

**Enquiries to: Mrs M Demczuk  
Telephone: 0300 1240113  
ext. 44438**

**Our reference: MD**

**Date: 31<sup>st</sup> August 2018**

## **AGENDA**

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

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

A Meeting of the Joint Audit & Standards Committee will take place on **Wednesday 12<sup>th</sup> September 2018** in **Conference Room One**, Police Headquarters, Carleton Hall, Penrith, at **10:30am**.

In the afternoon, a private members development session will be held (2- 4 pm) in respect of the JASC Action Plan, feedback from Grant Thornton Audit Committee Event and Police and Crime Plan.

**Gillian Shearer  
Chief Executive**

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

Please note – there will be a private members meeting from 9.30am – 10.15am

### **COMMITTEE MEMBERSHIP**

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

## **AGENDA**

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

1. **APOLOGIES FOR ABSENCE** (apologies received from Jack Jones, DCC Mark Webster)
  
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 19 July 2018.
  
5. **ACTION SHEET**  
To receive the action sheet from previous meetings.
  
6. **CORPORATE UPDATE**  
To receive a briefing on matters relevant to the remit of the Committee.  
*(To be presented by the Deputy Chief Constable and OPCC Chief Executive)*
  
7. **GOVERNANCE FOR APPRENTICESHIPS**  
To receive from the Apprenticeship Manager Coordinator the proposal on governance for apprenticeships. *(To be presented by the Apprenticeship Manager Coordinator)*

- 8. MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS**  
To receive an updated summary of actions implemented in response to audit and inspection recommendations. *(To be presented by the Joint Chief Finance Officer)*
- 9. GRANT THORNTON EXTERNAL AUDIT: ANNUAL AUDIT LETTER**  
To receive from the External Auditors the Annual Audit Letter and reports *(To be presented by Grant Thornton)*.
- 10. INTERNAL AUDIT PROGRESS REPORT**  
To receive reports from Internal Auditors regarding the progress of the Internal Audit Plan *(To be presented by the Audit Manager)*.
- 11. INTERNAL AUDIT REPORT(S)**  
To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the committee. *(To be presented by the Audit Manager)*
  - (i) Safeguarding Hub
- 12. TREASURY MANAGEMENT ACTIVITIES**  
To receive for information reports on Treasury Management Activity – Quarter 1. *(To be presented by the Deputy Chief Finance Officer)*.

**Future Meeting Dates (For Information)**

22 November 2018 @ 13:00 – Conference Room 2  
20 March 2019 @ 10:00 – Conference Room 2  
23 May 2019 @ 10:30 – Conference Room 2  
24 July 2019 @ 10:30 – Conference Room 2  
19 September 2019 @ 10:30 – Conference Room 2

The page is left intentionally blank

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

### **JOINT AUDIT & STANDARDS COMMITTEE**

Minutes of a joint meeting of the Joint Audit & Standards Committee and the Police and Crime Commissioner held on Thursday 19th July 2018 in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 10.30 am

#### **PRESENT**

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

#### **Also present:**

Principal Auditor, Cumbria Shared Internal Audit Service, Cumbria County Council (Sarah Fitzpatrick)  
Director, Grant Thornton (Robin Baker)  
Chief Executive, Office of the Police and Crime Commissioner (Gillian Shearer)  
Joint Chief Finance Officer (Roger Marshall)  
Deputy Chief Finance Officer (Michelle Bellis)  
Financial Services Manager (Lorraine Holme)  
Governance Manager (Joanne Head)  
Chief Constable (Michelle Skeer)  
Police and Crime Commissioner (Peter McCall)  
Director of Corporate Support (Stephen Kirkpatrick)  
Financial Services Apprentice (Monika Demczuk)

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

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

#### **418. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Richard McGahon (Senior Manager, Grant Thornton), Mark Webster (Temporary Deputy Chief Constable) and Emma Toyne (Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council).

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

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

#### **420. DISCLOSURE OF PERSONAL INTERESTS**

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

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

The draft minutes of the meeting held on 24<sup>th</sup> May 2018 had been circulated with the agenda. The minutes were first reviewed for factual accuracy. Clarification to the item 413 Annual Governance Statement was provided by JCFO and DCFO, that the PCCCFO had left the organisation by way of voluntary redundancy.

The committee approved the minutes as a true record of the meeting.

**RESOLVED**, that the minutes of the meeting held on 24<sup>th</sup> May 2018 be approved.

#### **422. ACTION SHEET**

The action sheet of the meeting held on 24<sup>th</sup> May 2018 had been circulated with the agenda. The following comments were made:

**RESOLVED**, All items were resolved.

#### **423. AUDIT FINDING REPORT**

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

The Director then explained that audit was now substantially complete and there were no outstanding matters. The only thing outstanding was the completion of the report and a final review of the audit files. All risks that were set out in the audit plan had been addressed, and were the standard risks that would be addressed for any police client. It was also noted that a materiality figure of £2.6m was set for the audit.

The most important risk related to the valuation of the net liability of the pension fund. The Director reported that following detailed work, an anomaly in the accounting disclosures had been identified. Incorrect data had been submitted to the scheme actuary by the county council which resulted in the accounting disclosures having to be re-run for a third time. All appropriate adjustments have now been done, and the Director is happy to report that there is no material errors in overall number.

The second important risk factor related to land and buildings, the valuation of which currently stands at approximately £52m. The Director commented that 15% of the assets had been revalued by external valuers during the year. Work demonstrated that the remaining assets valuation was still reasonable, but it is suggested that workings should be better documented and evidenced in the future. Again, there was no matters to bring to the committee's attention.

The DCFO explained the valuation formula and movement of properties in portfolio. In future years steps will be taken to more evenly distribute the split of valuations between years, consideration is currently being given to moving to a two yearly cycle (currently three yearly) and also provide better documentation of the review of non revalued assets. The Director explained the differences in valuations of the police properties.

The Director commented that the accounts were prepared to high standard, providing assurance and no material errors or inaccuracies had been identified. The Director stated that statements of the accounts could be signed during the committee meeting. The Director explained that there are still final checks that must be carried out, and that is why he will sign their part early next week.

The Director also noted that there is no inconsistencies in the Annual Governance Statement and the Financial Statements. Grant Thornton intend to issue a clean (unqualified) audit opinion on both sets of financial statements and in respect of the value for money conclusion. The Director asked members to note findings from the audit.

The Director lastly thanked Grant Thornton and Constabulary staff for their work and cooperation.

The committee welcomed the report, one member asked for clarity on the issue of miscalculation of LGPS pension data. The DCFO explained the process, clarified why miscalculation had arisen, and also outlined the steps taken to protect against such an error arising in the future. The DCFO clarified that this miscalculation had no material impact on the core financial statements but had resulted in some notes to the accounts being amended.

The chair stated that the committee had spoken to the auditors prior to the meeting and that it was clear from the discussion that the finance team had approached and solved the issue correctly and professionally. The chair asked about the data accuracy agreement with the county council, the DCFO explained that there was no such agreement but steps had been agreed with the county council that any changes to data submissions in the future would be signed off by the finance team before submission to the scheme actuary.

A member asked question about data in the report and valuation rolling program. DCFO answered the question, explained split of type of valuations and frequency, and outlined future plans to reduce the risk in this area.

The chair asked for clarification regarding the income of CC. The Director explained that CC income comes principally from PCC but acknowledge other sources of income and explained how income and recoverability were tested.

In response to a further question from the PCC with regard to the shared CFO role, the Director reported that the audit team had noticed no difference arising from the merger of the CFO roles. The Director also stated that is evident that the JCFO is operating well. The PCC added that the JCFO role allowed savings and efficiency to the organisation. Both the PCC and the CC praised both JCFO, DCFO and wider finance team for their hard work.

The chair highlight the importance of the capacity and sustainability of the JCFO position. The JCFO provided information about challenges of the role and reassured that, if they become intolerable he will inform the committee.

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

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

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

There were no comments or questions from the committee.

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

#### **425. ANNUAL STATEMENT OF ACCOUNTS**

- PCC
- CC

The Joint CFO presented a report on the Annual Statement of Accounts taking item 13 (i) and (ii) together, which included a narrative on the financial statements.

The JCFO noted the external auditors' intention to issue an unqualified opinion for both statement of accounts and value for money. The JCFO stated that there was no material adjustment to the accounts, but there were disclosure changes, that were discussed earlier (item 11). In addition the JCFO discussed the recommendations and action plan that would be put in place to address the issues around pension fund and valuation. The JCFO introduced an appendix as source of assurance to the committee.

The JCFO recognised the work of financial services and stated that it was a team effort. The JCFO noted especially the work of the Deputy CFO and Financial Services Manager, who consolidated the accounts and responded promptly to auditor queries to facilitate a smooth audit process. The JCFO proposed that the PCC and the CC sign the respective financial statements.

There were no comments or questions from the committee.

The chair confirmed that the Committee recommended that the Statement of Accounts could now be signed.

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

Note – the Police and Crime Commissioner, the Financial Services Manager left the meeting at 11:12. The Director of Corporate Support entered meeting at 11:15.

#### **426. CORPORATE UPDATE**

The CC provided a corporate update, going through budget strategic assessment. Informing the committee about the HMICFRS joint inspection of the Constabulary that will take place in November and plans of inspection of crime data integrity (CDI).

The CC gave an update on Vision 25, digital policing, the proposed restructure and evaluation of governance. The CC updated the committee on other changes such as the new command and control system, Crime Hub implementation and developments in relation to Red Sigma and the Emergency Service Network (ESN). There is a possibility that Cumbria Constabulary could become a pilot force for ESN development which would including testing of systems, coverage and equipment. No final decision had been made so far but Cumbria could benefit by taking place in the pilot as some of the costs could be picked up by the national project.

The JCFO provided update on the current budget position, a number of budget pressures that were emerging. The JCFO reassured the committee that the extra costs were manageable at this stage.

The chair asked for clarification on Crime Data Integrity (CDI) and the Constabulary position. The CC explained that the force aims to achieve a score in excess of 90% and that extra staff and departments were working on CDI and data protection. The CC said that more detail should be ready for the September JASC meeting. The CC answered a member query, about how CDI guides crime recording standards, to ensure that crimes were recorded accurately. The CC explained that extra staff had been assigned to assure that the force met privacy rules set by the General Data Protection Regulation (GDPR).

The OPCC Chief Executive provided an update on behalf of OPCC and strategic risk register, the recruitment for two roles within the OPCC to increase office capacity and the GDPR. The OPCC CE reported that 'blue light' pilot has been progressing well. The CE reported that the new Commissioning service board started in May was also working well. In addition, service to victims had been maintained.

One member asked for clarification of two roles. The OPCC CE explained in detail two roles (admin assistant and the community engagement officer) and the necessity to maintain office capacity.

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

The Principal Auditor (PA) informed the committee that up to 29<sup>th</sup> June, the audit plan is progressing as planned and that the outstanding pieces of work from last year have been finalised. Two reports had been finalised (Creditors and OPCC Information Security) and four audits have been scoped with work is due to start soon.

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

#### **428. INTERNAL AUDIT REPORT(S)**

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

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

- **Creditors**
- **OPCC Information Security**
  
- Creditors

The Director of Corporate Support (DCS) confirmed that report highlighted housekeeping issues since staffing changes that took place in September/October 2017.

In response to questions from the Committee the DCS provided update on recruitment to the team including that the new Head of Procurement is due to start in October 2018, and consideration of options is being undertaken after unsuccessful recruitment for Senior Procurement Business Partner.

A member asked for clarification of why the numbers of active suppliers (creditors) had changed so dramatically in the system. The DCS explained that this included individuals such as Special Constables.

The DCS admitted that better management and regular housekeeping is necessary. Members asked for a time scale for improvement, which has been set by the DCS for end of August 2018. The DCS reassured the committee about the progress being made but admitted that the audit report highlighted things that should be improved.

Members identified the pressure on Procurement, and suggested separating live creditors from one off suppliers.

A member asked when 'no purchase order no pay' comes to life. The DCS explained it is part of Business Future Program, upgrade of Origin and Oracle Systems and matter for a new Head of Procurement.

The chair commented that once again the creditors audit report highlighted re-curring issues with Procurement and pressures on the team. The chair confirmed that the Committee was pleased to see creditor systems included in Strategic Risk Register. If the situation did not improve the committee may have some difficulty when considering the signing of the statement of accounts next year.

The committee and the DCS agreed for an update on Procurement to be provided at the November meeting.

Note – the Governance Manager joined the meeting at 11:20, the Director of Corporate Support left meeting at 11:42.

- OPCC Information Security

A member asked for a clarification on auditor findings in relation to the GDPR action plan where an action had been marked as complete without supporting evidence, and assurance about internal controls.

The CE explained that she was surprised by this, as that the matter had not been highlighted in the audit close meeting. The CE said that she would look into the matter. The chair agreed that clarification to issues raised could go on the action sheet for the next meeting.

A member asked for a clarification on data cleansing of information of staff or customers. The member sought clarification on who would be regarded as a customer. The Governance Manager (GM) provided clarification that the OPCC office has no customers as such and it was just a heading on table that they had chosen to monitor GDPR action plans, the same sheet would also be used in the private sector where there are customers.

The CE provided a response to member concerns about GDPR compliance when working with third party organisations. The CE provided assurance about the information sharing agreements in place between organisations and other extensive work to ensure GDPR compliance.

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

Action noted for next meeting report (ii) OPCC Information Security.

#### **429. STRATEGIC RISK REGISTER**

- **OPCC risk register**

The Governance Manager (GM) provided an in depth review of the Strategic Risk Register. Four risks have been identified, of these, three are static and the one in relation to OPCC capacity risk has been reduced as a result of current recruitment into the new roles. The GM reassured the committee about work undertaken to resolve risk 4, GDRP compliance. The GM also provided an high level summary of the operational risk register and informed the committee that four operational risks (11; 13; 16; 17) had been removed from risk register.

One member asked the GM to take into consideration the internal auditor report when reviewing risk 4, GDRP compliance in September.

The GM provided the committee with an explanation as to how diversity was defined and information about a joint strategy around diversity. No complaints had been received or issues identified. The CE described managing reputation and diversity as part of the daily business of the OPCC.

The CE agreed that the report on OPCC Capacity should be discussed with the JASC committee. The JCFO clarified that possibly it would be available for the September meeting, however depending on the timing of discussions with the Police and Crime Panel it may be more realistic to bring the report to the November meeting. The Committee were content with this timescale.

- **CC risk register**

The CC stated that there had been few changes to the Constabulary's Risk Register. In summary, the Constabulary had already put actions in place to prepare for the GDPR; in

relation to ESN, and due to the coverage issues in Cumbria, the CC stated that she is looking into implications of being a pilot force; the budget was discussed with the JCFO on almost a daily basis. The CC also explained the current position with regard to meeting the demand of 101 calls over summer, the increase of digital crime, Procurement arrangements and maintaining Vision 25 and that these remained significant issues. Risks are discussed within the Chief Officers Group (COG meeting) and subject to constant monitoring and management.

The CC explained to the committee that Risk 30 has been re-classed as operational risk in Risk Register.

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

Note – the Governance Manager left room at 12:10.

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

The Joint CFO informed the committee that there were 30 actions on the monitoring spreadsheet, 20 of which had been completed with 10 outstanding. Of those, 5 are still within the original time scale and the other 5 have had the deadlines extended.

Outstanding actions:

- Duty Management – that would be managed as part of Business Future Project, time scale extended to 2019.
- Vulnerability and hate crime – which must be completed by the end of August 2018.
- Digital file preparation – the CC has no concerns and stated that she was comfortable with final structure and performance. Criminal Justice Unit (CJU) was described as well performing unit. The CC also explained that a Compliance Team (CT) was also in place to provide reassurance to the organisation that files move quickly. Chief Officers review and discuss the CJU and CT future and staffing regularly. The CC explained that some decisions still had to be made, and were discussed during the COG meetings. The CC provided the answer regarding digital files of rape cases and the disclosure that would fit with the investigation needs.
- Safeguarding Hub – the County Council changed their structure so that children and adult services are now joined together under one director. The CC explained a pilot being trialed in the control room to reduce/streamline demand on safeguarding hub. Safeguarding detectives in the control room review incidents coming in and provide advice, they then determine whether the incident should be directed to the safeguarding hub. The CC also update the Committee on four ongoing pieces of work;

program hub work, MOU (Memorandum of Understanding), meeting with the County Council Officers and decisions about the Hub, establishing partners and partnerships. The CC outlined that recent changes to bring together childrens' and adults social services was important to re-defining safeguarding hub and allowing it to focus on the whole family.

The committee had an in depth discussion around the risks of not finalising the MOU. The CC stated that the MOU would work as indicator but would not provide reassurance. The committee considered how the future internal audit visit could be adapted to provide reassurance that the safeguarding hub was working effectively. The Committee noted the risks around partnership working and commended the CC for the work being undertaken to protect vulnerable people despite the lack of an effective MOU.

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

#### **431. PCC ANNUAL REPORT**

The CE introduced the PCC Annual Report which was being brought to the JASC meeting for the first time. The annual report is due for publication in September 2018.

Members expressed their views on how the document could be improved. The chair highlighted that members have an item on their action plan and interest in the outcome focus of the police and crime plan. This report would be considered this during a development session in September and fed this back to the OPCC.

The CE welcomed the suggestions and support from the members.

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

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

The chair thanked the DCFO for the report, which would be tabled at the Police and Crime Panel Meeting in October for the chair to present.

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

The date of the next meetings were confirmed as follows:

- 12 September 2018 @ 10:30 – Conference Room 1
- 22 November 2018 @ 13:00 – Conference Room 2
- 20 March 2019 @ 10:00 – Conference Room 2
- 23 May 2019 @ 10:30 – Conference Room 2
- 24 July 2019 @ 10:30 – Conference Room 2
- 19 September 2019@10:30 – Conference Room 2

**Meeting ended at 12:50 pm**

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

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

This page has been left intentionally blank

# Joint Audit & Standards Committee – Action Update and Plan

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
<b>DATE OF MEETING: 19<sup>th</sup> July 2018</b>					
382	Item 5 action sheet, members to review document provided by Stephen Kirkpatrick (367/359) and to give clarification what they want included.	Members	May 2018	Members agreed to email Michelle Bellis with details of what they would like included in the development session.  Detail provided – development session booked in November.	Complete
382	Item 5 Annual OPCC Report to be brought back to the July meeting for comment by the members.	Gill Shearer	July 2018	This has been added to the work programme for future years and will be included on the agenda in July 2018.  Annual report will be presented to JASC at July meeting (see agenda item 14).  Report was presented at July meeting.	Complete
384	Item 7 Annual Work Programme: Assurance Format, members requested additional training around Prudential Indicators.	Roger Marshall/ Michelle Bellis	September 2018	A development session has been added in September to include practical applications of treasury management and prudential indicators  Resolved – in September Grant Thornton slides how to monitor the Police and Crime Plan would be included.	Complete
425	OPCC Information Security – internal report findings noted "there is evidence of an action being marked as complete when it hadn't been fully addressed".	Gillian Shearer	September 2018	The Chief Executive stated that this was not picked up in audit feedback and requires clarification.	Ongoing (within original timescale)

# Joint Audit & Standards Committee – Review of Effectiveness

## Improvement Action Plan 2017/18

Ref	Improvement Area	Planned Action	Action Owner	Target Date	Status
JASC1	Support and monitor the OPCC and Constabulary plans to address the increasingly stringent funding environment.	Members to apply learning from March 2018 training session and consider as appropriate the arrangements flowing from significant changes in funding levels.  JASC members to consider efficiency aspects of any recommendations or reports to Committee.	JASC	March 2019	Ongoing
JASC2	Support and challenge any new governance arrangements, for example, from restructuring and capacity reviews, greater collaboration with other organisations or joint working on delivery of services.	Continue monitoring of the new Joint Chief Finance Officer arrangement and the rotating appointment of Monitoring Officer and CEO.  JASC to encourage clarity in any new arrangements; appropriate documentation and; ensure governance arrangements considered as part of the risk assessment.	JASC	March 2019	Ongoing
JASC3	Exploring ways to strengthen partnership working with the Police and Crime Panel and the Ethics and Integrity Panel where appropriate.	Raise the Committee's awareness of issues and concerns of the Police and Crime Panel to the extent that they might inform the work of the Joint Audit and Standards Committee. JASC members to attend PCP meetings by rotation. Consider impact of Ethics and Integrity Panel review of control room.	JASC	November 2019	Ongoing. Dates agreed by members for PCP attendance
JASC4	Help improve the focus on outcomes so that delivery can be measured more effectively.	Consider the arrangements for monitoring delivery of the Police and Crime Plan. Review the OPCC Annual Report and consider the qualitative outcomes.	JASC	March 2018	Ongoing

JASC



<b>TITLE OF REPORT:</b>	<b>Governance for Apprenticeships</b>
-------------------------	---------------------------------------

<b>DATE OF MEETING:</b>	<b>12 September 2018</b>
-------------------------	--------------------------

<b>ORIGINATING OFFICER:</b>	<b>Elaine Flowers Apprenticeship Manager and Coordinator</b>
-----------------------------	--

<b>PART 1 or PART 2 PAPER:</b>	<b>PART 1 (OPEN)</b>
--------------------------------	----------------------

#### **Executive Summary:**

- In December 2017, the Constabulary received approval from the Education Skills Funding Agency (ESFA) to be an Employer Provider for apprenticeship delivery. A key aspect in meeting the ESFA application and Ofsted Inspectorate requirements is that the Constabulary has implemented an approved governance structure for its apprentices, prior to commencing delivery.
- The attached governance structure has been written to meet the requirements for the development and training of apprentices, in an educational setting as recognised by Ofsted.

#### **Recommendation:**

- JASC agrees to provide the external scrutiny and governance for apprenticeships delivered by Cumbria Constabulary as an employer provider and approves the apprenticeship governance structure (Appendix 1).
- JACS approves the reporting cycle, the first Self Assessment Report to be presented in March 2019 with accompanying Quality Improvement Plan. Followed by an annual cycle of the September meeting for the Self Assessment Report and Quality Improvement Plan, with the updated Quality Improvement Plan going to the March meetings. Any areas of concern / escalation to go to the November, July meetings if required.

## MAIN SECTION

### 1. Introduction and Background

- 1.1 The Constabulary has entered into an agreement with the Education Skills Funding Agency (ESFA) to be an employer provider for apprenticeship training initially to deliver training for our PCSO apprentices. Submitted within the application to the ESFA was the requirement to have in place an approved governance structure for apprenticeships, as learners within the Constabulary.

### 2. Issues for Consideration

#### 2.1 Drivers for Change

- Ofsted is the inspectorate for employer providers who deliver apprenticeship training to their employees through an ESFA Apprenticeship Agreement as identified under the Education and Inspections Act 2006.
- Ofsted use a generic Common Inspection Framework: education, skills and early years<sup>1</sup>. Ofsted will expect external oversight of the leadership and management of our apprenticeship provision, delivered by the Constabulary as an Employer Provider, so for the PCSO, but not for the PCDA apprenticeship.
- As outlined in the Further Education and Skills Inspection Handbook [Further education and skills inspection handbook April 2018](#). In making the judgements about a provider's overall effectiveness, inspectors will consider whether the standard of education, training or care is good or outstanding. If it is not at least good, inspectors will consider whether it requires improvement or is inadequate. Inspectors will also make graded judgements on the following areas using the four-point scale:
  - effectiveness of leadership and management
  - quality of teaching, learning and assessment
  - personal development, behaviour and welfare
  - outcomes for children and learners.
- The suggested governance structure for apprenticeships (Appendix 1 Cumbria Constabulary Apprenticeship Governance Structure) is required to meet the external governance arrangements expected by Ofsted and the ESFA, and requests that JASC Committee undertake the external scrutiny governance role.
- Governance is included under the Leadership and Management judgement, this area, along with the remaining components of the Ofsted inspection framework hold the Constabulary to account, through external scrutiny. The below is a summary list of leadership and management judgement criteria:
  - Are leaders and managers (at all levels) influential in ensuring the organisation delivers high quality provision?
  - Are staff and the coordination and organisation of facilities and operations well managed?
  - Are all stages of the learner journey well managed?
  - Is performance data well managed and used to improve the quality of the work undertaken?
  - Is self-assessment and improvement planning influential in making the quality of provision stronger and more effectively meeting the needs of learners?

---

<sup>1</sup> [Common inspection framework: education, skills and early years from September 2015 - GOV.UK](#)

- Are subcontractors well managed and are there good working links with other partner organisations?
- Is good use made of feedback from learners, employers and other stakeholders to improve the quality of provision?
- Are safeguarding (including health and safety), equality and diversity, Prevent and British values well promoted?

In particular inspectors will consider whether governors or those in a similar role:

- know the provider and understand its strengths and weaknesses
- support and strengthen the provider's leadership and contribute to shaping its strategic direction
- provide challenge and hold senior leaders and managers to account for improving the quality of learning and the effectiveness of performance management systems.

Appendix 2 lists the outstanding areas listed by Ofsted for the effectiveness of Leadership and Management.

- The JASC Committee in regards to the governance role for apprenticeship is asked to provide scrutiny on;
  - The annual Self-Assessment Report (SAR), based on the Forces judgement of its performance against the Ofsted criteria for the above areas. The report will be published on an annual basis and include quantifiable and qualitative analysis of provision.
  - The Quality Improvement Plan, developed alongside the Self Assessment Report (SAR), it includes all the areas identified for improvement in the SAR, actions, timescales outcomes and responsibility.
  - Performance reporting and analysis – This would usually be a set report to the group, covering a number of KPIs for apprenticeships, including performance data, recruitment, retention and achievement, in year data. Could also include summary reports on Safeguarding, Prevent, complaints, quality of teaching and learning, apprentice feedback actions taken as a result.
- Suggested reporting to JASC committees meetings, the first Self Assessment Report to be presented in March 2019 with accompanying Quality Improvement Plan. Followed by an annual cycle of the September meeting for the Self Assessment Report and Quality Improvement Plan, with the updated Quality Improvement Plan going to the March meetings. If there are any areas of concern / escalation, these possibly could go to the November, July meetings if required.

## 2.2 Consultation processes conducted or which needs to be conducted

- Initial consultation was with the PEQF Implementation and Apprenticeship Management Group listed in section 9.2, in spring 2018 and external review from colleagues in Lancashire Constabulary involved in apprenticeship delivery.

## 2.3 Impact assessments and implications on services delivered

- The Equality Analysis for apprenticeships has been drafted and will be taken to the PEQF Implementation and Apprenticeship Management Group on 13<sup>th</sup> September 2018.

## 2.4 Timescales for decision required

- The ESFA will complete an Employer Training Provider compliance visit (at a date to be announced) the apprenticeship governance structure must be approved and implemented prior to this audit and prior to apprenticeship delivery starting.

2.5 Internal or external communications required

- Internal communication has already started in regards to apprenticeship raising awareness, a communication strategy is being developed and Share Point site has been established for apprenticeship under Learning and Development, which contains policies, procedures and guidance documentation.

**3. Financial Implications and Comments**

3.1 N/A

**4. Legal Implications and Comments**

4.1 The apprenticeship governance structure supports compliance with the Employer Provider application the Constabulary made to the ESFA in November 2017 and contributes to the effectiveness of leadership and management Ofsted judgement.

**5. Risk Implications**

5.1 Risks and Mitigation

Risk	Mitigation
<p>Failure to meet the ESFA and Ofsted requirements in becoming an Apprenticeship Employer Training Provider for the PCSO route.</p>	<p>An implementation plan has been developed to cover the requirements of the ESFA and Ofsted in regards to becoming an apprenticeship employer training provider. Attendance at a number of training sessions is being undertaken, active engagement with FEConnect, the Employer Provider Group on LinkedIn and the PEQF Implementation Group on POLKA all support knowledge development and inform the Implementation Plan, processes and procedures the Constabulary needs to put in place to be compliant.</p>
<p>The Constabulary receives a judgement of insufficient progress against any one of the three themed questions at a new provider visit, which could cause reputational damage and subsequent issues in continuing to be approved as an Employer Provider until Ofsted has undertaken a full inspection graded at least at requires improvement. Until that point the employer provider is not eligible to start any new apprentices.</p>	<p>The Constabulary has in place an Ofsted action plan, and is planning the delivery of its own apprenticeships as an employer provider as aligned with the Ofsted Common Inspection framework. Prior to starting delivery of apprenticeship it is planned that the Constabulary will have produced its first self-assessment report and quality improvement plan, which will be reviewed at the PEQF Implementation and Apprenticeship Management meeting, update and progress reported against throughout the duration of apprenticeship delivery.</p>
<p>Should the Constabulary be deemed as inadequate at an Ofsted Inspection, this would result in the Constabulary being removed from the Register of Apprenticeship Training Providers and not able to recruit any new apprentices as an employer provider. It is highly unlikely that the Constabulary would be able to meet the criteria to re-register.</p>	<p>as above. In addition the Constabulary is considering bringing in an external auditor to 'inspect' apprenticeship provision as part of its auditing activity during 2019. Which will provide an external view on quality assurance against the Ofsted framework and the apprenticeship experience.</p>

## **6. HR / Equality Implications and Comments**

6.1 None at this time.

## **7. ICT Implications and Comments**

7.1 N/A

## **8. Procurement Implications and Comments**

8.1 N/A

## **9. Supplementary Information**

9.1 List any relevant documents – current inspection documents

[The common inspection framework education skills and early years](#)

[Further education and skills inspection handbook April 2018](#)

9.2 List persons consulted during the preparation of report

Director of Corporate Support (Chair of the PEQF Implementation and Apprenticeship Management Group) (Stephen Kirkpatrick)

Head of People Department (D/Superintendent Sarah Jackson)

Head of Learning and Development (Lyndsey Williams)

Deputy Chief Finance Officer (Michelle Bellis)

HR Manager (Diane Johnson)

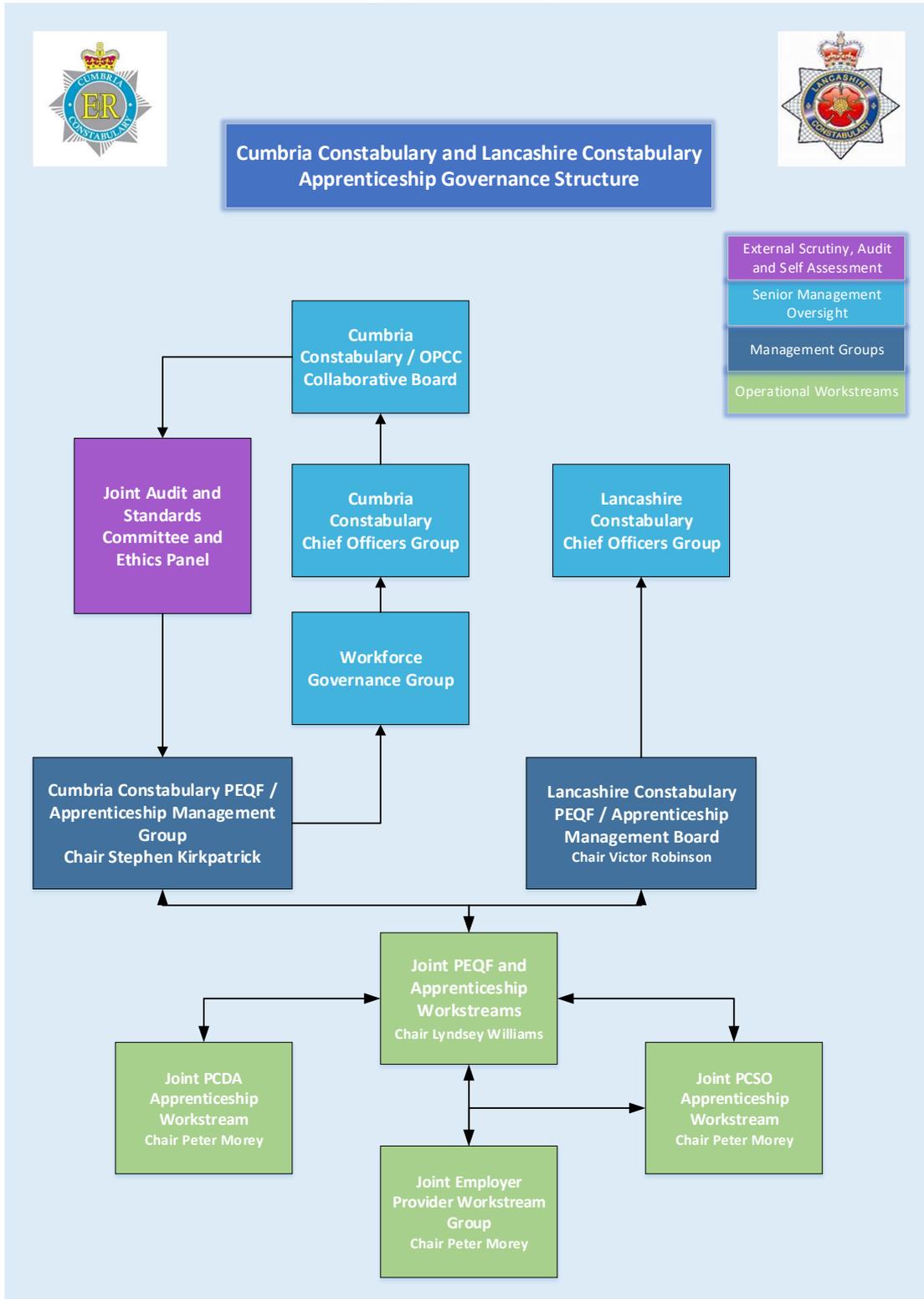
Learning Support & Standards Manager (Peter Morey)

Professional Development Unit (Sergeant Peter Morley)

Jane Ward, Apprenticeship Officer, Lancashire Constabulary Training Centre

David Smith, Policing Education Qualification Framework (PEQF), Lancashire Constabulary Police Headquarters

### Appendix 1 Cumbria Constabulary Apprenticeship Governance Structure



## Appendix 2 Ofsted Grade descriptors: effectiveness of leadership and management

Note: grade descriptors are not a checklist. Inspectors adopt a 'best fit' approach that relies on the professional judgement of the inspection team. **Outstanding (1)**

- Leaders, managers and governors have created a culture that enables learners and staff to excel. They are committed unwaveringly to setting high expectations for staff and learners' conduct and achievement. Working relationships between staff and learners are exemplary.
- Leaders, managers and governors focus on consistently improving outcomes for all learners. They are uncompromising in their ambition. They have the necessary resources to sustain provision of very high quality, including in English and mathematics.
- The provider's actions have secured substantial improvement in the quality of teaching, learning and assessment and outcomes for learners.
- Governors systematically challenge senior leaders so that the effective deployment of staff and resources secures excellent outcomes for learners. Governors do not shy away from challenging leaders about variations in performance across the provider's work, including in subcontracted provision.
- Leaders, managers and governors have a deep, accurate understanding of the provider's effectiveness that is informed by the views of learners, staff, employers and other stakeholders. They use this to keep the provider improving by focusing their actions on important areas. They are unflinching in reviewing the impact of their actions.
- Leaders, managers and governors use incisive performance management that leads to professional development that encourages, challenges and supports staff improvement. Teaching is highly effective across the provision including in subcontracted provision.
- Staff reflect on and debate the way they teach. They feel deeply involved in their own professional development. Leaders have created a climate in which staff are motivated and trusted to take risks and innovate in ways that are right for their learners.
- The range of provision offered is carefully considered and based on a thorough understanding and analysis of a wide range of information, including on local and national economic and social contexts. Learning programmes are very well designed, including in collaboration with employers. These learning programmes ensure that they enable learners to acquire knowledge, understanding and skills, including, where relevant, English, mathematics and information and communication technology (ICT) skills, that prepare them well for future progression to further/higher education and/or sustained employment.
- Leaders, managers and governors ensure that the provision of accurate, timely and impartial careers guidance enables learners to make informed choices about their learning programme and that learners are very well prepared for the next stage of their education, training or employment.
- Leaders promote equality of opportunity and diversity exceptionally well so that the ethos and culture of the provider prevent any form of direct or indirect discriminatory behaviour. Leaders, staff and learners do not tolerate prejudiced behaviour. The promotion of fundamental British values is at the heart of the provider's work.
- Learners feel safe and know how to raise concerns. The provider is proactive in assessing safeguarding risks and taking action to prevent them. The provider has a strong track record of raising awareness among staff and learners of safeguarding issues, listening to learners' concerns and acting on them.
- Leaders' work to protect learners from radicalisation and extremism is exemplary. Leaders respond swiftly where learners are vulnerable to these issues. High quality training develops staff's vigilance, confidence and competency to challenge learners' views and encourage debate.

*Further education and skills inspection handbook, April 2018, page 40*



# Monitoring Key Audit Recommendations

## Introduction

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

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

## Report Summary

Summary of Actions	PCC	CC	Joint	Total
Open actions b/fwd from last report	0	10	0	10
New actions since last report	0	0	2	2
<b>Total actions this report</b>	<b>0</b>	<b>10</b>	<b>2</b>	<b>12</b>
Actions completed since last report	0	4	1	5
<b>Open actions c/fwd to next report</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>7</b>

Summary of Total Actions by Status	PCC	CC	Joint	Total
Completed	0	4	1	5
Ongoing (within original timescale)	0	5	1	6
Ongoing (original timescale extended)	0	1	0	1
Overdue/ timescale exceeded	0	0	0	0
Not yet due	0	0	0	0
<b>Total</b>	<b>0</b>	<b>10</b>	<b>2</b>	<b>12</b>

## Key to Grade:

### Cumbria Shared Internal Audit Service

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

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

### External Audit – Grant Thornton

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

Audit Report	Report Date	Report considered by JASC Meeting	Report Of	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Cumbria's Multi-Agency Safeguarding Hub (CC)	04/11/2016	24/11/2016	Shared Internal Audit Service	R1 Hub resources should be fully considered in terms of the skills, qualifications and experience required to fulfil defined responsibilities, operate the Hub effectively and deliver improvements. The agreed requirements and individual partner contributions should be formally reflected in a signed funding agreement that is properly communicated, including to individual partner leadership boards.	Medium	Chair of the Programme Board DI Dan StQuintin	The Programme Board, which met on 27th October, established a Task and Finish Group which met on 27th October 2016 and will ensure that the updated MOU is in place by 5th January 2017 and is agreed / endorsed by the Board. The MOU will capture the issue regarding multi-agency resourcing. <b>February 2017</b> - Issues of Hub governance are dealt with by the programme board. the MOU is currently under discussion. This is not yet complete because health are a statutory partner and are currently undergoing significant restructure under the strengthening families programme of which their contribution to the hub is part. <b>June 2017</b> - The partnership has commissioned an external review of the hub process and model which is currently under way, the company doing the review are Ad Esse and their report is expected to be available around mid-July. <b>August 2017</b> - Ad Esse have completed their assessment and we are awaiting the full report back from them. However, they have shared list of recommendations for the safeguarding hub. These recommendations are wide ranging and have triggered significant discussion by LSCB partners. These discussions will move forwards over the next few months at various LSCB programme board meetings. Once decisions on these recommendations have been made. Decisions on resourcing can be made once the future role and structure of the hub has been agreed. A 3 month extension to the deadline has been requested. <b>October 2017</b> - Discussions around the Ad Esse recommendations continue at a senior level within Cumbria Constabulary. The discussions continue at a senior level within the LSCB. Request a further 3 month extension to allow decisions to be made and action to be start <b>February 2018</b> - The Hub MOU is currently being re-written by the LSCB. All partner agencies have been invited to contribute. The revised MOU is being presented at the next Hub Programme Board meeting which has yet to be arranged but will be in March or April 2018. It is anticipated that the MOU will be agreed and signed off at that meeting. <b>June 2018</b> - There are four key pieces of work that need to be done which have been raised by police at the LSCB Hub Programme Board. They are: 1) Setting out what the aim and purpose of the Safeguarding Hub is, 2) Creating a new MOU which sets out the purpose above and is refreshed to bring it up to date, 3) Review the LSCB thresholds document so there is clearer criteria for partners agencies to assess and grade risk more consistently, 4) Create an LSCB public task statement to meet GDPR requirements. <b>August 2018</b> - Update as follows: There is not much progress on these issues but police will continue to push these. There is some concern that the MOU and aim and purpose have still not been defined which is the first and main recommendation of the Ad Esse review into the Safeguarding Hub.	31/01/2017	<del>31/08/2017</del> <del>31/10/2017</del> <del>31/01/2018</del> <del>30/04/2018</del> 30/09/2018	Ongoing (within original timescale)
Digital Case File Preparation (CC)	08/05/2017	24/05/2017	Shared Internal Audit Service	R1 Arrangements to ensure the robustness of digital case files at an earlier stage should be strengthened taking into consideration the outcomes of the Strategic Development Unit's review.	High	Temp Supt CJU/Partnerships Gordon Rutherford Ben Swinson	The Chief Officer commissioned review will report to COG in May 17. The evidence-gathering phase took place from January to March, with the team now considering data analysis and findings. Once recommendations as to future structure of CJU and the file checking function are considered and approved by Chief Officers, then they will be implemented before September 30th 2017. <b>June 2017</b> - The primary causes of file quality issues was identified as a training/knowledge gap, together with a number of national developments. To address this gap, Chief Officers approved a number of measures, increased in staffing within CJ, introduced Area Compliance Teams and a CJ trainer post. The trainer has worked to deliver a comprehensive package of training for all front line officers. This training is informed by issues raised in the file quality process. A recent example, raised by CPS, relates to lack of understanding about disclosure of undermining material. The trainer has developed a package of learning material on the subject that is being rolled out now. Further to that there will be a day's file quality training given to all officers from September 2017. <b>August 2017</b> - No change since June update apart from the review paper will be taken to COG on September 4th. <b>October 2017</b> - Due to staffing changes within Strategic Development the CJU review has not been completed. Chief Officers extended the period for the review to be completed until December 31st 2017. A further temporary extension was also approved for the CJU and Compliance Team staffing. <b>February 2018</b> - Chief Officers considered the paper put forward by Strategic Development and agreed to maintain the 6.5FTE within the CJU that were temporary for the next 4 years. Work was commissioned to ascertain which posts would be recruited to in order to increase capability within the CJU. This process is ongoing and will be completed by the end of September 2018. <b>June 2018</b> - The CJU and Compliance teams are being currently reviewed to ensure that the current changes to demand are factored in. At present we are in the stages of submitting a further COG paper which will look at the number and make-up of the two units and I will be able to report back to the next JASC (September) with a more substantial update. <b>August 2018</b> - There is wider review work planned around how we deal with Custody and the area compliance teams will be factored in around this review to ensure we do not assess them in isolation and can consider cross-role opportunities. The Area compliance teams will be maintained in areas until this review work can be completed by the Corporate Improvement change team.	June 2017 to 30 Sept 2017	<del>31/12/2017</del> 31/03/2019	Ongoing (within original timescale)
Use of Force (CC)	12/02/2018	24/03/2018	Shared Internal Audit Service	R2 Management should define and document the methodology for ensuring compliance with the use of force recording requirements.	Medium	Temp Ch. Supt. Territorial Policing Rob O'Connor	This will be actioned through the Use of Force Board who will ensure the delivery of improvements and compliance with the ADR. <b>July 2018</b> - Alternate mechanisms and processes with involvement from officer safety trainer and PSD were acknowledged as adding more value and being more beneficial to the Organisation. <b>August 2018</b> - Regular reports are now provided to the Use of Force board.	30/09/2018		Completed
Duty Management (CC)	26/04/2018	24/05/2018	Shared Internal Audit Service	R2 Management should ensure there is clarity on the level of resource management related information to be reported and recorded at the Daily Operational Review Meeting.	Medium	Chief Inspector (Resource Co-ordination) Martin Loebell	The resource management information to be reported at DORM will be defined, agreed, communicated and recorded. <b>June 2018</b> - Consultation is ongoing to define operational requirement for reporting of resourcing issues at DORM. On schedule for completion end July 2018. <b>August 2018</b> - This has been consulted on and an agreement reached. This has been communicated to all Gold commanders (who chair DORM) to ensure a consistent approach.	01/08/2018		Completed
Duty Management (CC)	26/04/2018	24/05/2018	Shared Internal Audit Service	R3 It should be ensured that resource management information requirements of all groups are clearly considered and defined as part of the resource management system upgrade project.	Medium	Head of People Sarah Jackson Chief Inspector (Resource Co-ordination) Martin Loebell	There is an ongoing project to upgrade various systems including the duties management system and this aspect will be picked up by the 'Business Futures' project and included in the project plan. <b>June 2018</b> - Work has started within Business Futures, working with Paul Bull from Staffordshire Police, identifying our future reporting needs and providing better management reporting. For delivery later this year/early 2019. COG paper being prepared by Louise Butler seeking additional support for further investment in this area. <b>August 2018</b> - This is ongoing and further scoping work and options being worked up. Next meeting 18/9. Some reports being worked on as part of business futures, longer term management information assessment ongoing.	31/10/2019		Ongoing (within original timescale)
Vulnerability/Hate Crime (CC)	01/05/2018	24/05/2018	Shared Internal Audit Service	R1 Management should ensure there is clarity around how the achievement of the hate crime aim will be measured, monitored and reported.	Medium	Det. Supt PPU & Operations Vicki Ellis	We will survey victims of hate crime so that we can assess whether we are increasing confidence levels as per the aim. <b>July 2018</b> - currently being monitored and managed through the monthly vulnerability meetings as a standing agenda item reviewing the survey information. <b>August 2018</b> - Ongoing recommendation Standing agenda item on each vulnerability meeting reviewing the survey information, those areas which are in need of service recovery are completed immediately. Any learning is cascaded.	30/04/2019		Ongoing (within original timescale)

Audit Report	Report Date	Report considered by JASC Meeting	Report Of	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Vulnerability/Hate Crime (CC)	01/05/2018	24/05/2018	Shared Internal Audit Service	R2a Management should ensure that all hate crime guidance uses consistent definitions.	Medium	Det. Supt PPU & Operations Vicki Ellis	We will ensure that the agreed College of Policing definitions are used in all hate crime guidance.  July 2018 - Being progressed, internal documents have been updated, we are awaiting final approval of policies through Local Policing and Specialist Capabilities Board in August. In addition a new 7 minute briefing is also being circulated.  August 2018 - Completed - Revised Policy/Procedures document agreed at LPSCB and uploads. New Seven Minute Briefing also circulated.	30/06/2018	31/08/2018	Completed
				R2b Where policy documents are made available to the public through the Constabulary's website, arrangements should be put in place to ensure only the most recent version is published.	Medium		We will remove the old policy from the website and ensure easy access to the new one.  July 2018 - Linked to action 2a above, once the policy documents have been approved, the website will be updated to include only the latest version.  August 2018 - Completed - Revised Policy/Procedures document agreed at LPSCB and uploads. New Seven Minute Briefing also circulated.	30/06/2018	31/08/2018	Completed
Vulnerability/Hate Crime (CC)	01/05/2018	24/05/2018	Shared Internal Audit Service	R3 Arrangements should be put in place to provide assurance to management that hate crime policy and procedures are being complied with, that all staff are aware of processes and their responsibilities in relation to hate crime and that there is sufficient evidence to demonstrate that these are being undertaken.	Medium	Det. Supt PPU & Operations Vicki Ellis	The Business Improvement Unit checks will identify non-compliance with hate crime policy and procedures and provide a baseline for this. Results will be scrutinised at Vulnerability meetings and reasons for non-compliance identified so that appropriate action can be taken to address it.  July 2018 - Informal dip-sampling is being done to highlight our compliance against the policies and procedures by Inspector Gaynor Taylor through the vulnerability agenda. Crime Management Unit scrutinise all Hate Crime and Incidents within 72 hours for review of investigative quality. BIU reality testing starts on 9/8/18.  August 2018 - Ongoing recommendation. Informal dip-sampling is being done to highlight our compliance against the policies and procedures by Inspector Gaynor Taylor through the vulnerability agenda. Crime Management Unit scrutinise all Hate Crime and Incidents within 72 hours for review of investigative quality. BIU reality testing started on 20/8 with a methodology.	31/10/2018		Ongoing (within original timescale)
Cash Receipting (CC)	04/05/2018	24/05/2018	Shared Internal Audit Service	R1 Management should clearly define and communicate their requirements in relation to cash receipting procedures to ensure that staff in HQ and the Divisional Offices are fully aware of their individual responsibilities.	Medium	Payroll & Transactional Services Manager Alison Hunter	CSD staff in HQ and Area based teams have fully documented procedures to follow to undertake the weekly banking. Staff are provided with these along with training when they start to undertake this role. The existing procedures will be enhanced to include more detail as suggested.  June 2018 - Meetings have been held with area based staff to review the revised procedures to ensure that they fully understand them. Final procedures will be issued to all HQ & Area based staff by the 13th July 2018.  August 2018 - The banking procedures have been amended to include more detail as recommended by internal audit and communicated to all relevant staff.	30/06/2018	31/07/2018	Completed
Creditors (CC)	20/06/2018	19/07/2018	Shared Internal Audit Service	R1) Arrangements for deactivating suppliers should be defined, agreed, communicated and monitored. Note, this recommendation was originally raised in the previous audit March 2016 and has been re-raised.	Medium	Temp Head of Procurement Chris Guest	July 2018 - It was confirmed at the JASC meeting on 19/07/18 that housekeeping arrangements in relation to the deactivating of suppliers that were no longer in use would be brought up to date by the end of August 2018 and then maintained on a regular basis thereafter.  August 2018 - Work is currently progressing with supplier housekeeping, at the point of updating this report, the work had not been completed. A further verbal update will be provided at the meeting.	No date given	31/08/2018 30/09/2018	Ongoing (original timescale extended)
Statement of Accounts (Joint)	10/07/2018	19/07/2018	External Audit Grant Thornton	R1) Agree arrangements with the Cumbria Local Government Pension Scheme to validate any data to be submitted to the actuary for re-runs of IAS19 disclosure. When re-run is received review disclosures to ensure that any unexpected movements are investigated.	Medium	Deputy Chief Finance Officer Michelle Bellis	The County Council have recognised that there was an error on their part in amending the data submission to the scheme actuary for the accounting disclosures re-run without first obtaining approval from the Constabulary. In future, enhanced protocols and checks will be built into the final accounts process to ensure that the data used for any re-run figures has been accurately represented.  August 2018 - An email has been sent to Cumbria CC requesting that they do not make any changes to future data submissions without receiving sign off from the constabulary finance team. A response has been received confirming that this will be the case. In addition, internally 2 additional working papers have been added to the audit file. The first provides an analytical review on the data submission comparing it to last year to ensure that the figures can be explained before submission to the CC. The second, provides a cross check of the data used by the actuary in compiling the accounting disclosures to those provided in the data submission.	31/03/2019		Completed
Statement of Accounts (Joint)	10/07/2018	19/07/2018	External Audit Grant Thornton	R2) Ensure that the justification that assets not revalued are not materially misstated is fully documented. Review the rolling programme of asset revaluations to achieve a more equitable profile to of when assets revalued to minimize the risk of assets not revalued being materially mis-stated.	Medium	Deputy Chief Finance Officer Michelle Bellis	During the preparation of the 2017/18 statement of accounts an evaluation of the asset valuations that had not been subject to review in the year was made. In future years, this process will be better documented and provided as a working paper for the auditors to demonstrate consideration of all values as part of the year end process. In addition, consideration is currently being given to reviewing the valuation schedule to ensure a more even split of asset valuations between years.  August 2018 - A meeting has been arranged with the Head of Estates to discuss the valuation cycle and documentation of desk based checks in future.	31/03/2019		Ongoing (within original timescale)

This page has been intentionally left blank



# Annual Audit Letter

*Year ending 31 March 2018*

---

**Police and Crime Commissioner for Cumbria and Chief Constable for Cumbria**  
**29 August 2018**



# Contents



Robin Baker

Engagement lead

T: 0161 214 6399

E: robin.j.baker@uk.gt.com

## Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

## Page

- 3  
4  
8

## Appendices

- A Reports issued and fees

# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out for the Police and Crime Commissioner (PCC) for Cumbria and the Chief Constable for Cumbria for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Police and Crime Commissioner, the Chief Constable and the on 19 July 2018.

## Our work

<b>Materiality</b>	We determined materiality for the audit of the group, PCC's and Chief Constable's financial statements to be £2.662m, which is 2% (of gross expenditure) based on the lowest for the group, PCC and Chief Constable.
<b>Financial Statements opinion</b>	We gave an unqualified opinion on the group, PCC's and Chief Constable's financial statements on 30 July 2018.
<b>Whole of Government Accounts (WGA)</b>	We completed work on the consolidation return following guidance issued by the NAO.
<b>Value for Money arrangements</b>	We were satisfied that the PCC and Chief Constable put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report on 30 July 2018.
<b>Certificate</b>	We completed the audit of the accounts of the PCC and Chief Constable in accordance with the requirements of the Code of Audit Practice.
<b>Use of statutory powers</b>	We did not identify any matters which required us to exercise our additional statutory powers.

## Working with the PCC and Chief Constable

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in June/July 2018 delivering the audited accounts before the deadline.

## Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the group, PCC's and Chief Constable's financial statements (section two)
- assess the PCC's and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the group, PCC's and Chief Constable's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

- Sharing our insight – we provided regular joint audit and ethics committee updates covering best practice. We also shared our thought leadership reports.

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

**Grant Thornton UK LLP**  
**August 2018**

---

# Audit of the Accounts

## Our audit approach

### Materiality

In our audit of the group, PCC's and Chief Constable's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit to be £2.662 million, which is 2% of gross expenditure based on the lowest for the Group, PCC and Chief Constable.

We also set a lower level of specific materiality for senior officer remuneration and related party transactions.

We set a lower threshold of £133,000, above which we reported errors in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts, the narrative report, the annual governance statement to check they are consistent with our understanding of the PCC and Chief Constable and with the financial statements on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach is based on a thorough understanding of the PCC and Chief Constable's business and is risk based. We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the Accounts

## Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>As detailed in our Joint Audit Plan, we do not consider this to be a significant risk for the PCC and the Chief Constable. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted for both the PCC and Chief Constable because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• for the PCC opportunities to manipulate revenue recognition are very limited as revenue is principally grant allocations from central and local government;</li> <li>• the culture and ethical frameworks of local authorities, including Cumbria PCC and Chief Constable, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work did not identified any issues in respect of revenue recognition.</p>
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> <li>• gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;</li> <li>• obtained a full listing of journal entries, identify and test unusual journal entries for appropriateness; and</li> <li>• evaluated the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>	<p>Our audit did not identified any evidence of management over-ride of controls.</p>

# Audit of the Accounts

## Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of property, plant and equipment</b> The PCC revalues its land and buildings on an annual basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• considered the competence, expertise and objectivity of any management experts used;</li> <li>• discussed with the valuer the basis on which the valuation was carried out and challenged key assumptions;</li> <li>• reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding;</li> <li>• tested revaluations made during the year to ensure they were input correctly into the PCC's asset register; and</li> <li>• evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.</li> </ul>	<p>Our work identified that the Finance team had discussed the issue of assets not revalued with the valuer and that the valuer was satisfied that they would not be materially misstated as at 31 March 2018. However, this assessment was not initially documented in the working papers..</p> <p>We reviewed the paper produced by finance and estates staff and were satisfied that those assets not revalued during the year are not materially misstated.</p>
<p><b>Valuation of pension fund net liability</b> The Local Government Pension Scheme (LGPS) pension net liability, the Police Officer Pension schemes fund liability and associated disclosure notes in the financial statements, represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> <li>• gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;</li> <li>• obtained a full listing of journal entries, identify and test unusual journal entries for appropriateness; and</li> <li>• evaluated the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>	<p>There was an error in the extraction of the data sent to the actuary by the Cumbria Local Government Pension Scheme. The information has was re-run and the revised figures show that any impact on the entries in the core financial statements were below our triviality levels and no adjustments were made to those figures. Appropriate adjustments were made to the further disclosures and steps are being taken to seek to ensure that errors do not occur in the future.</p>

---

# Audit of the Accounts

## **Audit opinion**

We gave an unqualified opinion on the group, PCC's and Chief Constable's financial statements financial statements on 30 July 2018, in advance of the national deadline.

## **Preparation of the accounts**

The PCC and Chief Constable presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit to the Joint Audit & Standards Committee, which was attended by the Police and Crime Commissioner and Chief Constable, at its meeting on 19 July 2018.

## **Annual Governance Statement and Narrative Report**

We are required to review the PCC's and Chief Constable's Annual Governance Statement and Narrative Report. These were published on its website in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the PCC and Chief Constable and with our knowledge of both organisations.

## **Whole of Government Accounts (WGA)**

We issued an assurance statement which confirmed the PCC and Chief Constable was below the audit threshold meaning that we did not need to undertake a detailed review of the consolidation pack.

## **Other statutory powers**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the PCC's and Chief Constable's accounts and to raise objections received in relation to the accounts.

We did not identify any issues that required us to apply our statutory powers and duties under the Act.

## **Certificate of closure of the audit**

We are also required to certify that we have completed the audit of the accounts of PCC and Chief Constable in accordance with the requirements of the Code of Audit Practice.

---

# Value for Money conclusion

## **Background**

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the 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.*

## **Key findings**

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risk we identified and the work we performed is set out overleaf.

## **Overall Value for Money conclusion**

We are satisfied that in all significant respects the PCC and Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

# Value for Money conclusion

## Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Financial sustainability</b></p> <p>The Police and Crime Commissioner (PCC) has set a balanced budget for 2018/19 and has also managed to balance the 2019/20 budget. However, there is still a need to find around £3.7 million of savings between 2020/21 and 2021/22. At the end of December 2017 the Constabulary was projecting an overspend for 2017/18 of £1.008 million. Even though Cumbria Police has delivered £24 million of savings through its 'Change Strategy' since 2010, delivering further savings of £3.7 million, and ensuring that the Constabulary can continue to deliver policing services within budget represents a significant challenge.</p>	<p>The PCC and the Constabulary continue to face financial challenges but the Medium Term Financial Forecast (MTFF) 2018/19 to 2021/22 demonstrates their long-term financial viability. Key planning assumptions cover both internal and external factors such as, Government funding, pay inflation, non-pay inflation and council tax increases. These assumptions appear reasonable. There is a sound process in place to produce the MTFF.</p> <p>The PCC set the 2018/19 budget and Council tax requirement on 14 February 2018. This resulted in a balanced revenue budget for 2018/19 of £141.5 million and a Council Tax increase of 5.42%. This showed that savings of £3.7 million were required between 2020/21 and 2021/22. The 2018/19 Council Tax increase of 5.42% will help fund 25 additional police officers, maintain 95 PCSOs, increase in the number of armed officers and improving the protection for children and other from cyber risks. The MTFF assumes a 5.14% Council Tax increase in 2019/20.</p> <p>As part of the budget setting for 2018/19, the projections for 2019/20 to 2021/22 were updated. This showed that savings of £3.7 million were required between 2020/21 and 2021/22. It was clear in the report that this excludes the potential impact of any changes to the Police Funding Formula (PFF). The position on the timing, amount and transitional arrangements of any Police funding formula changes is still to be confirmed but both the PCC and Chief Constable are aware of the potential impact. The Constabulary has continued to work on various scenarios, and the updating and refining of savings plans, to help it address any PFF impact. This approach is reasonable and provides further evidence of on-going updating of financial plans.</p> <p>During 2017/18 the Constabulary was reporting that it was going to overspend by around £1 million. It took action to try to minimise the impact of this in 2017/18 and delivered a £0.041million underspend. There were various reasons for this improved position including finalising accounting treatment on the Apprentice Levy, a greater number of vacancies, lower mileage incurred than expected, savings from IT licencing reviews and additional income. The Constabulary's financial position will continue to be challenging in 2018/19 and onwards.</p>	<p><b>We concluded that the PCC and Chief Constable have proper arrangements in place for ensuring they plan their finances effectively to support their strategic functions and arrangements for ensuring informed decision making.</b></p>

# A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit.

## Reports issued

Report	Date issued
Audit Plan	February 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

## Fees for non-audit services

Service	Fees £
<b>Audit related services</b>	Nil
- None	
<b>Non-Audit related services</b>	Nil
- None	

## Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory audit - PCC	30,338	30,338	30,338
Statutory audit - Chief Constable	15,000	15,000	15,000
<b>Total fees</b>	<b>45,338</b>	<b>45,338</b>	<b>45,338</b>

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.



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

**Meeting date: 12 September 2018**

**From: Audit Manager (Cumbria Shared Internal Audit Service)**

## **INTERNAL AUDIT: PROGRESS REPORT TO 29<sup>TH</sup> AUGUST 2018**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report provides a review of the work of Internal Audit for the period to 29<sup>th</sup> August 2018.
- 1.2 Key points are:
  - Work is progressing as planned. Audits identified for quarters 1 and 2 are underway. Q3 work is being scoped.

### **2.0 OVERVIEW**

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

control. Regular reporting to Joint Audit and Standards Committee enables emerging issues to be identified during the year.

### **3.0 RECOMMENDATION**

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

### **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 the PSIAS or guidance.
- 4.2 Internal audit is responsible for providing independent assurance to the PCC and Chief Constable 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.
- 4.4 The internal audit plan for 2018/19 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage is focused on the areas of highest risk to both organisations. The plan has been prepared to allow the production of the annual internal audit opinion as required by the PSIAS.
- 4.5 This report provides an update on the work of internal audit for the period to 29<sup>th</sup> August 2018. It reports progress on the delivery of the 2018/19 audit plan in the period and includes a summary of the outcomes of audit reviews completed in the period.

#### **Status of internal audit work as at 29<sup>th</sup> August 2018**

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2018/19 audit plan. Further detail on this is included at Appendix 2.

<b>Audit Status</b>	<b>Number of reviews</b>
<u>Audits completed:</u>	<b><u>3</u></b>
Risk based audits (2017/18 WIP)	1
Risk based audits	0
Governance work	0
Financial systems (2017/18 WIP)	1
Financial systems	0
Follow up	1
<u>Audits in progress:</u>	<b><u>7</u></b>
Risk based audits	5
Financial systems	0
Follow up (2017/18 WIP)	2
<u>Audits to be started</u>	<b><u>15</u></b>
Risk based audits	9
Financial systems	4
Follow up	2
<u>Audits in plan</u>	<b><u>25</u></b>

### Outcomes from Final Audit Reports to 29<sup>th</sup> August

- 4.6 Audits completed to 29<sup>th</sup> August comprise one risk based audit, one financial system audit and a follow up.
- 4.7 The detailed outcomes from each finalised audit are shown in Appendix 1. Those shaded grey have previously been reported to JASC.

### Draft Reports Issued to 29<sup>th</sup> August

- 4.8 There are no reports issued in draft.

**Emma Toyne**  
**Audit Manager**  
 30<sup>th</sup> August 2018

---

## **APPENDICES**

***Appendix 1: Final reports issued to 29<sup>th</sup> August 2018***

***Appendix 2: Progress on all risk based audits from the 2018/19 plan including work in progress from the 2017/18 plan***

***Appendix 3: Internal audit performance measures to 29<sup>th</sup> August 2018***

Contact: Emma Toyne, Audit Manager, Cumbria Shared Internal Audit Service.  
[emma.toyne@cumbria.gov.uk](mailto:emma.toyne@cumbria.gov.uk)

Assignments	Status	Assessment
Creditors	Report presented to Joint Audit and Standards Committee at 19 <sup>th</sup> July 2018 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable
Information Security (OPCC)	Report presented to Joint Audit and Standards Committee at 19 <sup>th</sup> July 2018 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable
Follow up – Multi-agency safeguarding hub (2017/18 WIP)	Report presented to Joint Audit and Standards Committee at 12 <sup>th</sup> September 2018 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable

## Appendix 2 – Progress on 2018/19 Audit Plan, including 2017/18 work in progress

OPCC / Constabulary Review	Audit	Stage	Feedback form returned
Joint	Creditors (2017/18 WIP)	Complete	Yes
OPCC	Information security (2017/18 WIP)	Complete	No
Constabulary	Follow up – Multi-agency safeguarding hub (2017/18 WIP)	Complete	N/A
Constabulary	Risk Management	Not yet started	N/A
OPCC	Risk Management	Not yet started	N/A
Constabulary	Emergency Services Mobile Communications Programme (ESMCP) and Emergency Services Network (ESN)	Not yet started	N/A
Constabulary	Governance Structure	Not yet started	N/A
Constabulary	General Data Protection Regulation (GDPR)	Not yet started	N/A
OPCC	General Data Protection Regulation (GDPR)	Not yet started	N/A
OPCC	Specified Information Order	Fieldwork	N/A
Constabulary	Digital Media Investigation Unit	Fieldwork	N/A
Constabulary	Command and Control Room and 101	Work scoped - testing ready to start in September 2018.	N/A
Constabulary	Neighbourhood Policing Hubs	Not yet started	N/A
Constabulary	Overtime Spend	Not yet started. Scoping meeting held on 29 <sup>th</sup> May	N/A

Appendix 2 – Progress on 2018/19 Audit Plan, including 2017/18 work in progress

OPCC / Constabulary Review	Audit	Stage	Feedback form returned
		identified changes to systems in place which require time to embed before the audit is undertaken. Work now planned to start in Q3.	
Constabulary	Workforce Planning	Fieldwork	N/A
Constabulary	Force Tasking and Co-ordination	Not yet started – scoping meeting due to take place 6 <sup>th</sup> September 2018	N/A
OPCC	Victims Code of Practice	Work scoped	N/A
Joint	Main Accounting System	Not yet started	N/A
Joint	Debtors	Not yet started	N/A
Joint	Payroll	Not yet started	N/A
Joint	Pensions	Not yet started	N/A
Constabulary	Follow up – Offender Management	Not yet started	N/A
Constabulary	Follow up – Criminal Justice Unit	Not yet started – update to JASC in July 2018 indicates that actions are due for completion by March 2019.	N/A
Constabulary	Follow up - Stingers	Fieldwork	N/A
Constabulary	Follow up – Receipt, handling and storage of drugs	Fieldwork	N/A

Appendix 2 – Progress on 2018/19 Audit Plan, including 2017/18 work in progress

OPCC / Constabulary Review	Audit	Stage	Feedback form returned
N/A	Project support / consultancy	On-going	N/A
N/A	Attendance at Police Audit Training & Development event	Event took place on 12 <sup>th</sup> & 13 <sup>th</sup> July 2018	N/A
N/A	Internal Audit management	On-going	N/A

Key: 

Complete	Work in progress	Not yet started
----------	------------------	-----------------

### 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	14%  95% (annual target)	12%	<p>Target is based on the same period last year.</p> <p>The plan appears slightly behind based on the same period last year. Requests to delay the timing of two audits occurred during scoping meetings. Delay of these audits was reasonable due to the need to allow changes to systems / staff to embed.</p> <p>We are working with the Joint Chief Finance Officer to bring forward the financial systems audits.</p>
	<p>Number of planned days delivered</p> <p>*296 in 18/19 plan (281 per shared service agreement plus 15 days due to audit deferred from 17/18 at management's request).</p> <p>5 days of WIP carried forward at 17/18 year end</p>	61  301* (annual target)	59	<p>Target is based on the same period last year.</p> <p>All audits scheduled for quarter 2 have been scoped with fieldwork underway.</p> <p>Scoping meetings for work identified for quarter 3 have either taken place or are scheduled.</p>
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	

### Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	100%	
Timeliness of final reports	% of final reports issued for Chief Officer / Director comments within five working days of management response or closeout meeting.	90%	100%	
Recommendations agreed	% of recommendations accepted by management	95%	100%	
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	100%	
Quality assurance checks completed	% of QA checks completed	100%	100%	
Customer Feedback	% of customer satisfaction surveys returned	100%	67%	Two out of three forms returned. One relates to an audit reported in 17/18.
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	100%	Based on the two forms returned.
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	75%	

## Cumbria Shared Internal Audit Service Internal Audit Report for Cumbria County Council & Cumbria Constabulary

---



## Audit Follow up of Cumbria's Multi-Agency Safeguarding Hub

**30<sup>th</sup> July 2018**

Draft Report Issued: **28<sup>th</sup> August 2018**

Final Report Issued:

## Audit Resources

## Audit Resources

Title	Name	Email	Telephone
Audit Manager	Emma Toyne	emma.toyne@cumbria.gov.uk	01228 226261
Lead Auditor	Sarah Fitzpatrick	Sarah.fitzpatrick@cumbria.gov.uk	01228 226255

## Audit Report Distribution

For Action:	Lisa Handley (Service Manager – Multi-Agency Safeguarding Hub) Vicki Ellis (Detective Superintendent)
For Information:	Lynn Berryman (Assistant Director – Children & Young People) John Macilwraith (Executive Director – People) Mark Webster (Deputy Chief Constable)
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 12th September 2018, will receive the report. The County Council’s Audit & Assurance Committee, which is due to be held on 17 <sup>th</sup> September 2018, will receive a summary of the outcomes of the audit.

### Cumbria Shared Internal Audit Service

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



## 1. Background

1.1 An audit of Cumbria's Multi-Agency Safeguarding Hub was previously carried out in 2016/17. Based on the evidence provided at that time, the audit concluded that the controls in operation provided partial assurance. Improvements were agreed in the following areas:-

- A refresh of the Safeguarding Hub Memorandum of Understanding to clarify the level of funding / resources required for the Hub and to define each partners' contribution.
- Preparation of a Communications Strategy to raise understanding and awareness of the Hub and clarify expectations, informed by a series of roadshows.
- The delivery of multi-agency Hub training and shared learning across partners.
- Introduction of multi-agency quality assurance checks with learning incorporated into a Performance Quality Framework.
- Arrangements for developing Hub operating procedures and ensuring staff follow the latest versions.
- Development of a multi-agency staff induction process with sign off by partner agencies.
- Implementation of a Hub SharePoint site providing access to new or updated procedural documentation and guidance.
- Partner agreement to a refreshed performance report that enables effective monitoring of Hub activity.
- Actions to improve security around data sharing and ensure Hub staff undertake information security training on an annual basis.
- Incorporation of outstanding phase 2 actions into a phase 3 Hub Action Plan and communicating the updated plan across partner agencies.

1.2 Internal Audit has recently undertaken a formal follow up audit to provide updated assurance to senior management, the Joint Audit and Standards Committee (Cumbria Constabulary & OPCC) and the Audit & Assurance Committee (Cumbria County Council) that the previously agreed actions to address each high and medium priority 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 details of management updates to Joint Audit and Standards Committee, receiving a direct update statement from management and then undertaking testing as necessary to confirm that the reported 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.

### 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, 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 around Cumbria's Multi-Agency Safeguarding Hub provide **reasonable** assurance. This has been revised from the original opinion of partial assurance. The revised audit opinion assumes that controls assessed as adequate and effective in the original report have not changed and these have not been revisited as part of the follow up.

### 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:

- 5 recommendations have been successfully implemented (summarised at Section 4.3);
- 5 recommendations have been partially completed and further action is needed to adequately address the risks exposed;
- 0 recommendations are considered not to have been actioned.

#### 4.3 Recommendations fully implemented:

- **Communications Strategy (Medium Priority R2)**

The original agreed action was that roadshows would be carried out to inform a communications strategy moving forwards. The Management Update Statement provided in April 2018 reported that a number of actions have been taken to further explain the purpose of the Safeguarding Hub. This has been actioned through clarifying criteria for contact with the Hub within policies and procedures and information available on the Local Safeguarding Children's Board (LSCB) website.

Tests confirm that Information on the LSCB website helps readers to understand when to refer children to the Hub and this has been reinforced through delivery of a series of multi-agency roadshows across the county to professionals who work with children and young people. Further training events are scheduled to take place during 2018/19, as set out in the LSCB Training Programme and Learning Events 2018-19 document. These will continue to raise awareness and understanding around the work of the Hub.

- **Hub Procedures (Medium Priority R5)**

The original agreed action was that Hub operating procedures would be enhanced and developed for implementation in November 2016. An examination of the Safeguarding Hub's SharePoint site confirmed that Cumbria Safeguarding Hub's Multi-Agency Practice Standards were updated and saved on SharePoint in November 2016. Further, procedures and guidance material for use in specific circumstances has also been published on SharePoint since to expand and enhance the guidance available to the team. Examples include guidance on Child Sexual Exploitation (CSE) in February 2017 and Domestic Abuse in March 2017. Tests confirm that documents are version controlled and only the most recent versions of procedures are available.

- **Staff Induction (Medium Priority R6)**

The original agreed action was that a multi-agency staff induction would be signed off by the Development Group and launched in September 2016. It was also agreed that a Hub SharePoint site would be available to use from November 2016. Tests confirm that an induction checklist was approved by the Hub Development and Enhancement Group in December 2016 and is available on the Hub SharePoint site and access to the site is included on the induction checklist. The Safeguarding Hub Operations Group is currently overseeing a further review of the induction checklist.

- **Performance Data (Medium Priority R7)**

The original agreed action was that a performance report, agreed by Programme Board would be made available on the Hub SharePoint site and discussed at a multi-agency level. Tests confirm that a suite of performance reports has been designed by Children's Services performance team for the Safeguarding Hub. The Programme Board has had input to the process and agreed a set of performance

indicators that form the basis of this reporting. Hub managers have been provided with access and guidance to run reports for selected time periods. In addition the bi-monthly performance report that is provided to the Programme Board is also made available to managers on SharePoint. There is evidence of performance being regularly discussed on a multi-agency basis.

- **Hub Action Plan (High Priority R9)**

The original agreed action was that Phase 3 of the Hub Action Plan would be overseen by the Hub Programme Board and full Hub staff meetings would be provided with updates from January 2018. Tests confirm that all outstanding actions from the Phase 2 Action Plan were carried forward into the Phase 3 Action Plan. The Hub Operations Group reviewed the Phase 3 Action Plan in July 2018 and confirmed that all actions had been addressed and there were no outstanding actions to carry forward. This is due to be ratified by the Hub Programme Board in September 2018.

#### 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:*

- Updates to the Memorandum of Understanding have not been finalised and agreed by the Programme Board.
- The Hub Programme Board has not agreed performance targets to clearly define and communicate their expectations to Hub staff.
- The Information Sharing Agreement published on the Hub SharePoint site has not been signed and dated by partners.
- Arrangements are not in place for the Programme Board to receive assurances on an annual basis that all Hub staff have undertaken information security training.
- Attendance at lunchtime training events is not captured and recorded.

##### 4.4.3 *Advisory issues:*

- There are no advisory issues.

**Comment from the Executive Director - People:**

*I am pleased to see that the report acknowledges the work since the original audit in 2016/17. It is evident that the audit recommendations were given due focus and that the judgment is now reasonable assurance, moving from partial. It is my expectation that the Safeguarding Hub Programme Board will continue to oversee the medium priority issues reporting to the LSCB, People DMT and the relevant Cumbria Constabulary Governance Group on an appropriate basis.*

**Comment from the Deputy Chief Constable:-**

**It's encouraging to see the amount of progress that has occurred between the two audits. The report acknowledges that the highest priority actions have been progressed and completed, and goes on to helpfully indicate some remaining areas where more work is required. I am satisfied from the report that this additional work is not down to a failure to implement those recommendations; rather it is a failure to adequately record and report some of the detail of that implementation (eg capturing details of attendees at lunchtime training events).**

**I am satisfied that adequate steps are in hand to effectively implement and communicate performance indicators. However, I am disappointed that the MOU and ISA have taken so much time to formally sign off so I have spoken (today) to John Macllwarith at Cumbria County Council and we have both signed the MOU in its current format. I have also signed the ISA and I am assured this will be signed by John Macllwraith on his return from leave on 10<sup>th</sup> September. Whilst there are still a few points of detail being progressed which may revise them, this should not stop either document being signed as an interim measure as they are both in force and being complied with in practice in the Safeguarding Hub. Steps will be taken to get remaining signatures on those interim documents as a matter of priority.**

**M Webster T/Deputy Chief Constable 24.8.18**

## 5 Matters Arising / Agreed Action Plan

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

#### Audit Finding

##### (a) Governance Arrangements (R1)

A Safeguarding Hub Memorandum of Understanding (MOU) was established and signed by all parties in December 2014. It broadly sets out the key objectives, principles of collaboration, governance structure and the roles & responsibilities of partners.

There is a clause in the MOU stating that 'the parties agree to share the costs and expenses arising in respect of the Hub between them in accordance with a Contributions Schedule to be developed and approved by the Programme Board within 6 months of the date of the MOU'. There is no evidence that a Contributions Schedule was developed.

There is limited clarity in the MOU around the staffing that that each party will provide for the Hub. It states that parties will 'deploy appropriate resources' (sufficient, appropriately qualified resources to fulfil the responsibilities set out in the MOU).

Partners do not share the cost of providing Business Support services to the Hub. These services are crucial to meeting time targets and data quality standards. Business Support is predominantly provided to the Hub from Children's Services.

By formally clarifying and agreeing the level of funding / resources required for the Hub and defining each partners' contribution the scope for funding disputes arising between partners is much reduced. It would also ensure that there are sufficient staff with the relevant skills and sufficient funds to effectively operate the Hub and continue to deliver improvements / actions.

● **Medium priority** - *partially implemented*

#### Outcome from follow up:

Minutes of Cumbria Safeguarding Hub Programme Board meetings confirm that the MOU is currently under review on a multi-agency basis. Progress finalising an updated version of the MOU has been kept under review since the audit action plan was agreed. Actions are agreed and allocated to named individuals and deadline dates are set to move forwards with this task but an updated MOU has not yet been finalised and agreed by partners. It is understood that four outstanding pieces of work were discussed at the Hub Programme Board in June 2018 to complete this action:-

1. Setting out the aim and purpose of the Hub.
2. Creating a new MOU setting out the agreed purpose.
3. Review of LSCB thresholds to ensure there are clear criteria for partner agencies to assess and grade risk consistently.

4. Create an LSCB public task statement to meet GDPR requirements.

A revised target date of 30-09-18 has been agreed for this and the Safeguarding Hub Manager confirmed that the MOU will remain on the Programme Board agenda until fully addressed.

Whilst progress is being made to update and improve the MOU and all partners are involved in this process Internal Audit is unable to provide assurance that the agreed actions have been fully implemented and controls are working effectively to address risks.

**Recommendation:**

Updates to the Memorandum of Understanding should be agreed and finalised by the revised deadline date and approved by the Programme Board.

● **Medium priority**

## Audit Finding

### (b) Multi-Agency Training (R3)

Multi-agency training for the Hub has been limited to date but the newly appointed Senior Manager is planning a series of themed workshops later this year. There is an acknowledged need for staff in the hub to develop a better understanding of working practices across partners, including the terminology in use. Joint training is a further opportunity to improve the way the team works together, deliver a more consistent approach, increase resilience and achieve improvements.

● **Medium priority - partially implemented**

Outcome from follow up:

Tests confirm that fortnightly multi-agency operational meetings for team managers take place and the minutes of these meetings are stored on SharePoint. The minutes show that the meetings provide an opportunity for managers to share information and work together to improve understanding across partner organisations and develop working practices.

A Hub Action Plan arising from a review commissioned by Cumbria Constabulary to identify efficiencies (Ad-Esse) includes an action around the development of a training programme. The action plan is a fixed agenda item at Operational Group meetings for ongoing progress monitoring.

Full Hub staff meetings were introduced in April 2018 to disseminate information. These meetings will continue on a quarterly basis.

Regular lunchtime briefing sessions are held for all Hub staff. They are delivered by subject experts with relevant information added to SharePoint for non-attendees. Recent topics covered include domestic abuse risk assessment for children, modern slavery and homelessness. Registers of attendance have not been taken consistently at these sessions. Without these records management cannot be assured that individual team members have the required knowledge and skills to meet the needs of clients and deliver key objectives.

#### Recommendation:

Attendance at lunchtime training events should be captured and recorded to inform management decisions around training and development, promotion, recruitment etc.

- **Medium priority**

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

### Audit Finding

#### (c) Data Quality Assurance (R4)

There is currently no framework for management / supervisory quality assurance checks to ensure adherence to safeguarding Hub policies and procedures and data quality standards.

There was some evidence of the dip sampling of cases and feedback being given to staff within the Hub but the sampling was limited and ceased in March 2016.

Findings from quality assurance activity would inform staff development plans and help drive improvement activity.

- **Medium priority - partially implemented**

#### Outcome from follow up:

Tests confirmed that a schedule of monthly Safeguarding Hub audits is in place, each with a different theme e.g. the focus in June was the MASH evaluation form. **Ten** cases are reviewed each month, selected at random according to the theme determined by the Operational Group. All audits are moderated and the results are presented to the Operational Group and the Programme Board, with relevant feedback provided to staff. Audit findings are also made available to managers on SharePoint. Operational Group minutes show that audits are fully discussed, covering strengths, areas for

development and improvements actions going forwards.

Children's Services Performance Team has developed a suite of performance reports for the Safeguarding Hub. Performance reporting is a standing agenda item at monthly Programme Board meetings and performance reports are made available to staff on SharePoint. In March 2018 the Programme Board was asked by the Safeguarding Hub Manager to provide clarity regarding what performance data is required for monitoring purposes and to agree what 'good performance' looks like. The Board reviewed and discussed each of the 18 existing performance indicators and agreed which ones to include in performance reports going forwards. The Board did not agree performance targets in respect of each indicator to establish and convey their expectations regarding performance. The agreement of performance targets could help streamline performance reporting to focus more clearly and efficiently on exceptions and any remedial action required.

**Recommendation:**

Programme Board members should agree a set of performance targets to clearly define and communicate their expectations to Hub staff.

- **Medium priority**

### 5.3 Security – safeguarding of assets.

#### Audit Finding

##### (d) Information Sharing (R8)

###### R8a

As a multi-agency Hub, information sharing between partners is a key requirement of daily operations. A Hub Information Sharing Protocol has been prepared to facilitate this sharing of information between partners but the document is still marked as a draft, it is not dated, and there is no evidence of agreement and sign-off by partner agencies. At the time of the audit review the Hub Information Sharing Protocol was not available to Hub management or staff.

###### R8b

Hub managers are currently unaware of the level of information governance / security training provided to Hub staff.

- **High priority** - partially implemented

Outcome from follow up:

#### R8a

Minutes of Cumbria Safeguarding Hub Programme Board meetings suggest the Safeguarding Hub Information Sharing Agreement was signed off by partners in November 2017 and implemented in June 2018. Tests confirm that a copy of the Information Sharing Agreement was uploaded to the Hub SharePoint site in June 2018. However this version of the Information Sharing Agreement is not signed or dated by partners and partner assurances within the document around compliance with legislation and other requirements are not up to date. It states within the document that the agreement will be reviewed every twelve months post commencement unless an earlier review for policy or legislative reasons is necessary. There is section within the document to record the start date for the agreement and scheduled review date. These dates have not been completed.

It is understood from the Safeguarding Hub Manager that a more recent, updated version of the agreement is currently being finalised for presentation to the Hub Programme Board in September 2018.

#### R8b

The original agreed action was to formalise an annual check of information security training. Minutes of Cumbria Safeguarding Hub Programme Board meetings show efforts made by the chair to obtain assurance from partners that at all Hub staff have undertaken up to date ICT security training. Meeting minutes do not indicate that this assurance has been provided by all partners and evidenced. Reference is made to mandatory information security e-learning for users accessing County Council information each year. However no assurances have been given to the Programme Board that all staff in the Hub have completed this training, per requirements, during the last year.

#### Recommendation:

- a) The current review and sign-off of the Safeguarding Hub Information Sharing Agreement should be evidenced within an updated document and shared across partners.
  - **Medium priority**
- b) Arrangements should be put in place to give assurance to the Programme Board on an annual basis that all Hub staff have received up to date information security training.
  - **Medium priority**



## 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

This page has been left intentionally blank

# Treasury Management Activities 2018/19

## Quarter 1 (April to June 2018)

### Public Accountability Meeting 25 July 2018 and JASC Meeting 12 September 2018

#### Purpose of the Report

The purpose of this paper is to report on the Treasury Management Activities (TMA), which have taken place during the period April to June 2018, in accordance with the requirements of CIPFA's Code of Practice on Treasury Management.

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

#### Recommendations

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

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

#### Economic Background

The Bank of England (BOE) made no change to monetary policy at its meeting on 21 June although the vote moved to 6-3 to maintain the rate from 7-2 in the May meeting. The Base Rate has been maintained at **0.50%** since 2 November 2017.

The MPC has maintained expectations of a rise in interest rates this year. Arlingclose's central case is for Bank Rate is to rise once in 2018 and twice more in 2019. The MPC has a definite bias towards tighter monetary policy. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that: 1) ultra-low interest rates result in other economic problems, and that 2) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise.

Arlingclose's view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union.

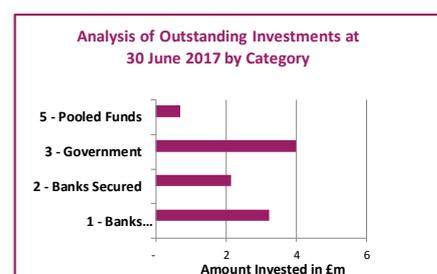
Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

#### TM Operations and Performance Measures

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

**Outstanding Investments:** As at 30 June 2018 the total value of investments was **£9.655m** and all were within TMSS limits.

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



A full list of the investments that make up the balance of £9.655m is provided at **Appendix A**.

**Investment Activity:** During quarter 1 there were no investments made within TM categories 1-2 (banks unsecured and banks secured). An investment of £2m with a local authority was rolled over for 1 year and there were other regular, smaller investments in category 5 (money market pooled funds).

**Non-specified investments:** The TMSS sets a limit for investments with a duration of greater than 364 days at the time the investment is made (known as non-specified investments), this limit is £5m. At 30 June the Commissioner had one investment meeting this description of £2.2m which will mature in December 2018 – Outstanding duration 170 Days

- Leeds Building Society £2.2m 887 days (13/07/16 to 17/12/18)

**Investment Income:** The budget for investment interest receivable in 2018/19 is £75k. This budget was set prior to the bank of England base rate rise in November 2017. A briefing note prepared for the JASC meeting in March suggested that the actual income for 2018/19 might be £100k. The current forecast against this target is that the actual will be in the region of £120k although it is still relatively early in the financial year to provide an accurate estimate.

Factors such as future interest rates available and investment balances will impact.

The average return on investment at the end of quarter 1 is 0.592%. As a measure of investment performance, the rate achieved on maturing investments of over 3 months in duration is compared with the average BOE base rate.

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

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Landesbank Hessen-Thuringen	£2m	5.9	0.45%	0.50%
Lancashire County Council	£2m	12	0.60%	0.37%
Salford City Council	£2m	3	0.45%	0.50%

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

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	91	2,783	28,404
Days Overdrawn	0	0	0

The largest un-invested balance occurred on the 4th April (£28k) whereby large sums of seized cash were banked late in the afternoon. In line with procedure, any funds banked during the day are subject to checking by the bank and could be removed from our account again while any issues are resolved which would have resulted in an overdrawn account. It is therefore normal practice that this cash is not invested into the liquidity select account and would have been left in the main fund account.

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

### Prudential Indicators

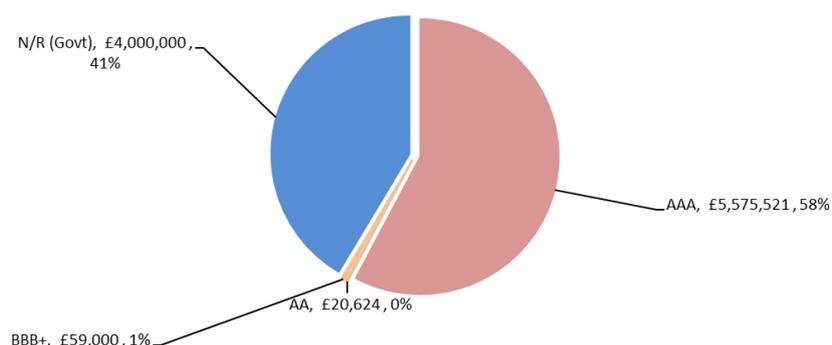
In accordance with the Prudential Code, the TMSS includes a number of measures known as Prudential Indicators which determine if the TMSS meets the requirements of the Prudential Code in terms of **Affordability, Sustainability and Prudence.**

An analysis of the current position with regard to those prudential indicators for the financial year 2018/19 is provided at **Appendix B.** The analysis confirms that the Prudential Indicators set for 2018/19 are all being complied with.

## Appendix A Investment Balance at 30 June 2018

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>							
Svenska (Deposit Account)	AA	Various	On Demand	N/A	0.30%	20,624	20,624
NatWest (Liquidity Select Account)	BBB+	30/06/2018	01/07/2018	O/N	0.05%	59,000	59,000
						<b>79,624</b>	<b>79,624</b>
<b>Category 2 - Banks Secured (Includes Banks &amp; Building Societies)</b>							
Leeds Building Society (Bond)	AAA	13/07/2016	17/12/2018	170	0.68%	2,070,884	2,070,884
						<b>2,070,884</b>	<b>2,070,884</b>
<b>Category 3 - Government (Includes HM Treasury and Other Local Authorities)</b>							
East Dunbartonshire Council	NR	06/05/2018	06/09/2018	68	0.80%	2,000,000	2,000,000
Lancashire County Council	NR	17/04/2018	16/04/2019	290	0.60%	2,000,000	2,000,000
						<b>4,000,000</b>	<b>4,000,000</b>
<b>Category 4 -Registered Providers (Includes Providers of Social Housing)</b>							
None						0	0
						<b>0</b>	<b>0</b>
<b>Category 5 -Pooled Funds (Includes AAA rated Money Market Funds)</b>							
Fidelity	AAA	Various	On demand	O/N	0.42%	4,637	4,637
Goldman Sachs	AAA	Various	On demand	O/N	0.45%	2,000,000	2,000,000
Invesco	AAA	Various	On demand	O/N	0.50%	1,500,000	1,500,000
Standard Life (Formally Ignis)	AAA	Various	On demand	O/N			0
						<b>3,504,637</b>	<b>3,504,637</b>
<b>Total</b>						<b>9,655,145</b>	<b>9,655,145</b>

### Analysis of Outstanding Investments by Credit Rating of Counterparty at 30 June 2018 (Minimum Criteria per TMSS A-)



Note – The credit ratings in the table & chart relate to the standing as at 30 June 2018, these ratings are constantly subject to change.

# Appendix B

## Prudential Indicators 2018/19

Prudential Indicator - With Targets To Review		Approved Indicators	Current Value	Within	
		TMSS	£m	Target	
		£m	£m		
1	<b>The Authorised Limit</b> <i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit</i>	Total Authorised Limit	24.048	4.745	✓
2	<b>The Operational Boundary</b> <i>The operational boundary represents and estimate of the most likely but not worse case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i>	Total Operational Boundary	22.548	4.745	✓
3/4	<b>Interest Rate Exposure</b> <i>The purpose of this indicator is to contain the Commissioners exposure to unfavourable movements in future interest rates.. This represents the position that all of the Commissioner's authorised external borrowing may be at a fixed rate at any one time.</i>	Net Principal sums Outstanding at Fixed Rates	24.048	4.745	✓
		Net Principal sums Outstanding at Variable Rates	1.500	0.000	✓
5	<b>Upper Limit for total principal sums invested for over 364 Days</b> <i>The purpose of this indicator is to ensure that the commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.</i>	Non Specified Investments with a maturity greater than 364 days	5.000	2.200	✓
<b>Prudential Indicator - To Note</b>					
6	<b>Net Borrowing and the Capital Financing Requirement</b> <i>This indicator is to ensure that net borrowing will only be for capital purposes. The commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.</i>	Net Debt (section 12 below provides analysis) (£m)	(13,281)	(13,168)	
		Capital Financing Requirement as at 31 March (£m)	17.548	17.548	
		Net external Borrowing (£m)	0.000	0.000	
7	<b>Capital Expenditure and Capital financing</b> <i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2018/19</i>	Expenditure (£m)	11.261	9.779	
		Financing and Funding (£m)	0.000	0.000	
8	<b>Ratio of Financing Costs to Net Revenue Stream</b> <i>This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs</i>	Financing Costs (£m)	0.357	0.357	
		Net Revenue Stream (£m)	98.627	98.627	
		Ratio	0.36%	0.36%	
9	<b>Capital Financing Requirement</b> <i>The CFR is a measure of the extent to which the commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i>	CFR including PFI & other long term liabilities (£m)	17.548	17.548	
		CFR excluding PFI & other long term liabilities (£m)	12.803	12.803	
10	<b>Actual External Debt</b> <i>It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing</i>	External Debt including PFI & other long term liabilities (£m)	4.745	4.745	
		External Debt excluding PFI & other long term liabilities (£m)	0.000	0.000	
11	<b>Impact of capital investment decisions on the Council Tax</b> <i>This indicates the incremental impact of the capital investment decisions funded from prudential borrowing proposed for the period 2018/19 based on a Band D property in line with the proposed council tax level.</i>	Capital Expenditure funded from revenue (£m)	1.684	1.662	
		Incremental Impact on Band D Council Tax (£)	9.955	9.484	
12	<b>Gross and Net Debt</b> <i>The purpose of this indicator is highlight a situation where the Commissioner is planning to borrow in advance of need.</i>	Outstanding Borrowing (at notional value) (£m)	0.000	0.000	
		Other Long Term Liabilities (PFI & Finance Lease) (£m)	4.745	4.745	
		Less Investments (£m)	18.026	17.913	
		Net Debt (£m)	(13,281)	(13,168)	
13	<b>Maturity Structure of Borrowing</b> <i>The indicator is designed to exercise control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.</i>	Not Applicable - currently no external debt			