAL REPORT 2014/15 (FINAL)</b> To receive the Head on Internal Audit’s Annual Report including the Annual Audit opinion</p> <p><b>INTERNAL AUDIT REPORTS</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee (i) OPCC Business Continuity Planning (ii) CC Business Continuity Planning</p> <p>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) Debtors (ii) Budget Management</p> <p><b>INTERNAL AUDIT – PROGRESS REPORT TO MAY 2015</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan for 2015/16</p> <p><b>ETHICS AND INTEGRITY</b></p>	<p>(ii) Annual Statement of Accounts</p> <p><b>ANNUAL STATEMENT OF ACCOUNTS – CHIEF CONSTABLE</b> To receive reports from the Chief Finance Officer for the Chief Constable (i) Report of the Chief Finance Officer: Assurance Framework (ii) Annual Statement of Accounts</p> <p><b>INTERNAL AUDIT – PROGRESS REPORT</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan</p> <p><b>INTERNAL AUDIT REPORT</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the committee (i) Duty Management System</p> <p>The following Internal Audit report has also been completed within the last quarter and has been reviewed by the Committee members. Copies of this audit reports will be available to view on the</p>	<p><b>ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE</b> To receive an update on progress against the development and improvement plan within the annual governance statement</p> <p><b>HMIC REPORTS</b> This is an opportunity for the members to discuss any issues arising as a result of the HMIC Inspection Reports that were provided to them electronically</p> <ul style="list-style-type: none"> <li>• Criminal justice joint inspections, Custody Suite</li> <li>• Firearms Licensing</li> <li>• Data</li> <li>• Police Efficiency</li> </ul> <p><b>OPCC VALUE FOR MONEY REVIEW</b> To receive a report from the PCCCFO reviewing the 2015 Value for Money profiles</p> <p><b>INTERNAL AUDIT – PROGRESS REPORT</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan</p>	<p>the Committee’s terms of reference</p> <p><b>EXTERNAL AUDIT PLAN</b> To receive from the external auditors the Annual External Audit Plan</p> <p><b>JOINT AUDIT AND STANDARDS COMMITTEE UPDATE</b> To receive from the external auditors an update report in respect of progress on the external audit plan</p> <p><b>TREASURY MANAGEMENT</b> To review the annual Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices</p> <p>(i) Treasury Management Strategy Statement 2016/17 and Prudential Indicators 2016/17 to 2018/19 (ii) Treasury Management Practices 2016/17</p> <p><b>TREASURY MANAGEMENT ACTIVITIES 2015/16 QUARTER 3 (OCTOBER TO DECEMBER 2015)</b> To receive for information reports on Treasury Management Activity</p>

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<p>of internal audit</p> <p><b>ANNUAL REPORT OF THE JOINT AUDIT AND STANDARDS COMMITTEE 2014/15</b> To receive a report reviewing the activities of the Committee as a contribution to the effectiveness of arrangements for governance</p> <p><b>TREASURY MANAGEMENT ACTIVITY JANUARY TO MARCH 2015 AND ANNUAL REPORT 2015</b> To receive for information the reports on Treasury Management Activity for Jan – Mar and Treasury Management Outturn for the financial year</p> <p><b>ANNUAL GOVERNANCE STATEMENT – OPCC</b> (i) 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</p>	<p><b>GOVERNANCE</b> 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><b>STRATEGIC RISK REGISTER</b> (i) To consider the OPCC risk register as part of the Risk Management Strategy (ii) To consider the CC risk register as part of the Risk Management Strategy</p>	<p>OPCC website.</p> <p>(i) Performance Monitoring</p> <p><b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations</p> <p><b>TREASURY MANAGEMENT ACTIVITIES 2015/16 QUARTER 1 (APRIL TO JUNE 2015)</b> To receive for information, reports on Treasury Management Activity</p> <p><b>STRATEGIC RISK REGISTER</b> (i) To consider the OPCC risk register as part of the Risk Management Strategy (to follow) (ii) To consider the CC risk register as part of the Risk Management Strategy (to follow)</p>	<p><b>INTERNAL AUDIT REPORT</b> The following Internal Audit reports have been completed within the last quarter and have been reviewed by the Committee members. Copies of this audit reports will be available to view on the OPCC website. (i) Budget Management (ii) Mobile Device Project</p> <p><b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations</p> <p><b>TREASURY MANAGEMENT ACTIVITIES 2015/16 QUARTER 2 (JULY TO SEPTEMBER 2015)</b> To receive for information, reports on Treasury Management Activity</p> <p><b>STRATEGIC RISK REGISTER – OPCC</b></p> <p><b>STRATEGIC RISK REGISTER – CONSTABULARY</b></p>	<p><b>JASC QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME</b> To receive a report from the Management Audit Unit regarding the proposed Quality Assurance &amp; Improvement Programme</p> <p><b>PROPOSED INTERNAL AUDIT PLAN/INTERNAL AUDIT CHARTER</b> 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</p> <p><b>INTERNAL AUDIT – PROGRESS REPORT</b> To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan (To be presented by the Audit Manager)</p> <p><b>INTERNAL AUDIT REPORT</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee (i) Safeguarding IT Assets (ii) Data Protections and FOI</p>

6 May 2015	23 June 2015	3 September 2015	4 February 2016 <i>(Cancelled from 8 December)</i>	9 MARCH 2016
<p>date of this meeting</p> <p>(ii) Effectiveness of Governance Arrangements 2014/15– To receive a report from the PCCCFO/Chief Executive on the effectiveness of the PCC’s arrangements for governance</p> <p>(iii) Code of Corporate Governance 2015/16 – To consider the PCC Code of Corporate Governance</p> <p>(iv) Annual Governance Statement 2014/15 – To consider the PCC Annual Governance Statement for the financial year and to the date of this meeting</p> <p><b>ANNUAL GOVERNANCE STATEMENT – CONSTABULARY</b></p> <p>(i) 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</p>				<p>Requests</p> <p>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.</p> <p>(i) PCC Complaints Handling (ii) PCC FOI &amp; DP (iii) Complaints</p> <p><b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS</b></p> <p>To receive an updated summary of actions implemented in response to audit and inspection recommendations</p> <p><b>OPCC RISK MANAGEMENT STRATEGY</b></p> <p>To provide the annual review of the COPPC Risk Management Strategy</p> <p><b>OPCC RISK MANAGEMENT MONITORING</b></p> <p>To consider the COPCC strategic risk register as part of the Risk Management Strategy</p>

6 May 2015	23 June 2015	3 September 2015	4 February 2016 <i>(Cancelled from 8 December)</i>	9 MARCH 2016
<p>date of this meeting (copy enclosed) – To be presented by E Toyne</p> <p>(ii) Effectiveness of Governance Arrangements 2014/15 – To receive a report from the CCCFO on the effectiveness of the PCC’s arrangements for governance (copy enclosed) – To be presented by the CC’s Chief Finance Officer</p> <p>(iii) Code of Corporate Governance 2015/16 – To consider the CC Code of Corporate Governance Annual Governance Statement 2014/15 – To consider the CC Annual Governance Statement for the financial year and to the date of this meeting.</p>				<p><b>CONSTABULARY QUARTERLEY RISK MANAGEMENT UPDATE</b> To provide an update of Constabulary Risk Management including the strategic risk register</p> <p><b>CONSTABULARY VFM PROFILES</b> To receive a report from the Director of Corporate Improvement reviewing the 2015 Value for Money profiles</p>

## 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 2015.	June 2015	<b>ETHICS AND INTEGRITY GOVERNANCE:</b> 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
	February 2016	<b>ANNUAL REVIEW OF GOVERNANCE:</b> To review the COPCC and Constabulary arrangements for governance; cyclical review over a three years covering:
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	May 2015 (Code of Corporate Governance)	<ul style="list-style-type: none"> <li>▪ <u>Code of Corporate Governance (2015) (annual review)</u></li> <li>▪ <u>Role of the Chief Finance Officer (2015) (annual review)</u></li> <li>▪ Scheme of Delegation (2016)</li> <li>▪ Scheme of Consent (n/a)</li> <li>▪ Financial Regulations: bi-annual review (2016)</li> <li>▪ <u>Procurement Regulations: bi-annual review (2015)</u></li> <li>▪ Arrangements for Anti-Fraud and Corruption /whistleblowing (2017)</li> <li>▪ <u>Arrangements for Integrity including Codes of Conduct, Complaints and Integrity protocols (2015)</u></li> </ul>
	May 2016 (draft)	<b>ANNUAL GOVERNANCE STATEMENT</b>
	September 2016 (final statements prior to approval and publication)	<ul style="list-style-type: none"> <li>▪ <b>Report of the Internal Auditor: Annual Governance Statement:</b> To consider a report from the Internal Auditor reviewing the Annual Governance Statement for the financial year and to the date of this meeting</li> <li>▪ <b>Effectiveness of Governance Arrangements:</b> To receive a report from the PCCCFO/PCC 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</li> <li>▪ <b>Code of Corporate Governance:</b> To consider the PCC/CC Code of Corporate</li> </ul>

		<p>Governance</p> <ul style="list-style-type: none"> <li>▪ <b>Annual Governance Statement:</b> To consider the PCC/CC Annual Governance Statement for the financial year and to the date of this meeting</li> </ul> <p><b>ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN</b></p> <p><b>UPDATE:</b> 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	<p>Every meeting excluding May</p> <p>September 2015</p> <p>February 2016 (OPCC)/March 2016 (CC)/Ad-hoc</p>	<p><b>INTERNAL AUDIT REPORT:</b> 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><b>THE JOINT AUDIT FINDINGS FOR THE POLICE AND CRIME COMMISSIONER FOR CUMBRIA AND THE CHIEF CONSTABLE FOR CUMBRIA CONSTABULARY</b></p> <p>To receive from the External Auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditors Value for Money Conclusion.</p> <p><b>HMIC REPORTS:</b> To receive an annual report on the HMIC Value for Money Profile and arrangements for securing value for money &amp; HMIC value for Money inspection reports.</p>
Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC and Constabulary	<p>March 2016</p> <p>September 2015</p>	<p><b>ANNUAL WORK PROGRAMME: ASSURANCE FORMAT:</b> To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference.</p> <p><b>FRAMEWORK OF ASSURANCE: STATEMENT OF ACCOUNTS:</b> To receive a report from the PCCCFO/Chief Executive in respect of the PCC's framework of assurance; To</p>

		receive a report from the Deputy Chief Constable/CC in respect of the CC's framework of assurance.
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	<p>March 2016</p> <p>Every meeting excluding May</p> <p>May 2015</p>	<p><b>RISK MANAGEMENT STRATEGY:</b> To provide the annual review of the COPCC and Constabulary Risk Management Strategies.</p> <p><b>STRATEGIC RISK REGISTER:</b> To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy.</p> <p><b>RISK MANAGEMENT MONITORING:</b> 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>
Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions	<p>Every meeting excluding May</p> <p>Every meeting excluding May</p>	<p><b>INTERNAL AUDIT REPORT:</b> To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee.</p> <p><b>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS:</b> To receive an updated summary of actions implemented in response to audit and inspection recommendations.</p>

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	December – cyclically when updated  May 2015	<p><b>ARRANGEMENTS FOR ANTI-FRAUD AND CORRUPTION:</b> To receive the COPCC and Constabulary strategy, policy and fraud response plan.</p> <p><b>ANTI-FRAUD AND CORRUPTION ACTIVITIES:</b> To receive an annual report from the Chief Executive on activity in line with the arrangements for anti-fraud and corruption.</p>
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Terms of Reference: Internal Audit	Meeting	Work Programme Assurance Activity
Annually review the internal audit charter and resources	March 2016	<b>INTERNAL AUDIT CHARTER:</b> 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 2016/Ad-hoc	<b>PROPOSED INTERNAL AUDIT PLAN:</b> 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	June 2015  Quarterly  September 2015	<p><b>EFFECTIVENESS OF INTERNAL AUDIT:</b> To receive a report from the PCC Chief Finance Officer in respect of the effectiveness of internal audit.</p> <p><b>INTERNAL AUDIT PERFORMANCE:</b> 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></p> <p><b>PRIVATE INTERNAL AUDIT MEETING:</b> Confidential meeting of Committee members only and the Internal Auditors</p>

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 2015 (draft) June 2015 (final)  Every meeting excluding May	<b>INTERNAL AUDIT –ANNUAL REPORT:</b> To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion.  <b>INTERNAL AUDIT – PROGRES REPORT:</b> 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	<b>INTERNAL AUDIT REPORTS:</b> 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 2015	<b>EFFECTIVENESS OF INTERNAL AUDIT:</b> To consider a report of the Commissioner's Chief Finance Officer reviewing the effectiveness of Internal Audit.

<b>Terms of Reference: External Audit</b>	<b>Meeting</b>	<b>Work Programme Assurance Activity</b>
Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money	March 2016  May 2015	<b>EXTERNAL AUDIT PLAN:</b> To receive from the external auditors the Annual External Audit Plan  <b>EXTERNAL AUDIT FEES:</b> 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	February 2016/Ad-hoc	<b>ANNUAL AUDIT LETTER:</b> To receive from the External Auditors the Annual Audit Letter and reports  <b>JOINT AUDIT AND STANDARDS COMMITTEE UPDATE:</b> 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	Every meeting excluding May (where appropriate)	<b>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION:</b> 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	September 2015	<b>PRIVATE EXTERNAL AUDIT MEETING:</b> Confidential meeting of Committee members only and the external auditors

<b>Terms of Reference: Financial Reporting</b>	<b>Meeting</b>	<b>Work Programme Assurance Activity</b>
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	September 2015  (June 2015 draft unaudited statement of	<b>ASSURANCE FRAMEWORK: STATEMENT OF ACCOUNTS:</b> 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.

	accounts provided)	<b>ANNUAL STATEMENT OF ACCOUNTS:</b> To receive the unaudited/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	September 2015	<b>AUDIT FINDINGS REPORT:</b> 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.

<b>Terms of Reference: Accountability Arrangements</b>	<b>Meeting</b>	<b>Work Programme Assurance Activity</b>
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 excluding May (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 excluding May (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 2015	<b>ANNUAL REPORT OF THE AUDIT AND STANDARDS COMMITTEE:</b> To receive a report reviewing the activities of the Committee as a contribution to the effectiveness of arrangements for governance

Terms of Reference: Treasury Management	Meeting	Work Programme Assurance Activity
<p>Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory</p> <p>Review the Treasury risk profile and adequacy of treasury risk management processes</p>	<p>March 2016</p>	<p><b>TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES:</b> To review the annual Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices.</p>
<p>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</p>	<p>Every meeting excluding July</p> <p>Annually</p>	<p><b>TREASURY MANAGEMENT ACTIVITIES:</b> To receive for information reports on Treasury Management Activity/Outturn.</p> <p><b>TREASURY MANAGEMENT ADVISORS:</b> To receive briefings/training from the Commissioner's Treasury Management advisors.</p>
<p>Review assurances on Treasury Management</p>	<p>Every meeting excluding May (where applicable)</p>	<p><b>INTERNAL AUDIT REPORT:</b> To receive reports from Internal Audit Unit in respect of specific audits conducted since the last meeting of the Committee</p>

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"

## Attendance Listing for Joint Audit &amp; Standards Committee Meetings 2015/16

Independent Members	6 May 2015	23 June 2015	3 Sept 2015	4 Feb 2016 (8 Dec 2015 cancelled)	9 Mar 2016
Mrs Fiona Daley (Chair)	✓	✓	✓	✓	✓
Mr Andy Hampshire	✓	✓		✓	✓
Mr Jack Jones	✓	✓	✓	✓	✓
Mrs Fiona Moore	✓	✓	✓	✓	✓
<b>Commissioner's Officers</b>					
Police & Crime Commissioner for Cumbria (Richard Rhodes)			✓		
Chief Executive (Stuart Edwards)		✓		✓	
Chief Finance Officer / Deputy Chief Executive (Ruth Hunter)	✓		✓	✓	✓
Governance and Business Services Manager (Joanne Head)	✓		✓		✓
<b>Constabulary Officers</b>					
Chief Constable (Jeremy Graham)			✓		
Deputy Chief Constable (Michelle Skeer)	✓	✓			✓
Temporary Deputy Chief Constable (Darren Martland)				✓	
Constabulary Chief Finance Officer (Roger Marshall)	✓	✓	✓	✓	✓
Deputy Chief Finance Officer (Michelle Bellis)	✓		✓	✓	✓
Principal Financial Services Officer (Lorraine Holme)		✓	✓		
Financial Services Assistant (Dawn Cowperthwaite/Dawn Masters)	✓	✓	✓	✓	✓
<b>Internal Audit</b>					
Chief Internal Auditor, Management Audit Unit, Cumbria County Council (Niki Riley)			✓	✓	
Audit Manager, Management Audit Unit, Cumbria County Council (Emma Toyne)	✓	✓	✓	✓	✓
<b>External Audit</b>					
Appointed Auditor, Grant Thornton (Fiona Blatcher)	✓		✓		
Appointed Auditor, Grant Thornton (Richard McGahon)		✓	✓	✓	✓

## Joint Audit & Standards Committee - Role Profile

Job Title: Committee Chair

### JOB PURPOSE / KEY RESPONSIBILITIES

#### 1 Chair

The Chair of the Committee is responsible for providing leadership to the Committee in effectively discharging its duties and responsibilities as set out in the Committee terms of reference.

Ensuring that the Committee achieves its purpose of providing an independent assurance function for the governance, internal control, risk and financial and non-financial performance of the Constabulary and OPCC. Ensuring the Committee fulfils its responsibilities as a Standards Committee.

The Chair must create and manage effective working relationships among the Committee, Police and Crime Commissioner, the Chief Constable, Section 151 officers and both internal and external auditors.

Meet separately with the Section 151 officers and District Auditor to discuss risk compliance and governance issues arising as a result of external or internal audit activity.

Act as the committee's spokesman, using his or her best efforts to see that the committee receives all material to be discussed at the meeting at least one week before the meeting to ensure sufficient time to review information.

#### 2 Conduct of Committee Meetings

Act as the chairman of each Committee meeting ensuring the appropriate conduct of business in accordance with the committee terms of reference.

Conduct the business of each Committee meeting in a manner which will result in all matters on the agenda being dealt with effectively and appropriately.

Propose the termination of discussion on any matter when he or she is of the opinion that the matter has been thoroughly canvassed and discussed and that no new points of view or information are being presented.

Attempt to achieve resolution of all issues discussed at the meeting in respect of which a decision is required and members express conflicting positions, views, or advice, but such attempt should in no way inhibit a member from maintaining a different position, view, or advice.

Ensure that all members who wish to address a matter at a meeting are afforded a reasonable opportunity to do so.

In any case where a member of the Committee has an interest or potential conflict in respect of a matter to be discussed at a meeting, arrange for that member to excuse himself/herself from all or a portion of the Committee discussion.

### 3 Committee Culture

Provide leadership in promoting and supporting a Committee culture characterised by:

- i) The willingness of each member to use his or her best efforts in carrying out his or her duties as a member of the Committee;
- ii) The Committee's insistence on the highest level of integrity accountability and honesty in the actions of the Committee and of the PCC, Chief Constable and the other officers of the OPCC/Constabulary;
- iii) Respect and dignity among the members, officers and the external and internal auditor;
- iv) The candid and timely sharing of information among the members of the Committee, management and the external auditor;
- v) Acceptance by all members of the Committee of the right of every member to hold and express a dissenting opinion; and
- vi) A commitment to best governance practices and standards practices.

### 4 Miscellaneous Matters

Assist the Committee and management to understand and respect the responsibilities of each.

Whenever necessary or desirable, to facilitate the effective performance of the Committee's duties, attend other meetings and committees including those to facilitate governance of the internal audit shared service.

## Joint Audit & Standards Committee - Role Profile

Job Title: Committee Members

### 1. Job purpose / key responsibilities

To contribute to the effective discharge of the duties and responsibilities of the Committee as set out in the Committee terms of reference.

To maintain effective working relationships with committee members, the Police and Crime Commissioner, the Chief Constable, Section 151 officers and both internal and external auditors.

To be diligent in preparing for committee meetings and making an effective contribution to those meetings to provide independent assurance of the governance, internal control and finance, risk and performance management arrangements of the OPCC and Constabulary

### 2 Conduct of Committee Meetings

Contribute to the business of each Committee meeting in a manner which supports all matters on the agenda being dealt with effectively and appropriately.

Address the Committee on all matters where an opinion or decision is required and in such a manner that does not inhibit other members of the committee wishing to express a different opinion.

Advise the Committee Chair where an interest or potential conflict of interest may exist in respect of a matter to be discussed at a meeting and act on the advice of the Chair.

### 3 Committee Culture

As a member of the committee, contribute to a culture that supports.

- i) Each member to use his or her best efforts in carrying out his or her duties as a member of the Committee;
- ii) The highest level of integrity accountability and honesty in the actions of the Committee and of the PCC, Chief Constable and the other officers of the OPCC/Constabulary;

- iii) Respect and dignity among the members, officers and the external and internal auditor;
- iv) The candid and timely sharing of information among the members of the Committee, management and the external auditor;
- v) Acceptance by all members of the Committee of the right of every member to hold and express a dissenting opinion; and
- vi) A commitment to best governance practices.

#### 4 Miscellaneous Matters

When necessary or desirable, to facilitate the effective performance of the Committee's duties, attend other meetings and committees.

## CIPFA Self-assessment of Good Practice

Good Practice Questions	Yes	Partly	No
<b>Audit committee purpose and governance</b>			
Does the Commissioner/Chief Constable have a dedicated audit committee?	✓		
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓		
Is the role and purpose of the audit committee understood and accepted within the OPCC & Constabulary?	✓		
Does the audit committee provide support to the OPCC & Constabulary in meeting the requirements of good governance?	✓		
Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓		
<b>Functions of the committee</b>			
Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	✓		
good governance	✓		
assurance framework	✓		
internal audit	✓		
external audit	✓		
financial reporting	✓		
risk management	✓		
value for money or best value	✓		

Good Practice Questions	Yes	Partly	No
counter-fraud and corruption	✓		
Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓		
Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓		
Where coverage of core areas has been found to be limited, are plans in place to address this?	✓		
Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓		
<b>Membership and support</b>			
Has an effective audit committee structure and composition of the committee been selected? This should include:	✓		
separation from the executive	✓		
an appropriate mix of knowledge and skills among the membership	✓		
a size of committee this is not unwieldy	✓		
where independent members are used, that they have been appointed using an appropriate process	✓		
Does the chair of the committee have appropriate knowledge and skills?	✓		
Are arrangements in place to support the committee with briefings and training?	✓		
Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	✓		

Good Practice Questions	Yes	Partly	No
Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief finance officer?	✓		
Is adequate secretariat and administrative support to the committee provided?	✓		
<b>Effectiveness of the committee</b>			
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓		
Has the committee evaluated whether and how it is adding value to the organisation?	✓		
Does the committee have an action plan to improve any areas of weakness?	✓		

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JASC 03-05-16 TM Activities 2015-16 Quarter 4 and Outturn



# Cumbria Office of the Police and Crime Commissioner

## **Title:** Treasury Management Activities 2015/16 Quarter 4 (January to March 2016)

**PCC Decision Meeting: 3 May 2016**

**Joint Audit & Standards Committee: 3 May 2016**

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

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

- 1.1. The purpose of this paper is to report on the Treasury Management activities, which have taken place during the period January to March 2016 and to provide a brief annual report on the treasury management function for the 2015/16 financial year. Both elements of the report are requirements 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 3 May as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy.

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- 2.2. JASC Members are asked to note the contents of this report. The report is provided as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy. The report will also be presented to the Commissioner at his decision meeting on 3 May.

### **3. Economic Background**

- 3.1. Growth, Inflation, Employment: The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.
- 3.2. Global influences: The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to 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 high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.
- 3.3. UK Monetary Policy: The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its Inflation Reports and monthly monetary policy

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meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

- 3.4. Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year. However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).
- 3.5. Market reaction: From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields. 10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 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

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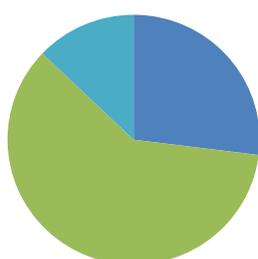
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as at 31 March 2016. Within each category there are further limits to the total amount and duration of investments that can be placed with individual counterparties, these vary depending on the credit rating of the counterparty at the time the investment is made.

Category	Category Limit (£m)	Actual Investments at 31 March (£m)	Compliance with Limit
1 - Banks Unsecured	20	4.928	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government	unlimited	11.000	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	2.353	Yes
<b>Total</b>		<b>18.280</b>	

A schedule detailing the individual investments that make up the £18.28m total invested at 31 March 2016 is attached at **Appendix 2**. A further illustrative analysis is provided of the balance outstanding at **Appendix 3**, where the first chart analyses the outstanding balance by the credit rating of the investment counterparty and the second shows the maturity structure of investments by the credit rating of the counterparty.

### Analysis of Outstanding Investments at 31 March 2016 by Category



- 1 - Banks Unsecured
- 2 - Banks Secured
- 3 - Government
- 4 - Registered Providers
- 5 - Pooled Funds

#### 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 January to March 2016 for the Commissioner's main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	91	2,228	30,529
Days Overdrawn	0	0	0

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The largest un-invested balance occurred on the 10 March 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.

During the period January to March 2016 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 January to March 2016, the balance was within the £2k limit for 58 out of 91 days (64%). 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 occurred on 6 occasions during this quarter, one of which was over the Easter bank holiday weekend so accounted for 5 days.

An estimate of the interest forgone on un-invested balances over £2k during this three month period is £42.

#### 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 January to March 2016:

Month	Number of Investments	Total Value of Investments
		£m
January 2016	3	5.0
February 2016	2	4.0
March 2016	2	4.0

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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 outstanding maturity of greater than 364 days. However, as at 31 March, 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	133	1.00%
Lancashire County Council	2.0	365	08/05/2015	06/05/2016	36	0.50%
<b>Total</b>	<b>4.0</b>					

4.4. Interest Earned

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

Month	Interest Amount (£)	Average Total Investment (£)	Average Return on Investment (%)
January 2016	10,060	20,334,423	0.58%
February 2016	9,447	21,744,495	0.55%
March 2016	10,189	23,716,326	0.51%
	<b>29,696</b>	<b>24,923,113</b>	<b>0.54%</b>

Total interest earned for the period January to March 2016 amounted to £30k bringing the total interest earned during 2015/16 to £123.3k. A comparison of this outturn against the budget and previous forecasts is outlined in the table below. This figure is slightly lower than the budget for the year which was set at £125k.

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

	Amount (£000's)
Original Estimate 2015/16	125
Forecast Position June 2015	125
Forecast Position September 2015	122
Forecast Position December 2015	117
<b>Year end position 31 March 2016</b>	<b>123</b>
<b>Increase/(Decrease) compared to estimate</b>	<b>-2</b>
Increase/(Decrease) as a percentatge	-2%

#### 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 January to March 2016:

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Government - Treasury Bill	5	6	0.49%	0.50%
Government - Treasury Bill	0.5	3	0.46%	0.50%
Government - Treasury Bill	1	6	0.51%	0.50%
Svenska - CD	1	3	0.54%	0.50%
West Dunbartonshire Council	2	6	0.40%	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.

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## 5. Annual Report on Treasury Management Operations 2015/16

### 5.1. Treasury Strategy

In February 2015 the Commissioner approved the 2015/16 Treasury Management Strategy Statement (TMSS). The TMSS incorporated the investment and borrowing strategies for the 2015/16 financial year. The investment strategy approved for 2015/16 was largely the same as had been adopted for the previous year with some changes introducing new classes of investment (for example treasury bills and certificates of deposit) to allow more flexibility and diversification. These limits for each category of investment were based on the relative security of each class of financial institution and a percentage of the estimated balances, which would be available for investment during the year.

5.2. In relation to borrowing, the Commissioner has an underlying need to borrow funds to finance the capital programme, which is measured by the Capital Financing requirement (CFR). The CFR at the start of 2015/16 amounted to £17.04m (including £5.2m relating to the PFI agreement for West Cumbria TPA HQ in Workington) leaving a £11.84m exposure to external borrowing at some time into the future, which is presently being covered by the use of internal funds (reserves).

5.3. During 2015/16 the Commissioner has maintained this strategy of using cash balances, arising primarily from its reserves, to meet its cash flow commitments and was not therefore compelled to borrow. Although long term borrowing rates remained relatively low during 2015/16, a conscious decision was made to defer long term financing decisions as the short term cost of carrying debt (i.e. the differential between the borrowing rate at say 3% and the rate of under 1% available when such funding was invested) would have had an adverse effect on the revenue budget for the year and the immediate outlook period. The Commissioner in consultation with the treasury advisors Arlingclose Ltd continues to look for the most opportune time to undertake any borrowing.

### 5.4. Key Statistics.

#### 5.4.1. Principal

During 2015/16 a total of 244 investments were placed amounting to £160.21m (2014/15 230 investments amounting to £123.44m).

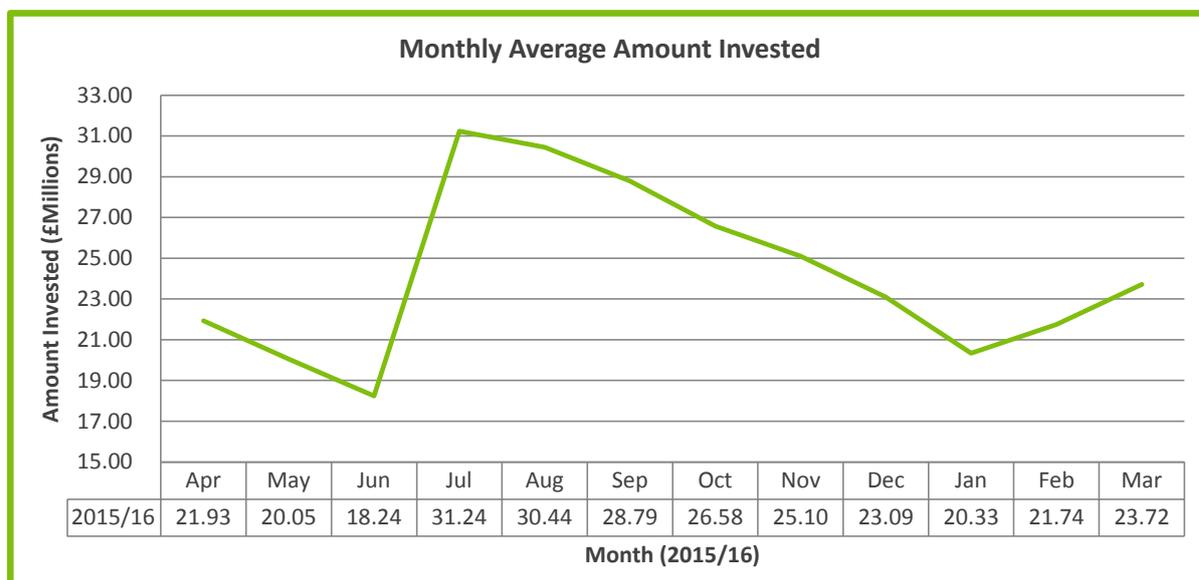
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Counterparty Type	Opening Balance (£m)	Investments (£m)	Maturities (£m)	Closing Balance (£m)	Number of Investments Placed during 2015/16
Banks and Building Societies	7.51	21.31	- 23.90	4.91	21.00
Government (Other LA/Treasury Bills)	7.50	40.48	- 36.98	11.00	17.00
NatWest Overnight	0.05	5.58	- 5.62	0.02	151.00
Money Market Funds	4.30	92.85	- 94.80	2.35	55.00
	<b>19.36</b>	<b>160.21</b>	<b>- 161.30</b>	<b>18.28</b>	<b>244.00</b>

Of the above transactions, 93 were to external counterparties and as such will have attracted a £10 transfer fee per transaction. The transfer to the NatWest Liquidity Select account for overnight money is classed as an ‘inter-account transfer’ as the NatWest holds the Commissioner’s main bank account. This type of transfer is free although we do pay a small fee to access the internet banking site. A detailed breakdown of the closing balance invested as at 31 March 2016 is provided at **Appendix 2.**

The chart below illustrates the monthly average of amounts invested during the year.



The level of cash reserves available to invest has followed the same pattern as seen in previous years. The Home Office Police Pensions Grant is received in July each year and has caused an annual spike in investments since 2007/08 when new regulations were introduced.

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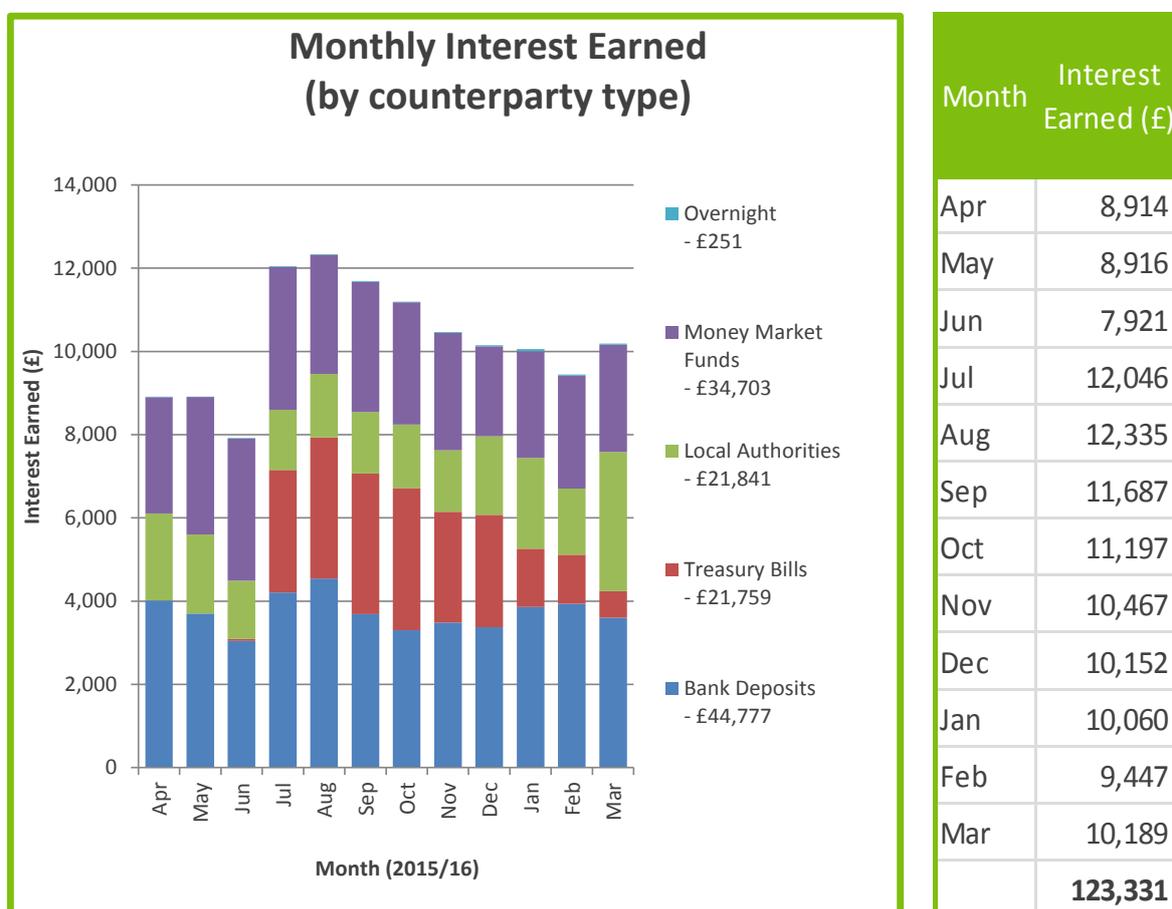
The average daily investment balance during 2015/16 was £24.29m (£29.24m in 2014/15).

The highest daily investment balance in 2015/16 was £34.28m (£38.58m in 2014/15)

The lowest daily investment balance in 2015/16 was £13.20m (£17.70m in 2014/15).

5.4.2. Interest

A total of £123k was earned in 2015/16 (£155k in 2014/15) from the Commissioner’s treasury activities and can be broken down as follows:



The average return on investments for 2015/16 was 0.51% (0.53% in 2014/15) which is slightly above the bank base rate 0.50%. There were no changes in the base rate across the financial year.

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The table at 4.4 shows the outturn on investment interest as £123k for 2015/16, which is £2k below a base budget of £125k. The reduction compared to budget is mainly in relation to interest rates staying lower for a longer period than originally anticipated.

**5.4.3. Treasury Operations**

As discussed in paragraph 4.2 above 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 2015/16 for the Commissioner's main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	364	1,600	30,529
Days Overdrawn	2	(3,344)	(3,342)

The largest credit balance occurred during the fourth quarter and an explanation is provided below and in paragraph 4.2 above. The largest overdrawn balance occurred during the first quarter of 2015/16 and an explanation was provided in the quarterly activity report to the Commissioner and Members.

The largest un-invested balance occurred on the 10 March 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.

The largest overdrawn balance occurred on the 4 June and was the result of a foreign transfer in respect of an invoice payment. The exact timing of when foreign transfers leave the bank is unknown.

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**6. Compliance with Prudential Indicators**

- 6.1. 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**.

**7. Implications**

- 7.1. Financial – As detailed in the main body of report above.
- 7.2. Legal – None
- 7.3. 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).
- 7.4. HR / Equality – None
- 7.5. I.T – None
- 7.6. Procurement – None

**8. Supplementary information**Attachments

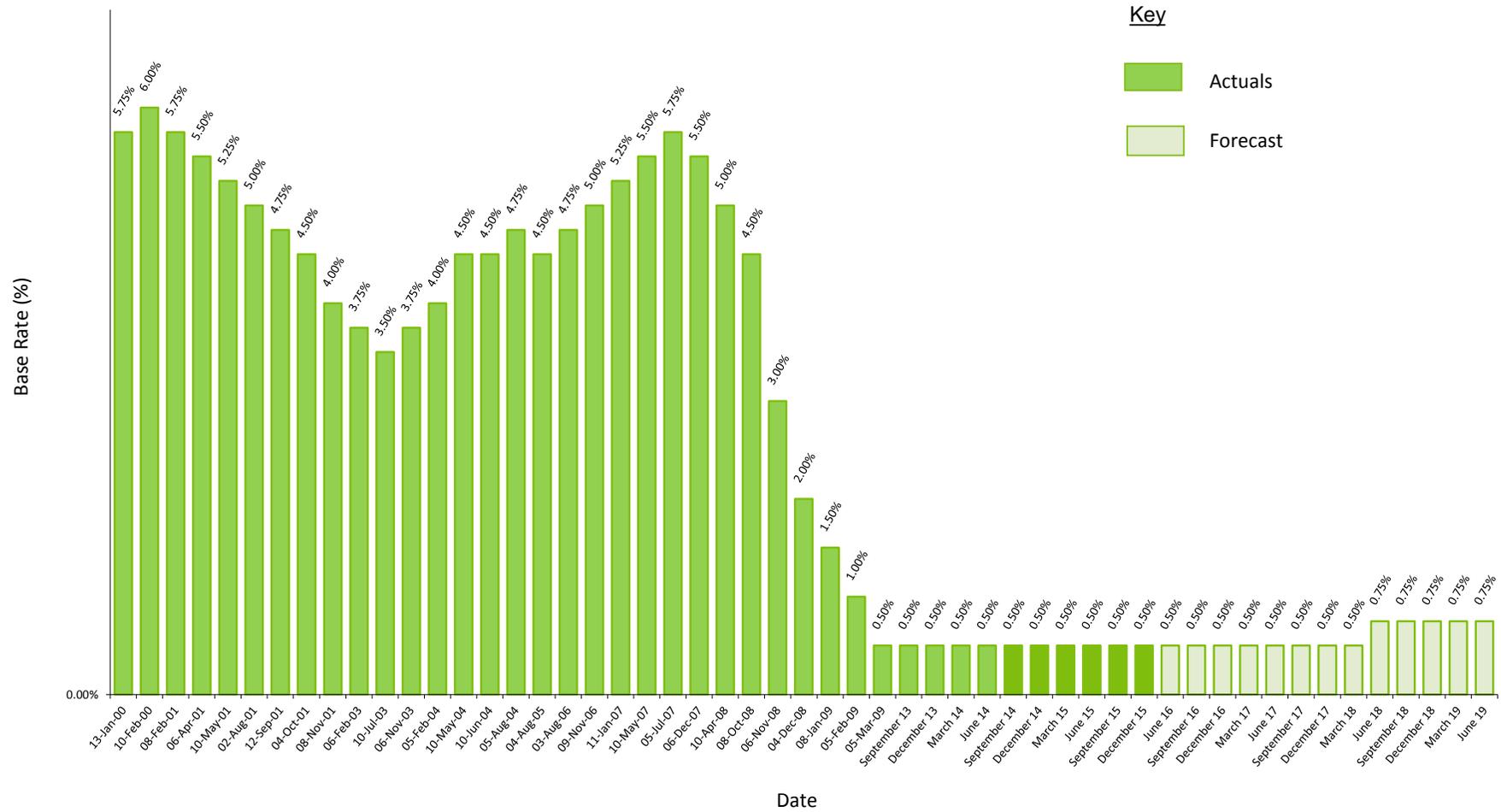
- Appendix 1 Recent history and projections of Bank Base Rates
- Appendix 2 Schedule of Investments as at 31 March 2016
- Appendix 3 Analysis of Investments as at 31 March 2016
- Appendix 4 Prudential Indicator Compliance

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Appendix 1

Bank of England Base Rates (%)



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## Appendix 2

**Schedule of Investments as at 31 March 2016**

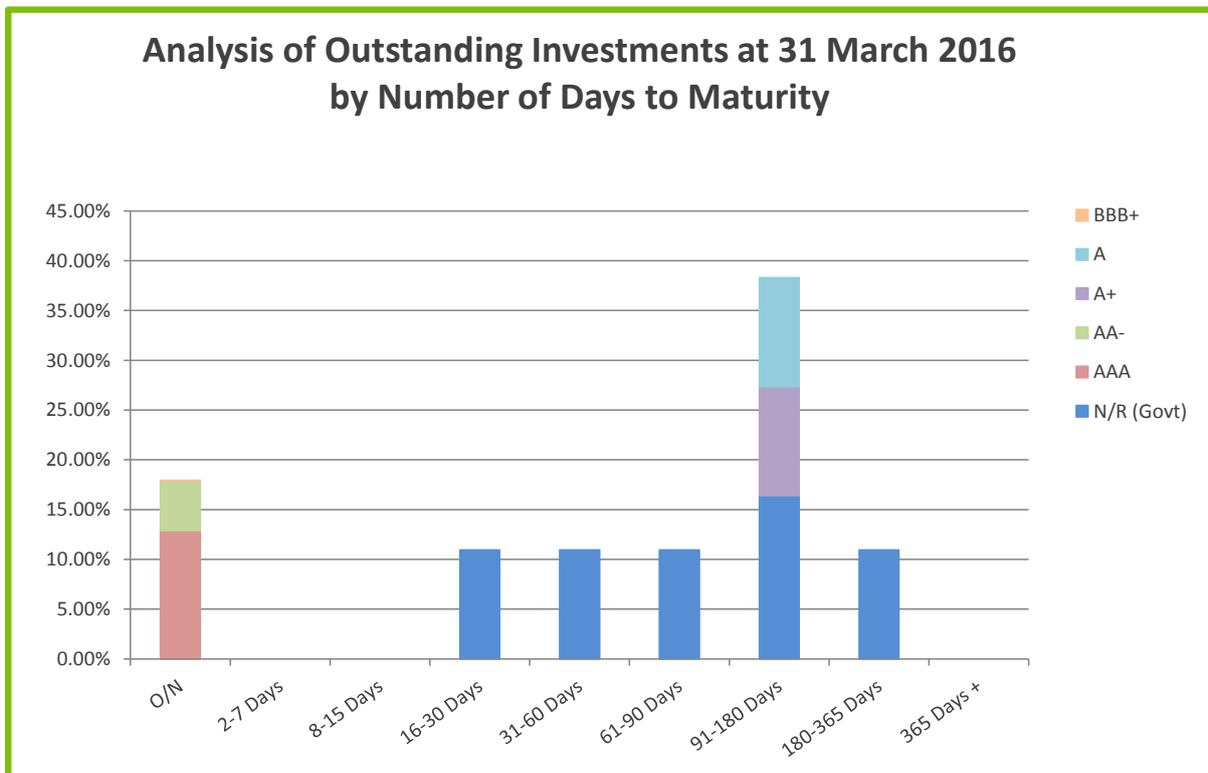
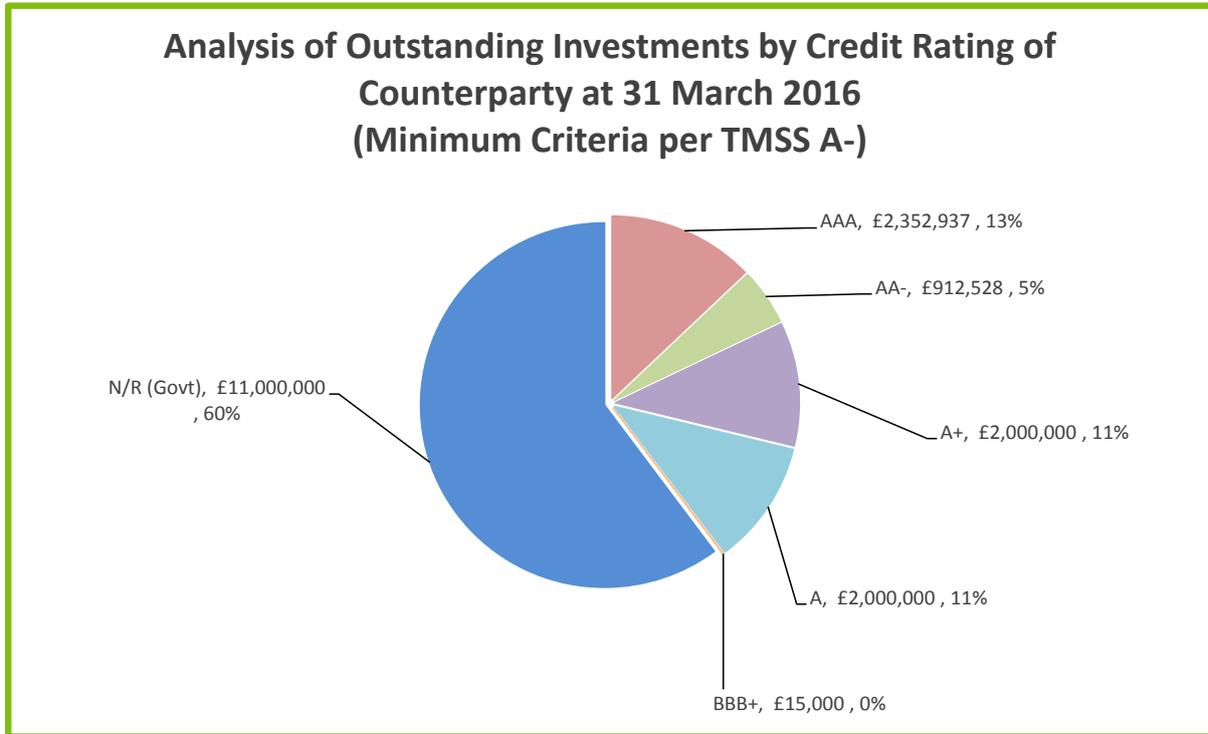
Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
<b>Category 1 - Banks Unsecured (Includes Banks &amp; Building Societies)</b>							
Nationwide	A	04/01/2016	30/06/2016	91	0.70%	2,000,000	2,000,000
Lloyds Bank Plc	A+	11/08/2015	11/08/2016	133	1.00%	2,000,000	2,000,000
Svenska (Deposit Account)	AA-	Various	On Demand	N/A	0.35%	912,528	912,528
NatWest (Liquidity Select Account)	BBB+	31/03/2016	01/04/2016	O/N	0.25%	15,000	15,000
						4,927,528	4,927,528
<b>Category 2 - Banks Secured (Includes Banks &amp; Building Societies)</b>							
None						0	0
						0	0
<b>Category 3 - Government (Includes HM Treasury and Other Local Authorities)</b>							
Stirling Council	NR	18/12/2015	18/04/2016	18	0.50%	2,000,000	2,000,000
Lancashire County Council	NR	08/05/2015	06/05/2016	36	0.50%	2,000,000	2,000,000
Highland Council	NR	07/03/2016	07/06/2016	68	0.50%	2,000,000	2,000,000
DMO - DMADF	NR	24/02/2016	23/08/2016	145	0.25%	3,000,000	3,000,000
North Lanarkshire Council	NR	01/03/2016	07/12/2016	251	0.60%	2,000,000	2,000,000
						11,000,000	11,000,000
<b>Category 4 - Registered Providers (Includes Providers of Social Housing)</b>							
None						0	0
						0	0
<b>Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)</b>							
					<b>(Mar'16)</b>		
AIM	AAA	Various	On demand	O/N	0.49%	500,000	500,000
Fidelity	AAA	Various	On demand	O/N	0.43%	52,937	52,937
Standard Life (Formally Ignis)	AAA	Various	On demand	O/N	0.50%	1,800,000	1,800,000
						2,352,937	2,352,937
<b>Total</b>						<b>18,280,465</b>	<b>18,280,465</b>

Note – the credit ratings shown in the above table relate to the standing as at 31 March 2016, as discussed in the main body of the report, the ratings are constantly subject to change.

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

Appendix 3

Analysis of Outstanding Investments as at 31 March 2016



Note – the credit ratings shown in the above charts relate to the standing as at 31 March 2016, as discussed in the main body of the report, the ratings are constantly subject to change.

**NOT PROTECTIVELY MARKED**

JASC 03-05-16 TM Activities 2015-16 Quarter 4 and Outturn

## 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 March 2016 was £Nil which is well within the above limits. No new external borrowings have been undertaken in the current financial year.

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

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

	Limits for 2015/16	Actual Borrowing at 31 Mar'16	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

**NOT PROTECTIVELY MARKED**

JASC 03-05-16 TM Activities 2015-16 Quarter 4 and Outturn

**(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 Mar '16	% Fixed Rate Borrowing as at 31 Mar '16	Compliance with Set Limits?
	%	%	£m	%	
Under 12 months	100	0	0.00	0	Yes
12 months and within 24 months	100	0	0.00	0	Yes
24 months and within 5 years	100	0	0.00	0	Yes
5 years and within 10 years	100	0	0.00	0	Yes
10 years and above	100	0	0.00	0	Yes

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

- This indicator allows the Commissioner to manage the risk inherent in investments longer than 364 days.
- The limit for 2015/16 was set at £5m.
- As at 31 March 2016, 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.

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Cumbria Shared Internal Audit Service  
Internal Audit Report for COPCC



Agenda Item 15 (i)



**Review of Annual Governance Statement 2015/16**

Draft Report Issued: **21 April 2016**

Final Report Issued: **25 April 2016**

## Audit Resources

Title	Name	Email	Telephone
Audit Manager	Niki Riley	Niki.riley@cumbria.gov.uk	01228 226261
Lead Auditor(s)	Emma Toyne	Emma.toyne@cumbria.gov.uk	01228 226261

## Audit Report Distribution

For Action:	<i>Ruth Hunter, Commissioner's Chief Finance Officer/ Deputy Chief Executive.</i>
For Information:	
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 3 May, 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 the Cumbria Office of the Police and Crime Commissioner's Annual Governance Statement for 2015/16. This was a planned audit assignment which was undertaken in accordance with the 2016/17 Audit Plan.
- 1.2. The Accounts and Audit (England) Regulations 2015 require the Commissioner to produce an Annual Governance Statement (AGS) explaining how the Code of Corporate Governance has been complied with. The AGS must accompany the statement of accounts
- 1.3. The Code of Corporate Governance for the Commissioner has been in place for the 2015/16 financial year.

## 2. Audit Approach

### 2.1. Audit Scope and Limitations

2.1.1. The Audit Scope was as follows:

- *Confirm that the Annual Governance Statement has been prepared in accordance with statutory guidance as set out in "Delivering Good Governance in Local Government: guidance note for Police"*
- *Review evidence for any major new content in the Annual Governance Statement and ensure the Annual Governance Statement accurately reflects any issues identified by Internal Audit, in particular the existence of any significant governance issues;*
- *Confirm that there is a due process for the review and approval of the Annual Governance Statement.*
  
- 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 for the preparation of the Annual

Governance Statement provide **Reasonable** assurance. We are not aware of any matters that should be declared within the Statement as significant governance issues.

*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 is one medium priority recommendation arising from this review which is detailed in Section 5.

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

- The Annual Governance Statement has been drafted in accordance with the relevant guidance – Delivering Good Governance in Local Government: Guidance: Note for Police and incorporates the key elements identified in the December 2012 Addendum.
- Where changes or new content has been included in the AGS supporting information was readily available for Internal Audit review.
- The Internal Audit annual report summarised our work during 2015/16 and information provided in the Annual Governance Statement is consistent with our findings.
- The AGS contains an action plan arising from the 2015/16 statement and an update on the action plan arising from 2014/15.
- The Commissioner's AGS has been prepared by statutory and senior officers and a draft will be taken to the Joint Audit and Standards Committee on 3 May 2016. The AGS will be signed by the Commissioner and his Chief Executive and Chief Finance Officer. The Statement will then be considered by the Joint Audit and Standards Committee before it is published alongside the statutory accounts. A logical process of review and approval has been followed.

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 identified.*

4.4.2. *Medium priority issues:*

- The number of Independent Custody Visiting Scheme visits reported in the AGS is inconsistent with figures reported in the Commissioner's Annual Report.

4.4.3. *Advisory issues: None identified*

## 5. Matters Arising / Agreed Action Plan

● **Medium priority**

Audit finding	Management response
<p><b>Independent Custody Visiting Scheme (page 8)</b>                      The AGS refers to 191 visits made under the Independent Custody Visiting Scheme in the period 1 February 2015 to 31 January 2016. This is inconsistent with the 442 visits reported as being made in the Commissioner’s Annual Report. We acknowledge that the number quoted in the annual report covers the period 1 January 2015 to 31 December 2015 but this seems a large discrepancy between the two public documents.</p>	<p>The figures quoted in the AGS and ICV annual report have been accurately recorded and are produced and recorded in those documents by the Governance Manager with responsibility for the ICV scheme. In all areas of the AGS the responsible manager directly manages and inputs their annual data to the report. The Annual Report is produced by the communications team and a transposition error resulted in a wrong figure being input in the draft Annual Report. Arrangements for producing the Annual Report from 2016-17 will include a check of the figures in the report for accuracy.</p>
<p><b>Recommendation 1:</b>                      Management should ensure that the figure reported in the AGS can be supported and that any discrepancies with other published figures are clearly understood.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Confidence in reported information is undermined by inconsistency.</li> </ul>	<p><b>Responsible manager for implementing:</b>                      Chief Executive</p> <p><b>Date to be implemented:</b> From immediate effect.</p>

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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

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## Cumbria Office of the Police and Crime Commissioner

Joint Audit and Standards Committee 03 May 2016 item 15 (ii)  
Executive Decision Meeting 03 May 2016 item 7(a)

### Effectiveness of Governance Arrangements 2015-16

Report of the Chief Executive and Chief Finance Officer

#### 1. Introduction and background

1.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. The 2015 Accounts and Audit Regulations place a requirement on those bodies to conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement (AGS). The Commissioner is required to consider the findings of that review, approve the AGS and publish (which must include publication on the Commissioner's website) the Statements alongside the Statement of Accounts. The AGS is prepared in accordance with The CIPFA/SOLACE Good Governance framework that defines 'proper practices' for discharging accountability for the proper conduct of public business through the publication of an Annual Governance Statement that makes those practices open and explicit.

1.2 The Police and Crime Commissioner approves a Code of Corporate Governance, 'The Code', setting out his corporate governance framework. The Code is subject to review and updated annually alongside the process to review the arrangements for governance and prepare an Annual Governance Statement. The 2015-16 Code was subject to review by the Joint Audit and Standards Committee prior to approval by the Commissioner. It is the compliance with this Code by the Commissioner, together with an assessment of its effectiveness, which is reflected in the 2015-16 Annual Governance Statement.

#### 2. Governance Framework & Effectiveness

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

2.2 The approach to the production of the statement has been to use the CIPFA guidance, and particularly the guidance section on core governance principles. Those core principles and the arrangements that support them are set out in the 2015-16 Code of Corporate Governance approved by the Commissioner following review by the Joint Audit and Standards Committee in May 2015. The development of the Annual Government Statement is an integral part of the review, setting out how the Code has been complied with over the course of the year. Where the review has identified areas where developments are planned or improvements can be made, the AGS sets out an action plan to deliver those changes. The statement also highlights areas where further assurance is gained, such as the work of internal audit and the reports of the external auditors. The Commissioner's Annual Governance Statement setting out the review of governance arrangements for 2015-16 and to the date of this meeting, supported by an independent report and opinion from the Head of Internal Audit, is presented to the Joint Audit and Standards Committee for review, prior to being received by the Commissioner for endorsement and publication alongside the Statement of Accounts.

2.3 During the process for the development and publication of the 2014-15 AGS Joint Audit and Standards Committee members made a recommendation that consideration was given the length and structure of the AGS to improve its accessibility. The external auditors commented that in their view the current structure was helpful in documenting activity and setting out the wider approach to continuous improvement through the action plan. This matter has been further considered by the Commissioner's Chief Finance Officer and it was decided that work would be undertaken to simplify the structure. This means that the structure would be less closely aligned to the CIPFA framework and this has been agreed as acceptable by the external auditors. Further to this, officers contributing to the statement would be asked to consider the volume of their narrative and the Chief Finance Officer has committed to producing a summary AGS. The intent was initially to introduce these changes for the 2015-16 AGS. During 2015-16 a decision was taken to delay the implementation of these changes as a result of the introduction of a new Good Governance Framework from 2016-17. The framework introduces seven principles for good governance, based on an international framework, and makes changes to the requirements in respect of demonstrating compliance with those principles. In view of this change, and the officer input required to restructure the AGS and produce a summary statement, the 2015-16 AGS is presented in its historic format, this being its final year of presentation on that basis. In completing the 2015-16 AGS, whilst the structure remains unchanged, staff have been asked to consider narrative length and this is reflected in the presented document which is 24 pages in length, 7 fewer than in 2014-15.

2.4 Whilst the above review of arrangements has been specific to the production of the Annual Governance Statement, this is supported by wider reviews of the arrangements for governance that take place during the financial year. This includes cyclical review and updates to core elements of the governance framework. During 2015-16 this has included a review and update of procurement regulations and financial rules and a significant amount of development work in respect of the arrangements for Risk Management. In addition, the Public Sector Internal Audit Standards and guidance from CIPFA in respect of Audit Committees forms the basis of further reviews of the overall arrangements for audit, with action plans being put in place where potential for improvement and development have been identified. This is supplemented by specific assessments on compliance by the Chief Finance Office and Head of Internal Audit with the

requirements of the CIPFA statement for these roles. The governance review is also supported by an annually developed comprehensive audit plan from internal and external audit and an opinion from the Head of Internal Audit on the arrangements for internal control and risk. These requirements, whilst challenging, has enabled an approach that has sought to ensure all arrangements take account of best practice, codes and guidance.

### 3. The Effectiveness of Internal Audit

3.1 A separate report reviewing the effectiveness of the arrangements for Audit is set out elsewhere on the agenda and includes a review of the effectiveness of the internal audit function and the effectiveness of the Joint Audit and Standards Committee. The report demonstrates the effectiveness of the arrangements for Audit against independent and objective criteria as a contribution to good governance. In doing so it concludes the process of providing the necessary assurances that the governance arrangements set out in the Code of Corporate Governance are working as intended and are effective.

### 4. The Code of Corporate Governance 2016-2017

4.1 On an annual basis a Code of Corporate Governance is reviewed and updated, setting out the framework for governance within the OPCC. For 2016-17 the Code of Corporate Governance is a new Code (rather than an update of the 2015-16 Code). The new Code applies the standards set out in the consultation by CIPFA during 2015-16 on a new Framework for Good Governance. The CIPFA good governance framework is the best practice standard for Public Sector governance. The new CIPFA framework is effective from April 2016 and for this reason a new Code of Corporate has been developed and presented to the Commissioner for approval at the April meeting of the Executive Board. The new governance framework is based on seven principles, as set out in the proposed Code and has a much broader focus on delivering value for money, including outcomes and demonstrating effective performance, often working in partnership to achieve this.

4.2 Whilst the CIPFA good governance framework applies to the 2016-17 financial year, the Institute has yet to finalise the documents it will issue to publish the framework. In addition there will be specific guidance on application of that framework to Police. At the date of preparing this report there has not been any firm guidelines on the timing of that guidance. In the absence of these publications the Commissioner's Code of Corporate Governance has been prepared on the basis of the CIPFA consultation document in order that it can be put in place at the start of the 2016-17 financial year. Also, there is not expected to be any substantial differences between the governance framework that has been presented by CIPFA for consultation and the final governance standard. Once the CIPFA documents have been published they will be reviewed to ensure our arrangements remain compliant. On this basis, the Commissioner, in approving the Code, has delegated responsibility to the Chief Executive to undertake a high level review of the Code against the published Good Governance Framework as it becomes available. The Chief Executive is also delegated to make any minor amendments to the Code, should they be required, following that review. Where any changes are considered to be necessary that are more than minor, an updated Code will be presented for formal approval by the Commissioner.

The Code is also presented for review by the Joint Audit and Standards Committee at their earliest available meeting in 2016-17, on May 3rd.

## 5. Recommendations

5.1 Members of the Joint Audit and Standards Committee are asked to:

- (i) Review the Code of Corporate Governance 2016-17
- (ii) Review the Annual Governance Statement 2015-16
- (iii) Make any recommendations with regard to the Code, Statement and arrangements for governance for consideration by the Commissioner prior to publication alongside the financial statements

5.2 The Commissioner is asked to:

- (i) Where applicable, consider the recommendations of the Joint Audit and Standards Committee, determining any actions and/or amendments to the Code of Corporate Governance 2016-17 and Annual Governance Statement 2015-16
- (ii) Approve for signature, where applicable with amendments, the Annual Governance Statement for 2015-16 and to the date of this meeting, which will then accompany the Statement of Accounts for 2015-16

**Stuart Edwards**

**Ruth Hunter**

**Chief Executive**

**Chief Finance Officer/Deputy Chief Executive**

**Human Rights Implications:** None Identified

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

**Personnel Implications:** None Identified

**Financial Implications:** None Identified

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

Contact points for additional information

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Cumbria Office of the Police and Crime Commissioner  
Code of Corporate Governance 2016-2017



## Foreword

Welcome and thank you for taking the time to read the Police and Crime Commissioner for Cumbria's Code of Corporate Governance. I am pleased to introduce this Code, which sets out the Commissioner's commitment to continue to uphold the highest possible standards of good governance. This document clearly demonstrates his drive to ensure that this is in place. Good governance is about how the Commissioner will ensure that he is doing the right things, in the right way, for the communities he serves, in a timely, inclusive, open, honest and accountable way.

The Code provides clarity about how the Commissioner and Chief Constable will govern their organisations both jointly and separately, in accordance with their statutory responsibilities. It will do this by highlighting the key enablers for ensuring good governance. The Code sets out how the organisations will govern, using the seven good governance principles as the structure for setting out the statutory framework and local arrangements.

Robust governance enables the Commissioner to pursue his vision effectively as well as underpinning that vision with mechanisms for control and management of risk.



A handwritten signature in black ink that reads "Stuart Edwards".

**Stuart Edwards**

**Chief Executive and Monitoring Officer**

**Office of the Police and Crime Commissioner**

## Introduction

The Police Reform and Social Responsibility Act 2011 (PR&SRA) established Police and Crime Commissioners as elected officials with statutory functions and responsibilities for Policing and Crime within their area. Those responsibilities include: setting the strategic direction and objectives for policing and crime and disorder reduction in their area; maintaining the police force; and holding the Chief Constable to account. Police and Crime Commissioners also have wider responsibility for community safety, enhancing criminal justice and supporting victims.

The statutory and regulatory framework setting out the responsibilities, powers and duties of Police and Crime Commissioners is continually developing. The PR&SRA is supported by the Policing Protocol Order 2011, the Home Office Strategic Policing Requirement 2015 and the Home Office Financial Management Code of Practice 2013. The Anti-Social Behaviour, Crime and Policing Act 2014 has developed and conferred further powers in respect of the wider responsibilities of Police and Crime Commissioners. These powers will be extended through the draft legislation in the current Policing and Crime Bill.

The Police and Crime Commissioner for Cumbria (the Commissioner) is responsible for ensuring that business is conducted in accordance with this statutory and regulatory framework and in accordance with proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In fulfilling this overall responsibility, the Commissioner is responsible for putting in place proper arrangements for governance, including risk management and the arrangements for ensuring the delivery of the functions and duties of his office.

In doing this, the Commissioner approves and adopts annually this Code of Corporate Governance, 'The Code'. The Code gives clarity to the way the Commissioner governs and sets out the frameworks that are in place to support the overall arrangements for the Cumbria Office of the Police and Crime Commissioner (COPCC). The Code is based on the core principles of governance set out within the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016. The Code is appended with a schematic that sets out diagrammatically all the key elements of the governance framework.

On an annual basis the Commissioner will produce an Annual Governance Statement (AGS). The AGS reviews the effectiveness of the arrangements for governance and sets out how this Code of Corporate Governance has been complied with.

## The Code of Corporate Governance

This code of corporate governance sets out how the Police and Crime Commissioner will govern. It is based on the seven good governance core principles highlighted by the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016, and supported by the Nolan Principles of Public Life.

This Code uses those principles of governance as the structure for setting out the statutory framework and local arrangements that are in place to achieve them. The seven good governance principles are:

- Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Principle B: Ensuring openness and comprehensive stakeholder engagement
- Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Principle D: Determining the interventions necessary to optimize the achievement of the intended outcomes
- Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Principle F: Managing risks and performance through robust internal control and strong public financial management
- Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

### NOLAN PRINCIPLES OF PUBLIC LIFE

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

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

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

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

*OPENNESS: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.*

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

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

## Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Police and Crime Commissioners are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

### **Business Code of Conduct:** Staff shall:

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

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

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

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

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

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

## Ethics and Integrity

The arrangements for governance within the Office of the Police and Crime Commissioner are based on a culture of ethics, integrity and acting in the public interest. This is demonstrated and communicated through a number of policies and codes that set out the standards of conduct and personal behaviour expected in the Commissioner's office. Specifically:

- A Code of Conduct commits to the Nolan Principles of Public Life. The Code sets out commitments with regard to how people will be treated, the use of resources, disclosure and conflicts of interest, disclosure of information and transparency.
- A Code of Ethics developed by the Association of Police and Crime Commissioners (APCC) has also been adopted by the Commissioner. It sets out how the Commissioner

has agreed to abide by the seven standards of conduct recognised as the Nolan Principles. This Ethical Framework allows transparency in all areas of work of the Police and Crime Commissioner. These principles encompass the Commissioner's work locally and whilst representing Cumbria in national forums. The principles are listed in the Code of Ethics with examples of how these are achieved.

- The Commissioner's arrangements for anti-fraud and corruption make clear the duty everyone has with regard to their own conduct and those of others. The arrangements incorporate an anti-fraud and corruption policy and plan covering the culture expected within the organisation and provide contact information for confidential reporting (whistleblowing).

- Anti-fraud and corruption procedures cover arrangements for integrity in respect of gifts and hospitality, completion of a register of interests, supplier contact and declarations of related party transactions. These ensure staff avoid being engaged in any activity where an actual or perceived conflict may exist and that there is transparency in respect of any personal or business relationships. Staff are reminded on a monthly basis of the need to make declarations.

- The Office of Cumbria Police & Crime Commissioner is responsible for investigating complaints about the Chief Constable, any appointed Deputy Commissioner, the Office of Cumbria Police & Crime Commissioner's own staff and Independent Custody Visitors. A formal process exists for dealing with complaints. The arrangements are clearly set out, including the role of the Police and Crime Panel, on the 'contact us' section within the Commissioner's website.

The protocol for managing complaints is set out in the Commissioner's complaints Policy and reinforces the commitment to upholding the highest ethical standards.

- Complaints against the Police & Crime Commissioner are referred by the Commissioner's Monitoring Officer to Cumbria County Council's Monitoring Officer who investigates the complaints and then seeks to either resolve them locally with the complainant, refers them to the Police and Crime Panel or the Independent Police Complaints Commission.

- The Commissioner's Procurement Regulations incorporate a Business Code of Conduct, re-enforcing the integrity requirements within the anti-fraud and corruption policy in the context of procurement activity.

- Financial Regulations make arrangements for the proper administration of financial affairs. They also seek to reinforce the standards of conduct in public life, particularly the need for openness, accountability and integrity.

- Grant regulations are based on a framework that provides minimum standards and terms and conditions for the grant award process that seek to ensure grants are awarded within the public interest.

- The Commissioner and all staff are required to sign up to an anti-discrimination Code that sets out values and standards with regard to the prevention of any kind of discrimination.

All policies and codes are reviewed on a cyclical basis to ensure they are operating effectively. Independent external assurance is provided through the work of an Ethics and Integrity Panel

and Joint Audit and Standards Committee. The purpose of the Panel is to promote and influence professional ethics in all aspects of policing and within both organisations. It provides scrutiny and review in respect of the arrangements for codes of conduct, integrity and complaints. It also provides assurance to the public that any issues or concerns are highlighted and monitored. The Joint Audit and Standards Committee has responsibility for standards matters covering hearings and determining appeals in relation to the Commissioners personnel policies and decisions of the Chief Executive. The Committee also provides scrutiny and review in respect of the Commissioner's arrangements for anti-fraud and corruption and financial, procurement and grant regulations. Agendas and papers are available to the public on the Commissioner's website to aid transparency.

The leadership values for the organisation have been developed by our staff to support good governance and advocate high standards of integrity and ethical behaviour. They are set out in the Police and Crime Plan and our Corporate Plan. All staff within the OPCC have been appointed following open and transparent appointment processes. Following appointment staff commit to the various codes of conduct and ethical standards that are in place for the OPCC. All staff also undertake a structured induction process arranged by the Governance and Business Services Manager.

## Respecting the Rule of Law

The Chief Executive is the Commissioner's Monitoring Officer with responsibility for ensuring that the Commissioner and staff of the Office of

### **Our Values**

*We are a single team with a culture of trust and confidence*

*We develop the capacity and capability of our office to be effective and recognise high performance*

*We have empowered staff who are high performing, professional and have high levels of satisfaction in their roles*

*We embrace and deliver change, achieve national recognition for what we do and are exemplars of best practice*

*We hold ourselves to account for what we deliver, measuring our outcomes, customer satisfaction and value for money, striving for continuous improvement*

*We promote our values and demonstrate the values of good governance through upholding high standards of conduct and behaviour*

the Police and Crime Commissioner do not contravene any rule of law or engage in any activity that constitutes maladministration or injustice. The responsibilities of the Chief Executive are codified within legislation, within the Commissioner's scheme of delegation and within the documents comprising the Commissioner's wider governance framework. The Chief Executive is responsible to the Commissioner for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. The Chief Executive is supported by an internal legal team and will instruct external legal advisers where there are significant legal complexities or legal risk. The office structure provides for a post of a deputy Monitoring Officer to ensure continuity in the delivery of this role in the absence of the Chief Executive.

## Principle B: Ensuring openness and comprehensive stakeholder engagement

Police and Crime Commissioners and their Offices are run for the public good, they therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

### Openness

The Commissioner operates in accordance with the Elected Local Policing Bodies (Specified Information) Orders 2011 & 2012 and the guidance provided by the Information Commissioner. This is demonstrated, documented and communicated through an information publication scheme that ensures the openness of all key information to the public and wider stakeholders. This includes information in respect of the Commissioner, his staff, income and expenditure, property, decisions, policies and the independent custody visiting scheme. The Commissioner's Monitoring Officer has overall responsibility for ensuring compliance with the Orders and Scheme.

To ensure transparency of decision making, all key decisions are taken at public meetings of the Commissioner's Executive Board and all decisions are recorded and published on the Commissioner's website for public scrutiny. A forward plan provides public notification of key decisions and papers are published a week in advance of meetings. The monthly agenda provides the opportunity for public questions. The Police and Crime Panel may call in any decisions for further public scrutiny.

#### **Decision Making Policy: Principles of Decision Making**

*Decision-making will be well informed*

*The decision-making process will be open and transparent*

*To have 'due regard' within the decision making process*

*Be rigorous and transparent about how the decisions are taken*

*All decisions of significant public interest will be recorded and published.*

*The PCC will uphold the highest standards of integrity and honesty when taking decisions, as set out in the Nolan Principles.*

The Commissioner adopts rigorous standards in his decision-making and all decisions are taken solely in the public interest. This is achieved by adherence to a decision making policy that sets out the parameters and the application of a set of principles that guide decision making. The approach within the policy adheres to the Good Governance Standard for Public Services and the Good Administrative Practice 2.

Reports for decision are based on a template that ensures the consequences of any recommendations are clearly explained and that there is clear

reasoning and evidence for decisions. This includes relevant financial, legal, human resources, equality, procurement, IT and risk management advice.

## Engaging Comprehensively with Institutional Stakeholders

The Police and Crime Plan recognises the importance of stakeholder engagement and collaborative working in developing and delivering priorities for the future direction of policing, crime reduction, and supporting victims. The process for development of the Plan includes consultation with the Police and Crime Panel, wider partners and the Constabulary. Consultation processes support the development of objectives and outcomes prior to the formal approval and publication of the Plan on the Commissioner's website.

The Plan recognises that in preventing crime and supporting victims a commitment to collaborative working is needed from a range of organisations involved in policing, community safety and criminal justice. The Plan commits to utilising the existing partnership structures across the County to do this wherever possible. This enables the Commissioner and partners to build commitment to shared priorities and to exercise oversight of the delivery of shared outcomes.

As part of these arrangements the Commissioner has signed up to the Cumbria Compact, an agreement and set of principles that govern effective relationships between public and third sector organisations.

The purpose, objectives and intended outcomes from partnership and collaborative working will be set out in a Partnership Strategy included within the Police and Crime Plan. Grant agreements govern the funding arrangements with partners and the third sector and set out the purpose, objectives and shared outcomes which that funding is planned to deliver.

Joint boards, collaborative procurement and third sector partnerships are central to the Commissioning Strategy that seeks to efficiently and effectively deliver the Police and Crime Plan. The underlying Commissioning Plan uses commissioning approaches and a grant framework that enable partners to determine interventions that will be appropriate and effective in delivering outcomes.

## Engaging Stakeholders Effectively including Citizens and Service Users

A Community Engagement Strategy sets out how the Commissioner will make arrangements for obtaining the views of the community on policing and for obtaining the views of victims of crime. The strategy aims to ensure clear channels of communication are in place with all sections of the community and other stakeholders. As part of the Community Engagement Strategy the Commissioner undertakes formal consultation with the public, partners and other stakeholders in respect of the Police and Crime Plan and the budget.

The Office of Public Engagement is instrumental in giving the people of Cumbria the ability to communicate with the Commissioner and plays a key role in ensuring public opinion can influence the Commissioner's decision making. The Office ensures a wide range of engagement approaches so that the Commissioner actively listens, considers and effectively uses the views of the people of Cumbria. The office plays a critical role in ensuring that two-way communication with communities take place and that the Commissioner is publically available to speak to communities and individuals.

The Office of Public Engagement has responsibility for keeping people informed, ensuring that activities and decisions are transparent and that effective, transparent and accessible arrangements are in place for providing feedback. A wide range of communication tools are used to achieve open and transparent communication with communities. This includes the statutory requirement of producing and publishing an Annual Report setting out what has been achieved in a 12 month period.

The Office of Public Engagement also supports the Commissioner around public affairs, if necessary highlighting the impacts on policing and people in Cumbria.

A complaints process and quality of service procedure provides clarity over the arrangements to respond to the breadth of concerns raised by local people. If trends are identified these are used to improve customer service from the Constabulary and influence the decisions of the Police and Crime Commissioner.



## Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of the Police and Crime Commissioners' responsibilities mean that they should define and plan outcomes and that these should be sustainable. Decisions should further the purpose of Police and Crime Commissioners, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

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

### Defining Outcomes

The Police Reform and Social Responsibility Act (PRSR) 2011 and the Policing Protocol Order set out the purpose of the Police and Crime Commissioner, conferring statutory duties and responsibilities. These include the requirement to issue a Police and Crime Plan. The Plan sets out the vision and strategic direction for policing and reducing crime for the local area. It outlines police and crime objectives, priorities and outcomes for policing and victims that the Commissioner will focus on in carrying out his purpose. The Police and Crime Plan sets out a Pan-Cumbrian vision.

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

effectiveness. User Satisfaction Performance measures are included in the Performance Management Framework.

The Police and Crime Plan is developed alongside a Medium Term Financial Strategy that ensures funding is aligned to the resources needed to deliver priorities and outcomes. The forecast supports the Commissioner in setting a robust budget and in his purpose of maintaining the force for the Cumbria police area.

A Commissioning Strategy and framework supports the delivery of the Commissioner's wider duties and responsibilities and the objectives and outcomes within the Police and Crime Plan. The strategy sets out how the Commissioner will work with partners, including community and voluntary sector groups, to deliver activity and interventions that will support victims, improve community safety, reduce crime and enhance criminal justice. The strategy is underpinned by a commissioned services budget and programme. The budget funds the Office of Victims Services, supported by

a Victims Advocate, to commission and promote effective support services that will help victims to cope and recover.

## Sustainable economic, social and environmental benefits

A process is in place to support policy and strategy development. Oversight of the central policy record, including compliance with procedure and equality impact assessments, is managed by the Executive Team. This ensures that the sustainability of policies and strategies and the wider benefits and interrelationships across the business are fully understood.

When developing strategies, policies or business plans the Office of the Police and Crime Commissioner will seek to impact assess such documents prior to their development. The outcomes of these assessments will inform development work and be taken into consideration when policies and strategies are approved. In this way, our policies and strategies provide a framework to support decision making.

The process for making decisions, particularly those that involve expenditure, includes an assessment of the longer term impact of proposals to ensure sustainability. Decisions on human resource planning, the most significant factor influencing the delivery of sustainable economic, social and environmental benefits, take account of the longer term financial outlook alongside projections of future turnover. This enables workforce planning and recruitment in a way that supports the economic management of training and supervision requirements and maximizes the benefits to the business.

All decision reports include a section which allows the author to identify any equality issues. These will be taken into account by the Commissioner when considering the decision.

To manage risk and ensure transparency of interests in decision making, the Commissioner and officers are required to make declarations where there are or may be perceived to be conflicts of interest. The role of the Monitoring Officer and the Commissioner's Oath of Office further supports decisions being made in the wider interest of the people of Cumbria, rather than representing any particular political interests.

The Police and Crime Plan and the policy and strategy documents that support it are developed to cover a four year rolling timeframe and take into account feedback from public consultation and engagement.

All of these documents and the outcomes from consultation are published and are publicly available on the Commissioner's website. Information is published in a variety of mediums. The OPCC website has the functionality to assist in the access to information held. The COPCC would look to assist with translation of information or send information to a third party who can assist them. The COPCC are scoping the possibility of including the functionality to translate information on their website.



## Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

Police and Crime Commissioners achieve their intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of interventions is a critically important strategic choice and Commissioners have to make sure they achieve their intended outcomes. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimized.

### Determining Interventions

The Commissioner sets the strategic direction for Policing and wider interventions within the Police and Crime Plan. The Plan is reviewed annually to ensure decision making on activity and outcomes remains robust. The Commissioner's decision making policy adopts a set of principles to ensure all decision making is well informed, that options are rigorously considered and information is provided on potential risks.

The Constabulary is the primary provider of policing services and the recipient of the substantial proportion of funding from the Commissioner to deliver the Police and Crime Plan. Achieving best value through the delivery of an effective policing strategy is a condition of the arrangements for funding between the Commissioner and the Constabulary. Decisions are made annually on the level of resources and how they should be directed as part of the Commissioner's budget setting process.

The performance, outcomes and costs of the Constabulary are monitored through a framework that includes external comparators (HMIC Value for Money Profiles), Police Effectiveness, Efficiency and Legitimacy (PEEL) inspection reports and an annual Value for Money Conclusion from the External Auditors. Recommendations from PEEL inspections are used to review decisions in year on resources and determine whether intervention are needed to respond to inspection findings.

Grant and Procurement Regulations set out a framework for commissioning and procurement activity that supports the achievement of best value and practical interventions to support Police and Crime Plan outcomes within wider commissioned services. An annual report to the Joint Audit & Standards Committee reviews value for money in respect of the costs of the Commissioner's Office, providing external oversight of staffing and wider financial resources committed to fulfilling the legal and regulatory requirements of the Office.

### Medium Term Financial Strategy Objectives

*To deliver a robust and balanced medium term financial plan and annual budget supported by an in-year reporting framework that monitors its delivery.*

*To ensure arrangements for funding between the Commissioner and Constabulary deliver value for money and support the priorities of the Police and Crime Plan*

*To ensure capital expenditure plans are robustly scrutinised, fully funded for a minimum of four years and are supported by capital strategies that meet the needs of the business*

*To maintain a risk assessed level of reserves to meet unplanned expenditure and to provide revenue budget smoothing for intermittent costs.*

*To ensure treasury management activities provide for the security of the Commissioner's funds whilst meeting the cash management needs of the Commissioner and Constabulary*

*To provide a framework for financial governance that ensures the proper administration of the Commissioner's financial affairs*

## Planning Interventions

A Commissioning Strategy and joint Procurement Regulations set out how services will be planned, procured and delivered. The Safer Cumbria Partnership provides a flexible and supportive mechanism through which services can be developed and delivered with shared risk. Grant and contract management arrangements are in place to monitor and review service quality.

The Medium Term Financial Strategy sets out the financial plans for revenue and capital expenditure and forms the basis of an annual funding arrangement for the Chief Constable. The arrangement codifies the amounts and conditions of funding based on a financial proposal from the

Constabulary. It sets out how the budget will be monitored including financial information and reporting requirements. Financial reporting provides a control to assess the extent to which planning assumptions for the budget have been matched by actual activity and expenditure in year. Further controls over the management of income and expenditure are detailed in the Commissioner's financial regulations. Key Performance Indicators for finance are agreed as part of the arrangements for the funding agreement and incorporated within the Finance Services Business Plan. Wider financial targets, for example prudential indicators, are set as part of the budget process, and monitored on a quarterly basis to ensure they are being met.

The Medium Term Financial Strategy sets out revenue forecasts of income and expenditure and the key financial assumptions and policies on which the forecasts are based. This supports a strategic approach to operational planning, savings requirements and decision making in support of the objectives within the Police and Crime Plan. It also ensures that the financial liabilities, risks and the level of provision and reserves within the budget are fully understood. The budget includes a 10 year capital programme aligned to plans for ICT, the estate and fleet, ensuring resources are balanced in the medium and longer term to meet the requirements of the business.

Financial, operational and commissioning plans are developed taking into account the feedback from the public and wider stakeholders. The Engagement Strategy sets out how the Commissioner will engage with a wide range of people and partners encompassing and including

diversity within the County. The Commissioner in his role of consulting with the public uses the guiding principles of we asked, you said, we did as many engagement activities personally involve the Commissioner. To formally support the role of two-way engagement a six monthly paper is presented to the Executive Board outlining trends from the various forms of engagement and this information is used as an integral part in the process of any key decisions. Further communication tools are used to ensure target audiences are kept up to date of developments and key decisions for the Commissioner.

## Optimising Achievement of Intended Outcomes

The Medium Term Financial Strategy integrates the budget and funding arrangements for the Constabulary with the Commissioner's directly managed budgets. The totality of estimated funding forms the basis for considerations regarding the trade-off between resources for commissioning and resources for policing to optimise outcomes within the Police and Crime Plan. Strategic priorities within Plan support decision making on the respective policing and commissioning strategies. This determines for example, the number of police officers, the balance between people resources versus equipment and the balance between supporting victim's versus crime prevention activity.

The budget process is based on a proposal from the Constabulary. It takes a zero based approach, working closely with the business to forecast operational requirements over 4 years for revenue expenditure and 10 years for capital expenditure. This includes a series of 'star chambers' providing

Chief Officers with the forum through which budget holders can be challenged. Through the budget process targets and plans are developed for savings and consideration is given to growth bids to resource new and changing requirements.

The Medium Term Financial Strategy includes information on national financial settlements for policing and what is known about settlements in future years. It also sets out the key financial risks that could impact on funding and expenditure nationally and locally. Sensitivity analysis provides information on the potential impact of changes to assumptions. Collectively this supports decisions on resources, services, performance and outcomes and ensures the business has a robust understanding of risks to the affordability of future plans. The Strategy incorporates information on plans for savings and the impact of funding changes for the number of police officers, PCSO's and police staff. This supports an on-going dialogue and monitoring between the Commissioner and Constabulary in respect of the necessary business change and its impact on outcomes and performance.

Through our Commissioning Strategy we engage and consult with the wider community on support and service provision gaps, this ensures that commissioning objectives and outcomes align with the needs of the local community as well as creating an opportunity for providers to innovate. Commissioning to local based providers ensures the economic, social and environmental well-being of the wider Community. Awarding of Contracts or Grant Agreements are based on the social outcomes and measures which meet local priorities and needs as opposed to financial gains and benefits.

## Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Police and Crime Commissioners need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. Commissioners must ensure that they have both the capacity to fulfil their mandate and to make certain that there are policies in place to guarantee that management has the operational capacity for the entity as a whole. Because both individuals and the environment in which Commissioners operate will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of their communities

### Developing the entity's capacity

Legislation provides that the Commissioner must appoint a Chief Executive and a Chief Finance Officer (statutory officers). The Chief Executive is the Commissioner's Head of Staff with responsibility for overall management of the Commissioner's office. Both the Chief Executive and Chief Finance Officer have statutory responsibilities with regards to determining the requirements in respect of staffing resources.

The Chief Executive is a member of the Association of Police and Crime Chief Executives (APACCE) and operates within the APACCE statement on the role of the Chief Executive and Monitoring Officers for Police and Crime Commissioners. The Chief Executive's job profile is based on the APACCE model to ensure the right skills, experience and qualifications for the role.

The role and functions of the Chief Finance Officer to support the Commissioner's mandate is set out within the Home Office Financial Management Code of Practice and by the Chartered Institute of Public Finance and Accountancy (CIPFA), the CIPFA statement. The job profile for this role is based on the CIPFA Statement. Compliance with the statement is self-assessed on an annual basis and reviewed by the Joint Audit and Standards Committee. Professional body subscriptions ensure the Chief Finance Officer has access to up to date Codes of Practice, guidance and professional standards

The structure and arrangements for staffing ensures the Chief Executive has management of overall staffing as Head of Paid Service with responsibility for effective succession planning and resilience on matters of business within a small team.

A framework for the development and review of the corporate plan and underlying business plans ensures action plans and performance targets are delivered to support continuous improvement. The Commissioner's Office is reviewed annually with a report on Value for Money presented to the Joint Audit and Standards Committee. The report benchmarks staffing resources, capacity and costs within the HMIC most similar group of policing areas.

The costs of the Commissioner's Office and the Constabulary are benchmarked annually through HMIC value for money profiles with reports presented for scrutiny to the Joint Audit and Standards Committee. Comparisons to most similar group policing areas are used to inform the budget savings programme and reduce costs.

Procurement regulations are developed jointly with the Constabulary and supported by a procurement strategy. The regulations incorporate procurement policy and procedures that aim to support the understanding and skills of all staff engaged in the procurement process. The procurement strategy sets out how the function will develop to deliver best value from procurement activity. The procurement regulations are supported by a set of grant regulations governing commissioning activity through a grant based process.

## Developing the entity's leadership

The key functions and roles of the Commissioner, the Chief Executive/Monitoring Office and Chief Finance Officer are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011 (PPO). These

### **Key functions and role of the Commissioner**

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

*Holds the Chief Constable to account for the exercise of his/her functions and force performance; Monitors complaints.*

*Receives all funding, decides the budget & precept; allocates funding to maintain an efficient and effective police force*

*Provides the link between the police and communities; publishes information on Commissioner and force performance*

*Responsible for the delivery of community safety, crime reduction, the enhancement of criminal justice and victim support*

functions and roles define the responsibilities for leadership and are codified in the Commissioner's Scheme of Delegation and wider documents within the Corporate Governance Framework.

The Chief Executive is the Commissioner's lead advisor. Key responsibilities include working with the Commissioner to enable delivery against his vision, strategy and identified priorities and facilitating the accurate and appropriate scrutiny of the Constabulary's activities. The Chief Executive is also the Commissioner's statutory Monitoring Officer, providing support to ensure the Commissioner's functions are carried out and has specific legal, financial and governance duties in addition to those which derive from statutory responsibilities. The Chief Executive operates in accordance with professional standards and the legislative and fiduciary responsibilities of the statutory office.

The Chief Finance Officer is the lead financial advisor to the Commissioner and has statutory responsibility to ensure that the financial affairs of the Commissioner are properly administered. The

CFO provides all financial advice, provides a statutory report on the robustness of the budget and ensures systems of internal financial control are effective.

The Commissioner's Scheme of Delegation is part of a wider governance framework that further details specific decision making and wider responsibilities of key officers in relation to areas of governance and ensure all staff have a shared understanding of the roles, responsibilities and decision making authority within the Commissioner's Office. All governance documents are regularly reviewed and updated as roles develop to respond to changing legislation, regulations and other new requirements.

A member/officer protocol further sets out the roles of political office holders (the Commissioner/Deputy Commissioner) and non-political office holders (staff employees) to provide clarification on respective responsibilities and expectations around how relationships are anticipated to work. This is supported by arrangements for the declaration of interests to ensure the Commissioner, members and staff are free from relationships that would materially interfere with decisions making and their roles.

A project plan for transition ensures appropriate arrangements are put in place to prepare for Police and Crime Commissioner Elections. This includes providing information for potential candidates on the website and holding open briefing sessions to explain the role and provide information that can support a wide range of people to stand for election. The transition project plan includes a plan for the arrangements and information for inducting a new Police and Crime

Commissioner. The plan is supported by a risk register.

Members of the Joint Audit and Standards Committee are recruited for their specific skills and experience to fulfil the role of the Committee. Role profiles include a person specification that requires applicants to demonstrate a sound understanding and relevant professional experience. The Committee has clear terms of reference and membership that is consistent with the requirements of the Home Office Financial Management Code of Practice, and CIPFA guidance. Development sessions, access to relevant publications and CIPFA/Grant Thornton external workshops support members continued development.

The Cumbria ICV Scheme comprises four panels of Custody Visitors. Every new volunteer is required to undertake a half-day basic induction course, followed by an accompanied observation visit; thereafter, new visitors are trained "on the job" by attending visits in the company of a more experienced colleague for the first six months. On-going ICV training is provided at the regular panel meetings and annual local and regional conferences.

The Police and Crime Commissioner subscribes as a member of the Association of Police and Crime Commissioners (APCC). The APCC delivers daily written briefings received by the Commissioner and office staff, covering press and parliamentary reporting on those areas within the Commissioner's responsibilities to ensure the Office is kept updated on current developments.

The APCC and APACCE deliver national events to ensure Commissioners and their Chief Executives

remain informed and have the opportunity to discuss significant issues and develop collective approaches. There are also bi-monthly regional meetings of Chief Executives and quarterly regional meetings of Commissioners and Chief Executives. The Chief Executive/Monitoring Officer leads for the Commissioner on ensuring that appropriate policies and procedures are adopted and followed to ensure the COPCC complies with relevant statutes and regulations and has the capacity to deliver across these requirements.

The CFO subscribes to the Police and Crime Commissioners' Treasurers' Society (PaCCTS), supporting continuous development and ensuring the CFO maintains a breadth of understanding on policing finance. Further capacity and expertise is commissioned to support specialist services for treasury management, taxation and insurance brokerage.

Arrangements for staff appraisal provide the opportunity to discuss and review individual performance and training and development needs.

## Developing the capability of individuals within the entity

The Commissioner has adopted a number of joint personnel policies with the Constabulary in addition to operating within a suite of COPCC specific policies that provide a framework for all issues related to employee management, terms and conditions. This includes policies on how staff and staff associations will be engaged in any change processes. There is a general principle for on-going consultation and engagement during any areas of business change, creating an environment

where staff can perform well and where ideas and suggestions are welcomed.

Personnel policies aim to promote a motivated and competent workforce whilst supporting the health and well-being of staff. They include arrangements for work-life balance through a scheme of flexible working and facilitate access to wider benefits e.g. special leave at times of specific personal need.

Business is carried out supported by policies and procedures that support the full range of human resource management responsibilities and all policies are subject to cyclical review in accordance with the Commissioner's policy framework. This supports continuous improvement, ensuring updated guidance is available for staff on how to carry out their roles and the wider responsibilities they should take into account.

All officers have clearly defined role descriptions and reporting lines based on the roles and the functions for which they are accountable, to ensure service delivery responsibilities are clear and can be monitored. Individual capabilities, performance and development requirements are assessed annually through a review process to agree the support, training and development staff need to carry out their duties and responsibilities.

Professional staff undertake continued professional development in line with the requirements of their professional bodies. The budget setting process provides for training and development budgets to support mandatory and discretionary training and development requirements.

## Principle F: Managing risks and performance through robust internal control and strong public financial management

Police and Crime Commissioners need to ensure that the entities and governance structures that they oversee have implemented—and can sustain—an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving outcomes. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

### Managing risk

The Commissioner's Risk Management Strategy sets out the overall arrangements for managing risk including the arrangements for holding to account the Chief Constable in respect of those risks that fall within his functions. The Strategy establishes how risk is embedded throughout the various elements of corporate governance of the COPCC, whether operating solely or jointly with the Constabulary. The Strategy incorporates a clear framework of objectives, designates roles and responsibilities for risk management and provides a mechanism for evaluating and scoring risks, and supporting decision making in respect of mitigating action.

The 2016-17 strategy and risk registers have been fundamentally reviewed with support from CIPFA to ensure a clear alignment between risk management activity and the organisation's objectives. As part of this process reporting formats have been updated to ensure

arrangements are dynamic and support the early identification of strategic and operational risks. Identified risks are logged on a risk register with clear ownership and are reviewed cyclically based on a score that denotes the severity and impact of the risk should it occur. Every project run by the COPCC has a separate risk register. All decision and report forms include a section for the author to complete in which to identify any risks or potential risks. To ensure effective ownership and monitoring of risks, the Office of the Police and Crime Commissioner provides risk management training, commissioned through CIPFA, to all staff.

The arrangements for risk management are subject to on-going monitoring and review to ensure their continued effectiveness. This comprises review by internal audit and review by the Joint Audit and Standards Committee. The strategic risk register is presented to the Committee at each quarterly meeting. The Committee also receives the Risk Management Strategy and a report from the Chief Executive

annually reporting on the effectiveness of arrangements for managing risk.

## Managing performance

An Executive Board structure comprising the Commissioner, Chief Constable, Chief Executive and Chief Finance Officer supports and facilitates the arrangements for monitoring service delivery. The Executive Board receives regular reports providing an oversight and scrutiny function in respect of Constabulary activity and performance. Decisions of the board are subject to the Commissioner's decision making policy and principles, ensuring relevant information and advice is provided.

The Police and Crime Panel is the statutory body that provides the public accountability checks and balances in relation to the performance of the Commissioner and scrutiny of any decision made. The Panel receives cyclical information and reports on service delivery plans and progress towards outcomes. The Panel is consulted on the development of the Police and Crime Plan and budget, with a power of veto over the Commissioner's precept. The panel receives an Annual Report setting out what has been achieved in respect of delivery of the Police and Crime Plan objectives, and a financial outturn report comparing actual expenditure against the budget and including summary financial statements.

## Robust internal control

The Commissioner is responsible for reviewing the effectiveness of his governance framework including the system of internal control. This work is informed by the work of Chief Officers and Senior Managers who undertake an overarching

### *Police and Crime Panel Functions*

*The functions of the Police and Crime Panel include reviewing the draft police and crime plan, public scrutiny of the annual report and the power of veto over the level of the Commissioner's proposed precept*

review of key controls and governance arrangements in support of the key principles in this Code.

Senior Managers with responsibility for financial systems provide annual management assurances using a CIPFA internal control framework as part of this process. This is further supported by an annual fraud risk assessment completed by the Chief Finance Officer and reviewed by the external auditors. Arrangements for anti-fraud and corruption are subject to cyclical internal audit review. The auditor's conclusion is that these internal controls provide Substantial assurance.

An independent internal audit service is commissioned through shared service arrangements with the county and district councils. Internal audit develops and delivers a risk based annual audit plan of work that reviews internal controls. This supports an annual opinion from the Chief Internal Auditor on the overall adequacy and effectiveness of the framework of governance, risk management and control.

An independent Joint Audit and Standards Committee assures cyclical internal reviews of key governance documents (e.g. financial regulations, arrangements for anti-fraud and corruption and the risk management strategy) at its November meeting and receives annual reports reviewing the effectiveness of arrangements for risk, governance and internal control in May and July. The Joint

Audit and Standards Committee receive a copy of all internal and external audit reports, can table reports for discussion and monitor the implementation of audit recommendations. The Committee undertakes an annual self-assessment to ensure on-going compliance with the CIPFA framework for Police Audit Committees.

## Managing Data

The Office of the Police and Crime Commissioner operates within the parameters of legislation, such as the Data Protection Act. It ensures that all data, including personal data, is appropriately stored and shared where necessary. Data is held in accordance with the COPCC Retention Schedule, removed or destroyed appropriately and access to information is restricted where appropriate to relevant members of staff. Data will not be held for longer than is necessary. Appropriate security measures are taken for both electronic and physical data. All staff are aware of their responsibilities when handling and storing both electronic and physical data.

## Strong public financial management

Arrangements for financial management support for the Commissioner in achieving outcomes and delivering strong operational and financial performance by ensuring that resources are used in accordance with approved plans for service delivery and investment. The arrangements for financial management are codified within a suite of financial governance documents and comply with the relevant CIPFA Codes of Practice and guidance. Financial management controls ensure

expenditure is only committed in accordance with the approved budget and the purpose for which approvals have been given. Financial monitoring supports the early identification of variances between actual expenditure and income, supporting timely decision making on remedial action.

A funding arrangement between the Commissioner and Constabulary sets out the consents and arrangements for financial management between the Commissioner and Chief Constable. This ensures funding within the Constabulary is directed toward the achievement of the Policing Strategy and priority outcomes within the Police and Crime Plan.

Financial regulations set out the role and responsibilities of Chief Officers and senior staff for financial management and governance. They include financial management standards to be adhered to by all staff across the organisation and the wider framework of controls including the arrangements for the statement of accounts.

Financial risks and mitigations are set out within the Medium Term Financial Strategy and are managed within the Commissioner's overall framework for managing risk. The Commissioner's Chief Finance Officer takes ownership of all financial risks and reports to the Joint Audit and Standards Committee on the management of strategic financial risks. Arrangements for financial management are cyclically reviewed by the internal auditors for assurance and form part of the arrangements reviewed by the external auditors in forming their conclusions on the financial statements and value for money.

## Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

### Implementing good practice in transparency

The Commissioner's annual report is the primary communication through which the public can access and understand the performance and activities of the Commissioner and his Office. Design work for the report is commissioned from external media and communication professionals which alongside the written style aims to support transparency and public accessibility of the report.

All public documents are published on the COPCC website and are available in accessible formats. Further options can be offered on request. The intention is to ensure that all documents are written in such a way as to make them accessible to readers that may not have a detailed knowledge of the subject matter, though with some complex issues this is not always possible. The publication of key documents, such as the Police and Crime Plan, is supported by a media release to raise awareness of the document and its purpose.

Arrangements for financial reporting aim to ensure the accessibility of financial information for readers and users of financial reports. On complex matters of communication, for example consultation on budget, precept and services,

professional support has been procured to ensure a robust public understanding of complex issues.

### Implementing good practices in reporting

The Office publishes an annual report, scrutinised by the Police and Crime Panel, to communicate the Commissioner's activities, achievements and performance and that of the Chief Constable and the force. The annual report presents the performance outcomes achieved against an agreed framework of targets and measures.

The Commissioner is subject to the Accounts and Audit (England) Regulations 2011 and prepares a set of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting. Compliance with the Code of Practice ensures the comparability of financial information within the statements with other similar entities and their publication in accordance with statutory timeframes. The financial statements include a comprehensive income and expenditure statement and the Police Objective Analysis (POA), a methodology for reporting expenditure on policing to help readers better understand policing activities and their cost. An introduction and commentary by the Chief Finance Officer sets out

the overall financial performance for the year within an accessible summary statement. The financial statements include the external auditors report setting out the overall opinion and conclusions on value for money.

The Commissioner's overall arrangements for governance are reviewed annually against this Code of Corporate Governance with a report made on how it has been complied with. This 'Annual Governance Statement (AGS)' is subject to internal audit and review by the Joint Audit and Standards Committee. The AGS includes an action plan setting out the work that will be undertaken over the following year to support continuous improvement in line with the principles of this Code and the CIPFA good governance framework.

The Commissioner's Executive Board and Joint Audit and Standards Committee receive annually a report reviewing the governance arrangements for internal audit against the requirements of the Public Sector Internal Audit Standard (PSIAS).

## Assurance and effective accountability

Grant Thornton UK LLP are the external auditors appointed to both the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary, to report key matters arising from audits of the Commissioner and Chief Constable's financial statements. The external auditors also reach a formal conclusion on whether the Commissioner and Chief and Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. The audit findings report is published in the financial statements and

presented to the Commissioner's Executive Board and Joint Audit and Standards Committee for review. The Joint Audit and Standards Committee monitors the implementation of recommendations arising from the audit and have the expertise to challenge the external audit approach, supporting assurance of its effectiveness.

Further accountability is provided through the arrangements for internal audit. Internal audit is delivered through a shared service and in accordance with an Internal Audit Charter that ensures compliance with the PSIAS. An annual review of the effectiveness of the internal audit service, including the arrangements for the Joint Audit and Standards Committee, is undertaken annually by the Commissioner's Chief Finance Officer against CIPFA best practice standards. The report is presented to the Executive Board and published on the Commissioner's website to support assurances on internal control.

The arrangements for accountability further incorporate challenge, reviews and inspections from HMIC. Whilst these are primarily aimed at Constabulary performance, elements of specific reviews include jointly delivered activities and specifically commissioned reports that cover governance across both organisations. Recommendations are reported to and monitored by the Commissioner's Executive Board and Joint Audit and Standards Committee.

The Ethics and Integrity Panel also monitors and reports on some specific areas of activity, such as complaint handling and ethical issues, and is beginning to develop a series of detailed "deep dives" into specific areas of Constabulary and COPCC activity.

The arrangements in this document set out our framework for governance in accordance with CIPFA's Good Governance Principles and guidance. Annex A to this Code sets out our governance schematic, summarising the arrangements we have in place internally and sources of external guidance and support. Further information on the arrangements for Governance can be found on the Commissioner's website under the tab headed Governance and Transparency.



We welcome your views on the Commissioner's Code of Corporate Governance. You can do this by using the contact information below:

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Police and Crime Commissioner for Cumbria  
Annual Governance Statement 2015-16

## The Police and Crime Commissioner for Cumbria Annual Governance Statement 2015-16

### INTRODUCTION AND SCOPE OF RESPONSIBILITIES

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

To meet this overall responsibility, the Commissioner has put in place proper arrangements for overseeing what we do. This is what we mean by governance. These arrangements are intended to make sure that we do the right things, in the right way and are fair, open, honest and accountable.

Our arrangements for governance are set out within a Code of Corporate Governance 'The Code'. The Code explains the way the Commissioner governs and the frameworks that are in place to support the overall arrangements for fulfilling his functions. The Code of Corporate Governance is available on the Commissioner's website and is published alongside the Annual Governance Statement.

This Annual Governance Statement (AGS) describes how the Commissioner has followed The Code. It also meets the requirements of regulation 6(1) and 10(1) of the Accounts and Audit Regulations 2015.

The regulations say that we must prepare and publish an Annual Governance Statement (AGS) to accompany the Commissioner's statement of accounts.

### THE AIM OF THE GOVERNANCE FRAMEWORK

The governance framework consists of the systems, processes, culture and values by which the Commissioner is directed and controlled and the activities through which the Commissioner gets involved with and leads the community. The framework enables the Commissioner to monitor the achievement of our aims and objectives and to consider whether those aims have led to the delivery of appropriate efficient and effective police, community safety and victim services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to assess the likelihood of those risks happening and what would take place if they did happen. This helps us to understand our risks and so we can manage them effectively, efficiently and economically.

The Commissioner is responsible for reviewing, at least annually, the effectiveness of his governance framework including the system of internal control.

## REVIEW OF EFFECTIVENESS

The key systems and processes that comprise the Commissioner's governance arrangements for 2015-16 have been guided by the six core principles of Corporate Governance from the CIPFA/Solace Governance Framework applicable to the 2015-16 financial year. This is the standard against which all local government bodies, including police, should assess themselves.

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of his governance framework including the system of internal control. The review of effectiveness is informed by the work of Chief Officers and senior managers who have responsibility for the development and maintenance of the governance environment. The review process comprises:

A cyclical detailed review of the key documents within the Commissioner's governance framework, e.g. Procurement Regulations, Scheme of Delegation, Code of Conduct. The review includes consideration of the documents by the Joint Audit and Standards Committee/Ethics and Integrity Panel, as appropriate, prior to their presentation to the Commissioner for approval.

An overarching review of the governance arrangements in place to support each core principle within the CIPFA Solace guidance. As part of this review the Commissioner's Code of Corporate Governance is updated to reflect changes in the governance framework and the implementation of the prior year AGS development plan. The review for 2015-16 has included the

### *Six Core Principles of Governance*

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

development of a new Code of Corporate Governance for 2016-17 reflecting the publication by CIPFA of a new framework for Good Governance.

A review of the effectiveness of the arrangements for Internal Audit, undertaken by the

Commissioner's Chief Finance Officer. The effectiveness of Internal Audit is considered against the Public Sector Internal Audit Standard (PSIAS). The review supports a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control. The review is supported by consideration of the opinion of the Chief Internal Auditor on the Commissioner's control environment, as set out in her annual report.

A review of the effectiveness of the Joint Audit and Standards Committee is considered against CIPFA guidance on Audit Committees for Police. This is a self-assessment by the Committee and supported by the Commissioner's Deputy Chief Finance Officer. As part of the review consideration is given to assurance that can be provided by the Committee's annual work programme in evidencing the effectiveness of internal controls and as a contribution to the effectiveness of overall governance arrangements.

As part of the review process, the Annual Governance Statement is prepared by lead officers and presented in draft to the Commissioner's Internal Auditors and the Joint Audit and Standards Committee, alongside a report detailing the findings of the review. Whilst no significant governance issues have arisen as part of the review process, the Statement identifies areas for development and improvement. The AGS is approved by the Commissioner, the Chief Executive and the Chief Finance Officer prior to being issued alongside the draft unaudited Statement of Accounts.

The AGS remains under review during the audit of the financial statements. It is updated, where appropriate, following the audit, with consideration being given to the opinion of the External Auditor, expressed within her annual Audit Findings Report and the External Auditor's value for money conclusion.

The following paragraphs set out the Governance Framework and how the Commissioner has complied with each of the six governance principles within the Code of Corporate Governance. A wide range of staff have contributed narrative for each section of this statement. This provides a lengthier document but one which values the input from members of our team and provides the reader with greater insight into the governance activity that has been carried out over the past year. Each section of the statement includes a commentary on areas for development and improvement that have been identified as part of the review process and are collated into the action plan appended to The Statement. The AGS also includes an update on the implementation of planned actions from the 2014-15 review, and how these were addressed as shown in the 2015-16 development plan update.



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

*The Police and Crime Plan Vision is that "Cumbria remains a safe place to live, work and visit, where the public has a say in policing and organisations and community groups work together to address the causes of crime, as well as the consequences"*

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Police Reform and Social Responsibility Act (PR&SRA) requires the Commissioner to produce a Police and Crime Plan setting the vision and strategic direction for policing, crime reduction and community safety. In March 2013 the Commissioner launched his first Plan, and set out his intention to review it annually. The Commissioner has continued to engage and listen to members of the public in numerous events across the county and receives a significant number of issues raised in correspondence and through social media which help to influence key decisions. As we are in an election year the Police and Crime Plan, 'Making Cumbria an Even Safer Place' will remain in place until a new plan has been approved by the incumbent PCC. The priorities within the plan are to:

- Ensure Cumbria remains a safe place to live, work and visit by keeping crime at low levels, particularly violent crime and thefts;
- Reduce the impact antisocial behaviour has on our communities;
- Reduce the impact of alcohol misuse on our communities;
- Tackle the problem of drug supply in the county;
- Reduce the impact irresponsible driving has on our communities;
- Keep our rural communities safe by tackling crime and disorder in rural areas;
- Provide justice for the victims by detecting crime and bringing criminals to justice;
- Address offender behaviour to reduce adult and youth offending and reoffending;
- Establish a collaborative approach to providing support and assistance to vulnerable veterans to assist them to remain clear of criminal activity;
- Reduce harm by targeting domestic abuse and sexual violence;
- Reduce the harm caused by hate crime;
- Give due consideration to public opinion in policing matters;
- Ensure victims of crime have access to support and redress;
- Tackle the increasing incidence of cyber-crime;
- Deliver a county wide CCTV initiative.

Key performance indicators were set with the Chief Constable at the start of the financial year in support of the objectives within the Police and Crime Plan. During the year crime levels, public satisfaction and police performance have been regularly monitored and publically challenged through the Commissioner's Executive Board, regular performance review meetings and alongside audits and visits to departments. To promote openness and transparency, all Executive Board meetings have been advertised to allow members of the press and public to attend with agendas and papers published on the Commissioner's website

During the course of 2015-16 the Commissioner's Executive Board received Constabulary reports covering a range of areas of performance including Her Majesty's Inspectorate of Constabulary (HMIC) performance measures to assess police effectiveness, efficiency and legitimacy (PEEL). The PEEL assessments for 2015 were assessed as 'good' for legitimacy and efficiency and 'requires improvement' for effectiveness. The reports enable the Commissioner to hold the Chief Constable to account. They help inform revisions to existing priorities and the setting of new priorities to meet emerging trends and better support the delivery of outcomes. The OPCC chairs a multi-agency panel which scrutinises police use of out-of-court disposals. This has provided an effective framework for identifying good practice and checking on the appropriateness of the use of out-of-court resolutions, which support the reduction of reoffending and take account of victims' views. It has supported the improvement of processes and policies within the Constabulary.

The Commissioner's activities, performance and achievements are published in an annual report which is presented to the Police and Crime Panel prior to publication. The Commissioner's fourth and final annual report, covers the 12 months from 1st April 2015 to 31st March 2016. As a result of it being an election year the draft Annual Report was presented to the Police and Crime Panel for approval on 10 March 2016. The Annual Report was published on 10th May following the completion of purdah by the outgoing Commissioner. The Annual Report can be found on the Commissioner's website at [www.cumbria-pcc.gov.uk](http://www.cumbria-pcc.gov.uk). It highlights a number of key achievements including:

- Launch of a multi-agency county-wide digital CCTV system, the first of its kind in the country
- Launch of The Bridgeway bringing together forensic-medical, counselling and Independent Sexual Violence Advisors (ISVAs) to provide coordinated services for victims of rape and serious sexual assault
- Providing funding and support to establish Calderwood House, a hostel to support homeless people
- Commissioning a programme aiming to change the behavior of perpetrators
- Opened a new state-of-the-art police station for the community in Barrow.

Financial performance is set out in the Commissioner's Financial Statements which includes a more accessible summary statement. The 2014-15 unaudited financial statements were approved by the Commissioner's Chief Finance Officer on 28 May 2015, resulting in the early

*“Both the PCC and Chief Constable’s draft accounts were authorised for issue on 28 May 2015 which was a significant achievement”*  
**Grant Thornton UK LLP Annual Audit Letter Oct 2015.**

achievement of the future financial reporting requirements. This was noted in the External Auditor’s Annual Audit Letter as a significant achievement. The external auditors also noted the significant presentational changes made to the financial statements. In the opinion of the auditors this worked well

in providing a clearer and easier to read set of accounts. The auditors commented that the Commissioner continued to show strong financial resilience and good financial planning and management. The audit opinion confirmed that the Commissioner had proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

During 2015-16 work was undertaken to develop a Medium Term Financial Strategy. The strategy consolidates the annual medium term financial forecast and arrangements for financial governance with work to model the impact of assumptions and trends in income and expenditure. Within the context of the review of police formula funding it aims to provide an accessible narrative on financial risks and estimates alongside an assessment on the potential impact on staff and officer numbers. At the Executive Board meeting of 24th February 2015 the Commissioner set the 2015-16 annual budget and precept in the context of that strategy. In line with his duty to maintain the police force and the Police and Crime Plan priority to deliver effective policing, detect crime and bring criminals to justice,

the Commissioner agreed funding of £112.5m for the Chief Constable for the 2015-16 financial year.

The budget included £2.7m funding for 2015-16 within a commissioned services budget for victims, community safety and crime reduction in partnership with the District and County Councils, Community Safety Partnerships and wider community and voluntary Sector groups. The arrangements for Commissioning and the issue of grants were codified within a Commissioning Strategy approved by the Commissioner at his Executive Board on 27 March 2014. The strategy is supported by a set of accompanying grant regulations.

During 2015-16 the Head of Partnerships and Commissioning has taken forward a range of partnership working initiatives to deliver the Commissioning Strategy and ensure arrangements are in place for victims support services in line with the Commissioner’s responsibilities. This work is supported by the Victims’ Advocate who has responsibility for the overall arrangements for victims including providing support for a Victims’ Charity. Wider victim referral services were relocated to Cumbria as from 01 April 2015.

During 2015-16 partnership and commissioning Funding was provided to support a range of sexual and domestic violence services and in excess of £100k of funding was awarded to community groups through the Commissioner’s community fund. The Commissioner’s funds and the process for allocation of grants within them has been developed to encourage and support the delivery of projects and services addressing issues identified in the Police and Crime Plan.

In line with the Commissioner's grant regulations, a funding or grant agreement is in place with all partners that have been supported through the commissioned services budget. Each agreement clearly defines the purpose of the funding and sets out information and monitoring requirements to ensure funding is targeted on the agreed activities that support the priorities and outcomes within the Police and Crime Plan.

Following the publication in 2014 of 'Care, Consideration and a Voice for Victims', and 'Taking the Next Steps', the recommendations identified provided a clear focus of activity for the PCC and partners' work in key areas of the Police and Crime Plan: support for victims, domestic abuse, sexual violence and youth justice. Working with a wide range of partners, these reports identified areas for improvement in services and developed an evidence base to support future commissioning activity. The resulting action plans have identified clear responsibilities for making improvements in identified areas and governance processes have been put in place through partnership groups alongside the OPCC, to ensure their delivery. They have already resulted, amongst other areas, to improvements in services for domestic abuse victims through changes in the service commissioned during 2015 and to the firm commitment of partners to the delivery of a holistic service to victims of sexual violence, which will have a significant impact on reducing the harm caused by such crimes.

The Commissioner receives correspondence from members of the public on a variety of issues including complaints or dissatisfaction. These are

dealt with in accordance with statutory legislation and agreed policy and procedures. Where issues are identified they are raised with the Constabulary and where necessary steps are taken to ensure changes to services are made. During 2015-16 work has been undertaken to identify trends in complaints and these have been reported to the Commissioner's Executive Board. The trends are used to give feedback to the Constabulary to help to improve the standard of service received and influence future commissioning for areas which require additional support.

#### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT 2014/15

CP1/1: Achieve publication of the audited financial statements by end July 2016.

CP1/2: During 2016-17 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Quality framework to support collaborative and partnership working in delivering improvements in services to victims and develop compliance with the Victims' Code of Practice.

CP1/3: Arrangements for scrutiny of Constabulary performance will be reviewed to ensure that robust arrangements are in place following the Police and Crime Commissioner Elections.



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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRORA). The PRORA also sets out the function and roles of statutory officers, namely the Monitoring Officer (Chief Executive) and the Chief Finance Officer (CFO). The monitoring officer has specific legal, financial and governance duties in addition to a statutory responsibility for the lawfulness of decision making. The functions and roles set out in legislation and guidance are codified in the Commissioner's scheme of delegation. The scheme was revised during 2015-16 to take into account changes to reflect arrangements for business continuity and to align responsibilities for procurement with the review and update of the Commissioner's procurement regulations. The scheme has been subject to review by the Joint Audit and Standards Committee as part of the arrangement for reviews of governance.

The review of procurement regulations as part of those arrangements has resulted in the rules and guidance within the regulations being updated to incorporate the new requirements of the Public Contracts Regulations 2015. There have also been changes to how the procurement team engage with the business to support procurement activity, including a reduction in the financial threshold over which a procurement business partner will lead and support the procurement activity. This follows a

restructuring of the team to consolidate procurement support and expertise and enhance its role within the business as category managers, improving value for money.

During the year a formal review has been undertaken of the role of the Commissioner's Chief Finance Officer and the Head of Internal Audit (HIA) against the respective CIPFA statements. The self-assessment were subject to further review by the Joint Audit and Standards Committee. The outcome from the process has concluded that the Chief Finance Officer and HIA is fully compliant with the CIPFA role. The role of the Joint Audit and Standards Committee has also been reviewed during 2015-16 against the CIPFA guidance for Police Audit Committees. The overall conclusions from the assessment is that the committee is highly effective in its operation, evidencing substantial support, influence and persuasion in carrying out its functions.

The Commissioner continues to operate his statutory Independent Custody Visiting Scheme. During the course of the year a number of volunteers have been recruited across the four panels to maintain an overall number as close to forty eight as is possible. In the period 1 February 2015 to 31 January 2016 they made 191 visits, spoke to 221 detainees and observed a further 151 detainees. No serious issues were raised during any of the visits. The Animal Welfare Scheme, which looks at the welfare of police dogs, is composed of

nine volunteers drawn from the ICV scheme who have been appointed to undertake this role. The Civil Nuclear Constabulary also utilise the nine volunteers from the Animal Welfare Scheme to carry out a similar function for them. This arrangement works well to the mutual benefit of both Cumbria Constabulary and the Civil Nuclear Constabulary.

During the last year, the Commissioner has continued to build on partnership working to address priorities in the Police and Crime Plan, in addition to supporting and funding local agencies and groups to help tackle some of the priority areas. These activities have included:

- Continuing the role of Chair of the Safer Cumbria Partnership Delivery Group, to tackle crime and disorder bringing together public services such as councils, health, probation and voluntary groups.
- Working with partners on an action plan to tackle hate crime.
- Working with leaders and chairs of the county's key public and voluntary sector agencies as a member of the Cumbria Leaders' Board
- Working to help address alcohol, drug and mental health issues, often contributing factors in crime, through working jointly with Health and wider partners.
- Providing funding for Cumbria's three Community Safety Partnerships to tackle local issues in relation to crime and disorder, focusing on domestic violence, local crime prevention, and antisocial behaviour.
- Supporting community groups to reduce crime and tackle antisocial behaviour through a Police

and Crime Property Fund, Community Fund and Innovation Fund.

The Commissioner's Executive Board continues to meet in public with meetings regularly attended by various representatives of the media and members of the public. There is a facility for members of the public to ask questions of the Commissioner, which has been used by a one person in the course of the year.

#### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP2/1: Develop and introduce a new Code of Corporate Governance in response to the introduction of a new CIPFA Good Governance Framework and Guidance for Police expected in 2016-17.

CP2/2: The Commissioner is working with health and local government partners to improve services for victims with mental health issues. Supported by the PCC, the Office of the Police and Crime Commissioner has secured funding from the Home Office Innovation Fund for the development of a multi-agency assessment and crisis centre.

CP2/3: Building on the work of the OPCC and partners during 2015-16 to embed Victim led Restorative Services, the OPCC will work with partners to increase the use of quality Restorative Justice through the ongoing development of a multi-agency approach.

CP2/4: During 2016-17 the OPCC will work with the newly elected PCC to develop and deliver a new Police and Crime Plan.

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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

2015-16 was the first full year of operation for the Ethics and Integrity Panel. During the year the Panel have carried out a number of dip samples of different areas of business, including complaints, police misconduct and staff misconduct cases to support high standards of ethics and integrity. The findings of that work, including recommendations, have been reported on a quarterly basis to the Commissioner's Executive Board to improve transparency and support public scrutiny. **The Joint Audit and Standards Committee received the 2015-16 annual report of the Ethics & Integrity Panel in May 2016 to support assurances in respect of arrangements for standards and ethical governance.**

As part of their work the panel has made a number of recommendations adopted by the Constabulary that aim to improve the quality of communications and public satisfaction in the complaints process. The work of the Panel has also resulted in improvements to the standards of case files for complaints which now document organisational learning arising from the complaint and how this has been disseminated to individuals and across the organisation. Misconduct files have been improved to document full audit trails that include identified welfare issues, return to work process and details

of any Management Action. The Panel have also been asked to specifically review and provide feedback on

the Constabulary's Performance Discretion Framework which was introduced as part of the new Command and Control system. Following a HMIC review of Stop and Search the Panel were consulted regarding the data recorded for such searches and provided feedback to the Constabulary on their findings. They will review this area of business again in August 2016 following training being provide to all officers.

As part of the arrangements for complaints, the Commissioner receives letters directly from members of the public. In 2015 he received 12 complaints, 11 of which were passed to the Constabulary to respond to as they were regarding matters beyond his jurisdiction. Of the remaining complaint it was determined that the issues raised were not personal conduct matters.

During the same period the Commissioner received 291 letters of dissatisfaction raised by members of the public regarding the Constabulary and policing issues. These issues were raised with the Constabulary and monitored by OPCC staff to ensure a timely and appropriate solution was

*During 2015-16 the Ethics and Integrity Panel was able to make a number of recommendations that aim to improve the quality of communications and public satisfaction in respect of complaints.*

found. Only one issue remains to be completed at the end of 2015-16 and mediation is taking place to resolve the matter. Complaints made against the Police and Crime Commissioner are dealt with by the Police and Crime Panel. During 2015-16 the panel received one complaint which was dealt with by way of a letter of explanation. Letters of compliment were also received from members of the public for the assistance provided by the Police and Crime Commissioner and members of staff.

In respect of the arrangements for standards, ethics and integrity, the Chief Executive is able to confirm that since the inception of the Office of the Police and Crime Commissioner, no complaints have been received from any member of staff or secondee in relation to the Commissioner. Neither has any complaint been made by the Commissioner about any member of staff. In respect of the period from 1st April 2015 to the date of issuing this statement, no issues have been raised with the Joint Audit and Standards Committee in respect of the operation of the Commissioner's Codes of Conduct/Protocols and the Committee has not received any appeals in relation to these matters.

The Commissioner has in place arrangements for anti-fraud and corruption. The arrangements in place during 2015-16 have been subject to internal review by the Deputy Monitoring Officer, **with the outcome of that review reported to the Joint Audit and Standards Committee in May 2016.** The review has concluded that arrangements are effective. The prior year cyclical audit concluded that there is substantial assurance in respect of the arrangements for anti-fraud and corruption and noted as a strength the clear promotion of high

standards of integrity and ethical behaviour. Whilst fraud risk remains low within the OPCC office, matters of integrity have been re-enforced in support of the aim of ensuring a high degree of awareness amongst staff in respect of appropriate conduct and behaviours. The Deputy Monitoring Officer has issued a monthly reminder to staff in respect of recording gifts and hospitality and/or supplier contact. Completed registers have been published on the Commissioner's website on a monthly basis and the Deputy Monitoring Officer has undertaken dip sampling between the registers and contracting activity.

In support of the requirements for audit of the financial statements, the Commissioner has submitted to the External Auditor the 2015-16 fraud risk assessment providing further assurances in respect of the arrangements to protect against fraud and corruption. Management assurance was further supported through the completion by the Commissioner and all staff of a register of interests form and a declaration of related party transactions. These forms were reviewed by the Chief Executive and Chief Finance Officer and are published on the Commissioner's website for openness and transparency.

#### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP3/1 During 2016-17 the scope and remit of the Ethics and Integrity Panel will be reviewed to maximise its on-going impact in improving arrangements for Ethics and Integrity.

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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Commissioner makes decisions in line with his decision making policy which adheres to the Good Governance Standard for Public Services and the Good Administrative Practice 2. During the 2015-16 financial year the Commissioner made 46 decisions that have all been recorded and published on the Commissioner's website. The range of decisions made included finance and budget, estate, policies, police and crime plan, annual report, policing services and commissioning. All methods of communication such as media, social media and newsletters are used to further inform the public of key decisions.

Quality of Service Issues and Complaints play a significant role in influencing future decisions. The Commissioner is directly involved in many of the engagement activities and is aware of the issues being raised by members of the public. The Office of Public Engagement on a regular basis formally reports to the Commissioner's Executive Board identifying trends and linking to the development of the Police and Crime Plan.

The Office of Public Engagement is instrumental in influencing key decision making within the OPCC. The Commissioner carried out a wide range of public engagement events over the year to provide as many opportunities as possible for the public to engage with him, through a diverse range of communication and engagement methods. In 2014, an extensive public consultation was carried out

regarding the setting of the police council tax precept. To give additional context, local residents were also surveyed about their knowledge of what local police do; their satisfaction with Cumbria police; and recent contact with the police. This significant consultation was undertaken with a view of giving peoples view over a two year period and was used to inform the Commissioner's decision for the 2015-16 council tax precept and on the decisions taken in February 2016 for the 2016-17 precept and budget.

The Police and Crime Panel have met five times during 2015-16. All meetings are held in public, providing an open and transparent process for scrutinising the decisions and work of the Commissioner. The work programme of the Panel during 2015-16 placed a significant focus on the commissioning elements of the Police and Crime Plan and the implications for Cumbria of the Home Office Police Formula Funding Consultation. On January 25th 2016 the Panel considered the matter of the Commissioner's proposed precept. As part of this process the panel held a seminar meeting to undertake detailed scrutiny of revenue and capital budget plans, plans for savings proposals and the Commissioner and Constabulary's performance in delivering efficient and effective policing during 2015-16. The Panel decision was that they support the proposed police precept without qualification or comment.

The Joint Audit and Standards Committee has conducted five public meetings during 2015-16 and undertaken a significant amount of work to scrutinise and make recommendations in respect of the Commissioner's arrangements for governance and the management of risk. This has included scrutiny of the Procurement Regulations, Code of Corporate Governance, Risk Management Strategy, Internal Audit Charter, Treasury Management Strategy, Statement of Accounts and Annual Governance Statement.

During 2015-16 work has been undertaken to develop the arrangements for risk management. This included making improvements to the arrangements for the Commissioner's risk registers, determining risk appetite, revising the methodology for scoring risks and developing the Risk Management Strategy in the context of this work. The process was supported by a CIPFA accredited trainer and the lead member for risk from the Joint Audit and Standards Committee. During the year, the Commissioner has received and scrutinised a quarterly report presented by the Chief Constable in respect of the Constabulary's management of strategic risks to enable the Commissioner to have oversight and scrutiny of the risks facing the Constabulary.

The Commissioner's arrangements for Risk Management include procedures for Business Continuity. During 2015-16 the Commissioner's business continuity arrangements were reviewed and a programme for updating and testing the business continuity plan was initiated. During the course of this review internal audit inspected the arrangements and made a number of

recommendations for improvement. The new, fully codified processes and procedures for business continuity were reported to the Commissioner's Executive Board in July 2015 and have been tested to ensure they are working effectively.

Arrangements for Risk Management have been further assured through the delivery of the 2015-16 Internal Audit Plan. The Plan was developed on a risk based approach and substantially increased the number of days of audit work during the year from 180 to 232 as a consequence of widening the areas of audit coverage in line with the public sector audit standard. All areas subject to audit and included in the opinion of the Chief Internal Auditor have received either reasonable or substantial assurance. The Audit Plan provides the basis for the Chief Internal Auditor's overall opinion on the control environment. The internal audit annual report for 2015-16 concludes that the Commissioner's frameworks for governance, risk and internal control are reasonable and that audit testing has confirmed that controls are generally working effectively in practice. During 2015-16 the Joint Audit and Standards committee have received quarterly reports monitoring the implementation of all audit recommendations.

#### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP4/1: To ensure the continued effectiveness of the Joint Audit and Standards Committee as a scrutiny body, the programme of training/development activity for 2016-17 will include the design and delivery of a session on the incoming Commissioner's Police and Crime Plan.

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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

A number of arrangements have been in place during 2015-16 to support the capacity and capability of the Commissioner and his Office. These include the receipt of regular APCC briefings in addition to guidance, codes of practice, regulations and legislation from a range of national bodies and organisations. Significant publications have included Grant Thornton's 'knowing the Ropes – Audit Committee Effectiveness Review 2015', CIPFA publications consulting on proposed changes to the Local Government Good Governance Framework and the new Accounts and Audit Regulations 2015.

The Chief Executive is further supported through the Association of Police and Crime Commissioner Chief Executives (APACCE). To provide peer support, APACCE members have developed a directory setting out the specialist subject matter areas of each member. At their regular meetings APACCE have also provided a forum to deliberate on key issues for the development and enhancement of the role of Police and Crime Commissioners. Advice and support is also available through the regional (North West and North Wales) Chief Executives Group, which meets on a quarterly basis. This Group has been chaired by Cumbria's Chief Executive during 2015-16. In addition the North West Joint Oversight Committee of Police and Crime Commissioners continues to

meet regularly to take forward collaboration between forces and OPCCs in the region.

The delivery of a Corporate Development Day was held for all staff within the COPCC as part of the development of the COPCC's Business Plan. A Development Day was also held for all staff as part of the process for reviewing the Commissioner's risk management processes and procedures, together with a separate session for the Executive Team on strategic risk. All of these sessions were facilitated by a CIPFA accredited trainer.

The Chief Finance Officer continues to receive support from the Police and Crime Commissioner's Treasurer's Society (PaCCTS) and the associated technical information service. During 2015-16 this has included significant briefing and analysis of the proposed changes to Police Formula Funding, the 2015 Comprehensive Spending Review and 2016-17 Police Grant settlements. Officers within the finance team have attended annual technical update and development events run by CIPFA. This has included CIPFA's 2015 Developments in Police Finance Forum's at which the CFO and Deputy CFO were invited to present on early financial closedown.

The Chief Finance Officer and finance staff with treasury management responsibilities have held quarterly briefing meetings with Arlingclose, the Commissioner's external treasury management advisors. This facilitates a high level of awareness within the team of the current economic climate

and regulatory changes, both of which impact on the risks and opportunities for counter-party investment. Arlingclose also delivered a seminar on 9th March 2016 for members of the Joint Audit and Standards Committee prior to their scrutiny of the Treasury Management Strategy. Further specialist advice has been received from the Commissioner's Insurance brokers in respect of the annual renewals on insurance. This advice has supported decision making during 2015-16 in respect of increasing the level of employee/public liability insurance cover and supported a more detailed review and decision making on insurances not currently taken on the basis of cost and risk.

The Office of Public Engagement has continued to develop its range of effective community engagement methods, to ensure all sections of the community are reached. The Commissioner worked with a number of Neighbourhood Forums run by the County Council to capitalise on their tried and tested format and ensure good attendance.

The Commissioner, through his Victim's Advocate, created a Victim's Consultation Group, who operate in a 'focus group' style to look in depth at certain policy issues at the time of policy formation. This year the Group contributed to the development of the Cumbria Together website, which is an information portal aimed at sign-posting victims to where they can get help, support and guidance. The Group also contributed to the development of the Bridgeway and emerging themes and priorities for the new Police and Crime Plan. The internal restructure that took place in 2014 placing more emphasis on partnerships, victims support and victim's advocacy has embedded well during 2015-

16. The capacity and skills are now in place to ensure that the Commissioner's wider responsibilities for community safety, enhancing criminal justice and supporting victims are met.

All staff within the office participate in a personal development review process to ensure they have the skills to be effective in their roles. Staff also have regular one-to-one sessions with their line manager. Specific training has been provided for staff in the areas of advanced Microsoft Word, Excel, Freedom of Information, media management, project management, risk management, coaching and fire safety.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. **Against the self-assessment checklist the committee achieves a consistent grade of 4 or 5 (against a maximum of 5) across all areas.** For those functions not included within the checklist, incorporating the wider functions of the committee, there is evidence to demonstrate compliance with CIPFA guidance and elements constituting best practice. The review confirmed that the Committee has during 2015-16 implemented areas identified for developed from the 2014-15 review. Further areas for development are identified for 216-17 to provide for continuous improvement. The full report of the Committee can be found on the Commissioner's website at:

*<http://www.cumbria-pcc.gov.uk/governance-transparency/audit-committee.aspx>*

There have been a significant number of changes of personnel on each of the Custody Visiting Panels

during this year and the Scheme Administrator has run a number of recruitment campaigns to attract new candidates for appointment. Induction training courses have been run for newly-appointed visitors in Workington, Barrow, Carlisle and Penrith throughout 2015-16. Membership of the four panels at the end of 2015-16 stood at Barrow 10; Kendal 8; North Cumbria 12 and West Cumbria 11.

The Cumbria ICV Annual Conference was held on Saturday 25th April 2015 with 31 Custody Visitors attending. The Commissioner opened the conference and held a question and answer session along with the Chief Constable. Among the topics this year was: Changes within Custody; Suicide Awareness Training and Healthcare in Custody. The delegates undertook a number of workshop exercises focusing on developing good practice in Custody Visiting and a series of scenario discussions aimed at improving practice in the Cumbria ICV scheme.

In addition to the Cumbria Conference, a number of ICV's attended the Regional Conference held on 24 October 2015. The event covered a range of issues including Vulnerable People in Custody; Learning Disabilities and Difficulties in Custody; the Liaison and Diversion programme for Mentally Disordered Offenders.

During 2015-16 the Ethics and Integrity Panel has developed and enhanced its role. This has included undertaking "deep dives" of specific areas of activity such as Stop and Search and contributing to reviews of ways of working within the Constabulary, such as the changes introduced within the Constabulary's Communication Centre. This work has led to recommendations being made to the Constabulary with a view to the enhancement and/or improvement of the service. Stop and Search will be reviewed in August 2016 to gauge progress. In undertaking these new activities the focus has been on the ethical implications of the proposals or the way in which the activity is undertaken.

#### AREAS FOR FURTHER DEVELOPMENT

CP5/1: Arrangements for induction of new Joint Audit and Standards Committee members will be developed and formalised. This will include an operational development day with the Constabulary to which all members will be invited.

CP5/2: Undertake a review of the arrangements for Independent Custody Visiting within Cumbria, fully engaging with the Independent Custody Visitors as part of that review.



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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Policing Protocol Order highlights the accountability of the Police and Crime Commissioner to local people. This responsibility is delivered through an Office of Public Engagement to ensure a wide range of engagement approaches so that the Commissioner actively listens, considers and effectively uses the views of the people of Cumbria and is accountable. During 2015-16, the Commissioner has:

- Spoken to the public at more than 100 public engagement events, ranging from public meetings, surgery style events, 'drop-ins' at supermarket cafés, walkabouts with Constabulary Neighbourhood Policing Teams;
- Attended a number of county council neighbourhood forums, community meetings, parish councils, meetings with various groups i.e. businesses, youth, and agricultural shows;
- Attended a significant number of meetings with local councillors, leaders and MPs;
- Sponsored and spoke at the Cumbria Neighbourhood Watch Association annual conference, where the theme was Local Resilience;
- Worked with the National Rural Crime Network (NRCN) to highlight national the issues with rural crime and contribute to the largest rural crime survey to ascertain the levels of rural crime and how the police can better serve rural communities;
- Sponsored and attended the 'Know Your Criminal Justice Day', run in collaboration with People First, the Crown Prosecution Service, Cumbria Constabulary and HM Courts Services, aimed at helping those with learning and physical disabilities understand how to report hate crime and what they can expect of the criminal justice system, with the aim of encouraging the reporting of hate crime incidents;
- Awarded a grant to Young Cumbria to consult with young people about how the police interact with them and what needs to be improved;
- Published online and circulated by email and community messaging, a regular newsletter, and contributed to other newsletters;
- Taken part in a wide range of media activities and interviews through a range of communication methods;
- Conducted surveys on rural crime, and policing priorities, through a mixture of both online and face-to-face methods during themed engagement events;
- Promoted events and activities and maintained a presence using social media i.e. Twitter and Facebook;
- Responded to over 291 'Quality of Service' complaints from members of the public.

During the course of the year the Commissioner has engaged with the Police and Crime Panel as part of the review processes for the Police and Crime Plan.

The Panel has developed jointly with the Commissioner a programme to support engagement and accountability in respect of priority areas from within the Plan. During 2015-16 the panel focused accountability on the two thematic areas, these being: 'Victims: Ensure victims of crime have access to support and redress'; Domestic Abuse, Sexual Violence and Hate Crime: reduce harm by targeting domestic abuse and sexual violence, reduce harm caused by hate crime. The panel has received regular reports on the work, activity and outcomes in respect of these themes and has provided scrutiny and support in respect of the on-going delivery of these priorities.

During 2015-16 the Commissioner has also prepared for publication the final annual report of his term of office. The annual report, entitled "Making Cumbria an Even Safer Place", includes information on how the Commissioner has responded to issues raised during community engagement activity and how engagement has informed future priorities.

As part of the arrangements for financial accountability, the Commissioner's audited accounts for the 2014-15 financial year were signed by the independent auditors and published on the Commissioner's website. The auditor's opinion was that the Statements provided a true and fair view of the financial position and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting. The auditors further confirmed in their Audit Findings Report a positive conclusion with regards to securing value for money. Throughout the year the Commissioner has published financial monitoring

information that reports progress in respect of the capital and revenue budgets and treasury management activities for 2015-16.

To further support public accountability a range of information has been made available through the Commissioner's website over the course of the year. This has included agenda and reports for the public Executive Board meetings and the Joint Audit and Standards Committee, guidance and application packs for the Commissioner's three funds, Freedom of Information disclosure logs, financial information and strategies. In the latter part of 2015-16 a section of the website has been developed to provide information relevant to potential candidates for the Police and Crime Commissioner elections to be held in May 2016.

#### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP6/1 Develop a new Office of Public Engagement strategy to ensure it embraces the new Commissioner's vision for engaging with local people and stakeholders.

CP6/2 Following the Police and Crime Commissioner elections in May 2016 wider engagement activity will take place with a range of partners/stakeholders as part of the process to develop and implement the new Police and Crime Plan and Partnership Strategy.

CP6/3 Following the Police and Crime Commissioner Elections in May 2016 and subsequent work to develop the new Police and Crime Plan the Commissioning strategy will be reviewed to ensure that commissioning intentions reflect manifesto priorities.

## APPENDICES TO THE ANNUAL GOVERNANCE STATEMENT

- Appendix A: 2016-17 Development And Improvement Plan
- Appendix B: 2015-16 Development And Improvement Plan Update

## FURTHER INFORMATION

Further information on the arrangements for Governance can be found on the Commissioner's website under the tab headed Governance and Transparency.

We welcome your views on the Commissioner's Annual Governance Statement. You can do this by using the contact information below:

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Penrith

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E-mail: [commissioner@cumbria-pcc.gov.uk](mailto:commissioner@cumbria-pcc.gov.uk)

\*Richard Rhodes  
Police and Crime Commissioner for Cumbria

\*Stuart Edwards  
Chief Executive

\*Ruth Hunter  
Chief Finance Officer/ Deputy Chief Executive

\*Signatures are removed for the purposes of Publication on the website

## APPENDIX A: 2016-17 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Responsibility	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.		
CP1/1	Achieve publication of the audited financial statements by end July 2016.	Chief Finance Officer	31 <sup>st</sup> July 2016
CP1/2	During 2016-17 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Quality framework to support collaborative and partnership working in delivering improvements in services to victims and develop compliance with the Victims' Code of Practice.	Head of Partnerships and Commissioning	31 March 2017
CP1/3	Arrangements for scrutiny of Constabulary performance will be reviewed to ensure that robust arrangements are in place following the Police and Crime Commissioner Elections.	Head of Partnerships and Commissioning	31 July 2016
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.		
CP2/1	Develop and introduce a new Code of Corporate Governance in response to the introduction of a new CIPFA Good Governance Framework and Guidance for Police expected in 2016-17.	Chief Executive/Chief Finance Officer	30th June 2016
CP2/2	The Commissioner is working with health and local government partners to improve services for victims with mental health issues. Supported by the PCC, the Office of the Police and Crime Commissioner has secured funding from the Home Office Innovation Fund for the development of a multi-agency assessment and crisis centre.	Head of Partnerships and Commissioning	31 March 2018
CP2/3	Building on the work of the OPCC and partners during 2015-16 to embed Victim led Restorative Services, the OPCC will work with partners to increase the use of quality Restorative Justice through the ongoing development of a multi-agency approach.	Head of Partnerships and Commissioning	31 March 2017
CP2/4	During 2016-17 the OPCC will work to support the newly elected PCC to develop and implement a new Police and Crime Plan	Head of Partnerships and Commissioning	31 December 2016
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.		

CP3/1	During 2016-17 the scope and remit of the Ethics and Integrity Panel will be reviewed to maximise its on-going impact in improving arrangements for Ethics and Integrity.	Chief Executive	30 March 2016
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.		
CP4/1	To ensure the continued effectiveness of the Joint Audit and Standards Committee as a scrutiny body, the programme of training/development activity for 2016-17 will include the design and delivery of a session on the incoming Commissioner's Police and Crime Plan.	Head of Partnerships & Commissioning/ Chief Finance Officer	30th September 2016
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.		
CP5/1	Arrangements for induction of new Joint Audit and Standards Committee members will be developed and formalised. This will include an operational development day with the Constabulary to which all members of JASC will be invited.	Chief Finance Officer	30th September 2016
CP5/2	Undertake a review of the arrangements for Independent Custody Visiting within Cumbria, fully engaging with the Independent Custody Visitors as part of that review.	Chief Executive	30 March 2017
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.		
CP6/1	Develop a new Office of Public Engagement strategy to ensure it embraces the new Commissioner's vision for engaging with local people and stakeholders.	Head of Communications and Business Services	30 September 2016
CP6/2	Following the Police and Crime Commissioner elections in May 2016 wider engagement activity will take place with a range of partners/stakeholders as part of the ongoing process to develop and implement the new Police and Crime Plan and Partnership Strategy.	Head of Partnerships and Commissioning	31 December 2016
CP6/4	Following the Police and Crime Commissioner Elections in May 2016 and subsequent work to develop the new Police and Crime Plan the commissioners commissioning strategy will be reviewed to ensure that commissioning intentions reflect manifesto priorities.	Head of Partnerships and Commissioning	31 December 2016

## APPENDIX B: 2015-16 DEVELOPMENT AND IMPROVEMENT PLAN UPDATE

Ref	Action	Action Update	Responsibility	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.			
CP1/1	Preparation for earlier financial accounts deadlines: Achieve unaudited publication by 4 <sup>th</sup> June/audited publication by 10 <sup>th</sup> September.	<b>Partially Achieved:</b> Unaudited accounts published on 28 <sup>th</sup> May 2015. Audited accounts achieved a deadline of 23 <sup>rd</sup> September. This was as a result of national technical issues beyond the control of the Commissioner/Local Audit team.	Chief Finance Officer	Sept 2015
CP1/2	Work to develop financial models to respond to the funding announcements expected following the general election will continue during 2015-16 as further information is received on the new police funding formula and the 2015 comprehensive spending review	<b>Achieved.</b> A number of funding models were developed during the Summer in response to the Home Office Police Funding consultation. These have been incorporated within the 2016-2020 medium term financial strategy.	Chief Finance Officer	Dec 2015
CP1/3	During 2015-16 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Strategy to support collaborative and partnership working.	<b>Partially achieved.</b> A draft strategy has been produced. As we are in an election year further work on the strategy will take place following the May 2016 election to ensure that the priorities of the incumbent PCC are reflected in any future partnership and collaborative working	Head of Partnerships and Commissioning	March 2016
CP1/4	Arrangements for scrutiny of Constabulary performance reports will be reviewed to facilitate OPCC officer input and review prior to presentation at the Executive Board.	<b>Achieved.</b> Arrangements have been reviewed and include support and dialogue with the Office of the Police and Crime Commissioner regarding the requirements and content of reports. Once completed reports are tabled at the Accountability Board for scrutiny by constabulary and Office of the Police and Crime Commissioner.	Head of Partnerships and Commissioning	March 2016
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.			
CP2/1	Work with partners to deliver a sexual assault referral centre and joined-up system of follow-up health and emotional support services.	<b>Achieved.</b> The Bridgeway Sexual Assault Referral Centre was formerly opened in December 2015. Support Services for ISVA and Counselling have been commissioned.	Head of Partnerships and Commissioning	March 2016

CP2/2	Building on the work of the OPCC and partners, develop Victim led Restorative Services	<b>Achieved.</b> The RJ HUB delivering Victim led restorative services is operational. A provider has been commissioned to take the RJ model forward.	Head of Partnerships and Commissioning	March 2016
CP2/3	Work with partners to develop and deliver a Victim and Witness Strategy to deliver improvements in services to victims and develop compliance with the Victims' Code of Practice.	<b>Partially achieved.</b> A Victims and Witnesses Needs Assessment has been completed. As we are in an election year further work will take place following the May 2016 election to ensure that the priorities of the incumbent PCC are reflected in any future work that supports services for victims and witnesses.	Head of Partnerships and Commissioning	March 2016
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.			
CP3/1	Update and develop policy and guidance arrangements for complaints to ensure arrangements are accessible and to encourage a positive culture for receiving and addressing issues that have given rise to a complaint.	<b>Achieved:</b> During 2015 – 16 work has been undertaken to ensure the correct guidance and procedures are in place to ensure complaints are dealt with fairly and robustly.	Head of Communications and Business services	March 2016
CP3/2	Develop arrangements for complaints in respect of national proposals regarding changes to the police complaints system.	<b>Achieved:</b> The OPCC has taken part in the consultation, the recruitment process and will continue to monitor as this new process embeds.	Head of Communications and Business services	March 2016
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.			
CP4/1	Establish a training and development programme for Joint Audit and Standards Committee Members within the Committee's annual work programme.	<b>Achieved:</b> During 2015-16 members have undertaken training/development including treasury management, police crime recording, and the medium term financial strategy and change programme. JASC agenda's include a Corporate Update to ensure members are briefed on current/topical issues pertinent to Governance.	Chief Finance Officer	June 2015
CP4/2	Further develop arrangements for risk management including review of risk registers, scoring methodology, risk appetite and the risk management strategy	<b>Achieved:</b> During 2015-16 arrangements for risk management - including review of risk registers, scoring methodology, risk appetite and the risk management strategy – have been reviewed and re-written. This	Chief Executive	Sept 2015

		process was facilitated by a CIPFA accredited trainer and involved all the staff of the COPCC.		
CP4/3	Arrangements will be made to formally codify all elements of the Commissioners business continuity arrangements and initiate a programme for updating and testing the business continuity plan.	<b>Achieved:</b> The OPCC Business Continuity plan is now an embedded policy within the Office. The Business Continuity plans were approved at the March Executive Board.	Head of Communications and Business services	Sept 2015
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.			
CP5/1	Complete work supported by North West employers to implement a bespoke suite of Human Resource Policies appropriate to the management of the Commissioner's office.	<b>Achieved:</b> The HR policies are now completed and fully functional.	Head of Communications and Business services	March 2016
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.			
CP6/1	During 2015-16 work will be undertaken to improve the quality of engagement with and reporting to the Police and Crime Panel, with a focus on member's contribution to the development of priorities for the new Police and Crime Plan.	<b>Achieved:</b> An annual programme of work has been developed and considered by the Police and Crime Panel. Implementation of the programme of work has included consultation with the panel on the development of the new Police and Crime Plan.	Head of Partnerships and Commissioning/ Head of Communications and Business services	May 2016
CP6/2	During 2015-16 wider engagement activity will take place with a range of partners/stakeholders as part of the process to develop the new Police and Crime Plan.	<b>Achieved:</b> A programme of engagement activity has taken place to develop themes and priorities as part of the process to develop the new Police and Crime Plan. This includes – focus groups, a stakeholder event and completion of a victims and witnesses needs assessment.	Head of Partnerships and Commissioning/ Head of Communications and Business services	May 2016

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Cumbria Shared Internal Audit Service  
Internal Audit Report for Cumbria Constabulary



Agenda Item 16 (i)



**Review of Annual Governance Statement 2015/16**

Draft Report Issued: **21 April 2016**

Final Report Issued: **25 April 2016**

## Audit Resources

Title	Name	Email	Telephone
Audit Manager	Niki Riley	Niki.riley@cumbria.gov.uk	01228 226261
Lead Auditor(s)	Emma Toyne	Emma.toyne@cumbria.gov.uk	01228 226261

## Audit Report Distribution

For Action:	<i>Roger Marshall, Chief Constable's Chief Finance Officer.</i>
For Information:	
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 3 May, 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 the Constabulary's Annual Governance Statement for 2015/16. This was a planned audit assignment which was undertaken in accordance with the 2016/17 Audit Plan.
- 1.2. The Accounts and Audit (England) Regulations 2015 require the Chief Constable to produce an Annual Governance Statement (AGS) explaining how the Code of Corporate Governance has been complied with. The AGS must accompany the statement of accounts
- 1.3. The Code of Corporate Governance for the Chief Constable has been in place for the 2015/16 financial year.

## 2. Audit Approach

### 2.1. Audit Scope and Limitations

- The Audit Scope was as follows:
  - *Confirm that the Annual Governance Statement has been prepared in accordance with statutory guidance as set out in "Delivering Good Governance in Local Government: guidance note for Police"*
  - *Review evidence for any major new content in the Annual Governance Statement and ensure the Annual Governance Statement accurately reflects any issues identified by Internal Audit, in particular the existence of any significant governance issues;*
  - *Confirm that there is a due process for the review and approval of the Annual Governance Statement.*
- Limitations to scope:
  - Our work was performed on the draft Annual Governance Statement provided to us at the end of 18<sup>th</sup> April 2016. The document contained a small number of points where the Constabulary were awaiting information and did not identify areas for development or an action plan for 2016/17. No significant governance issues were identified in the draft AGS. Our assurance work excludes any narrative added to the AGS after it was provided for Internal Audit review, areas for development subsequently identified and any resultant action plan.
  - We did not confirm progress reported against the 15/16 action plan.

## 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 for the preparation of the Annual Governance Statement provide **Reasonable** assurance. We are not aware of any matters that should be declared within the Statement as significant governance issues.

*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 four medium priority audit recommendations arising from this audit review which is detailed in Section 5.
- 4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:
- The Annual Governance Statement has been drafted in accordance with the relevant guidance – Delivering Good Governance in Local Government: Guidance: Note for Police and incorporates the key elements identified in the December 2012 Addendum.
  - Where changes or new content has been included in the AGS supporting information was readily available for Internal Audit review.
  - The Chief Constable's AGS has been prepared by statutory and senior officers and a draft will be taken to the Joint Audit and Standards Committee on 3 May 2016. The AGS will be signed by the Chief Constable and his Chief Finance Officer. The Statement will then be considered by the Joint Audit and Standards Committee before it is published alongside the statutory accounts. A logical process of review and approval has been followed.
- 4.4. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:
- *High priority issues: None identified.*

- *Medium priority issues:*
  - The areas for development and action plan arising from the 2015/16 AGS should be prepared
  - The areas identified as requiring update on the AGS provided for Internal Audit review should be updated.
  - The AGS refers to regular one to one performance meetings being undertaken. This is not consistent with the findings of three of our audits carried out during 2015/16.
  - The productivity strategy and well-being strategy should be finalised and approved.
  
- *Advisory issues: None identified.*

## 5. Matters Arising / Agreed Action Plan

● **Medium Priority**

Audit finding	Management response
<p><b>2015/16 AGS action plan</b> We were informed that the Annual Governance Statement provided for Internal Audit review contained a small number of points which required update by the Constabulary. In addition, we were notified that the areas for development on the AGS provided to us had not been updated for 2015/16 and that there was no action plan for 2016/17.</p> <p>We were informed that that the updates would be made.</p>	
<p><b>Recommendation 1:</b> Areas for development identified through the AGS should be updated and an action plan prepared for 2016/17.</p> <p><b>Recommendation 2:</b> Areas identified on the AGS as requiring update should be updated.</p>	<p>The draft Annual Governance Statement provided to the Joint Audit and Standards Committee includes an update on the 2015-16 and 2016-17 areas for development.</p>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Improvements are not made</li> <li>Incomplete / inaccurate AGS presented</li> </ul>	<p><b>Responsible manager for implementing:</b> Roger Marshall CFO</p> <p><b>Date to be implemented:</b></p>

● **Medium Priority**

Audit finding	Management response
<p><b>Regular one to one performance meetings (referred to under Core Principle 1)</b> The AGS makes reference to individual officer performance dashboards which enable sergeants to quickly view their officers' workload and forms the basis of the regular one to one performance</p>	<p>The Constabulary operates a process of formal performance review in relation to officers. It is, however, recognised that PDR for police staff was</p>

<p>meetings.</p> <p>Internal Audit reviews of Duty Management System (DMS), Freedom of Information Requests and creditors have identified that regular one to one performance meetings are not always taking place.</p>	<p>suspended pending guidance from the College of Policing. The AGS states the Constabulary's commitment to re-introduce PDR for all officers and staff during 2016-17. A more detailed update will be provided at the JASC meeting in May.</p>
<p><b>Recommendation 3:</b> Management should be assured that the Annual Governance Statement correctly reflects the arrangements for staff to receive one to ones as they are operating in practice.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Arrangements described in the AGS are not in place</li> </ul>	<p><b>Responsible manager for implementing:</b> Head of HR</p> <p><b>Date to be implemented:</b> 30<sup>th</sup> September 2016</p>

● **Medium Priority**

<b>Audit finding</b>	<b>Management response</b>
<p><b>Productivity strategy(referred to under Core Principle 1)</b> The AGS refers to the productivity strategy which was developed and implemented during 2015/16. The productivity strategy 15-16 provided to internal audit was marked draft and was dated March 2015.</p> <p><b>Well-being strategy (referred to under Core Principle 2)</b> The AGS makes reference to the management of sickness absence being a key feature in maintaining numbers of deployable officers and staff and that this is regarded as a priority both for management and the HR department. In response to sickness levels remaining comparatively high during 2015/16 an attendance management action plan and well-being strategy have been put in place. The Well-being strategy is a draft document dated 11 April 2016.</p>	<p>The Attendance Management Action Plan and Well Being Strategy were considered by the Constabulary's Business Board in April and will be circulated for consultation and formal approval. Many of the actions in both documents have already been implemented. We will amend the wording of the AGS if required.</p>

<p><b>Recommendation 4:</b> The productivity strategy and well-being strategy should be finalised and approved.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Arrangements described in the AGS are not in place</li> </ul>	<p><b>Responsible manager for implementing:</b> Head of HR <b>Date to be implemented</b> 30 June 2016</p>

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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



Joint Audit & Standards Committee  
Tuesday 3rd May 2016  
Agenda Item No 16 (ii)

## The Chief Constable for Cumbria Constabulary Effectiveness of Governance Arrangements 2015/16

### 1. Introduction and background

1.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. The 2015 Accounts and Audit Regulations place a requirement on those bodies to conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement (AGS). The Chief Constable is required to consider the findings of that review, approve the AGS and publish (which must include publication on the Constabulary's website) the Statements alongside the Statement of Accounts. The AGS is prepared in accordance with the CIPFA/SOLACE good governance framework that defines 'proper practices' for discharging accountability for the proper conduct of public business through the publication of an annual governance statement that makes those practices open and explicit.

1.2 Following the introduction of the Police and Crime Commissioner the Chief Constable initially operated under the principles set out in the Commissioner's Local Code of Governance. Subsequently, the Chief Constable developed his own Code of Governance, reflecting arrangements within the Constabulary. The Chief Constable's Code for 2015-16 has been subject to further review and update as part of the review of the effectiveness of the governance arrangements. It was presented to the Joint Audit and Standards Committee for independent review prior to final approval by the Chief Constable. It is compliance with the 2015-16 version of the Code by the Chief Constable, together with an assessment of its effectiveness which is reflected in the 2015-16 Annual Governance Statement.

### 2. Governance Framework & Effectiveness

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

framework to Policing, recognising the specific structure and governance responsibilities arising from the 2011 Police Reform and Social Responsibility Act.

2.2 The approach to the production of the statement has been to use the CIPFA guidance, and particularly the guidance section on core governance principles. These have been used as a review checklist. The first stage of the process has been to ensure that the Chief Constable's Code of Corporate Governance adequately reflects all the requirements of the framework. The second stage of the process has been to ensure that the Governance Statement has evidence of the arrangements and practices in place to comply with the framework. Where the review has identified areas where developments are planned or it is identified that improvements can be made, the intended actions are outlined in the 'Areas for Further Development and Improvement' for each core principle. The statement also highlights areas where further assurance is gained, such as the work of internal audit, the reports of the external auditors and the results of inspections carried out by Her Majesty's Inspector of Constabularies. The Chief Constable's Governance Statement setting out the review of governance arrangements for 2015-16 and to the date of this meeting, supported by an independent report and opinion from the Head of Internal Audit is presented to the Joint Audit and Standards Committee for review, prior to being received by the Chief Officer Group and Commissioner's Executive Board for endorsement and publication alongside the Statement of Accounts.

2.3 During the process for the development and publication of the 2014-15 AGS Joint Audit and Standards Committee members made a recommendation that consideration was given the length and structure of the AGS to improve its accessibility. The external auditors commented that in their view the current structure was helpful in documenting activity and setting out the wider approach to continuous improvement through the action plan. This matter has been further considered by the Chief Constable's Chief Finance Officer and it was decided that work would be undertaken to simplify the structure. This means that the structure would be less closely aligned to the CIPFA framework and this has been agreed as acceptable by the external auditors. Further to this, officers contributing to the statement would be asked to consider the volume of their narrative and the Chief Finance Officer has committed to producing a summary AGS. The intent was initially to introduce these changes for the 2015-16 AGS. During 2015-16 a decision was taken to delay the implementation of these changes as a result of the introduction of a new Good Governance Framework from 2016-17. The framework introduces seven principles for good governance, based on an international framework, and makes changes to the requirements in respect of demonstrating compliance with those principles. In view of this change, and the officer input required to restructure the AGS and produce a summary statement, the 2015-16 AGS is presented in its historic format, this being its final year of presentation on that basis.

2.4 Whilst the above review of arrangements has been specific to the production of the Annual Governance Statement, this is supported by wider reviews of the arrangements for governance that take place during the financial year. This includes cyclical review and updates to core elements of the governance framework. During

2015-16 this has included a review and update of procurement regulations and financial rules. In addition, the Public Sector Internal Audit Standards and guidance from CIPFA in respect of Audit Committees forms the basis of further reviews of the overall arrangements for audit, with action plans being put in place where potential for improvement and development have been identified. This is supplemented by specific assessments on compliance by the Chief Finance Office and Head of Internal Audit with the requirements of the CIPFA statement for these roles. The governance review is also supported by an annually developed comprehensive audit plan from internal and external audit and an opinion from the Head of Internal Audit on the arrangements for internal control and risk. These requirements, whilst challenging, has enabled an approach that has sought to ensure all arrangements take account of best practice, codes and guidance.

### 3. The Effectiveness of Internal Audit

3.1 A separate report reviewing the effectiveness of the arrangements for Audit is set out elsewhere on the agenda. It is supported by the Annual Report of the Joint Audit & Standards Committee of the Commissioner and Chief Constable, and includes an assessment of the effectiveness of the internal audit function. The report demonstrates the effectiveness of the arrangements for Audit against independent and objective criteria as a contribution to good governance. In doing so it concludes the process of providing the necessary assurances that the governance arrangements set out in the Code of Corporate Governance are working as intended and are effective.

### 4. The Code of Corporate Governance 2016-17

4.1 On an annual basis a Code of Corporate Governance is reviewed and updated, setting out the framework for governance within the Constabulary. For 2016-17 the Code of Corporate Governance is a new Code (rather than an update of the 2015-16 Code). The new Code applies the standards set out in the consultation by CIPFA during 2015-16 on a new Framework for Good Governance. The CIPFA good governance framework is the best practice standard for Public Sector governance. The new CIPFA framework is effective from April 2016 and for this reason a new Code of Corporate Governance has been developed and presented to the Chief Constable for approval at Chief Officer Group. The new governance framework is based on seven principles, as set out in the proposed Code and has a much broader focus on delivering value for money, including outcomes and demonstrating effective performance, often working in partnership to achieve this.

4.2 Whilst the CIPFA good governance framework applies to the 2016-17 financial year, the Institute has yet to finalise the documents it will issue to publish the framework. In addition there will be specific guidance on application of that framework to Police. At the date of preparing this report there has not been any firm guidelines on the timing of that guidance. In the absence of these publications the Chief Constable's Code of Corporate Governance has been prepared on the basis of the CIPFA consultation document in order that it can be put in place at the start of the 2016-17 financial year. Also, there is not expected to be any substantial differences between the governance framework that has been presented by CIPFA for consultation and the final

governance standard. Once the CIPFA documents have been published they will be reviewed to ensure that arrangements remain compliant. If necessary, an updated version will be presented to the Chief Officer Group for approval.

#### 4. Recommendations

4.1 Members of the Joint Audit and Standards Committee are asked to:

1. Review the Code of Corporate Governance 2016-17.
2. Review the Annual Governance Statement 2015-16.
3. Make any recommendations with regard to the Code, Statement or arrangements for Governance, for consideration by the Chief Constable prior to publication of the documents alongside the Statement of Accounts.

**Roger Marshall**

**Chief Finance Officer**

**Human Rights Implications:** None Identified

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

**Personnel Implications:** None Identified

**Financial Implications:** None Identified

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

Contact points for additional information

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# The Chief Constable for Cumbria Constabulary

Code of Corporate Governance 2016/2017

## Introduction

The statutory responsibilities of the Chief Constable 'to maintain the Queen's Peace' are outlined in various Police Acts. The Police and Social Responsibility Act 2011 (PR&SRA), which introduced Police and Crime Commissioners, re-enforced the operational independence of the Chief Constable and clarified his role in supporting the delivery of the Commissioner's Police and Crime Plan.

The PR&SRA also established the Chief Constable for Cumbria Constabulary (the Constabulary) as a separate corporate sole. Accordingly, the Chief Constable is responsible for ensuring that business of the Constabulary is conducted in accordance with this statutory and regulatory framework and in accordance with proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In fulfilling this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for governance, including risk management and the arrangements for ensuring the delivery of the functions and duties of his office.

In doing this, the Chief Constable approves and adopts annually this Code of Corporate Governance, 'The Code'. The Code gives clarity to the way the Chief Constable governs and sets out the frameworks that are in place to support the overall arrangements for Cumbria Constabulary. The Code is based on the core principles of governance set out within the CIPFA/SOLACE good governance standard for public services which has 'proper practices' status.

On an annual basis the Chief Constable will produce an Annual Governance Statement (AGS). The AGS reviews the effectiveness of the arrangements for governance and sets out how this Code of Corporate Governance has been complied with.

## The Code of Corporate Governance

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

Those principles are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable, economic, social and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

## Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Chief Constables are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

### Ethics and Integrity

The Chief Constable and Chief Officer Group recognise that to operate legitimately it is essential that the Constabulary is able to demonstrate the highest standards of integrity in all its activities.

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

The Constabulary has adopted and provided training on the Code of Ethics produced by the College of Policing and all officers and staff are expected to abide by its provisions.

The Constabulary has an Anti-fraud and Corruption Policy and Procedures, which set out clear definitions of fraud and corruption. The policy embodies the values of the Code of Ethics based on the 7 Nolan Principles for Public Life and make clear the duty of everyone with regard to their own actions and conduct and those of others to protect the organisation against fraudulent and corrupt acts. The procedure includes guidance for integrity

in respect of gifts and hospitality, completion of a register of interests and declarations of related party transactions. These ensure that staff avoid being engaged in any activity where an actual or perceived conflict may exist and that there is transparency in respect of any personal or business relationships.

The Home Office Financial Management Code of Practice requires the Chief Constable to ensure that governance principles are embedded within the way the organisation operates. This is achieved through the Chief Constable's arrangements for corporate governance, which embody the principles of openness, accountability and integrity in the conduct of the Constabulary's business

The Joint Financial Regulations set out the internal framework and procedures for financial regulation and administration. They set out the arrangements for the proper administration of financial affairs ensuring these are conducted properly and in compliance with all necessary requirements. They also seek to reinforce the standards of conduct in public life, particularly the need for openness, accountability and integrity. The Financial Regulations also re-enforce the anti-fraud and corruption policy, covering the culture expected within the organisation, responsibilities and

measures in place to prevent fraud and corruption and how it will be detected and investigated.

The Joint Procurement Regulations, re-enforce the Integrity requirements within the anti-fraud and corruption policy in the context of procurement activity and interactions with commercial suppliers. They provide a guide to staff and suppliers in respect of the principles that will be followed in the conduct of business and the processes we expect staff to comply with when buying goods and services.

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

The Police and Crime Commissioner and Chief Constable have established an Integrity and Ethics Panel to ensure that arrangements for integrity, standards, conduct and behaviour are subject to independent external scrutiny. As part of its role the Panel reviews performance across agreed indicators of integrity, including public complaints. The Panel report to the Executive Board to ensure

good practice is recognised and encouraged while any potential areas requiring improvement can be identified and dealt with accordingly to enhance performance.

The Joint Audit and Standards Committee operates within Standing Orders for the regulation of its business. The orders include expectations in respect of the conduct of members and how any conflicts of interest should be managed. Members of the Committee are independent and will scrutinise and monitor the operation and effectiveness the arrangements for governance including arrangements for anti-fraud and corruption.

#### Respecting the Rule of Law

The Chief Constable recognises that in fulfilling his duty to 'Maintain the Queen's Peace' it is essential that the Constabulary as an organisation is able to demonstrate respect for the law.

The Chief Constable is committed to operating an environment where open debate and transparent governance is the norm, allowing senior officers to carry out their responsibilities in delivering the Constabulary's objectives.

The Director of Legal Services, who is a qualified solicitor, provides advice to the Constabulary on all legal matters and is consulted on all strategic decisions to ensure that laws are not contravened.

As part of their training police officers receive specific training on the law and its applicability to policing services.

The Constabulary has a Professional Standards Department whose role is to promote proper

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

The Professional Standards Department also oversees all complaints, local resolutions and non IPCC appeals from the public, ensuring compliance with Police Reform Act 2002 and the Police (Complaints and Misconduct) Regulations 2012. These complaints are reported to and audited periodically by the Office of the Police and Crime Commissioner. The Chief Constable also has a procedure in place to receive and investigate complaints made to it about the conduct of Association of Chief Police Officers (with the exception of the Chief Constable who is accountable to the Commissioner) under the relevant conduct regulations.

## B. Ensuring openness and comprehensive stakeholder engagement.

Constabularies are run for the public good, they therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

### Openness

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

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

Challenge and scrutiny contribute to good governance by being part of accountable decision making, policy making and review. The implementation of a robust decision making process ensures that the right decisions are taken for the right reason at the right time. The Chief Constable adopts rigorous standards of probity, regularity and transparency in decision making and all decisions are

taken solely in the public interest and to maintain the Queen's peace.

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

Items of Constabulary business falling under the remit of the Police and Crime Commissioner or of a strategic nature are referred to the Commissioner from the Chief Officer Group. Decisions are taken by an Executive Board providing an opportunity for the Commissioner, Chief Constable, Chief Executive and Commissioner's Chief Finance Officer to offer challenge and scrutiny to any reports and recommendations. Relevant officers of the

Commissioner and the Chief Constable provide professional advice and expertise. All decision making reports must be submitted 7 days in advance of the meeting other than for urgent items that meet very specific criteria. Decisions for financial investment are subject to a fully developed business case that provides a clear justification for the expenditure. The Commissioner's decision making policy sets out the decision making process and how decisions will be recorded and published to ensure transparency of all decisions taken. A Code of Conduct provides advice with regard to potential conflict and declarations of interest.

The Constabulary has also agreed a media protocol with the Commissioner, setting out who is responsible for communicating information and clearly identifying whether there is a single lead organisation, a joint responsibility or a supporting responsibility.

The Chief Constable complies with guidance provided by the Information Commissioner in respect of an information publication scheme. This ensures key information to ensure public accountability is available through the Constabulary's website.

#### Engaging Effectively with Institutional Stakeholders

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

The financial and procurement regulations, together with the Constabulary's financial rules provide for the regulation of partnership arrangements and to ensure that the purpose of such partnerships is evaluated and risks assessed, before the Constabulary agrees to participate. The Constabulary also undertakes a Value for Money assessment on its major strategic partnerships.

#### Engaging stakeholders effectively, including citizens and service users

The Constabulary has a Community Engagement and Involvement Strategy, which is reported through its Operations Board. This includes a consultation action plan, which co-ordinates all on-going consultation activities and is reviewed and refreshed on an annual basis to continually improve consultation arrangements.

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

- Safer and Stronger Community Meetings.
- Development of Key Individual Networks.
- Street safe Campaigns
- Residents' forums.
- Neighbourhood and Farm Watch.
- Multicultural centre visits.
- Meet and greet at public places, for example 'Cop in a Shop.'
- Newsletters for each geographical area, providing information on priorities, what has happened and publicising the next community

engagement meeting or event. This is also available on the Constabulary website.

- On line discussion forums with expert practitioners available for the public to question
- Police Desks
- Community Messaging

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

The Strategic Independent Advisory Group (IAG) meets regularly to discuss emerging issues of strategy and policy both nationally and locally.

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

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

Local crime data is published at community level via the Constabulary's website and nationally via police.uk to increase the transparency of crime and performance data. The Constabulary's Performance Reports are available to the public on the Commissioner's website.

## Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits.

The long-term nature and impact of many of Chief Constables' responsibilities mean that they should define and plan outcomes and that these should be sustainable. Decisions should further the purpose of Police and Crime Commissioners, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

### Defining Outcomes

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

In developing the Constabulary's vision and strategic priorities the Chief Constable take into consideration his statutory responsibilities for maintaining the Queen's Peace, the Home Secretary's Strategic Policing Requirement, the Constabulary's Strategic Assessment, based on operational intelligence, and the views of a range of stakeholders including the community, staff and partners. Performance outcomes, operational intelligence, strategic risks and the results of audits and inspections are also taken into consideration when setting strategic priorities.

The Constabulary's medium term financial forecasts supports both the Commissioner's medium term financial strategy and the Chief Constable's policing vision by aligning resources with policing

priorities over a four year time period, which ensures that a sustainable approach to service delivery is adopted.

### Sustainable economic, social and environmental benefits

A wide range of information and stakeholder opinions taken into consideration in developing the Chief Constable's policing vision. This ensures that balanced and comprehensive consideration is given to all aspects of the potential impact of policing policy decisions on the local community.

All decisions by the Chief Constable are taken in the public interest. To manage risk and ensure transparency employees are required to make declarations where there may be or may be perceived to be a conflict of interest

The Constabulary adopts a medium term outlook aligned to the medium term financial planning period when developing business plans, ensuring that the sustainability of service provision is considered as a key element of the business planning process.

Decisions on human resource planning, the most significant factor influencing the delivery of sustainable economic, social and environmental benefits, takes into account the longer term financial outlook alongside projections of future turnover. This enables workforce planning and recruitment in a way that supports the economic management of training and supervision requirements and maximizes benefits to the business.

The Constabulary complies with the Equalities Act 2010. In doing so all policies, strategic decisions, functions and practices are assessed against the general and specific duties of the Act with the aim of ensuring that we evaluate, document and foster good relations and advance equality of opportunity.

## Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

Chief Constables achieve their intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of interventions is a critically important strategic choice and Chief Constables have to make to ensure they achieve their intended outcomes. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

### Planning Interventions

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

- The Strategic Assessment (a document which sets out the Chief Constable's operational priorities based upon performance and intelligence)
- The results of Peel & Thematic Inspections by Her Majesty's Inspectorate of Constabularies.
- The Change Strategy, which sets out how the Constabulary will improve and deliver savings to balance its budget.
- Business Strategies, which describe what and how the Constabulary will deliver essential support functions including ICT, HR, training, fleet, estates and procurement.
- The Workforce Plan, which describes how the Constabulary will provide the officers and staff required to deliver operational and other policing services.
- The views of the public and other stakeholders.

The work programme supports and informs the Police and Crime Plan and is underpinned by a Medium Term Financial Forecast, which ensures that funding is aligned to the resources required to deliver policing priorities over a sustainable period.

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

The Constabulary's monitoring processes enable emerging issues and threats to the achievement of objectives to be quickly identified and appropriate remedial action taken.

Key performance indicators are set to support the objectives within the Police and Crime Plan and the Constabulary's own priorities. This is supported by a comprehensive performance management framework, which is developed jointly with the Commissioner. The performance framework supports the Commissioner in holding the Chief Constable to account for the performance of the Constabulary and is also used to direct and manage activity within the Constabulary through the work programme.

The principles of risk management are fully embedded within the strategy development planning and performance monitoring processes linked to the achievement of organisational objectives. Where specific risks are identified they are integrated with the Constabulary's overall risk management processes.

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

### Determining Interventions

The funding agreement between the Commissioner and Constabulary sets out the consents and arrangements for governance between the Commissioner and the Chief Constable, including specific consents in respect of financial management of the Constabulary budget.

The Constabulary has a Chief Officer Group, which is its strategic decision making body and this is

supported by a clearly defined board structure. There are established terms of reference and clear reporting lines to the Chief Officer Group. Reports are presented to Boards on a standard template, which includes details of options evaluation and consultation with all affected business areas to ensure that decisions are robust and the implications fully understood.

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

The decision making authority and duties to be carried out by individual officers on behalf of the Chief Constable are set out in the Chief Constable's Scheme of Delegation, budget management responsibilities and budget protocols.

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

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

The day to day allocation of resources across operational policing is directed by a daily force-wide operational review meeting linked to local planning meetings, which operate under the 'THRIVE' principles.

Performance, outcomes and costs are monitored and benchmarked through a framework which includes external comparators based on HMIC Value for Money Profiles, Police Effectiveness, Efficiency and Legitimacy (PEEL) inspection reports and an Annual Value for Money Conclusion from the External Auditors. The results of these inspections are used to inform and plan both medium and longer term resource allocation processes principally through the Change Programme and more immediate interventions in response to inspection findings.

#### Optimising achievement of intended outcomes

The Constabulary's Medium Term Financial Planning process is fully integrated with the Commissioner's Medium Term Financial Strategy and wider

business planning within the Constabulary. Consistent planning assumptions particularly in relation to the estimation of overall funding are utilised to ensure that the development of business strategies takes place in the context of the resources available and support the development of the Commissioner's wider Medium Term Financial Strategy.

The Constabulary prepares a detailed budget proposal for the Commissioner. The proposal is based upon a zero based budget approach, working closely with the business and functional managers to forecast operational requirements over 4 years for revenue budgets and 10 years for capital expenditure. This includes a series of 'star chambers' providing Chief Officers with the forum through which budget-holders can be challenged on their requirements.

In the current financial climate the Constabulary's Change Programme is critical to the delivery of a balanced and sustainable budget and is subject to detailed financial scrutiny as part of the budget planning process.

The final budget proposal is developed through an iterative process of on-going dialogue between the Commissioner and Chief Constable in producing the Medium Term Financial Strategy, which takes into consideration

- Estimates of funding both through government grant settlements and council tax.
- Service priorities and delivery plans.
- Financial and business risks.
- Change Programme savings.
- The impact on numbers of Officers, PCSOs and staff.

Ultimately, the Medium Term Financial Planning process seeks to align resources to strategic priorities, ensure that decisions on resources, services, performance and outcomes are based on a robust understanding of risks to and affordability of future plans.

## Principle E: Developing the entity's capacity including the capability of its leadership and the individuals within it.

Constabularies need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. Chief Constables must ensure that they have both the capacity to fulfil their mandate and to make certain that there are policies in place to guarantee that management has the operational capacity for the entity as a whole. Because both individuals and the environment in which Chief Constables operate will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of their communities

### Developing the Entity's capacity

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

Other senior officers and staff posts have clear and accurate job descriptions and are recruited to on the basis of relevant knowledge, experience and qualifications.

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

The Constabulary fully utilises the College of Policing leadership programmes to develop its senior officers and staff. The Constabulary ensures that senior uniformed officers maintain their

national accreditation to provide operational command for major and critical incidents.

The Constabulary utilises HMIC Value for Money profiles to benchmark resources allocations across all functions in relation to other forces. The conclusions of this work are reported to the Chief Officer Group and the Joint Audit and Standards Committee and are used as a basis for identifying areas with the potential to deliver savings through the Change Programme.

Procurement regulations are developed jointly with the Commissioner and supported by a procurement strategy. The regulations incorporate procurement policy and procedures that aim to ensure best value in the use of public money. The regulations also promote an open and transparent approach to procurement and the highest standards of integrity and ethical behaviour for all those involved.

### Developing the Entity's Leadership

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

(PPO). The PRSA and the PPO also set out the function and roles of statutory officers.

The Constabulary's wider governance framework details specific responsibilities of key officers in relation to areas of governance. The scheme includes financial regulations, procurement regulations, anti-fraud and corruption policies, a scheme of delegation and codes of conduct. These documents ensure all officers and staff have a shared understanding of their roles, responsibilities and decision making authority within the organisation.

The Chief Constable is statutorily required to appoint a Chief Finance Officer (CFO). The CFO's responsibilities and job profile are based on the Home Office Financial Management Code of Practice and the CIPFA 2014 Statement on the Role of the CFO. The CFO is the financial advisor to the Chief Constable and has statutory responsibility to ensure that the financial affairs of the Chief Constable are properly administered, having regard to their probity, legality and appropriate standards. The CFO provides all financial advice and ensures systems of internal financial control are effective.

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

Members of the Joint Audit & Standards Committee and Ethics and Integrity Panel are recruited for the specific skills and experience requirements to fulfil their respective roles. These bodies have clear terms of reference and membership which are consistent with best practice. Members are supported in their professional development through provision of seminars prior to meetings, access to relevant publications and external training.

The Constabulary has a leadership development programme which aims to ensure that managers at all levels within the organisation equipped with the knowledge and skills required to lead the organisation. In addition, the leadership & skills programme aims to provide officers and staff with both the operational skills and knowledge that they require in order to undertake their role and provide supervisors and managers with the necessary leadership & managerial skills to engage, support and manage their staff.

In the longer term it will put in place a long term, sustainable Leadership and Skills Programme for all staff, which supports the national leadership review of policing.

#### Developing the Capability of Individuals within the entity.

The Constabulary has a range of human resources policies which provide a framework to ensure that officers and staff are treated in a fair and transparent way in accordance with employment legislation.

All personnel policies are reviewed on a periodic basis to ensure that they remain fit for purpose and support officers and staff in working effectively.

The Constabulary has a well-defined organisational structure with clear reporting lines. All officers and staff within the Constabulary have job profiles, which define their roles and include the policing professional framework.

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

All Constabulary posts are recruited to on the basis of accurate role profiles. The profiles specify appropriate essential and desirable skills, experience and qualifications to ensure that employees are able to deliver their responsibilities effectively. Membership of relevant professional bodies ensure access to up to date Codes of Practice, guidance and professional standards in all areas of business.

The Constabulary is committed to the principles of 'equal opportunities' in relation to the recruitment of officers and staff, accordingly promotion and appointments are undertaken in an open and transparent way in accordance with HR policies.

Staff Associations are represented at the Constabulary's Chief Officer Group meetings, which ensures that they are consulted on all strategic decisions. The Constabulary and Commissioner

have adopted joint personnel policies to provide a framework for all issues related to employee management and terms and conditions. This includes policies on how staff and staff associations will be engaged in any change process. Trade unions and staff associations are consulted during any reviews of personnel policies. There is a general principle of on-going consultation and engagement during any business change, which encourages employees to contribute ideas and suggestions to improve performance.

The Constabulary is committed to ensuring that the capacity and capability of its officers and staff are developed to enable them to operate effectively.

Police Officer and Police Community Support Officer recruits are provided with rigorous initial training on operational policing and the values and standards of conduct expected of them.

The Constabulary's processes for officer and staff needs analysis enable training and development requirements to be identified and managed, which are aligned to the role or agreed objectives and actions.

The Constabulary has an approved training plan, which is updated on a regular basis and aims to address the development needs of officers and staff. The training programme also seeks to provide refresher courses, which ensure that specialist skills are maintained in accordance with relevant best practice.

Areas of corporate training and development need are addressed by a range of training solutions including e-learning, classroom and assessed

qualifications, which can be accessed by all officers and staff.

The Constabulary recognises the importance of supporting the health and well-being of employees in contributing to an effective workforce. All HR policies take account of employee welfare for example provision, where possible, for flexible working for staff and officers. The Health and Safety department provide on-going monitoring and

advice in relation to safety within the workplace. The Constabulary maintains an occupational health function, which provides advice and support to managers and staff in relation to specific psychological and physiotherapy issues.

## Principle F: Managing risks and performance through robust internal control and strong public financial management.

Chief Constables need to ensure that the entities and governance structures that they oversee have implemented—and can sustain—an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving outcomes. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

### Managing risk

The Constabulary's risk management policy sets out the overall arrangements for managing risk within the Constabulary and is based on good practice identified by the Institute of Risk Management. The policy incorporates a clear framework of objectives, designated roles and responsibilities for risk management and provides a mechanism for evaluating and scoring risks to support decision making in respect of mitigating action. Identified risks are logged on a risk register with clear ownership and reviewed regularly as a standing item at strategic and management meetings. Individual project boards, departments and

commands each maintain risk registers, which are updated on a quarterly basis and integrated with the corporate risk management process. Specific risks can be escalated to a strategic risk register for consideration by the Chief Officer Group.

Arrangements for risk management are subject to review by the Joint Audit and Standards Committee. The Constabulary's Strategic Risk Register is presented to the Committee at each quarterly meeting.

## Managing performance

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

- An established board structure with clear terms of reference / areas of responsibility.
- Chief Officer's holding managers to account for delivery of the work programme in Performance Development Conferences.
- Performance management figures which are published on a dashboard available to all Constabulary officers and staff and the Commissioner, which are updated daily. These figures are subject to statistical analysis to identify areas where significant change is occurring.
- Monthly meetings between chief officers and their senior management to discuss progress on the work programme.
- A Daily Operational Review Meeting which ensures that a tactical level operational resources are continuously prioritised and directed towards meeting force objectives.
- Bi-monthly performance reports which are presented to the Chief Officer Group and the Commissioner's Public Executive Board.
- Thematic performance reports which are presented to the Chief Officer Group and the Commissioner's Executive Board and published on the Commissioner's website.
- An individual Officer Performance Dashboard has been developed and implemented. This enables sergeants to quickly view their officers' workload and form the basis of regular one to one performance meetings, improving supervision and productivity.
- Her Majesty's Inspectorate of Constabulary (HMIC) also continuously monitors Constabulary performance against other forces and carries out an annual overarching Police Effectiveness, Efficiency and Legitimacy (PEEL) inspection of the Constabulary together with thematic inspections agreed with the Home Secretary. Action plans are developed in response to inspections and are subject to regular review.
- User Satisfaction Performance measures are included in the Performance Management Framework. The Constabulary also pursues strategies to engage effectively with service users including crime surveys and community meetings, with the aim of better meeting the needs of users. A procedure for complaints enables the public to raise concerns about services.
- The Constabulary has developed a Quality of Service Action Plan with the aim of improving service delivery and user satisfaction.
- The Constabulary has developed a Business Improvement Unit and Strategy with the aim of providing assurance that operational systems and processes are operating effectively to deliver a high quality policing service.
- The Constabulary has developed and agreed a Continuous Improvement, Efficiency and Value for Money Strategy, which sets out the principles the Constabulary will follow and specific reviews, which aim to secure maximum value from the resources available to it. The strategy utilises HMIC Value for Money profiles and Police Objective Analysis

data, to identify service areas where there is potential to achieve savings.

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

Reports are produced on a standard template with the aim of providing appropriate information to decision makers including evaluation of options, consideration of risks and consultation from specialist support functions to ensure that the full implications of decisions are understood.

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

The Constabulary's Change Programme is critical to the delivery of an effective policing service at a time of scarce resource. All changes proposals are developed in accordance with principles set out in the Constabulary Change Management policy, which

includes comprehensive consultation with all stakeholders and scrutiny through the Force Strategic Delivery Board. All changes are subject to post implementation review.

#### Robust internal control

The Chief Constable is responsible for reviewing his governance framework and including the system of internal control. This work is informed by the work of Chief Officers and senior managers who undertake an over-arching review of key controls and governance arrangements in support of the key principles in this code.

The Constabulary's arrangements for risk management, internal control and anti-fraud and corruption are reviewed on a cyclical basis through the wider arrangements for assurance of the governance framework.

Senior managers with responsibility for financial systems provide annual management assurances using a CIPFA internal control framework as part of this process. An annual fraud risk assessment is undertaken as part of the accounts closure process by the Chief Finance Officer and reviewed by external auditors.

A joint internal audit service is commissioned in conjunction with the Commissioner, which is provided by the Cumbria Shared Internal Audit Service. This provides assurance in relation to the Constabulary's internal control environment, arrangements for risk management and governance. The internal audit plan is developed on a risk basis following consultation with stakeholders and covers all areas of operation. The Head

of Internal Audit provides an annual overall opinion of the adequacy and effectiveness robustness of the internal control framework.

A Joint Audit and Standards Committee operates in line with Chartered Institute of Public Finance and Accountancy Code of Practice and the Home Office Financial Management Code of Practice. In line with the Home Office Code, the Committee fulfils the functions of an Audit Committee for both the Commissioner and the Chief Constable. As part its terms of reference the committee reviews

- The Constabulary's key governance documents on a cyclical basis.
- the Constabulary's risk management arrangements.
- Annual reviews of the effectiveness of arrangements for risk, governance and internal control.
- internal and external audit reports and updates on progress in implementing audit recommendations.

The committee undertakes an annual self-assessment to ensure on-going compliance with the CIPFA framework for Police Audit Committees.

### Managing Data

The Constabulary has adopted an Information Management Strategy which has the principal objectives of ensuring that information is managed

- within a framework for identifying, considering and owning information and information risk.
- consistently across the organisation.

- to support policing objectives by providing reliable information at the point of need.
- in compliance with relevant legislation concerning the handling and use of data. In particular data will only be collected or held for either 'lawful policing purposes' as defined by the Management of Police Information (MOPI) Code of Practice (2005) or to support administrative functions.
- Providing guidance to personnel on the correct use of data, sharing it lawfully and protecting it from compromise.

The Constabulary maintains appropriate physical and digital safeguards to protect data from unauthorised access and misuse. An Information Security Board meets regularly to respond to emerging issues and threats in relation to the management and sharing of data.

The accuracy of police data is critical to the achievement of policing objectives and maintaining public confidence. To ensure that data is managed in an accurate and timely manner, the Constabulary maintains a number of specialist units including :-

- a Crime Registrar supported by a team whose role is to ensure that crimes are recorded in compliance with National Crime Reporting Standards.
- officers and a criminal justice unit whose role is to support the criminal justice process and to ensure the timely and effective progression of criminal cases through the criminal justice system

meeting the evidential requirements of both magistrates and crown courts.

- an Information Management Services team who ensure that performance data is collated and reported on a consistent basis.
- a Central Services Department which manages transactional data on behalf of a number of support functions.

### Strong public financial management

Arrangements for financial management support the Chief Constable in achieving objectives and delivering strong operational and financial performance. The arrangements for financial management are codified within a suite of financial governance documents, which comply with CIPFA Codes of Practice and ensure that all officers and staff are aware of their responsibilities in this regard.

The governance documents include a funding arrangement between the Commissioner and Constabulary, which sets out the financial consents and responsibilities for financial management between the Commissioner and Chief Constable. This ensures that funding provided to the Chief Constable is directed towards the policing strategy and priorities set out in the Police and Crime Plan.

The Constabulary's budget and medium term financial position provide a framework for all Constabulary decisions. The Constabulary's Chief Finance Officer is a member of the Chief Officer Group ensuring that the financial position and risks are clearly understood and support the operational decision making process.

The Constabulary and Commissioner have a shared finance team which provides a full spectrum of financial management services to both organisations including budget planning, budget monitoring, preparation of the statutory financial statements and treasury management. There is financial representation at all decision making and project boards and report templates incorporate the financial implications of proposals.

The management of all Constabulary budgets (including capital projects) are assigned to named budget-holders, who are required to formally accept their responsibilities including any arrangements for sub-delegation. These responsibilities require regular monitoring and reporting of financial information, enabling early identification of variances. Each budget-holder receives support from a designated member of the financial services team.

The financial services team works closely with both operational and support functions to ensure that business planning and financial planning processes, such as workforce planning and the preparation of strategies are fully integrated.

All financial systems and process are subject to risk based cyclical review by internal audit to provide assurance that financial controls are operating effectively, which also forms part of the arrangements reviewed by external audit in forming their conclusions on the financial statements and value for money.

## Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

### Implementing good practice in transparency

In all communications to the public the Constabulary seeks to ensure that the content and reporting style are as clear and easily understandable as possible. A number of different forms of media are often utilised to maximise public engagement.

The Constabulary's website and twitter account aim to provide key information to the public in a readily accessible format.

The Constabulary is committed to open and transparent governance and complies with the Freedom

of Information Act 2000. A dedicated function within the Constabulary's Professional Standards Department aims to ensure that requests for information under the Act are responded to promptly, proportionately and accurately.

The Constabulary complies with the Government's transparency agenda in respect of publishing details of all expenditure over £500.

### Implementing good practices in reporting

The principal means by which the Chief Constable formally reports to the public is through the Commissioner's Annual Report, which incorporates activities, performance and achievements of the Constabulary. The annual report presents outcomes achieved against an agreed framework of targets and measures.

The Constabulary publishes an Annual Governance Statement (AGS) alongside its Statement of Accounts. This document outlines the measures in place to ensure compliance with its Code of Corporate Governance. The AGS also incorporates an action plan of work which will be undertaken in the following financial year to enhance its governance arrangements. The AGS is subject to internal audit review and scrutiny by the Joint Audit and Standards Committee prior to publication.

The Constabulary is subject to the Accounts and Audit (England) Regulations 2011 and prepares a set of single entity accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and are subject to external audit.

The Constabulary's financial statements include a Comprehensive Income and Expenditure Statement which categorises expenditure in a standard form as recommended by the CIPFA Service Reporting Code of Practice (SERCOP) and is also consistent with the Police Objective Analysis (POA). The overall aim is to provide a useful and understandable analysis of policing expenditure which is consistent across forces enabling comparisons to be made. The financial statements also include an introduction and commentary by the Chief Finance Officer,

which aims to set out financial performance in a concise and easily understandable format.

### Assurance and effective accountability

Grant Thornton UK LLP are the external auditors appointed to both the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary to report key matters arising from the audits of the Commissioner and Chief Constable's financial statements. The external auditors also reach a formal conclusion on whether the Commissioner and Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. The audit findings report is published in the financial statements and presented to the Chief Officer Group, Commissioner's Executive Board and Joint Audit and Standards Committee for review. The Joint Audit and Standards Committee monitors the implementation of recommendations arising from the audit.

The Constabulary has joint arrangements for internal audit in place in conjunction with the Commissioner. This service is provided by the Cumbria Shared Internal Audit Service. Central to this function is an annual risk based audit plan, which complies with the Public Sector Internal Audit Standard. The Chief Internal Auditor reports to the Joint Audit and Standards Committee on its findings, including recommendations for improvements. The Committee monitors the implementation of audit recommendations. Internal Audit makes an annual assessment and reports on the overall internal control environment and arrangements for risk management.

The Constabulary is subject to review by Her Majesty's Inspectorate of Constabularies (HMIC), who produced themed reviews and an annual overall assessment of Police Efficiency, Effectiveness and Legitimacy (PEEL). HMIC reports are reviewed by the Joint Audit and Standards Committee. Action plans are developed to respond to HMIC recommendations. Where appropriate the Constabulary engages peer reviews of specific activities or functions to provide additional assurance. The Constabulary's Business Improvement Unit monitors the implementation of recommendations, which are also reported to the Commissioner's Executive Board and the Joint Audit and Standards Committee.

The Ethics and Integrity Panel also monitors and reports on specific areas of activity, such as complaints handling and ethical issues.





## The Chief Constable for Cumbria Constabulary Annual Governance Statement 2015-16

Agenda Item 16 (iv)

## INTRODUCTION AND SCOPE OF RESPONSIBILITIES

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

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

The Chief Constable has approved and adopted a Code of Corporate Governance 'The Code'. The Code gives clarity to the way the Chief Constable governs and sets out the frameworks that are in place to support the overall arrangements that are in place for fulfilling the Chief Constable's functions. This statement explains how the Chief Constable has complied with The Code. It also meets the requirements of regulation 6(1) and 10(1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement, which must accompany the Chief Constable's statement of accounts.

## PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

## THE REVIEW OF EFFECTIVENESS

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

The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Chief Officers and senior managers within the organisation who have responsibility for the development and maintenance of the governance environment. The review comprises

- A cyclical detailed review of the key documents within the Chief Constable's governance framework eg Financial Regulations. The review includes consideration of the documents by the Joint Audit and Standards Committee prior to their presentation to the Chief Constable for approval.
- An overarching review of the governance arrangements in place to support each core principle within the CIPFA Solace guidance. As part of the review the Chief Constable's Code of Corporate Governance is updated to reflect changes to the governance framework and the implementation of the prior year's AGS development plan.

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

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

- A review of what has happened during the past year to evidence how the governance framework has been complied with. The process includes consideration of the questions and challenges raised within the CIPFA Good Governance Guidance Note for Police and a discussion on how well existing arrangements meet the good practice guidance within the guidance.

- A review of the effectiveness of the arrangements for internal audit undertaken by the Commissioner's Chief Finance Officer against the Public Sector Internal Audit Standards and the Internal Audit Charter. It supports a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control. The review is supported by consideration of the opinion of the Chief Internal Auditor on the Chief Constable's control environment as set out in her annual report.
- A review of the effectiveness of the Joint Audit and Standards Committee is considered against CIPFA guidance on Audit Committees for Police. This is a self-assessment by the Committee and supported by the Commissioner's Chief Finance Officer. As part of the review consideration is given to assurance that can be provided by the Committee's annual work programme in evidencing the effectiveness of internal controls and as a contribution to the effectiveness of overall governance arrangements.

As part of the review process, the annual governance statement is prepared and presented in draft to the Chief Constable's Internal Auditors and the Joint Audit and Standards Committee, alongside a report detailing the findings of the review. In preparing the Governance Statement the narrative provided aims not only to describe the governance arrangements which are in place, but, to also outline the resulting outcomes in relation to the performance and development of the organisation. The resulting narrative is a lengthy

document, but which provides the reader with a more comprehensive analysis of the Constabulary's governance activities and their effectiveness. The Governance Statement incorporates an action plan which identifies areas for development and improvement that have been highlighted during the review process. The Statement is approved by the Chief Officer Group prior to being issued alongside the draft unaudited statement of accounts.

The AGS remains under review during the audit of the financial statements. It is updated where appropriate, following the audit, with consideration being given to the opinion of the External Auditor, expressed within her Audit Findings Report and the External Auditor's value for money conclusion.

The following paragraphs detail how the Chief Constable's has complied with the governance framework, set out within the Code to meet of each of the six governance principles. Whilst the review did not highlight any serious deficiencies in relation to compliance with the Code, the Constabulary is making on-going efforts to improve the effectiveness of governance. Accordingly each section of the statement includes a commentary on areas for development and improvement, which were identified as part of the review process. These are collated into an action plan at the end of the statement. This AGS includes an update on the implementation of planned actions from the 2014-15 and how they were addressed in 2015-16.

**Jeremy Graham**

Chief Constable

Signatures have been removed for the purposes of publication on the website.

**Roger Marshall**

Chief Finance Officer

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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Chief Constable determined 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 were identified as key in reducing 'threat, risk and harm' and tackling our communities' concerns :

- Protecting vulnerable people:
  - Dealing with the issues related to vulnerable children- child abuse and child sexual exploitation
  - Reducing the harm caused by domestic abuse, encouraging people to report to the police
- Preventing and detecting violence against the person offences, especially sexual offences
- Tackling serious and organised crime, especially burglary, theft of vehicles and class A drug supply, particularly heroin and cocaine.

The Commissioner approved these key objectives and incorporated them into his Police & Crime Plan to complement his aims.

The Constabulary worked with the Office of the Police and Crime Commissioner (OPCC) to develop the performance framework. This set of measures

and targets supports delivery of the Police and Crime Plan and is the mechanism used by the Commissioner to hold the Chief Constable to account. Progress against these measures has been reported to the Commissioner every two months at the public Executive Board.

During 2015-16 the Constabulary reviewed performance for all crime types, antisocial behaviour, road collisions, user satisfaction and productivity every month throughout the year to identify exceptions to expected performance and took corrective action to address the root causes where this was indicated. The statistical analysis and evaluation of performance is carried out according to Home Office standards. One example was the significant increase in overall crime during 2015/16. The analysis showed that the main causes of the increase were:

- Improved crime recording based on Home Office National Crime Recording Standard following work in the Constabulary to improve compliance
- Delivery of the OPCC and Constabulary's aspiration (as set out in the Police and Crime Plan) to encourage reporting of:
  - Rape, other sexual assault and hate crime.
  - Domestic abuse related crimes (which accounted for 13% of the increase in all crimes (reported to February 2016))

- New offence codes introduced by the Home Office during 2015, which have resulted in 253 additional crimes during from April 2015 – January 2016, compared to the same period in 2014/15, accounting for 15% of the total increase in crimes in 2015/2016.

During 2015-16, performance management arrangements were reviewed and improved. The strategy – *'Performance management in Cumbria Constabulary: Managing our resources to improve outcomes for the people of Cumbria'* documents the key themes that show how performance management is embedded within the Constabulary. This is achieved mainly through the use of:

- Monthly briefings from Corporate Improvement to all chief officers and senior management and to the operational monthly performance meetings, these include detailed root cause analysis and recommended actions to take
- Performance discussions at all operational Senior Management Team meetings as a standard agenda item
- A specific Protecting Vulnerable People monthly performance meeting to focus on the key objectives to reduce 'threat, risk and harm' to vulnerable people and children
- Holding Performance Development Conferences every four months within each policing and business function to discuss strategic and local performance issues and determine improvement actions, such as violent crime, sickness and data quality
- Reviewing performance at least yearly as part of Strategy Days attended by all senior management
- Further development of the sophisticated and comprehensive Performance Dashboard for crimes and incidents, user satisfaction, productivity and diversity measures. This can be accessed by everyone
- Publication of daily performance figures for all officers and staff to use to monitor and manage delivery of operational activity
- Development and implementation of an individual officer performance dashboard. This enables sergeants to quickly view their officers' workload and forms the basis of regular one to one performance meetings, improving supervision and productivity
- Individual performance meetings every 5 and 15 weeks with constables and, every 15 weeks with sergeants and PCSOs. The meetings use a set agenda covering - compliance, current workload and contribution to priorities (productivity), evidential property management, training, development, welfare and attendance.
- Internal performance information reports, which have been re-designed and expanded to provide a more comprehensive picture of performance for senior management, ensuring that real performance issues are tackled.
- The main external public facing report has been redesigned for simpler and easier access to information for the public to support transparency and help understanding of policing issues.

The Constabulary performs well and has achieved a significant reduction in anti-social behaviour since 2009/2010 (falling by 31% in the last 12 months (February 2016) and user satisfaction levels are consistently high.

Latest perceptions data released by the ONS on 21<sup>st</sup> January 2016 shows that, out of all the 43 police forces in England and Wales, Cumbria has the lowest % of survey respondents who said they had either experienced or witnessed any sort of anti-social behaviour incident in their local area.

Thematic reports for specific areas have also been published and discussed at the Commissioner's public Executive Board. Examples include: domestic abuse, rural crime, use of stop search, equality, vulnerability, roads policing and countering anti-social behaviour. The Constabulary agrees a schedule of themed reports as part of its performance management arrangements with the Commissioner.

During 2015/16 the Constabulary developed a Plan on A Page to help all officers and staff focus on the Constabulary's priorities and to support internal S communications. This was promoted during Chief Officer Roadshows across the county and is consistently available to officers and staff via a number of ways, including on noticeboards across the Constabulary and on the intranet. An Annual Report was written outlining achievements during the year to support the Commissioner's 2016 -17 budget submission to the Police and Crime Panel.

The Constabulary developed and implemented an internal and external communications strategy to support delivery of operational policing and its

outcomes, including effective demand reduction activity through its new website. The strategy is based on evidence of what works and is aligned with the operational tasking processes and national police communications' initiatives to maximise value for money.

During 2015/16 the Constabulary submitted a formal budget proposal for 2016-17 to the Commissioner as part of a medium term financial forecast (MTFF) covering the four year period to 2019-20. The MTFF was based on planning assumptions consistent with those used by the Commissioner's Chief Financial Officer and incorporated latest information on government funding levels for 2016-17 and forecasts of funding for subsequent years. The enhancements to governance arrangements in relation to the budget setting whereby all non-staff budgets were subject to detailed scrutiny through a series of 'Star Chambers' involving Chief Officers and senior finance staff were further developed for the 2016-17 budget, identifying additional savings of £1.2m, which were removed from Constabulary budgets. Further work was also undertaken to improve the accuracy of pay budgets.

Whilst the Government's decision to protect policing services from further cuts in the Comprehensive Spending Review announced in November 2015 has eased the financial pressure on the Constabulary, the Home Office review of the police funding formula poses a significant threat to future funding levels. The implementation of the new formula has been postponed until 2017-18, to enable further consultation on developing an equitable distribution of resources to take place, however, this has introduced an unusually high

level of uncertainty in future financial forecasts. The core assumption in the MTFF is that formula grant will reduce by £9.9m from 2017-18, which means that further savings of at least £9.0m would need to be delivered over the MTFF period to balance the budget over the medium term.

The Chief Constable, whilst continuing to examine all opportunities to reduce support department and non-staffing costs, has recognised that future savings are likely to require reductions in officer and PCSO numbers. Accordingly a number of strategic themes have been identified which help maintain performance whilst delivering a sustainable future including :-

- Development and delivery of the Demand Reduction Plan
- Delivery of the Productivity Strategy
- Developing Leadership and Skills
- Maximising Assets (including staff)

The themes form the basis for a number of more detailed reviews which will be progressed in 2016-17. These work-streams will be managed through the Constabulary's Change Programme.

Since 2011-12 the Constabulary's Change Programme has played a critical role in delivering savings required to balance the Constabulary's budget in the context of reductions in Government funding. During 2015 -16 the Change Programme:-

- Delivered a saving of £1.3 million from the revenue budget that was planned for 2015 - 16
- Implemented changes to how the Constabulary delivers community and response policing to match the reducing resources available, including the number of

teams and deployment bases, the level of supervision required and changes to shift patterns to match the demands on the service. These changes will be evaluated in 2016 - 17.

- Changed how the service organises and responds to calls for service, fundamentally changing how the Constabulary will operate with fewer resources by managing demand based on threat, risk and harm and using frontline police officers to achieve this at the start of the process.
- Implemented changes to how resources are managed strategically and tasked daily to maximise productivity.
- Developed proposals for a smaller strategic Community Safety function and embedding its activities within the neighbourhood policing teams to improve productivity and prioritisation of activity. These are being implemented in 2016 - 17
- Rationalised the Criminal Justice Units from two to one, supported by the introduction of a new IT Case and Custody system which streamlines and digitises processes.
- Developed its plans for the next four year period to 2020 to achieve the government savings required

The uncertainty regarding the scale of the future savings requirements has impacted on change planning. The scope of the existing Change Programme, which is planned to deliver savings of £7.2m by 2021, has been expanded through the commissioning of a number of reviews which will aim to develop scalable service delivery solutions to support major areas of business. It is envisaged that this work will facilitate the delivery of savings of up to £19m. These reviews are scheduled to be

concluded in the autumn of 2016 in order to be prepared for any changes to the Police Funding Formula.

During 2015-16 the Constabulary has engaged with the National College of Policing Demand Reduction initiative, with the aim of developing local plans to reduce demand. During the year Vulnerable Locations Indexing has been applied to two areas with the aim of working with partners to develop multi agency strategies to address problems and reduce demand.

To complement these approaches, the Productivity Strategy was developed and implemented during 2015- 16. Police productivity is raising performance by improving the impact of people and resources to achieve the Chief Constable's aim of *Keeping Cumbria Safe* with the funding available.

During 2015-16 the Constabulary has continued to develop its business planning aligned to the MTFP. Refreshed strategies in relation to ICT, fleet and estates have been produced and agreed by the Commissioner. In addition, a Procurement Strategy has been developed and agreed.

Investments in mobile and digital technology and replacement of core ICT systems to increase the productivity of officers, which were agreed in 2014-15 have now entered their delivery phase and regular progress reports produced for the Commissioner. Tablet devices with police specific applications are now used by all officers, with the aim of increasing visibility and productivity.

Previous work to develop workforce planning processes, involving close collaboration between

the HR, finance has continued and has provided benefits in relation to greater alignment with both the planned establishment and budget during 2015-16. The workforce plan is considered by regular strategic and tactical level groups within the Constabulary with the aim of ensuring that numbers of officers, PCSOs and staff are in line with the planned establishment.

The Constabulary has carried out a detailed analysis of its user satisfaction surveys for both crime and antisocial behaviour, which involved identifying the key actions required to improve people's experience of using police services. Recommendations were approved by senior operational staff and have led to the further development of the Improvement Action Plans for 2016–17, to improve services for all users, including diverse groups.

During 2015-16 the Constabulary has been inspected by HMIC and received reports on police efficiency, effectiveness and legitimacy (known as PEEL). There are four grades that can be achieved - outstanding, good, requires improvement and inadequate.

The Constabulary has been rated as good for the efficiency and legitimacy, recognising

- Success in delivering savings, using resources to meet demand, providing value for money and having an affordable workforce model.
- Providing a fair service and having an ethical culture.

The Constabulary has been rated as requiring improvement for effectiveness. Strengths were recognised in relation to preventing crime, dealing with anti-social behaviour and keeping people safe Areas for improvement in specific areas where weaknesses were identified include:

- Investigating crime and managing offenders.
- Protecting those who are vulnerable from harm and supporting victims.
- Tackling serious and organised crime

HMIC has also conducted thematic inspections for custody and firearms licensing. A small number of areas for improvement have been identified from the other inspections and action plans have been developed.

The Constabulary developed a comprehensive Improvement Action Plan based on all HMIC actions and recommendations to deliver improvements to services. This has been further developed as part of the strategic plans for 2016/17.

In addition, the Constabulary has committed to deliver business improvement to deliver better services to the public and has developed a comprehensive strategy to achieve this. It has committed resources to audit and compliance, embedding continuous improvement and, identifying and developing good practice.

Significant progress has also been made on the Constabulary's Continuous Improvement, Efficiency and Value for Money Strategy. The Constabulary has used HMIC Value for Money profiles and Police Objective Analysis to inform its Change Programme and applied zero based

budgeting, with robust financial challenge to budget holders, to secure maximum value from the resources available. Reports on Value for Money have been submitted to the PCC Executive Board and the Police and Crime Panel. In general, the VFM work has shown the Constabulary to benchmark well, although, in some instances costs may appear to be relatively high when measured per head of population. This is principally attributable to the logistics of providing an effective policing service over such a geographically sparse county.

The understanding gained from the Constabulary's Value for Money analysis has delivered particular benefits in providing the basis for responding to the Police Funding Formula consultation exercise, by illustrating the additional costs incurred in providing policing services in a rural locality.

## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

During 2016 -17 the Constabulary will:-

Evaluate the revised performance management arrangements, making recommendations for improvement where appropriate.

Work with the new Police and Crime Commissioner to develop performance management arrangements him/her to hold the Chief Constable to account effectively.

Write an Annual Report to support the Commissioner's 2017-18 budget submission to the Police and Crime Panel.

Further develop the strategic resource management performance framework to drive improvements in our use of resources, including development of a Resource Management Strategy. This will complement the Constabulary's Continuous Improvement, Efficiency and Value for Money Strategy and will ensure that the benefits of significant investment in change and ICT are delivered.

Develop a revised Plan on a Page for 2016/17 to help all officers and staff focus on the Constabulary's priorities and support internal communications.

Continue to develop the Demand Reduction Strategy including:-

- Development of an annual process to evaluate resource allocation to ensure that resources are aligned to demand, threat, risk and harm.
- Extend the use of Vulnerable Locations Indexing approach to multi agency working.
- Develop multi agency working in relation to mental health issues

- Join performance and intelligence meetings join together to rationalise processes and improve outcomes for the public.

Develop internal and external communications strategy for 2016/17 to support delivery of operational policing and its outcomes, including effective demand reduction activity.

Develop Business Improvement Plans based on our priorities and all HMIC actions and recommendations to deliver improvements to services and, to publish this plan on our website.

Embed the role of the Business Improvement Unit in quality assuring the implementation of action plans.

Develop a Management Information Strategy to inform future ICT developments, improve the information available to managers for effective decision making, to support improvements in services for the public and, develop and improve the dashboards available to officers and staff.

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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The key functions and roles of the Chief Constable and the Police and Crime Commissioner are set out in the Police Reform and Social Responsibility Act 2011 (PRSA) and the Policing Protocol Order 2011 (PPO). The Chief Constable's statutory responsibilities for maintaining the Queen's Peace are set out in various Police Acts. The PRSA and the PPO also set out the function and roles of statutory officers, namely the Chief Constable's Chief Financial Officer.

During 2015 - 16, the changes to the Constabulary's strategic governance framework and board structure, introduced in 2013-14 were subject to further refinement, with the aim of ensuring

- Working together to manage the major strands of work effectively, with interdependencies and conflicts being identified and resolved, risks managed and ensuring that benefits are delivered
- Providing clarity about what decisions are made by each governance board, and what needs to be escalated or devolved
- Providing clarity about what decisions are made by each level of senior management
- That the schedule of meetings supports the governance framework and are compatible with OPCC and PCP meeting schedules.

In the context of the scale of change currently being undertaken within the Constabulary to deliver savings and improve productivity, the Force Strategic Delivery Board, which was established at the start of 2014-15, remains a key forum in which change proposals are developed and finalised prior to submission to the Chief Officer Group for agreement. This board also ensures that there is a holistic approach to change, which takes full account of interdependencies between all change work-streams. Task and Finish Groups support the main board to ensure that the Constabulary has the capacity to deliver specific major pieces of work.

The Constabulary continuously evaluates the effectiveness of its governance arrangements including the board structure, making recommendations to improve. In order to manage the significant amount and complexity of change undertaken and delivered by the Constabulary during 2015 -16 two additional boards being introduced to ensure that the planned changes are managed on an agile and co-ordinated basis:

- Gold Implementation Group: chaired by Deputy Chief constable, is held weekly to troubleshoot critical issues and manage resources across all portfolios to deliver change and ICT
- Tactical Implementation Group: chaired by the Chief Superintendent, is held weekly to coordinate implementation, fix tactical issues or escalate; identify additional resources For

example, in response to the fundamental changes to core policing activities which were implemented in 2015-16.

During 2015-16 the Commissioner's Procurement Regulations, which have been adopted by the Constabulary, have been reviewed as part of a cyclical review of key governance documents. Changes have been made to take into account updated legislative and regulatory changes and to ensure that specialist advice from the Procurement Department is always sought for significant procurements.

During the year formal reviews of the roles of the Chief Constable's Chief Finance Officer and the Head of Internal Audit against CIPFA guidance have been undertaken, which have concluded that both roles are fully compliant.

To support working together, the Chief Officer Group have held strategy days for senior management and road shows across county, which were open to all officers and staff. These events enabled the Chief Constable to plan, discuss and communicate his vision and strategic objectives, the challenges facing the Constabulary and the rationale for planned changes to address these issues. The impact for officers on the frontline was also explained and opportunities for questions and answers provided and taken up. The approach was supported by a range of communications across the force.

The Constabulary has worked closely with the OPCC through formal mechanisms (such as Executive Board meetings, Accountability Board meetings) and informally through one to one

meetings with senior staff from both organisations. For example, the Constabulary and OPCC media staff meet every week to review each other's forward plan for communications, engagement and marketing to maximise opportunities, reduce duplication and provide clarity for the media and the public based on our agreed protocol.

The Constabulary recognises that working with partners can deliver a more effective policing service to the public and meet the aims of the Commissioner's Police and Crime Plan. Accordingly, the Constabulary actively participates in a range of partnership activities and functions in collaboration with other agencies, both at a strategic and tactical level. Examples of multi-agency partnership working include

- Acting as operational chair for the Local Resilience Forum (a multiagency group which plans for and manages major incidents in the county that require a coordinated response to keep people safe) and leads on its media and communications.
- Chairing the county's CRASH partnership, which has been established to improve road safety across the county.
- Chairing the Safer Cumbria Action Board
- Active participation in the Local Safeguarding Board and the Safeguarding Improvement Board, which deal with child protection issues.
- Working in Community Safety Partnerships
- Countering alcohol harm through the Constabulary's own strategy and as part of the Cumbria Alcohol Steering Group.
- Combating anti-social behaviour in partnership with various local authorities and housing associations.

The Chief Constable is actively engaging with the Cumbria Chief Executives Group to promote a better understanding of demand for public services and to reduce waste by promoting a co-ordinated approach to delivery of public services in Cumbria. The Constabulary has also recently appointed an additional Chief Superintendent role, a primary element of whose responsibilities is to work with other agencies in managing demands for service more effectively.

The Constabulary has worked with Lancashire Constabulary to develop and formalise a Strategic Alliance. The purpose is to work together to improve services to the public and to bring benefits to both constabularies and commissioners, while remaining independent organisations. The Alliance was officially ratified in September and Initial scoping work was completed during 2015 – 16. A delivery plan is being developed.

Work has continued during 2015-16 to improve management information and reporting in relation to Human Resources. All major policies were reviewed and updated over 2014-15 and 2015-16 including leave and health and safety. Effective workforce planning remains critical to delivering effective policing services within available resources and continues to be developed. The Civil Contingencies department has provided input to better links between strategic and tactical workforce planning including duties management and training requirements.

The management of sickness absence remains a key feature in maintaining numbers of deployable officers and staff and this is regarded as a priority both for management and the HR Department.

Sickness absence levels have remained comparatively high level during 2015/16. In response an Attendance Management Action Plan and Well-Being Strategy have been put in place. A working group has also been established to examine specific aspects of policy of reducing sickness to target levels. Efforts have been made to identify roles which are inherently vulnerable and mandatory consultation and support from the Occupational Health department introduced.

Regular reports on workforce planning, attendance and police staff discipline and grievances are provided to the Chief Officer Group and PCC.

In a period of significant change the maintenance of good relations with staff associations is seen as crucial. To facilitate this there are regular meetings with staff associations and the senior management of the Constabulary to discuss issues and concerns. Both the Police Federation and UNISON are represented on decision making bodies and working groups. Consultation takes place on all proposed changes.

## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

The Constabulary will complete its update of the financial rules and ensure that these are promoted and training provided.

The Constabulary will continue to develop business plans and strategies for non-operational policing functions including production of an overarching People Strategy, which will bring together plans for all aspects of managing its workforce.

The Constabulary will pro-actively implement its Attendance Management Action Plan and Well Being Strategies with the aim of reducing levels of sickness and protecting the welfare of its workforce.

Develop the delivery plan for the Strategic Alliance with Lancashire Constabulary to improve police services to the public in both counties.

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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2015-16 the Constabulary takes a pro-active approach to communicating and promoting the highest standards of integrity in all elements of its business. During 2015-16 work has continued to embed and develop ethical behaviour based on :-

- The Constabulary's Corporate Values
- The College of Policing Code of Ethics.
- The NPCC Integrity Action Plan.
- The Constabulary's Anti-Fraud and Corruption Policy and Procedures.

Ethical issues are monitored through the Professional Standards Department Control Strategy, which is reviewed bi-annually and reported to the Deputy Chief Constable.

During 2015-16 an internal audit review of the Code of Ethics was undertaken. This report was graded as providing 'reasonable assurance'. A number of strengths were recognised including

- Senior Management Commitment to the Code
- Reporting to the independent Ethics and Integrity Panel
- Support, advice and guidance to staff including arrangements to re-enforce training.

Three medium priority recommendations were made in the report, which are in the process of being implemented.

In addition, during 2015-16 Her Majesty's Inspectorate of Constabulary conducted a Legitimacy inspection of the Constabulary as part of the force's PEEL Inspection, this covered the conduct and behaviour of the force. The report graded Cumbria as good recognising that 'there is a positive and supportive culture within Cumbria Constabulary that encourages its workforce to behave professionally and ethically.' The report also stated that Cumbria Constabulary understands its communities, treats them with fairness and respect but that improvements are required in relation to elements of best use of 'Stop and Search'

The role of the Constabulary's Professional Standards Department is central to the maintenance of high standards of conduct and behaviour within the organisation. The priorities of the Constabulary's Professional Standards Department are shaped by a Strategic Assessment, which seeks to predict future risks as a basis developing a control strategy. The Strategic Assessment was refreshed in 2015 and has identified a shift of risk from financial vulnerability to inappropriate and vulnerable association, which has been reflected in the Department's work-plan.

During 2015-16 the Professional Standards Department Anti-Corruption Unit have reported regularly to the Commissioner in relation to its work.

The Professional Standards Department have continued to issue PASS newsletters and corporate messages during the 2015-16 year to officers and staff in relation to issues of conduct and integrity. The newsletters have provided guidance on generic responsibilities such as :-

- Best practice on appropriate use of force
- Safe handling of detainees in custody
- Recording of advice regarding potential vulnerability to corruption linked to financial difficulties.
- Procedures for issuing harassment notices.
- Compliance with National Crime Reporting Standards.

Newsletters have also highlighted specific examples of misconduct which have led to disciplinary action. In addition the Professional Standards Department have begun circulating Independent Police Complaints Commission learning bulletins to officers and staff, providing guidance on topical issues for example armed policing, call handling, custody and information management.

Collectively this is a preventative approach designed to ensure all officers and staff are aware of their responsibilities and potential consequences if their conduct falls below required professional standards.

The Professional Standards Department also oversees all complaints against the Constabulary. Complaints and the results of subsequent

investigations are reported periodically to the Police and Crime Commissioner. During 2015-16 the number of complaint cases has been relatively stable compared to 2014-15. When compared to most similar forces, both the level of complaints, expressed per officer and the percentage of those complaints upheld, remain below the national average. However, some increase in complaints categorised as 'direction and control' which relate to systems and processes has been noted. Whilst very few of these complaints have been upheld the rise is linked to changes to a risk based response, which were introduced by the Command and Control Review.

Where trends in relation to complaints or examples of best practice are identified these are circulated force wide via Online News or the PASS newsletters (which are issued by Professional Standards) so that officers can learn from the experience of others in order to improve the service that they provide to members of the public.

During 2015-16, in the interests of openness and transparency, police misconduct hearings are now held in public. Three public misconduct hearings took place in 2015-16. In future, such hearings will be presided over by a legally qualified chair. The outcomes of misconduct hearings are now publicised on the Constabulary website.

The work of the joint, independent Ethics and Integrity Panel, which was established in 2014-15 by the Police and Crime Commissioner and Chief Constable has become embedded.

The purpose of the Panel is to operate in an advisory capacity to promote high standards of professional ethics in all aspects of policing and to

challenge, encourage and support the Chief Constable and Commissioner in monitoring and dealing with issues of ethics and integrity within their respective organisations.

The terms of reference and work plan for the Panel have been agreed and include consideration of complaints from the public, the handling of misconduct matters, grievances, compliance with Freedom of Information and Data Protection Acts which will be monitored through a range of agreed indicators and dip sampling review of specific cases. Whilst the Panel meets in private its agendas and

reports are considered by the Commissioner's Executive Board and published on the Commissioner's website, to ensure any good practice is recognised and encouraged but any areas for development are identified and appropriate action taken to improve performance.

#### AREAS FOR FURTHER DEVELOPMENT

The Constabulary will continue to review and finalise action plans from the Ethics and Integrity Panel, Internal Audit, HMIC and Constabulary.

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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Chief Officer Group have made a significant number of strategic decisions over the past 12 months across operational and business functions including approving significant Change Programme reviews to deliver savings, consideration of the Constabulary budget proposal, development of key governance documents and approving the business strategies that support delivery of police services for the public. In addition, the Chief Officer Group receives regular financial updates which provide a context to resource allocation decisions. All of these decisions have been informed by business cases or reports, which clearly specify the impacts on service delivery, finance, HR, risk, diversity, legal, procurement and ICT and which also clearly justify any expenditure committed. All decisions have been minuted and part 1 decisions made available on the Constabulary's SharePoint system.

The Commissioner has a statutory duty and electoral mandate to hold the police to account and to maintain an efficient and effective police force. In this role, he has scrutinised decisions made by the Constabulary throughout the year.

Members of the Chief Officer Group have also attended meetings of the Police and Crime Panel to provide context to members of the panel in considering the Commissioner's precept proposal for 2016-17. This included presentations outlining the Constabulary's medium term financial position, change strategy and value for money comparison with other forces.

In the operational environment, on a monthly basis, senior police officers carry out a full and robust assessment of operational risk, harm and threat to communities. These are discussed at monthly Tasking & Coordination meetings. This process systematically reviews vulnerable people, repeat offenders, vulnerable missing from home, significant domestic abuse, prison issues, organised crime groups and threats to life. Action has been taken and resources tasked to deal with the operational issues raised.

Every day, officers in each Territorial Policing Area have held a Daily Management Meeting which identifies the crimes, incidents that have occurred over the previous 24 hours and any vulnerable or high profile incident (such as a vulnerable missing child or known domestic abuser). Senior officers have allocated their resources based on this evidence and effective management of threat harm and risk. During 2015-16 this process has been extended to incorporate a force-wide Daily Operational Review Meeting, which ensures that resources are directed to meet strategic priorities.

As part of the Constabulary's work on managing demand and subsequent review of Command and Control the principles of THRIVE (threat, harm, risk, investigative opportunity, vulnerability and engagement) have been introduced within the communications room when grading calls for service and deciding whether to deploy officers to incidents.

The Joint Audit and Standards Committee has conducted 5 public meetings during 2015-16. As an advisory body, the Committee has undertaken a significant amount of work to review and make recommendations in respect of the Chief Constable's arrangements for governance and management of risk prior to formal decision making by the Chief Constable. This has included providing assurance in respect of the joint Procurement Regulations, the Chief Constable's Code of Corporate Governance, Risk Management Strategy and the Internal Audit Charter. The Commissioner and Chief Constable met jointly with the Committee on the 03rd September 2015 to receive the views of members prior to authorising the Statement of Accounts and 2014-54 Annual Governance Statement for publication.

Risk management is a standing agenda item on all boards, including programme and project management boards. Mitigating actions have been identified and tracked to ensure that risks are minimised.

During 2015-16, the Constabulary's risk management arrangements were reviewed to ensure that up to date practices and approaches are reflected in its risk management policy and procedures. As a result, changes have been made to improve wider understanding of the portfolio of risks held in the Constabulary.

An annually developed internal audit plan uses risk as the basis for developing an audit programme. Each audit evaluates the exposure to risk relating to the organisation's governance arrangements and information systems. The audit plan for 2015-16 was approved by the Chief Officer Group in

February 2015 and subject to review by the Joint Audit and Standards Committee on the 10th March 2015. The plan substantially increased the number of days of audit work from 180 to 232 as a consequence of widening the scope of audit work in accordance with public sector audit standards.

During 2015-16 all areas subject to audit, with the exception of Duties Management, have received either reasonable or substantial assurance. The Constabulary's arrangements for Duties Management were graded as providing partial assurance and as a result a robust action plan to address the weaknesses identified has been developed and implemented. The Audit and Standards Committee have received quarterly reports monitoring the implementation of audit recommendations.

The Audit Plan provides the basis for the Chief Internal Auditor's overall opinion on the control environment.

## AREAS FOR FURTHER DEVELOPMENT

The Constabulary's internal website will continue to be developed in particular to improve the access and search capability which will make it easier for officers and staff to access the information they need.

A review of the policy management arrangements will be undertaken with a view to streamlining the process, the products and their accessibility.

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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2015-16 the Constabulary received guidance from the National Police Chiefs Council, which provided information on best practice in relation to a wide range of operational policing areas.

The Constabulary's annual training plan was developed in early 2015-16 in conjunction with Operational Leadership Teams. In developing the plan there was particular focus on supporting Initial Police Recruitment ensuring that new recruits were equipped with the requisite skills to perform their role. The strategic training collaboration with Lancashire Police greatly supported this objective with collaborative resources being deployed to the training of new recruits.

The training plan was delivered through a strategic training collaboration with Lancashire Police. The collaboration is managed by a shared learning & development management team with oversight from a Joint Governance Board which has representation from the Chief Officer teams of both forces. The Board met on three occasions over the year to scrutinise delivery of the plan. The collaboration has delivered benefits through:-

- Increased capacity to deliver training, which has been particularly beneficial to accommodate the increased level of recruitment in 2015-16.
- Reduced costs.

- Harmonisation of course content based on best practice across the forces.

During the year there has been particular focus on the design of a skills and leadership programme, which, forms part of the Constabulary's business plan will continue to be developed and implemented in 2015-16. This programme focused 4 main areas

- A Street Skills Programme which developed the appropriate operational and technical skills needed by officers and staff at all levels
- Leadership Modules which has been designed to equip supervisors and managers with the skills to support and develop their staff
- An Executive Leadership Programme which will support the forces senior managers in leading the force through a period of significant change
- The development of an Electronic Learning Hub which provides platform for on-line learning and knowledge transfer.

During 2015-16 the Constabulary has also focused on designing and delivering Case & Custody training in support of the implementation of the new PoliceWorks Case and Custody ICT system. In addition, a revised Management of Serious Crime Investigations Development Programme (MSCIP) has been introduced in partnership with Lancashire and Merseyside Constabularies. This is a national mandated programme for detective inspectors. Sharing this programme with two other forces

provides great benefits in the sharing of costs, operational expertise and flexible delivery.

The National Police Promotion Framework (NNPF) has been introduced in 2015-16. On the 1<sup>st</sup> April 2015 the Police (Promotions) Regulations 2015 amended the method by which police officers in England and Wales are promoted to the rank of Sergeant and Inspector. The changes to the process, including the requirement to undertake work based assessments have been embedded.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. Against the self-assessment checklist the committee achieves a consistent grade of 4 or 5 (against a maximum of 5) across all areas. For those functions not included within the checklist, incorporating the wider functions of the committee, there is evidence to demonstrate compliance with CIPFA guidance and elements constituting best practice. The review confirmed that the Committee has during 2015-16 implemented areas identified for development from the 2014-15 review. Further areas for development are identified for 2016-17 to provide continuous improvement. The full report of the Committee can be found on the Commissioner's website at <http://www.cumbria-pcc.gov.uk/governance-transparency/audit-committee.aspx>.

## AREAS FOR FURTHER DEVELOPMENT

The core skills and leadership framework and programme plan will continue to be developed and implemented in 2016-17 including formation of a

Leadership Board and roll out of the Talent Management Executive Leadership Programme to sergeant & inspector ranks and police staff equivalents.

Significant training programmes will be delivered in 2016-17 in support of Change Programme reviews, which will fundamentally change the ways in which officers work. Specific training will include the new Intelligence System Red Sigma and Vulnerability. In addition there is continuing focus on new entrant training for recruits.

During 2016-17 the Constabulary will re-instate a system of professional development review for all officers and staff and implement mandatory continuing professional development.

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

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Constabulary has a Community Engagement and Consultation Strategy, which is reported via the Operations Board. This includes a consultation action plan, which co-ordinates all on-going consultation activities and is regularly reviewed and refreshed on an annual basis to continually improve consultation arrangements.

In 2015 - 16 the Chief Constable and Commissioner have held a number of joint public meetings across Cumbria to listen to the views of local people. Specific communication was undertaken to highlight the potential impact of funding reductions as a result of the CSR and funding formula review. The campaign to protect policing services gained widespread public support.

During the year, the Constabulary consulted with the public to find out their priorities how confident they felt, how they would like to be engaged and their areas of concern. These informed the development of the Constabulary's and Commissioner's plans.

The Constabulary commissions an external company to survey victims of crime and antisocial behaviour by telephone and has used the feedback to improve the services it provides. Where issues are raised a fast track service recovery process has been developed to ensure that they are responded to quickly.

The Constabulary has developed a marketing and communications strategy aimed at establishing clear channels of communication with all sections of the community, providing crime prevention and safety advice as well as information about services. Access to information has been developed to include community messaging and all social media. The Constabulary's e-community has grown and is now at more than 95,000 followers. Online discussion forums have been introduced to supplement community meetings, surveys and other public engagements to identify priorities, concerns and areas for improvement. An example of this relates to- a face-book chat to counter child exploitation. The value of the multi-media approach was also highlighted in the widespread flooding in Cumbria in December 2015, where on-line messages were invaluable in keeping communities informed regarding an on-going threat to life and property.

The Strategic Independent Advisory Group has met regularly to discuss emerging issues of strategy and policy both nationally and locally. An annual report on Diversity and Equality setting out how objectives had been achieved was provide to the Commissioner and published on the website. Equality information is published every quarter on the Constabulary's website.

Throughout the year, Neighbourhood Policing Teams (NPTs) have engaged with the public through a variety of means which helps to reduce crime by encouraging respect for the law and

fostering social responsibility and to determine local priorities.

The Constabulary has Community Engagement Plans. The plans detail how officers within the NPTs will engage with their community, and is specifically grouped around; local residents, businesses, schools and young people; and members of the community with Protected Characteristics (Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion and Belief and Sexual orientation).

During 2015, The Constabulary has reviewed its current arrangements for engagement and further developed its strategy to improve trust and confidence in policing services and to identify policing priorities which need to be addressed in their local area. The revised strategy includes, amongst other initiatives:

- A *Minimum Standard of Engagement* for each area comprising:
  - Engagement and clear communications with schools
  - Attendance at Town Council meetings
  - Having community/partnership meetings
  - Police Desks
  - Use of web and social media
- Support to the *Minimum Standard of Engagement* through a toolkit of options that is used on a needs basis. These are additional types of engagement that NPTs can use to support the prevention and detection of crime and antisocial behaviour, or the individual needs of a community.
- Specific engagement plans for the 15 geographical areas identified across the county, which are available on the intranet for

officers and on the website for the public. The plan provides :

- a benchmark to understand the areas of risk, community tension, vulnerable individuals and groups
- a reference to the terms of engagement with its communities, based on the Minimum Standard of Engagement and any others from the toolkits
- include key community contacts
- Each of the 15 areas to have their own Twitter account to maximise operational effectiveness and public safety

The Constabulary carried out a staff engagement exercise, working with academia to assess the wellbeing and culture of the force. The results have been presented very recently and work is ongoing to develop a plan of action to make improvements for officers and staff. The aim is to deliver improvements that support, for example, staff wellbeing, performance, training delivery and, ultimately, improve services to the public

Every month, local crime data has been published at community level on the Constabulary's website and via [police.co.uk](http://police.co.uk) to increase the transparency of performance and crime data.

The Constabulary uses Community Impact Assessments to identify issues that may affect a community's confidence in the ability of the police to respond effectively to their needs, thereby enhancing the police response. They are used after or during a critical incident to:

- record the effect the incident had on a community
- identify vulnerable individuals and groups

- provide enhanced investigative assessments and thorough understanding of the incident
- develop community intelligence.

The Constabulary has responded to 867 freedom of Information requests in 2015 - 16.

The Chief Constable's audited accounts were signed on 03 September 2015 and published alongside the report of the independent auditors (Grant Thornton) on the financial statements. The auditors opinion was that the statements provided a true and fair view of the financial position of the Chief Constable as at 31 March 2015 and that they have been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting. In addition the auditors commented favourably on the high quality of the accounts and supporting working papers in the context of achieving the new tighter deadline for producing the accounts three years ahead of requirements. The auditors further confirmed in their annual governance report on 03 September 2015 a positive conclusion with regards to securing value for money.

## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

The Constabulary will continue to develop its internet site to enhance accessibility and relevance to the public and media.

On behalf of the Commissioner, the Constabulary will undertake a survey to find out the public's key policing priorities for the PCC's 2017-18 Police and

Crime Plan and the Constabulary's Strategic Assessment.

The Constabulary will work with academia and, using good practice from other organisations, will develop an action plan based on the information from the cultural survey which will be incorporated into the Well-Being Strategy.

The Constabulary will review the Independent Advisory Group arrangements at strategic and local level with a view to strengthening their impact.

The Constabulary will improve the Citizens Panel to expand the number of people on and the representation of all types of communities. (The Citizens Panel is a large group of people who have volunteered to be consulted on a range of police issues.)

## REPORT ON PROGRESS AGAINST THE DEVELOPMENT AND IMPROVEMENT PLAN FOR 2015 - 16

Area of Governance	Action	Lead Officer	Implementation by
<p><b>Core Principle 1:</b></p> <p><b>Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.</b></p>	<p>Complete its evaluation of the effectiveness of its revised governance arrangements including the board structure, making recommendations for improvement where appropriate.</p> <p>Complete. The main conclusion was the inclusion of two additional meetings in the governance structure, known as the Gold and Tactical Implementation Groups to respond change management requirements in an agile way. (see main body of the report)</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>
	<p>Evaluate the revised performance management arrangements, making recommendations for improvement where appropriate.</p> <p>This work is on-going</p>	<p>Director of Corporate Improvement</p>	<p>September 2016</p>

Area of Governance	Action	Lead Officer	Implementation by
<p><b>Core Principle 1:</b></p> <p><b>Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.</b></p>	<p>Review the Constabulary’s public bi-monthly performance management reports, improving the information provided to the public to support transparency and help understanding of policing issues.</p> <p><b>Complete.</b> The internal management reports have been re-designed and expanded to provide a more comprehensive performance picture of performance for senior management, ensuring that real performance issues are tackled. However, the pictorial representation of performance is not 100% popular and is being reviewed.</p>	Director of Corporate Improvement	Complete
	<p>Write an Annual Report to support the Commissioner’s 2016 -17 budget submission to the Police and Crime Panel.</p>	Director of Corporate Improvement	31 January 2017
	<p>Further develop the strategic resource management performance framework to drive improvements in our use of resources and our productivity, including development of a Productivity Strategy. This will complement the Constabulary’s Continuous Improvement, Efficiency and Value for Money Strategy and will ensure that the benefits of significant investment in change and IT are delivered.</p> <p>Partially complete. This work has been impacted by responding to the Police Formula Funding consultation.</p> <ul style="list-style-type: none"> <li>• The Productivity strategy has been developed and implemented.</li> <li>• The strategic resource management framework is under development.</li> </ul> <p>Other actions are on-going, but are subject to prioritisation in light of national and corporate pressures.</p>	Director of Corporate Improvement, CFO, Director of Corporate Support	31 March 2017

Area of Governance	Action	Lead Officer	Implementation by
<p><b>Core Principle 1:</b></p> <p><b>Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.</b></p>	<p>Develop a Plan on a Page to help all officers and staff focus on the Constabulary's priorities and support internal communications.</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>
	<p>Complete. This was promoted and is available to staff via a range of mediums: noticeboards across the force, handouts at Chief Officer Group Roadshows, accessible via the internet.</p>		
	<p>Develop internal and external communications strategy to support delivery of operational policing and its outcomes, including effective demand reduction activity.</p> <p>Complete. Completed and being actioned. Part of operational tasking and co-ordination every month to ensure that operational relevance is maintained.</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>
<p><b>Core Principle 2:</b></p> <p><b>Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.</b></p>	<p>Develop an Improvement Action Plan based on all HMIC actions and recommendations to deliver improvements to services and, to publish this plan on its website.</p> <p>Complete. The action plan is managed through and Operations Board and Business Board.</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>
	<p>The Constabulary will complete its update of the financial rules and ensure that these are promoted and training provided.</p> <p>Partially complete. The update of the financial rules is substantially complete. The rules need to be subject to consultation, formal agreement and training.</p>	<p>Chief Finance Officer</p>	<p>Partially complete.</p> <p>31 July 2016</p>

Area of Governance	Action	Lead Officer	Implementation by
<p><b>Core Principle 2:</b> <b>Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.</b></p>	<p>The Constabulary will continue to develop business plans and strategies for non-operational policing functions including production of a Procurement Strategy to ensure that activity is directed to supporting delivery of effective policing services and meet the requirements of the OPCC.</p> <p>Complete. ICT, Estates, Fleet and Procurement Strategies have been completed and agreed by the Chief Officer Group and Commissioner. A wider People Strategy is being drafted and is subject to consultation and agreement in 2016-17.</p>	<p>Director of Corporate Support &amp; Functional Heads of Service.</p>	<p>Complete</p>
	<p>Schemes will be developed to review the contribution of police officers on restricted duties to front line policing in and adjust pay in accordance with Police Regulations introduced from 1 April 2015 to implement the recommendations of the Winsor Review.</p> <p>Complete A new limited duties policy / procedure was devised and approved by Business Board incorporating all features of Police Regulations and related Home Office guidance following the Winsor Review.</p>	<p>Head of HR</p>	<p>Complete</p>

Area of Governance	Action	Lead Officer	Implementation by
<p><b>Core Principle 2:</b> <b>Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.</b></p>	<p>The Constabulary's current scheme of Performance Development Review (PDR) has been suspended for 2014-15 with a view to incorporating Winsor changes and streamlining the process. A new scheme is anticipated to be designed and in place during 2015-16, following new Regulations applicable from 1 April 2015. The Constabulary will be developing a more streamlined assessment process for incremental progression for police officers linked to satisfactory performance in the PDR.</p> <p>Not complete. This work has been delayed by on-going dialogue by all forces with the College of Policing to develop a system of PDR, which will achieve the intended outcomes and be practical to implement whilst dovetailing the requirements for continuing professional development, performance review and direct assessment of competence. The Constabulary has committed to introduce PDR for all officers and staff in 2016-17.</p>	Head of HR	30th September 2016.
	<p>Update the National Police Promotion Framework in line with national guidance.</p> <p>Complete. The NPPF has been incorporated into a revised police officer Police Officer Promotion and Development Policy and Procedure which was agreed by the Constabulary's Business Board in October 2015.</p>	Head of HR	Complete

Area of Governance	Action	Lead Officer	Implementation by
<p><b>Core Principle 3:</b> Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</p>	<p>The Constabulary will continue to embed the National College of Policing Code of Ethics.</p> <p>Complete. The Code of Ethics is well embedded in the Constabulary, as evidenced by the 2015 HMIC Legitimacy Report grading of good.</p>	<p>Chief Constable, Deputy Chief Constable and Head of PSD</p>	<p>Complete</p>
	<p>The Constabulary will embed its Ethics and Integrity Panel and seek to promote good practice as a result of its recommendations.</p> <p>Complete. The Ethics and Integrity Panel meets quarterly has an agreed work-plan and is providing advice and scrutiny.</p>	<p>Chief Constable, Deputy Chief Constable and Head of PSD</p>	<p>Complete</p>
<p><b>Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.</b></p>	<p>As part of the improvement to the Constabulary's internal website, the access and search capability of the policy library on the intranet will be modernised and updated to ensure that it is easier for officers and staff to access the right information</p> <p>This remain on-going work.</p>	<p>Director of Corporate Improvement</p>	<p>30 June 2016</p>

Area of Governance	Action	Lead Officer	Implementation by
	<p>The Constabulary's risk management arrangements will be reviewed to ensure that up to date practices and approaches are reflected in the risk management policy and procedures.</p> <p>Some report changes have been made to improve wider understanding of the portfolio of Constabulary risks. Internal audit review made no recommendations and gave substantial assurance.</p>	Director of Corporate Improvement	Complete
<p><b>Core Principle 5:</b></p> <p><b>Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.</b></p>	<p>Design and Implement a Core Skills and Leadership Programme.</p> <p>The design stage of the Core Skills and Leadership Programme is well advanced, implementation will begin in early 2015-16.</p> <p>Partially complete. The design phase of the Core Skills and Leadership has been completed. Delivery of began in early 2015 and will continue to be delivered in response to emerging needs. The Senior Leadership Programme has begun delivery in conjunction with Lancaster University Business School and will continue in 2016-17.</p>	Director of Corporate Support & Head of Learning & Development.	On-going Update 31 March 2016
	<p>Significant training programmes will be delivered in 2015-16 in support of Change Programme reviews, which will fundamentally change the ways in which officers work. Specific training includes Command &amp; Control, implementation of Mobile Working and the new Case &amp; Custody system.</p> <p>Complete Operational training on the new Case &amp; Custody system and Mobile Working was delivered in 2015-16. Further support will be provided in 2016-17.</p>	Director of Corporate Support & Head of Learning & Development.	Complete

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 6:</b> <b>Engaging with local people and other stakeholders to ensure robust public accountability.</b>	<p>The Constabulary will continue to develop its internet site to enhance accessibility and relevance to the public and media.</p> <p>Complete. The website is operating.</p>	<p>Director of Corporate Improvement</p>	<p>Complete.</p>
	<p>The Constabulary will review its current arrangements for engagement and further develop its Engagement Strategy to improve trust and confidence in policing services and to identify policing priorities which need to be addressed in their local area. This will include provision of police desks across the county.</p> <p>Complete. The Engagement Strategy was approved at Operations Board in October.</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>

Area of Governance	Action	Lead Officer	Implementation by
<p><b>Core Principle 6:</b></p> <p><b>Engaging with local people and other stakeholders to ensure robust public accountability.</b></p>	<p>On behalf of the Commissioner, the Constabulary will undertake a survey to find out the public's key policing priorities for the PCC's 2016 – 17 Police and Crime Plan and the Constabulary's Strategic Assessment.</p> <p>Completed and has informed both of these processes.</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>
	<p>The Constabulary will carry out a staff engagement exercise, working with academia to undertake a cultural survey, over a number of years. The aim is to deliver improvements that support, for example, staff wellbeing, performance, training delivery - and ultimately, improve services to the public.</p> <p>Complete. An action plan is being developed in response to the results of the survey.</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>

## DEVELOPMENT AND IMPROVEMENT PLAN FOR 2016 - 17

	Action	Lead Officer	Implementation by
<b>Core Principle 1:</b> <b>Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.</b>	Evaluate the revised performance management arrangements, making recommendations for improvement where appropriate.	Director of Corporate Improvement	30 Sept 2016
	Work with the new Police and Crime Commissioner to develop performance management arrangements him/her to hold the Chief Constable to account effectively.	Director of Corporate Improvement	30 June 2016
	Write an Annual Report to support the Commissioner's 2017-18 budget submission to the Police and Crime Panel.	Director of Corporate Improvement	31 Jan 2017
	Further develop the strategic resource management performance framework to drive improvements in our use of resources, including development of a Resource Management Strategy.	Director of Corporate Improvement	31 May 2016
	Develop a revised Plan on a Page for 2016/17 to help all officers and staff focus on the Constabulary's priorities and support internal communications.	Director of Corporate Improvement	30 April 2016
	Continue to develop the Demand Reduction Strategy	Director of Corporate Improvement	31 Mar 2017
	Develop internal and external communications strategy for 2016/17 to support delivery of operational policing and its outcomes, including effective demand reduction activity.	Director of Corporate Improvement	31 Mar 2017
	Develop Business Improvement Plans based on our priorities and all HMIC actions and recommendations to deliver improvements to services and, to publish this plan on our website.	Director of Corporate Improvement	30 April 2016

<b>Area of Governance</b>	Action	Lead Officer	Implementation by
<b>Core Principle 1: Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.</b>	Embed the role of the Business Improvement Unit in quality assuring the implementation of action plans.	Director of Corporate Improvement	30 Sept 2016
	Develop a Management Information Strategy	Director of Corporate Improvement	30 June 2016
<b>Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.</b>	The Constabulary will continue to develop business plans and strategies for non-operational policing functions including production of an overarching People Strategy, which will bring together plans for all aspects of managing its workforce.	Director of Corporate Support	31 January 2017
	The Constabulary will complete its update of the financial rules and ensure that these are promoted and training provided	Chief Finance Officer	31 July 2016
	The Constabulary will pro-actively implement its Attendance Management Action Plan and Well Being Strategies with the aim of reducing levels of sickness and protecting the welfare of its workforce.	Head of HR	30 Sept 2016
	Develop a delivery plan for the Strategic Alliance with Lancashire Constabulary	Director of Corporate Improvement	30 Jun 2016

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 3:</b> <b>Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</b>	Update and review action plans from the Ethics & Integrity Panel, Internal Audit, HMIC and Constabulary	Head of Professional Standards	31 March 2017
<b>Core Principle 4:</b> <b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.</b>	Continue to update and improve the Constabulary internal internet site.	Director of Corporate Improvement	30 June 2016
	Conduct a review of policy management arrangements.	Director of Corporate Improvement	31 Mar 2017
<b>Core Principle 5:</b> <b>Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.</b>	Further develop and implement the core skills and leadership framework.	Head of Learning & Development.	On-going 31 March 2017
	Deliver significant training plans linked to Constabulary priorities.	Head of Learning & Development	On-going 31 March 2017
	Develop and re-instate Professional Development Reviews for all officers and staff.	Head of Learning & Development and Head of HR	30 September 2016

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.</b>	The Constabulary will continue to develop its internet site further, to enhance accessibility and relevance to the public and media.	Director of Corporate Improvement	31 March 2017
	Undertake a public survey to identify the public's policing priorities to inform the Police and Crime Plan and Constabulary strategic planning.	Director of Corporate Improvement	31 March 2017
	Implement an action plan arising from the cultural survey as part of the Well-being Strategy.	Director of Corporate Improvement	30 Jun 2016
	Review the Independent Advisory Group	Director of Corporate Improvement	30 June 2016
	Improve the Citizens Panel	Director of Corporate Improvement	31 Mar 2017

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



## Agenda Item 17 (i)



## Audit of the Code of Ethics

Draft Report Issued: **17th March 2016**

Final Report Issued: **18th April 2016**

## Audit Resources

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## Audit Report Distribution

For Action:	Sean Robinson (Detective Chief Superintendent Crime Command)
For Information:	Furzana Nazir (Head of Professional Standards) Steve Johnson (Chief Superintendent of Territorial Policing) Michelle Skeer (Deputy Chief Constable)
Audit Committee	The Audit Committee, which is due to be held on 3 <sup>rd</sup> May 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 the Code of Ethics within Cumbria Constabulary. This was a planned audit assignment which was undertaken in accordance with the 2015/16 Audit Plan.
- 1.2 Ethical behaviour is important to the organisation because it is essential to good governance and needs to be fully embedded into day to day policing activities and organisational culture. The public have high expectations of the police regarding standards of professional and ethical behaviour and transparency in this area is fundamental to public confidence.
- 1.3 The College of Policing published a national Code of Ethics in 2014. In response, Cumbria Constabulary has taken action to develop and embed ethical values throughout the organisation.

## 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 Detective Chief Superintendent Crime Command and the agreed scope was to provide assurance over management's arrangements for risk management, governance and internal control in the following areas:
  - Communication (awareness raising, training and ongoing commitment to ethical behaviour).
  - Feedback to staff & lessons learned (supervision, performance structure, Ethics & integrity Panel actions).

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 the Code of Ethics 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 three audit recommendations arising from this review.

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

5. Value - effectiveness and efficiency of operations and programmes	-	-	-
<b>Total Number of Recommendations</b>	-	<b>3</b>	-

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

- There is visible and formal senior management commitment to following the College of Policing’s Code of Ethics.
- Quarterly reporting on integrity to the Ethics and Integrity Panel allowing independent review and challenge and to enable the Police and Crime Commissioner to hold the Chief Constable to account.
- Arrangements are in place to reinforce Code of Ethics training on a regular basis through the PASS newsletter, as part of an ongoing commitment to ethical behaviour.
- Support, advice and guidance are readily available to staff on ethical issues and there are frequent reminders of this.
- Facilities are in place for staff to raise ethical issues on a confidential basis. These facilities are made known to all staff.
- Opportunities are taken to learn lessons from breaches of professional standards and to increase understanding of ethical behaviour.

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:*

- Arrangements are not in place to ensure that all staff have received mandatory training on the Code of Ethics.
- Responsibility for ethical behaviour within the Constabulary has not been formally defined and allocated to a senior manager.
- A performance development review process incorporating consideration of standards of professional and ethical behaviour has not been fully and consistently implemented across the force.

4.4.3 *Advisory issues:*

No high priority issues were identified

**Comment from the Deputy Chief Constable:**

**Report noted and recommendations all actioned.**

## 5 Matters Arising / Agreed Action Plan

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

● **Medium priority**

Audit finding	Management response
<p>a) <b>Training</b></p> <p>Code of Ethics training was developed as a mandatory session for all staff towards the end of 2014 to give clear direction and guidance on values and fully embed ethical behaviour within Cumbria Constabulary. A number of events were planned so that managers could ensure all staff attended.</p> <p>Attendance was not reviewed and reported to senior management to give assurance that all staff received the training, particularly those on long term sick leave, secondments, maternity leave, suspensions etc. The Code of Ethics training session has not been repeated to capture staff who did not attend one of the original events. These staff may have reduced awareness and understanding of the Code of Ethics and their roles and responsibilities within it.</p>	<p>Agreed management action:</p> <p>We will identify those who haven't received the mandatory Code of Ethics training and ensure it is delivered to those individuals through line management briefings. This will be documented as part of the 15 week review.</p>
<p><b>Recommendation 1:</b></p> <p>Arrangements should be in place for management to be assured that all staff receive mandatory training on the Code of Ethics.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>● Reputational damage.</li> <li>● Ethical breaches.</li> <li>● Complaints.</li> </ul>	<p>Responsible manager for implementing:  <b>Chief Superintendent of Territorial Policing</b></p> <p>Date to be implemented:  <b>31/07/16</b></p>

● **Medium priority**

Audit finding	Management response
<p>b) <b>Senior Manager Lead</b></p> <p>Responsibility for ethical behaviour within the Constabulary has not been formally defined and allocated to a senior manager. During the audit the T/DCC made arrangements for the DCI Professional Standards Department to lead on ethical behaviour within the Constabulary on a temporary basis. There is an intention to review the arrangement when the Chief Officers return to their substantive posts.</p>	<p>Agreed management action:</p> <p>The Head of PSD (Chief Superintendent of Territorial Policing) is the designated lead for ethical behaviour within the Constabulary.</p>
<p><b>Recommendation 2:</b></p> <p>There should be a designated senior manager lead for ethical behaviour within the constabulary, and the role and responsibilities should be formally defined.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Failure to provide clear direction and guidance on ethics and values.</li> <li>• Trust and confidence in Cumbria Constabulary is undermined.</li> <li>• Reputational damage.</li> </ul>	<p>Responsible manager for implementing: <b>Chief Superintendent of Territorial Policing</b></p> <p>Date to be implemented: <b>Already actioned</b></p>

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

● **Medium priority**

Audit finding	Management response
<p><b>a) Performance Management</b></p> <p>The Constabulary has a documented performance management process in place that incorporates formal, recorded performance development reviews with officers. The reviews provide an opportunity to assess performance and discuss and address any work issues, including professionalism. However performance development reviews are not currently mandatory, do not apply to police staff and have not been implemented consistently across the force.</p> <p>The College of Policing has developed a national performance development review model for all officers (and police staff equivalent grades) up to Chief Superintendent. All forces are expected to have an appraisal process in place from April 2016 that meets standards set out by the College of Policing.</p> <p>Working with integrity and compliance with the Code of Ethics is a key policing style in the leadership model 'Plan on a Page' which has been developed and is due to be implemented across the force in April 2016. The introduction of the 'Plan on a Page' leadership model provides an opportunity to develop the performance development review process to better incorporate consideration of standards of professional and ethical behaviour. Thus providing a means of exploring ethical dilemmas, sharing good practice, addressing unsatisfactory performance and driving improvements across the force.</p>	<p><b>Agreed management action:</b></p> <p>We will include Code of Ethics in the 15 week reviews and embed it in supervisory reviews for all staff.</p>
<p><b>Recommendation 3:</b></p> <p>Arrangements should be in place to give management assurance that performance is being managed and that standards of professional and ethical behaviour are included as part of this process.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Lessons are not learned from ethical breaches.</li> <li>• Financial claims for compensation.</li> </ul>	<p><b>Responsible manager for implementing:</b></p> <p><b>Chief Superintendent of Territorial Policing</b></p>

- Complaints.
- Reputational damage.

Date to be implemented:  
**31/07/16**

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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

# Cumbria Shared Internal Audit Service

## Internal Audit Report for Cumbria Constabulary



### Agenda Item 17 (ii)



## Audit Follow up of Property Handling

Draft Report Issued: **16 February 2016**

Final Report Issued: **20 April 2016**

## Audit Resources

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Lead Auditor	Diane Lowry	diane.lowry@cumbria.gov.uk	01228 226281

## Audit Report Distribution

For Action:	Superintendent Rob O'Connor – South NPT(Strategic Lead) Inspector Garry Armstrong - West NPT
For Information:	Detective Chief Superintendent Sean Robinson (Crime Command)
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 3 May 2016, will receive the report.

### 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. An audit of seized / held property and property held in storage was previously carried out in October 2013. Based on the evidence provided at that time, the audit concluded that the controls in operation provided *limited* assurance. Improvements were agreed in the areas of policy and procedures, property retention and handling and record maintenance.
- 1.2. Internal Audit has recently undertaken a formal follow up audit to provide updated assurance to senior management and the Joint Audit and Standards Committee that the previously agreed actions to address each recommendation have been fully implemented and all controls are working effectively to mitigate the risks previously identified.

## 2. Audit Approach

### 2.1. Follow up Methodology

- 2.1.1. The Internal Audit follow up process involved obtaining an update statement from management and then undertaking testing as necessary to confirm that the actions have been fully implemented and that controls are working as intended to mitigate risk.
- 2.1.2. It is the responsibility of management to continue to monitor the effectiveness of internal controls to ensure they continue to operate effectively.
- 2.1.3. For the purpose of this follow up testing was carried out at North Division HQ, Durranshill.

## 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. Where the outcomes of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.
- 3.3. From the areas examined and tested as part of this follow up review we now consider the current controls operating within Police Property Handling provide **Reasonable** assurance. This has been revised from the original opinion of Limited.

## 4. Summary of Recommendations and Audit Findings

4.1. There are three levels of audit recommendation. The definition for each level is explained in **Appendix B**.

4.2. The previous audit raised **10** audit recommendations for action. Whilst there have been some developments made, there are still a number of areas which require further action to enable a greater level of assurance to be reached; in summary:

- Four recommendations have been successfully implemented (summarised at Section 4.3);
- Six recommendations have been partially completed and further action is needed to adequately address the risks exposed;

### 4.3. Recommendations fully implemented:

- A Seizure, Management, Retention and Disposal of Personal Property Policy and Standard Operating Procedures have been prepared for the handling, administration and storage of property.
- A full Force storage audit was undertaken in 2015, this identified many items of property that were later disposed of.
- Consideration is given to the photographing of property whenever possible and Officers are reminded to bear in mind this option.
- Property items are placed in a secure holding store until the details have been checked on the register by the front counter staff and property such as mobile phones, which can be easily damaged are now placed in boxes rather than just being bagged to prevent damage occurring to them.

### 4.4. Areas for further development:

From the evidence provided as part of this follow up there are **5** audit recommendations which require further action as follows:

#### 4.4.1. High priority issues:

- There are no high priority issues

#### 4.4.2. Medium priority issues:

- The Standard Operating Procedures for the Seizure, Management, Retention and Disposal of Personal Property should include the process officers and staff should follow when issuing a TORT letter.
- Management should give consideration to the arrangements for access to the property store and the logging of items received from the laboratory and HTCUC.

- The documented procedure for the *Ex Gratia payment process for misplaced property* should clearly set out the complete process including the need for OIC reports. The updated procedure should be approved and included in the SOPs.

4.4.3. *Advisory issues:*

- Consideration should be given to including the 'spot checks' as a procedure note, which should include a process to follow should discrepancies be identified.
- Consideration should be given to making the description field a mandatory section on the register and to including reference to the level of detail that is required in the SOPs.

**Comment from the Detective Chief Superintendent (Crime Command)**

*Superintendent O'Connor is now the Constabulary Strategic lead for Seized Property.*

1. *The Standard Operating Procedures for the Seizure, Management, Retention and Disposal of Personal Property should include the process officers and staff should follow when issuing a TORT letter. Response: Accepted - There is work ongoing in relation to this action, with liaison ongoing with legal about the content of the TORT letter, this will then be added to the SOP and publicised to staff. To be completed within 3 months (end July 2016).*
2. *Management should give consideration to the arrangements for access to the property store and the logging of items received from the laboratory and HTCUC. Response: Accepted – Progress has been made in relation to this recommendation, but there is still work ongoing. In terms of access to property stores (security), this is in place in South TPA(Barrow), but needs to be reviewed and similar processes implemented in North and West NPTs. The issues relating to the HTCUC property are ongoing and then need to be implemented and incorporated in the SOP. To be completed and implemented within 3 Months (End July 2016).*
3. *The documented procedure for the Ex Gratia payment process for misplaced property should clearly set out the complete process including the need for OIC reports. The updated procedure should be approved and included in the SOPs. Response: Accepted – Ongoing but needs adding to the SOP. To be completed within 2 Months (End June 2016).*
4. *Advisory - Consideration should be given to including the 'spot checks' as a procedure note, which should include a process to follow should discrepancies be identified. Response: Accepted – to be added to SOP and for consideration BIU audit plan. To be completed within 2 Months(End June 2016)*
5. *Advisory - Consideration should be given to making the description field a mandatory section on the register and to including reference to the level of detail that is required in the SOPs. Response –Risk acknowledged, constabulary considering this as part of the wider IT prioritisation and consideration of options around a property management system. To be kept under review.*

## 5. Matters Arising / Agreed Action Plan

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

#### Audit Finding

##### (a) Property Retention - From original report

- **Medium priority** (*partially implemented*)

There is an issue with store capacity making it difficult to locate property and increasing the risk of items being lost or damaged. There are no defined retention periods for held property resulting in some property being held for longer than necessary.

#### Outcome from follow up:

A force storage inventory check was undertaken by management in 2015. The check identified a number of discrepancies between the items held in storage to that recorded on the property register. Discussions held as part of this follow up audit confirmed that the inventory check also highlighted issues in the disposal process, in that items were being marked as disposed of but were not being physically removed. As a result of this exercise, many items held for long periods of time were disposed of.

Discussions held as part of the follow up indicated that in the last 12 months approximately 2,500 fewer items had been retained in storage compared to the previous 12 months.

There are still no defined retention periods for the items held, as times can vary depending on each case. However, the register now has a mandatory field in which the Officer has to record the Power under which the item is being held, and procedures have been introduced to monitor the items held on an ongoing basis. As part of an Officer's 5 or 15 week performance review they are reminded of the property they have booked in and discussions are held as to whether there is still a need to retain it. Evidence of the property discussed is included on the performance record. The requirement for this to be included as part of the performance review is documented at Appendix E (Crime and Evidence - Retention) in the SOPS.

Periodic spot checks of the Store are carried out by the front counter staff and the appropriate Officers contacted to confirm that there is still a need to retain the property. In addition to this the Front Counter Team Leader confirmed that she and her counterpart in the South carry out periodic spot checks to confirm a sample of items in the store agree to the register entries. Details of the items checks are noted and retained.

Although the spot checks provide an additional method for ensuring the accuracy of records etc. they do not form part of the documented procedure, and they are only carried out on an ad hoc basis.

**Recommendation:**

**(Advisory)**

Consideration should be given to including the 'spot checks' as a procedure note, which should include a process to follow should discrepancies be identified.

### Audit Finding

**(b) Property Retention - From original report**

● **Medium priority** (*partially implemented*)

Front counter staff are prevented from disposing of property until the Officer in Charge gives their approval and there was no formal process for reviewing the property held.

**Outcome from follow up:**

As mentioned in 5.1(a) there are reviews of property held carried out as part of Officer's performance reviews and during spot checks.

A process to be followed in the disposal of property has been included in the SOPS as a flowchart at Appendix F.

Requests for the disposal of property are managed by front counter staff in the issue of TORT letters. Appendix N of the SOPS makes reference to TORTS and to which Act that they can be used under. However, there is no procedure flowchart included in the SOPS covering each of the stages within this process.

**Recommendation:**

**(Medium)**

The Standard Operating Procedures for the Seizure, Management, Retention and Disposal of Personal Property should include the process to be followed by Officers and Staff when issuing a TORT letter.

### Audit Finding

**(c) Monitoring receipt, retention and disposal of property - From original report**

- **Medium priority** (partially implemented)

There are no policies or procedures in place around the monitoring of property taken into police possession, or to review the number of outstanding property items linked to an officer

**Outcome from follow up:**

As in 5.1(a)

**Recommendation:**

As in 5.1(a)

### Audit Finding

(d) **Property descriptions - From original report**

- **Medium priority** (partially implemented)

Property descriptions on property registers are not always sufficiently detailed.

**Outcome from follow up:**

An examination of the register confirmed that there is a drop down menu for Officers to use to detail the classification of the seized property. This is a mandatory field with a drop down menu to select from, for example mobile phone, clothing etc.

The next field 'description' which is not a mandatory field is for the Officer to provide more information on the item being held.

A number of records were displayed on screen and for the sample examined it could be seen that details recorded were adequate and records with several property items had been itemised separately in the description field.

Although there were no issues with the sample examined the SOPs do not include the need to itemise items separately or make reference to the level of detail that is required.

**Recommendation:****(Advisory)**

Consideration should be given to making the description field a mandatory section on the register and to including reference to the level of detail that is required in the SOPs.

**Audit Finding****(e) Maintenance of the property register - From original report****● Medium priority** *(partially implemented)*

The Property Register is not always updated when items of property are removed from, or returned to any store.

**Outcome from follow up:**

A procedure that was introduced to improve this process included restricting access to the main property store, introducing a holding store and controlling the deposit or removal of items by the front counter staff.

Front counter staff have responsibility for managing the movement of items to ensure they are given specific locations within the store and that the register is updated accordingly. Appendix D in the SOPS (Movement and Continuity) outlines this process.

As part of the audit testing carried out in this follow up, items in the store were selected at random and checked back to the property register to confirm the records were accurate. One of the items selected was a bag containing sample slides which had been sent to the Division from the lab. The record on the register for the property number quoted did not include any reference to the laboratory slides.

Audit were informed that direct access to the main property store is restricted to front counter staff, officers can go in to the store accompanied by a member of front counter staff. However, on occasion if front counter staff are working on their own and the property is required as a matter of urgency, officers may be left in the store unaccompanied. We were also informed that there is nothing to prevent Officers from allowing other Officers in to the store, bypassing the front counter. There is no signing in and out log maintained.

During the follow up, Internal Audit were informed that there have been problems when property items have been sent to the Hi-Tec Crime Unit (HTCU) for checking (e.g. phones). The item is booked out to the OIC to be sent to HTCU for examination and sometimes the item is sent back to the officer directly rather than to the front counter staff. The property can also be returned with HTCU's reference number rather than the property reference number

quoted, as a result there is a possibility that items can be returned to the Division and not be logged back in or be logged incorrectly.

The Counter Team Leader confirmed that they were looking at the possibility of having all property in these cases routed via the desk, to try to avoid the potential for property being misplaced.

**Recommendation:**

**(Medium)**

Management should give consideration to the current arrangements over access to the property store and the logging of items received from the laboratory and HTCUC.

### Audit Finding

(f) **Property descriptions - From original report**

- **Advisory Issue** (partially implemented)

The property register requires manual input of property descriptions which leads to inconsistencies.

**Outcome from follow up:**

As reported in 5.1(d) A drop down menu is now available to categorise the property item. However, there is still scope for inconsistencies in the completion of the description field.

**Recommendation:**

**As 5.1(d)**

### Audit Finding

(g) **Claim handling - From original report**

- **Medium priority** (partially implemented)

The Constabulary's claims handling process is not documented and consequently it is not clear how claims should be handled or where they should be directed to.

**Outcome from follow up:**

A report detailing ex-Gratia payments was obtained from Financial Services at Carlton Hall. The report indicated that there were a total of 20 claims totalling £4,350 since June 2014 across the force.

A draft procedure flowcharting the 'Ex Gratia payment process for misplaced property' has been prepared. We were informed that the procedure had been agreed by the Chief Superintendent of Territorial Policing Command, but not yet uploaded to the Sharepoint Site. As the procedure was considered a minor amendment it had not been submitted to the Ops Board for approval.

Discussions held during the audit with the Front Counter Team Leader, and evidence provided for one of the selected payments, confirmed that the draft procedure had been followed. However, discussions indicated and evidence was seen that reports are obtained from the Officer in the case (OIC) as to what enquiries have been undertaken in relation to the missing item. This part of the process is not documented in the 'Ex Gratia payment process for misplaced property' procedure.

**Recommendation:****(Medium)**

The documented procedure for the *Ex Gratia payment process for misplaced property* should clearly set out the complete process including the need for OIC reports. The updated procedure should be approved and included in the SOPs.

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

# Cumbria Shared Internal Audit Service

## Internal Audit Report for Cumbria Constabulary



Agenda Item 17 (iii)



## Audit of the Main Financial Systems: Police Pensions

Draft Report Issued: **24th March 2016**

Final Report Issued: **22<sup>nd</sup> April 2016**

## Audit Resources

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## Audit Report Distribution

For Action:	Ann Dobinson (Head of Central Services) Michelle Bellis (Deputy Chief Finance Officer)
For Information:	Stephen Kirkpatrick (Director – Corporate support) Roger Marshall (Chief Constable’s Chief Finance Officer) Ruth Hunter (PCC Chief Finance Officer / Deputy Chief Executive)
Audit Committee	The Joint Audit and Standards Committee, which is due to be held 3 <sup>rd</sup> May 2016, will receive the report.

### 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



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

## 1. Background

- 1.1 This report summarises the findings from the audit of Cumbria Constabulary's Police Pensions. This was a planned audit assignment which was undertaken in accordance with the 2015/16 Audit Plan, as part of a cyclical review of main financial systems.
- 1.2 The Constabulary contracts out police pension's administration, this includes the calculation of pensions and lump sums. Pensions are important to the organisation because they are a large area of expenditure. Pensions benefits payable total around £30m per year and it's important that police officers draw pensions and lump sums that fully reflect the record of contributions they paid during service.
- 1.3 The Pensions Ombudsman issued his final determination in the case of Milne v the Government Actuary's Department (GAD) on 13 May 2015 meaning that Police officers who retired between 1 December 2001 and 30 November 2006 were due redress in respect of their lump sum payments. Tables of factors to be used in calculating redress were prepared by GAD and supplied to pension scheme administrators with detailed guidance. The government expected pension's administrators to make the majority of calculations by December 2015 and the majority of back dated lump sum payments by April 2016.

## 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 Sponsors for this review were the Head of Central Services and Deputy Chief Finance Officer and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls in the following areas:
  - Data quality
  - Backdated lump sum adjustment payments calculated by Capita.

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 pension lump sums 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 is 1 audit recommendations arising from this review.

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

5. Value - effectiveness and efficiency of operations and programmes	-	-	-
<b>Total Number of Recommendations</b>	-	<b>1</b>	-

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

- Back dated amounts owed to police officers were paid in full within Home Office deadlines.
- The contract for pensions administration makes it clear that any errors in payment resulting in losses or claims for damages will be met by the Contractor. The Contracting Authority will not indemnify the Contractor for any such loss.

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:*

- Arrangements are not currently in place to give full assurance to management that adequate data quality checks are undertaken on information supplied to the contractor and used in the pension lump sum calculations.

4.4.3 *Advisory issues:*

- None.

**Comment from the Director of Corporate Support**

*Whilst broadly welcoming the findings of the Police Pensions audit report, together with the strengths identified, I do not fully agree with the assurance level achieved being reasonable as I feel that the Constabulary have substantial levels of assurance in place across this important*

*business area. The professional judgement of both the Head of the Central Services and the Deputy Chief Finance Officer is that both sufficient and substantial levels of assurance are in place around the area of data quality information checks.*

*I am comfortable to accept the recommendation in that further definition regarding the data quality checks are to be implemented as we move to a new Pensions contractor, however I feel that the standard of service and checks in this area already provides the Constabulary with substantial assurance. The information is prepared by two fully trained members of Central Services staff, one completes the information and this is then checked by another. The Contractor undertakes the pension calculations before returning to the Constabulary where a fully trained member of Central Services staff checks the information before granting authorisation to pay.*

*This all said, the Constabulary and the Central Services team will, working with the new contractor, address the recommendations made within the timescales identified.*

#### **Comment from the Constabulary Chief Finance Officer**

*My comments would echo those of the Director of Corporate Support. I am confident that the checks and balances operating within the Constabulary in relation to pensions administration are robust and provide substantial assurance. However, I do recognise that this is an inherently high risk area of business, involving large sums of money and complex calculations, where errors may not be discovered for many years. Most of this risk involves the work undertaken by the pensions contractor. In this context I have and will continue to seek assurance that the pensions contractor has in place its own internal control processes in relation to the accuracy of pension calculations.*

## 5. Matters Arising / Agreed Action Plan

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

● Medium priority

Audit finding	Management response
<p><b>a) Data Quality Assurance</b></p> <p>The pension administration contractor calculates pension lump sum payments and any back dated lump sum payments on the basis of information provided by the Central Services Department. The information is collated for the contractor on a standard form and checked before issue. The contractor performs the calculation and returns it to the Central Services Department for review and authorisation to pay.</p> <p>The check list on the pensions file is ticked to evidence that checks have been undertaken prior to submission to the contractor. The level of check is not specified, and the checks are not signed or dated as confirmation.</p> <p>Similarly, Central Services Department’s check of contractor calculations prior to authorisation, to ensure they have used data supplied by the Constabulary, is not specified or evidenced.</p> <p>It is crucial that management have arrangements in place to provide assurance that high quality data is provided to the contractor for the calculation of pension lump sum payments and any back dated payments. Individual pension lump sum payments typically total over £100k and GAD back dated payments averaged £17k. A new contractor has been appointed from April 2016.</p>	<p><b>Agreed management action:</b></p> <p>All payroll officers have received full training in what to check with regard to the pension and lump sum data supplied to the contractor. One member of staff undertakes the calculations and completes the form, this is then passed to another trained member of staff which checks the calculations are correct and places a tick against all areas checked. The form is then signed as being checked and submitted to the Contractor for payment. The retained copy of the form evidences the checks completed and shows the signature of the person performing the checks. This provides management with the necessary assurance.</p>
<p><b>Recommendation 1:</b></p> <p>Management should document their requirements regarding the data quality checks to be undertaken on data provided to the new contractor and calculations performed by the contractor. These checks should be communicated to staff and arrangements should be in place to give assurance to management that the required checks are undertaken.</p>	<p>The pension administration contractor is changing in April 2016. There will therefore be new processes and procedures to adopt. These new processes and procedures will be fully documented and staff will received appropriate training.</p>

Risk exposure if not addressed:

- Management are not provided with full assurance that pension calculations are accurate and based on quality data.
- Reputational damage arising from inaccurate payments.

Responsible manager for implementing **Head of Central Services**

Date to be implemented:  
**April/May 2016**

# Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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

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# Cumbria Shared Internal Audit Service

## Internal Audit Report for Cumbria Constabulary



Agenda Item 17 (iv)



## Audit of Main Financial Systems: Creditors

Draft Report Issued: **24th March 2016**

Final Report Issued: **22nd April 2016**

## Audit Resources

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Audit Manager	Emma Toyne	emma.toyne@cumbria.gov.uk	01228 226254
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## Audit Report Distribution

For Action:	Ann Dobinson (Head of Central Services) Michelle Bellis (Deputy Chief Finance Officer)
For Information:	Stephen Kirkpatrick (Director – Corporate support) Roger Marshall (Chief Constable’s Chief Finance Officer) Ruth Hunter (PCC Chief Finance Officer / Deputy Chief Executive)
Audit Committee	The Joint Audit and Standards Committee, which is due to be held 3 <sup>rd</sup> May 2016, will receive the report.

### 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



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

## 1. Background

- 1.1 This report summarises the findings from the audit of Cumbria Constabulary's Creditor Payments System. This was a planned audit assignment which was undertaken in accordance with the 2015/16 Audit Plan, as part of a cyclical review of main financial systems.
- 1.2 The creditor payments function is within the Central Services Department (CSD), and comprises a mix of electronic procurement and non-electronic procurement for ordering. The Creditor payments system is important to the Constabulary and the OPCC as one of the main means of expenditure, and a key interface with suppliers. Accounts payable performance is monitored, and a key indicator is payment to suppliers' terms.

## 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 Sponsors for this review were the Head of Central Services and Deputy Chief Finance Officer and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls in the following areas:

- Procedures and training;
- Permissions and responsibilities;
- Supplier maintenance and set up;
- System reporting and reconciliations;
- Performance monitoring and reporting.

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 creditors 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. <b>Management</b> - achievement of the organisation's strategic objectives	-	-	-
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.1)	-	2	-
3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.2)	-	1	-
4. <b>Security</b> - safeguarding of assets	-	-	-
5. <b>Value</b> - effectiveness and efficiency of operations and programmes	-	-	-

<b>Total Number of Recommendations</b>	-	<b>3</b>	-
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4.3 **Strengths:** The following areas of good practice were identified during the course of the audit:

- Service standards are clearly defined and performance is kept under regular review and reported to senior management.
- System validations, exception reporting and reconciliation arrangements contribute to the quality of data in the accounts payable and accounting systems.
- The approval and creation of user access profiles is well controlled and takes account of roles to ensure adequate segregation of duties.
- The system ensures timely payments are made that meet supplier payment terms.

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:*

- Accounts payable procedures are not dated or version controlled and there is no evidence that they have been reviewed to ensure that they meet all the needs of those working in the service, and to take account of any changes that have occurred.
- Central Services Departments staff do not consistently receive formal, structured feedback regarding their performance on a regular basis.
- Arrangements for deactivating suppliers have not been defined, agreed, communicated and monitored.

4.4.3 *Advisory issues:*

- None

**Comment from the Director of Corporate Support**

*I am satisfied with the findings of the Creditors financial systems 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 this crucial service. I am confident that the appropriate procedures are in place and are fit for purpose, although recognise that they are not dated or version controlled. Each of the recommendations will be addressed as Central Services functions are reviewed within agreed timescales.*

**Comment from the Constabulary Chief Finance Officer**

*I also welcome the findings of the audit report in relation to creditors as part of the financial systems and am satisfied with the overall conclusion that internal controls are operating effectively in this area. We will respond positively to the audit recommendations made in accordance with the agreed management action plan.*

## 5. Matters Arising / Agreed Action Plan

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

● **Medium priority**

Audit finding	Management response
<p><b>a) Procedures</b></p> <p>Accounts payable procedure notes are available electronically to staff in a shared Central Services Department folder. The majority of procedure notes were supplied by the software supplier as part of initial training in 2012, supplemented by internal procedures and there have been no system developments since implementation in 2012. The internal procedures are not dated or version controlled and there is no evidence that they have been reviewed to ensure that they continue meet all the needs of those working in the service.</p> <p>Central Services Department processes have recently been mapped as part of the Constabulary's change programme and current review of the department. The mapping was completed via a combination of discussions with practitioners and observations. The resulting maps were shared with and agreed as accurate by the service and will be utilised as the basis for process improvement proposals. Central Services Department intend to replace or supplement some of the existing procedures with process maps. For instance the arrangements around the authorisation of new supplier set up, checks undertaken to verify supplier change of bank details, confirmatory checks undertaken and the evidencing of this.</p>	<p>Current processes are being reviewed by the Change Team as part of the Admin Review (Phase 1). CSD management are working closely with the Change team to review, amend and implement new streamlined processes and procedures.</p> <p>New agreed processes will be documented and staff will be provided with full training as necessary.</p> <p>All new procedures will be version controlled, held easily accessible and regularly reviewed.</p>
<p><b>Recommendation 1:</b></p> <p>Once the Central Services Department review is finalised arrangements should be made to review and update accounts payable procedures and ensure the following :-</p> <ul style="list-style-type: none"> <li>• Staff are made aware of new / updated procedures and where to access them with training provided where necessary.</li> <li>• Procedures are dated or version controlled.</li> </ul>	

<ul style="list-style-type: none"> <li>• Only the latest versions of procedures should be available for staff to follow.</li> <li>• Procedures are kept under regular review.</li> </ul>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> <li>• Inconsistent practices.</li> <li>• Inefficient or ineffective service delivery.</li> </ul>	<p>Responsible manager for implementing:  <b>Head of Central Services</b></p> <p>Date to be implemented:  <b>May to September 2016</b></p>

● **Medium priority**

<b>Audit finding</b>	<b>Management response</b>
<p><b>b) Staff Performance</b></p> <p>Performance development reviews are not mandatory for police staff and have therefore not been undertaken within Central Services Department. The College of Policing has developed a national performance development review model for all officers (and police staff equivalent grades) up to Chief Superintendent. All forces are expected to have an appraisal process in place from April 2016 that meets standards set out by the College of Policing.</p> <p>Central Services Department management staff are subject to regular, structured supervision and feedback regarding their performance. This arrangement does not cascade down to the rest of the team. Instead, a system of weekly sub team meetings by function (e.g. procurement team) has been introduced to relay relevant information to staff, share practices, discuss issues and provide some resilience in the department. The meetings (involving five to six members of staff) are also used to discuss and provide feedback on team performance and performance issues are addressed. However, this does not provide for staff to receive regular, structured one-to-ones with their managers in order to obtain performance feedback at an individual level and raise issues with</p>	<p>The force is in the process of implementing a full staff appraisal system. All Central Services staff will be included in this new system and will be subject to annual performance appraisals.</p> <p>CSD management monitor individual performance on an ongoing basis; performance both good and bad is feedback to individuals. Where poor performance is identified, this is addressed, advice and training given. Should poor performance persist then this would be addressed through Capability procedures</p>

<p>their managers on a formal basis.</p>	
<p><b>Recommendation 2:</b></p> <ul style="list-style-type: none"> <li>• Arrangements should be in place for all Central Services Department staff to receive formal, structured feedback regarding their performance on a regular basis.</li> </ul>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Poor performance.</li> <li>• Training, development and support needs are not identified and addressed.</li> <li>• Failure to continuously improve the service.</li> </ul>	<p><b>Responsible manager for implementing:</b>  <b>Head of Central Services</b></p> <p><b>Date to be implemented:</b>  <b>As soon as the appraisal system is available</b></p>

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

● **Medium priority**

<b>Audit finding</b>	<b>Management response</b>
<p><b>a) Supplier Maintenance</b></p> <p>There is a process in place to report on suppliers that haven't been active for a period of time and consider them for deactivation within the accounts payable system. The last exercise was undertaken in December 2015 and over 600 suppliers were deactivated within the system. Management have not defined and agreed the frequency of this process or the period of inactivity consequently the process is not included in current procedures.</p> <p><b>Recommendation 3:</b></p> <ul style="list-style-type: none"> <li>• Arrangements for deactivating suppliers should be defined, agreed, communicated and monitored.</li> </ul>	<p>It has been agreed that an annual exercise will be carried out in January/February each year to review and deactivate any supplier where there has been no transactional activity for 15 months or more.</p>

Risk exposure if not addressed:

- Accounts payable system becomes unmanageable.
- Excessive retention of supplier data.

Responsible manager for implementing:

**Head of Procurement**

Date to be implemented:

**13 April 2016**

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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

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# Cumbria Shared Internal Audit Service

## Internal Audit Report for Cumbria Constabulary



Agenda Item 17 (v)



## Audit of Surrendered and Seized Firearms

Draft Report Issued: **17<sup>th</sup> March 2016**

Final Report Issued: **25<sup>th</sup> April 2016**

## Audit Resources

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

## Audit Report Distribution

For Action:	Sean Robinson (Detective Chief Superintendent Crime Command)
For Information:	Paul Telford (Inspector – Firearms Ops Unit) Mark Pannone (Superintendent) Darren Martland (Assistant Chief Constable)
Audit Committee	The Audit Committee, which is due to be held on 3 <sup>rd</sup> May 2016, will receive the report.

### 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



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

## 1 Background

- 1.1 This report summarises the findings from the audit of surrendered and seized firearms within Cumbria Constabulary. This was a planned audit assignment which was undertaken in accordance with the 2015/16 Audit Plan.
- 1.2 The management of surrendered and seized firearms is important to the organisation because it safely removes unwanted and illegal firearms from circulation in the county. This contributes directly to a key objective in the Police and Crime Plan for Cumbria 2013-17, to improve community safety.
- 1.3 Cumbria Constabulary actively participate in national and regional firearms amnesties. They are opportunities for the public to safely surrender unlicensed and unwanted firearms and ammunition. A north-west regional firearms amnesty is scheduled to take place in April 2016.

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

- Arrangements for receiving, recording, storing and the retention and disposal of surrendered and seized firearms.

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 seized and surrendered firearms 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 **six** audit recommendations arising from this review.

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

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

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

- There is visible senior management support for reducing the volume of unwanted and illegal firearms in circulation in the county, including active participation in national and regional gun amnesties.
- The public are actively encouraged to surrender unwanted and unlicensed firearms during gun amnesties as part of a force media strategy.
- There is close liaison between Firearms Operations and Firearms Licencing teams.
- Safety is paramount during the seizing and surrender of firearms and this message is clearly conveyed through communications, guidance material and the availability of authorised firearms officers throughout the county.
- Access to armouries is carefully restricted and both successful and unsuccessful access attempts are logged.

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:*

- Firearms recovery procedures have not been updated since 2011 and do not incorporate all current aspects of firearms handling.
- Firearm awareness and safe recovery training does not make reference to the policy and procedures and where staff can access them.
- Arrangements for initial receipting of surrendered firearms and ammunition could be further strengthened.
- Arrangements are not in place to confirm that firearms and ammunition records are complete and accurate.
- Force policy does not include arrangements for dealing with seized and surrendered firearms that cannot be returned to lawful owners.

#### 4.4.3 Advisory issues:

- Information is not available to the public regarding the ongoing arrangements for surrendering unwanted and unlicensed firearms.

**Comment from the Assistant Chief Constable:**

*I can confirm that I have read the attached report, recommendations and update provided by the Operations Support (OS) Dept. by Supt. Pannone, on behalf of the Constabulary. I can confirm that:*

- *I am aware of the actions the constabulary has signed up and have arrangements in place to monitor their implementation*
- *I am satisfied that the actions identified by the OS Dept., to address the issues and risks identified within the audit to an acceptable level*
- *I understand that the report will be finalised and reported to the next Joint Audit & Standards Committee.*

*The 6 x recommendations will be implemented by 30th April 2016 and I can confirm that compliance will be monitored at the Operations Programme Board, and I will ask for a progress update report to be included in the July meeting.*

**Darren Martland.**

**Assistant Chief Constable.**

## 5 Matters Arising / Agreed Action Plan

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

● Advisory priority

Audit finding	Management response
<p>a) <b>External Communications</b></p> <p>During the 2014 firearms amnesty the media team organised a series of press releases and internal communications that provided full and detailed information to the public and staff regarding the arrangements for surrendering unwanted and unlicensed firearms and ammunition. Outside of a firearms amnesty the public cannot readily find out the arrangements in place in terms of what can be surrendered, where and when. There is no published information; specific enquiries have to be made with Firearms Licensing Officers or Enquiry Officers.</p> <p>Improved communication of the arrangements might result in further surrenders thereby reducing the volume of unlicensed and unwanted firearms in circulation throughout the county and potentially available for crime.</p>	<p><b>Agreed management action:</b></p> <p>Information provided to the public during Firearms Surrender initiatives to be reviewed, rendered generic and made available year-round via the Constabulary website.</p> <p>An inference on the existing leaflet 'Information to Licence Holders' provided with every shotgun and firearms certificate that police will accept unwanted firearms/ammunition to be expanded and made explicit.</p>
<p><b>Recommendation 1:</b></p> <p>Information should be readily available to the public regarding how to surrender unlicensed and unwanted firearms and ammunition.</p>	<p><b>Responsible manager for implementing:</b> 999 Telford</p> <p><b>Date to be implemented:</b> 30<sup>th</sup> April 2016</p>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Failure to reduce the volume of illegally held / unwanted firearms in circulation in the county.</li> <li>• Increase in gun crime.</li> </ul>	

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

● **Medium priority**

Audit finding	Management response
<p><b>a) Firearms Recovery Procedures</b></p> <p>The Firearms Recovery Policy and supporting procedures are published on the force intranet and accessible to all staff. Firearm awareness and safe recovery training is delivered to enquiry office staff but it does not currently make reference to the policy and procedures and where staff can access them. Management arrangements are not currently in place to make sure staff are aware of the Firearms Recovery Policy and supporting procedures and how to access them, particularly following updates.</p> <p>The policy was last refreshed in 2015 but there is no evidence of the procedures being reviewed since 2011 to ensure that they meet all the needs of those working in the service, and to take into account changes as they have occurred. For instance the procedures do not reflect changing responsibilities between the firearms licensing department and firearms operations unit and they do not incorporate arrangements around the transport of firearms, disposal of firearms, the cyber lock system or the need for prompt entry to the property register. Clear, comprehensive and up to date procedures would help to provide greater transparency and consistency in the way the unit operates and give practical guidance to staff in terms of what is expected of them.</p>	<p><b>Agreed management action:</b></p> <p><b>Recommendation 2:</b> Reference to the Policy &amp; Procedures to be added to the Firearms Awareness Course lesson plan and covered in training, and a link sent to attendees as pre-read material in the course Joining Instructions. Changes to processes to be communicated to all staff via Force Orders as standard.</p> <p><b>Recommendation 3:</b> Firearms Recovery Policy and associated procedures documents to be reviewed, updated and consolidated, to include detail on security, retention and disposal of firearms, ammunition, black powder (gun powder), fireworks and flares. See also Recommendation 6.</p>
<p><b>Recommendation 2:</b> Management arrangements to ensure that firearms recovery procedures are up to date, incorporate all aspects of firearms handling and are kept under regular review should be established.</p> <p><b>Recommendation 3:</b> Management should ensure that staff involved in handling firearms are aware of the Firearms Recovery Policy and supporting procedures and how to access them.</p>	

<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> <li>• Inconsistent practices.</li> <li>• Inefficient or ineffective service delivery.</li> <li>• Harm.</li> </ul>	<p>Responsible manager for implementing: 999 Telford</p> <p>Date to be implemented: 30<sup>th</sup> April 2016</p>
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**5.3 Information** - reliability and integrity of financial and operational information.

● **Medium priority**

Audit finding	Management response
<p>a) <b>Receipt of Surrendered Firearms</b></p> <p>Enquiry desks in police stations are generally only manned by one Enquiry Officer. Procedures do not require dual receipt of firearms and they do not require a receipt to be issued to the member of public acknowledging the surrender of the firearm. Consequently there is no arrangement in place to verify and evidence the initial receipt of a firearm and this places the Enquiry Officer, firearms officer and license holder in a vulnerable position.</p>	<p>Agreed management action:</p> <p>Consider issuing Property Receipts to all persons surrendering firearms and ammunition. This conflicts with current Enquiry Office practice where no receipt is given for other property taken – audit of Property Handling 2013 and Audit follow-up in Feb 2016 did not raise this as an issue.</p>
<p>Recommendation 4:</p> <p>Arrangements for the initial receipting of surrendered firearms and ammunition should be considered in order to further strengthen the arrangements in place.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> <li>• Loss or theft of firearms and ammunition.</li> <li>• Reputational damage.</li> <li>• Staff and licensed owners subject to unwarranted suspicion.</li> </ul>	<p>Responsible manager for implementing:</p> <p>Date to be implemented:</p>

## ● Medium priority

Audit finding	Management response
<p><b>b) Armoury Checks</b></p> <p>There is no arrangement in place for management to gain assurance that armoury records are complete and accurate. There is evidence that the Inspector (Firearms Operations Unit) examines armoury records and supporting documentation during armoury visits and follows up on data quality issues with relevant staff. These visits are informal and unscheduled. Full inventory checks are not undertaken and documented to ensure that armoury records are accurate and all seized / surrendered firearms can be accounted for.</p>	<p><b>Agreed management action:</b></p> <p>Regular scheduled and formal supervisory audit of each Seized Firearms Store and transit Cabinet against newly operating electronic Firearms Property Register and local paper Armoury Register. Suggest quarterly audit by Inspector, Firearms Operations Unit, reporting to OS Mgt meeting or directly to Supt, OS.</p>
<p><b>Recommendation 5:</b></p> <p>Arrangements should be in place to assure management that firearms and ammunition records are complete and accurate.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Poor quality record keeping.</li> <li>• Loss or theft of firearms and ammunition.</li> <li>• Reputational damage.</li> </ul>	<p><b>Responsible manager for implementing:</b></p> <p>999 Telford</p> <p><b>Date to be implemented:</b></p> <p>30<sup>th</sup> April 2016</p>

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

● **Medium priority**

Audit finding	Management response
<p><b>a) Disposal Policy</b></p> <p>The Firearms Recovery Policy (and supporting procedures) does not detail what the force does with seized and surrendered firearms that cannot be returned to lawful owners. A decision has been taken within the Firearms Operations Unit to destroy items by smelting and remove them completely from circulation. This decision is supported by a risk assessment and operation order and supports policing objectives but it is not included in force policy.</p>	<p>Agreed management action:</p> <p>Formalise current practice and include in existing Policy and Procedures documents. See also Recommendation 3.</p>
<p><b>Recommendation 6:</b></p> <p>Management should define their requirements regarding arrangements for seized and surrendered firearms and ammunition that cannot be returned to lawful owners. Arrangements should be approved and incorporated into the Firearms Recovery Policy.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Failure to contribute to policing objectives.</li> <li>• Ineffective or inefficient service delivery.</li> </ul>	<p>Responsible manager for implementing: 999 Telford</p> <p>Date to be implemented: 30<sup>th</sup> April 2016</p>

## Appendix A

## Audit Assurance Opinions

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

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

## Grading of Audit Recommendations

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

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

### Recommendation Follow Up Arrangements:

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



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

**Year ending 31 March 2016**

April 2016

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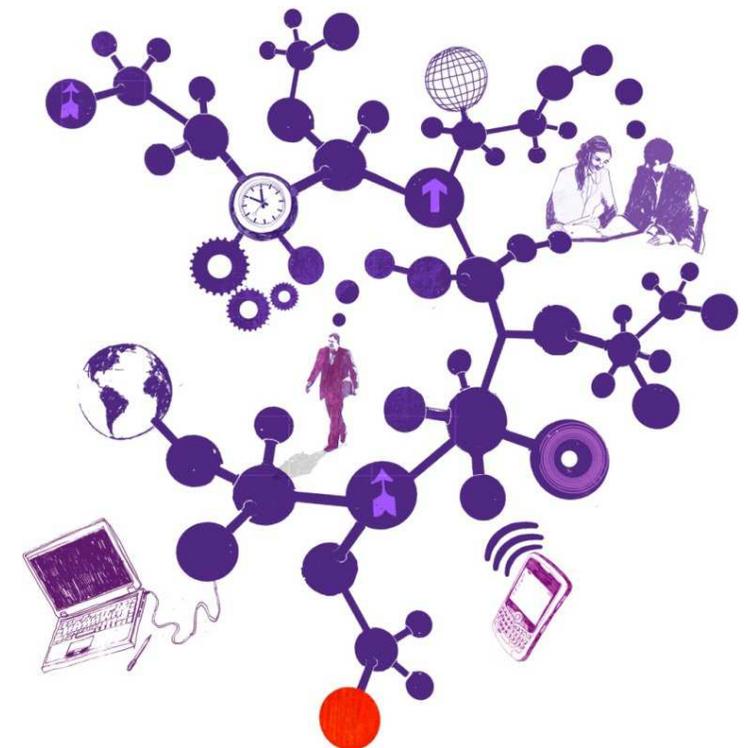
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to 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.

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# Introduction

In March 2016 we reported to you our joint audit plan for the audit of Cumbria's Chief Constable and Police and Crime Commissioner. We have subsequently completed our interim audit and our initial Value for Money, (VFM) risk assessment.

This report includes:

- reporting of the outcome of our interim audit work
- the results of our initial VFM risk assessment.

We have not identified any new or changed risks with respect to our planned work on the accounts of the Chief Constable and the Police and Crime Commissioner. We have identified two risks in relation to your arrangements for Value for Money on which we will complete further detailed work before giving our VFM conclusion:

- financial sustainability
- Police effectiveness, efficiency and legitimacy – response to the PEEL review.

## Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
<b>Internal audit</b>	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to the PCC's or the Chief Constable's attention.	Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the PCC and the Chief Constable and that internal audit work contributes to an effective internal control environment at both entities.
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	Our work has identified no material weaknesses which are likely to adversely impact on the Police and Crime Commissioner's or the Chief Constable's financial statements.

## Results of interim audit work (continued)

	Work performed	Conclusion
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Police and Crime Commissioner's and the Chief Constable's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. This includes documenting our understanding of payroll and pensions processes, operating expenditure, PPE and the Police Officer Pension Fund.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Police and Crime Commissioner and the Chief Constable in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
<b>Journal entry controls</b>	We have reviewed the Police and Crime Commissioner's and the Chief Constable's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Police and Crime Commissioner's or the Chief Constable's control environment or financial statements.	Our work has not identified any weaknesses which impact on our audit approach.
<b>Early substantive testing</b>	<p>We have worked closely with the finance team to identify areas of the 2015/16 accounts that can be audited early. We have carried out initial audit procedures on:</p> <ul style="list-style-type: none"> <li>• Opening Balances</li> <li>• PPE asset register agreement to ledger</li> <li>• Assets Held for Sale</li> <li>• Bank reconciliations</li> <li>• Exit Packages</li> <li>• Audit Fees</li> <li>• Minimum Revenue Provision</li> <li>• Police Officer Pension Fund benefits payable</li> <li>• Police Officer Pension Fund contributions</li> <li>• Accounting Policies</li> </ul> <p>Further audit procedures will be required once the final accounts are submitted for audit, however this work will be reduced because of that already done at the interim visit.</p>	Our early work has not identified any material misstatements or issues to report.

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

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# Value for Money (continued)

## **Risk assessment**

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including Her Majesty's Inspectorate of Constabulary (HMIC).
- illustrative significant risks identified and communicated by the NAO.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

*A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

# Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	PCC / CC / Both	Link to sub-criteria	Work proposed to address
<p><b>Financial sustainability</b></p> <p>The PCC has set a balanced budget for 2016/17 as a result of work in 2015/16 to review expenditure and reduce costs. Even so there is still a need to find £9 million of savings between 2017 and 2020. By the end of February 2016 plans had been developed for delivering the savings but are still to be implemented. Historic savings have been delivered through efficiency savings in back office and support costs but now over the next four years there will be reductions in the front line police officers. Even though Cumbria Police has a good record of delivering savings through its 'Change Strategy' delivering savings of £9 million represents a significant challenge.</p>	Both	This links to the PCC's and Chief Constable's arrangements for ensuring they plan finances effectively to support their strategic functions and arrangements for ensuring informed decision making.	We will review the PCC's and Chief Constable's arrangements for updating, agreeing and monitoring its financial plans including the assumptions within them. We will also consider the arrangements in place to monitor the delivery of the Change Strategy.
<p><b>Police effectiveness, efficiency and legitimacy (PEEL) review</b></p> <p>The latest PEEL review has assessed Cumbria Constabulary's effectiveness at keeping people safe and reducing crime as 'Requires Improvement'. The areas requiring improvement were responding to vulnerable victims, investigating crime and managing offenders and understanding of serious and organised crime. The risk is that arrangements are not put in place to monitor the delivery of the required improvement.</p>	Both	This links to the PCC's and Chief Constable's arrangements for acting in the public interest through demonstrating and applying the principles of good governance.	We will review how the Constabulary is implementing and monitoring delivery of plans to address the findings of Her Majesty's Inspectorate of Constabulary (HMIC) reviews.

## Reporting

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



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