

Agenda Item 4

CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY

JOINT AUDIT COMMITTEE

Minutes of a meeting of the Joint Audit Committee held on Wednesday 23rd May 2019 in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 10.30 am

PRESENT

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

Also present:

Chief Executive, Office of the Police and Crime Commissioner (Gillian Shearer)
Deputy Chief Constable (Mark Webster)
Joint Chief Finance Officer (Roger Marshall)
Deputy Chief Finance Officer (Michelle Bellis)
Head of Internal Audit, Cumbria Shared Internal Audit Service, Cumbria County Council (Richard McGahon)
Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Emma Toyne)
Engagement Lead, Grant Thornton LLP (Robin Baker)
Financial Services Apprentice (Inge Redpath)

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

482. APOLOGIES FOR ABSENCE

Apologies for absence were received from Lynne Johnstone (Grant Thornton LLP) and Vivian Stafford (Deputy Chief Executive/Head of Partnerships and Commissioning, Office of the Police and Crime Commissioner).

The Chair called the meeting to order.

483. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC

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

484. DISCLOSURE OF PERSONAL INTERESTS

The Chair declared a personal interest having been appointed as Chair of the North West Regional Pensions Board.

485. MINUTES OF MEETING AND MATTERS ARISING

The minutes of the meeting held on 20th March 2019 had been circulated with the agenda. The minutes were first reviewed for factual accuracy.

Slight correction on Item 468 corporate update from the DCC, sentence to be removed to make wording clearer and change of wording on item 470 External Audit Plan And Update Report again to make representation of what was said during the meeting clearer.

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

ACTION: Finance Apprentice to amend minutes and send to Chair for signature.

486. ACTION SHEET

The action sheet of the meeting held on 20th March 2019 had been circulated with the agenda. The following comments were made:

Item 473-475(ii) Referred to consultancy prices not pieces.

Item 473-475(iii) The explanation required a defined reason for delay.

ACTION: Finance Apprentice to amend and update the Action plan to reflect the above points.

RESOLVED, All other items were resolved.

487. CORPORATE UPDATE

The DCC updated the meeting to say Mr Andy Slattery has been appointed as Assistant Chief Constable following an intensive interview process. This will now lead to other promotions within the force to fill positions created following Mr Slattery's appointment.

The DCC then explained that the constabulary had been graded as 'good' in all areas following the HMICFRS Peel Inspection. In addition, following the Crime Data and Integrity Inspection, which looks at the way crime is recorded, the force achieved a grading of 'outstanding', being only the second force to achieve this, the highest grade, at the first inspection.

The DCC then went on to update the meeting regarding preparations for the upcoming Appleby Horse Fair. The police have been working more closely with the local community, explaining the role the police have in relation to the horse fair and how the police are there to look after

the needs of both the settled and traveling communities, the police are not there to run the event, this falls to the community.

The chair then congratulated the DCC on the outcome of both inspections and especially on the 'outstanding' achieved and on the appointment of ACC Andy Slattery.

The chair also thanked the DCC for organising the visit to the Safeguarding Hub back in April, which all the committee found extremely beneficial.

The Joint CFO then gave a brief financial update, as there were more financial matters for consideration on the agenda. The Joint CFO reported that the final outturn position was for a slightly lower overspend than had been previously forecasted, but on the whole the consistency of the financial forecasting was working well. The year end overspend does show the ongoing pressures on the budgets, which is in line with other public sector organisations.

The CE gave an update agreeing with the DCC with regard to the challenges of Appleby Horse Fair as the OPCC office have had their first email on the subject and that it looks likely that it will be busy period, linking with all the multi agencies.

The PCC Annual report is being developed and will come back to committee later in the year for information.

The CE confirmed that the staffing issues of the OPCC's office have now been overcome and they are up to full compliment.

The CE then clarified that Mr McCall will be standing for re-election for the position of Police and Crime Commissioner on 7th May 2020.

488. EXTERNAL AUDIT FEES

Engagement Lead Robin Baker explained to the committee that as external auditors they are required to show what the audit fees are for both the CC and the PCC for the 2019/20 Audit period. The audit fees are to be £11,550 for the CC and £34,910 for the PCC. The 2019/20 period represents the 2nd year of the current contract.

RESOLVED, that the report be noted.

489. EXTERNAL AUDIT PROGRESS REPORT

Senior Manager Robin Baker presented the External Audit progress report saying that external audit have completed the interim audit; this work included updates on audit understanding of systems, processes and controls. They have also tested 10 months of operational expenditure, a whole year on salaries and remunerations and 10 months income. They have not found any unusual items or items of concern at this time. Robin also stated that they take into consideration

not only financial matters but the outcome of the recent HMICFRS and Peel Inspections.

The Committee asked a range of questions on the information provided in the report and the chair thanked Robin for the very helpful report.

RESOLVED, that the report be noted.

490. RISK MANAGEMENT MONITORING

The CE presented the report and explained that risks are dynamic and ever changing so it is a live document and measures are in place to ensure staff have the appropriate training and that training is up to date.

RECOMMENDATIONS:

- (i) Are the committee satisfied with the effectiveness of the OPCC's processes and monitoring of risk – The Committee agreed that on the basis of the information received they were satisfied with the arrangements for monitoring risk.
- (ii) Do the committee wish to make any other recommendations – The Committee did not identify and recommendations that they wish to make.

RESOLVED, that the report be noted

491. ANTI-FRAUD AND CORRUPTION ACTIVITIES

The CE presented the report, which provided clarity over roles and responsibilities for anti-fraud and corruption arrangements within the OPCC.

RECOMMENDATIONS:

- (i) Are the committee satisfied with the effectiveness of the OPCC's processes and monitoring of Anti-Fraud and Corruption Activity – The Committee agreed that on the basis of the information received they were satisfied with the arrangements.
- (ii) Do the committee wish to make any other recommendations – The committee did not identify and recommendations that they wish to make.

RESOLVED, that the report be noted

492. ETHICS AND INTEGRITY GOVERNANCE

The CE presented this report, which covers the key areas of Public Complaints, Staff/Officer Misconduct, Code of Ethics and Grievances and Claims. The panel report provides assurance that the panel are working well and providing good assurance to both the PCC and the CC.

One member commented on the high workload undertaken by the panel and praised them on

the way they feed back through the appropriate channels to victims and complainants. The Chair noted the report and found it very helpful to add to the assurance the committee receive. It also underlines the good level of performance within the force and the depth and breadth of the work undertaken by the panel, it is of great value.

RESOLVED, that the report be noted

493. INTERNAL AUDIT – ANNUAL REPORT

Internal Audit Manager Emma Toyne presented the summary report for 2018/19. It was reported that 16 out of 17 Audits achieved assurance ratings of ‘reasonable’ or ‘substantial’ and the overall assurance opinion is ‘Reasonable’ with no threats to the impairment of Internal Audit that would affect the overall assurance opinion given.

The member asked for clarification on who completed the report and who gives the overall opinion.

Head of Internal Audit Richard McGahon explained that things would change following his move into post, but ultimately this year Emma produces the reports and he, in his role of Head of Internal Audit then checked the opinion given. Moving forward the Audit Manager Emma Toyne would continue to formalise the reports and he as Head of Internal Audit will make the overall opinion.

The chair then confirmed that the committee is content with the processes and the assurances given, and note the changes going forward to give more clarity on responsibilities.

External Audit asked if Internal Audit could briefly explain to the committee the difference levels of assurance.

Head of Internal Audit then explained the there are four levels of assurance:

- Substantial
- Reasonable
- Partial
- No/Limited

Looking at the 17 Audits undertaken, 9 are Reasonable, 1 is partial and 7 are Substantial and as Head of Internal Audit he agreed that the overall ‘Reasonable’ assurance opinion should be given.

RESOLVED, that the report be noted.

494. INTERNAL AUDIT REPORTS(S)

Internal Audit Manager Emma Toyne presented the following reports to the meeting:

(i) GDPR (Constabulary) – Apr 19

One member asked for more information in the “Management Responses” action section as they felt it was somewhat lacking in detail.

The member also asked who the GDPR Officer was and what position this post holds within the force?

The DCC explained that the force GDPR Office is Mr David Cherry a senior manager with many years’ experience in this type of work and have been given more resources to comply with the legislation, he reports to Stephen Kirkpatrick the Director of Corporate Support.

ACTION: To provide more clarification on the monitoring reports as to how items are being address and the processes between Stephen Kirkpatrick, David Cherry and the DCC.

The member then asked for clarification over the term “Strengths Based Conversations” and how this has now replaced the performance reviews; the member felt the committee needed a better understanding of how the new system works.

The DCFO explained briefly what a strengths based conversation entailed and it was agreed that the committee would benefit from a development session in the future on this.

ACTION: To provide a development session on the new Strengths Based Conversations.

(ii) Offender Management Follow Up (Constabulary) – May 19

No queries or points to note

(iii) Overtime Monitoring (Constabulary) – May 19

No queries or points to note

(iv) Main Account system (Constabulary) – May 19

No queries or points to note

The chair thanked Internal Audit for all the reports.

RESOLVED, that the reports be noted.

495. EFFECTIVENESS OF THE ARRANGEMENTS OF AUDIT

The DCFO presented the report, which forms part of the overall governance arrangements; these arrangements support the assurance framework of the PCC, the CC and the JAC Committee. CIPFA defines the system of internal audit as the entirety of the arrangements put in place by the entity including any oversight committee, this being the JAC committee. Therefore, the report covers both the work of Internal Audit and the work of the committee.

One member asked if staffing levels in Internal Audit were back to the level needed to undertake the work. The Head of Internal Audit gave assurance that staffing issues were now resolved within Internal Audit.

RECOMMENDATIONS:

- (i) Are the committee satisfied with the effectiveness of Internal Audit for the year to 31st March 2019 – The Committee agreed that on the basis of the evidence received and assurances provided they are satisfied with the effectiveness of Internal Audit for 2018/19.
- (ii) Do the committee wish to make any other recommendations to the Commissioner and Chief Constable for improvements in 2019/20 – The committee would like some engagement in the ongoing review of the value of the internal audit consultancy work and the appropriate balance between this type of work and assurance audit work.

496. JOINT AUDIT COMMITTEE – REVIEW OF EFFECTIVENESS

The DCFO presented the report, which is an annual review following CIPFA guidance and covers the following four main areas:

- Core-committee functions
- Wider functions of the committee (ethical values and treasury management)
- Independence and accountability
- Membership and effectiveness

The committee achieves 5 out of 5 in each of these sections; this indicates the highest level of effectiveness.

This report once agreed, will be used to produce a more summarised annual report that will be brought back to the July 2019 meeting and will then presented by the chair to the Police and Crime Panel meeting on the 14th October 2019.

External Audit explained that the committee works in a more collaborative way and now does more than receive reports, he asked if examples e.g. the visit to the Safeguarding Hub could be added to show these types of collaborative works on page 23.

ACTION: To add examples of other types of works undertaken by the committee i.e. the visit to the Safeguarding Hub.

The chair thanked the DCFO for the report and made the following points:

- (i) It is a very lengthy document and was please therefore to note that a summary report will be created once the full report has been agreed.
- (ii) It appears as if the committee are grading themselves whereas the DCFO undertook the scoring on behalf of the committee, this needs to be explained in the summary document. Comment regarding the use of the word “extremely” in the overall conclusion (page 5) may not be accurate so should be removed.
- (iii) In order to comply the chair needs to meet with the Section 151 Officer.

ACTION: To remove the word extremely from the overall conclusion on page 5.

ACTION: To consider a need for a meeting between the chair and the Section 151 officer.

497. ANNUAL GOVERNANCE STATEMENT

The Joint CFO presented a suite of reports around governance for both the Chief Constable and the Police and Crime Commissioner; these are underpinned by the CIPFA good governance arrangements. We work towards this standard.

- (i) Effectiveness of Governance arrangements

This document is a summary of governance arrangements, the opinion of inspectorates, the work of this committee, the role of the CFO and the role of the Head of Internal Audit.

- (ii) Codes of Corporate Governance

These documents are to look forward as to how both the Commissioner and the Chief Constable are going to govern in the year 2019/20.

- (iii) Annual Governance Statement

These documents look back as to how both organisation complied with their respective codes of corporate governance in the year 2018/19.

This suite of documents are live documents and are not finalised until the accounts are signed off in July so the members are asked for their comments and advice.

One member thanked the joint CFO for the reports and liked the new summary report covering both organisations.

The member queried the use of “entity” as opposed to “organisation”.

ACTION: To look at changing the word “entity” to “organisation”

Individual specific comments from the Committee to be emailed to the CFO after the meeting.

The chair thanked the joint CFO for the comprehensive documents.

498. ANNUAL STATEMENT OF ACCOUNTS

The joint CFO presented the pre-audit Statement of Accounts for both the PCC/Group Accounts and the CC Accounts. The joint CFO explained the challenges around the timescales for production of these accounts, the timescales have been made more challenging given that Cumbria County Council have now set the school Easter holidays to the first two weeks in April for the foreseeable future. The reliance on information from other organisations such as pension scheme actuaries and the 6 Cumbrian district councils in relation to council tax adds further complexity. The joint CFO said that the Financials Services team have worked extremely hard and the accounts have been produced and checked in readiness for this meeting and are in a position ready to be published.

The members thanked the finance team for the hard work and effort and the impact on staff.

The DCFO explained that the finance team work as a team to finalise the statutory accounts and everyone has an understanding of where each person fits into the overall work programme.

The Chair thanked the Joint CFO for the reports

12.50pm Robin Baker leaves the Meeting

499. TREASURY MANAGEMENT ACTIVITIES

The DCFO presented the Quarter 4 report for 2018/19, the report shows investments income of £146k for the year, which is up by £71k this is due to the increase in the bank base rate.

The average return on investments is 0.67%, which is identical to the average bank base rate for the year.

The balances at the 31st March show total invested of £14million compared with £15.9million the year before clearly showing the balances are declining. The Commissioner remained debt free as at the end of 2018/19 but does have an underlying need to borrow measured by the capital-financing requirement.

500. POINT FOR CONSIDERATION BY THE COMMISSIONER AND THE CHIEF CONSTABLE

- (i) Item 14 – Review of Effectiveness of the arrangements for Audit 2018/19. The committee would like some engagement in the ongoing review of the value of internal audit consultancy work and the balance between this and assurance audit work.

Meeting ended at 1pm

Future Meeting Dates (For Information)

25 July 2019 @ 1.00pm – Conference Room 2
19 September 2019 @ 10:30am – Conference Room 2
20 November 2019 @ 10:30am – Conference Room 2
18 March 2020 @ 10:30am – Conference Room 2
28 May 2020 @ 10:30am – Conference Room 2

Signed: _____

Date: _____

Joint Audit Committee – Action Update and Plan

| Minute Item | Action to be taken | Person Responsible | Target Date | Comments | Status |
|--|------------------------|-----------------------------------|------------------------|--|----------|
| DATE OF MEETING: 23rd May 2019 | | | | | |
| 471 | Value for Money Report | Director of Corporate Improvement | July 2019 | <p>Enhance the table of categories to clarify how Cumbria has embraced these issues resulting in no action being required.</p> <p>This suggestion will be incorporated into the next VFM report when it is produced in November/December 2019, this item is now considered closed</p> | Complete |
| 473-475(i) | Internal Audit | Internal Audit | March 2020 | <p>Papers accompanying future plans to include a report from Constabulary and the OPCC management that they are satisfied with the level of audit days provided by the plan.</p> <p>In future audit plans a statement will be requested from both the Constabulary and the OPCC management on whether they are satisfied with the level of audit days provided by the plan and the split between assurance and consultancy / added value, , this item is now considered closed</p> | Complete |
| 473-475(ii) | Internal Audit | Internal Audit | Possibly November 2019 | <p>To monitor and value and assurance obtained from the work described as “Consultancy” in the internal audit plan and this should be brought to the committee after one or two of the consultancy pieces of work have been undertaken.</p> <p>JAC to consider, with management, the value and assurance gained from Consultancy work.</p> | Ongoing |
| 473-475(iii) | Internal Audit | Internal Audit | May 2019 | <p>To liaise with the DCC and seek assurance that not undertaking the audit on Benefit Realisation Plan for SAAB will not have any operational impact.</p> <p>Project support on the benefit realisation proposals for SAAB has been undertaken with early feedback provided to the Director of Corporate Improvement, Internal Audit are awaiting responses from Jane Sauntson and Stephen Kirkpatrick.</p> | Ongoing |

| | | | | | |
|---------|--|---------------------|--------|---|----------|
| 485 | Minutes of Meeting 20.03.19 | Finance Apprentice | Jul 19 | <p>Slight correction to wording on Item 468 corporate update from the DCC, sentence to be removed to make wording clearer and change of wording on item 470 External Audit Plan And Update Report again to make representation of minutes clearer. Finance Apprentice to amend minutes and send to Chair for signature</p> <p>Items updated and minutes mailed to chair for signature, this item is now considered closed</p> | Complete |
| 494 (i) | Internal Audit Report – GDPR (Constabulary) – Apr 19 | Stephen Kirkpatrick | Jul 19 | <p>To provide more clarification on the monitoring reports as to how items are being addressed, in particular, the processes between Stephen Kirkpatrick, David Cherry and the DCC on GDPR</p> <p>Monthly GDPR project highlight reports submitted to, and considered at the monthly meeting of the Business Support Board. GDPR reporting is raised, on a ‘by exception’ basis at DCC SLT or COG as required.</p> | Complete |
| 494 (i) | Internal Audit Report – GDPR (Constabulary) – Apr 19 | DCFO | | <p>To provide a development session on the new Strengths Based Conversations.</p> <p>This has been scheduled for the 19 September Development Session.</p> | Complete |
| 496 | Joint Audit Committee – Review of Effectiveness | DCFO | Jul 19 | <p>To add examples of other types of works undertaken by the committee i.e. the visit to the Safeguarding Hub in the report.</p> <p>This has been updated in the finalised version of the review of effectiveness and emailed to members.</p> | Complete |
| 496 | Joint Audit Committee – Review of Effectiveness | DCFO | Jul 19 | To remove the word extremely from the overall conclusion on page 5 | Complete |
| 496 | Joint Audit Committee – Review of Effectiveness | DCFO | Jul 19 | <p>To consider the need for a meeting between the chair and the 151 officer.</p> <p>Initial discussions have been undertaken and a formal meeting will be put in place.</p> | Ongoing |

| | | | | | |
|-----|-----------------------------|-----|--------|---|---------|
| 497 | Annual Governance Statement | CFO | Jul 19 | To look at changing the word "entity" to "organisation" | Ongoing |
|-----|-----------------------------|-----|--------|---|---------|

Joint Audit Committee – Review of Effectiveness Action Plan 2019/20

| Ref | Improvement Area | Planned Action | Owner | Target Date | Status |
|------|---|---|-------|---------------|---------|
| JAC1 | Support and monitor the OPCC and Constabulary plans to address the current funding environment. | Members to maintain awareness of the national position in relation to the Funding Formula; to receive annual training on the budget and MTFP and consider as appropriate the arrangements flowing from significant changes in funding levels. JAC members to consider efficiency aspects of any recommendations or reports to Committee. | JAC | March 2020 | Ongoing |
| JAC2 | 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. | JAC to encourage clarity in any new arrangements; appropriate documentation and; ensure governance arrangements considered as part of the risk assessment. | JAC | March 2020 | Ongoing |
| JAC3 | Improve awareness of the work of the Police and Crime Panel and the Ethics and Integrity Panel where appropriate. | Members to continue to attend PCP meetings and seek to maintain awareness of issues and concerns of the Police and Crime Panel to the extent that they might inform the work of the JAC. JAC to consider annual report from Ethics and Integrity Panel and received updates on matters identified. | JAC | November 2019 | Ongoing |
| JAC4 | Strategic awareness of the Police and Crime Plan. | JAC members to review and consider the PCC annual report to maintain awareness and identify any potential issues or new initiatives that have a bearing on the governance work of the Audit Committee. | JAC | March 2020 | Ongoing |

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

Meeting date: 25 July 2019

From: Audit Manager (Cumbria Shared Internal Audit Service)

INTERNAL AUDIT: PROGRESS REPORT TO 3RD JULY 2019

1.0 EXECUTIVE SUMMARY

1.1 This report provides a review of the work of Internal Audit for the period to 3rd July 2019.

1.2 Key points are:

- Work is progressing on the completion of outstanding 2018/19 audit work and on new work from the 2018/19 audit plan.
- The audit of debtors and follow up audit of the Criminal Justice Unit (digital case files) from the 2018/19 plan have been finalised. Three risk based audits from the 2019/20 plan are at the fieldwork stage and scoping meetings have been arranged for work identified for quarter 2.
- At this stage of the year it is anticipated that sufficient coverage will be achieved to enable to Head of Internal Audit to deliver the annual opinions.

2.0 OVERVIEW

2.1 Internal Audit's work is designed to provide assurance to management and Joint Audit 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's 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 Committee enables emerging issues to be identified during the year.

3.0 RECOMMENDATION

- 3.1 Joint Audit 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 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 2019/20 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 opinions as required by the PSIAS.

4.5 This report provides an update on the work of internal audit for the period to 3rd July 2019. It reports progress on the delivery of the 2019/20 audit plan, including 2018/19 work in progress in the period and includes a summary of the outcomes of audit reviews completed in the period.

Status of internal audit work as at 3rd July 2019

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2019/20 audit plan and 2018/19 work in progress. Further detail on this is included at Appendix 2.

| Audit Status | Number of reviews |
|---------------------------------|--------------------------|
| <u>Audits completed:</u> | <u>2</u> |
| Financial systems (2018/19 WIP) | 1 |
| Follow up (2018/19) | 1 |
| <u>Audits in progress:</u> | <u>6</u> |
| Risk based audits | 3 |
| Risk based audits (2018/19 WIP) | 3 |
| <u>Audits to be started</u> | <u>13</u> |
| Risk based audits | 7 |
| Financial systems | 2 |
| Governance work | 1 |
| Advisory work | 3 |
| <u>Audits in plan</u> | <u>21</u> |

Outcomes from Final Audit Reports to 3rd July

4.6 Audits completed to 3rd July comprise one financial system audit of debtors and a follow up of Criminal Justice Unit.

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

Draft Reports Issued to 3rd July

4.8 No draft reports have been issued in the period.

Emma Toyne
Audit Manager
 3rd July 2018

APPENDICES

- Appendix 1 : Final reports issued to 3rd July 2019***
- Appendix 2 : Progress on all risk based audits from the 2019/20 plan including work in progress from the 2018/19 plan***
- Appendix 3 : Internal audit performance measures to 3rd July 2019***

Contact: Emma Toyne, Audit Manager, Cumbria Shared Internal Audit Service.
emma.toyne@cumbria.gov.uk

Appendix 1 – Final reports issued to 3rd July 2019

| Assignments | Status | Assessment |
|---------------------------------|---|-------------------|
| Debtors | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website. | Reasonable |
| Criminal Justice Unit Follow up | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website. | Reasonable |

Appendix 2 – Progress on 2019/20 Audit Plan, including 2018/19 work in progress

| OPCC / Constabulary Review | Audit | Stage | Feedback form returned |
|----------------------------|---|---|------------------------|
| Constabulary | Debtors (2018/19 WIP) | Completed | N/A |
| Constabulary | Governance structure (2018/19 WIP) | Fieldwork | N/A |
| Constabulary | Neighbourhood policing hubs (2018/19 WIP) | Fieldwork – report being drafted | N/A |
| Constabulary | Force Tasking and Co-ordination (2018/19 WIP) | Fieldwork – report being drafted | N/A |
| Constabulary | Criminal Justice Unit – follow up (2018/19 WIP) | Completed | N/A |
| Constabulary / OPCC | Financial sustainability | Not yet started | N/A |
| Constabulary / OPCC | Benefits realisation | Not yet started | N/A |
| Constabulary / OPCC | Procurement | Not yet started – scoping meeting arranged for 17 July 2019 | N/A |
| OPCC | Collaboration | Fieldwork | N/A |
| OPCC | Police and Crime Plan | Not yet started | N/A |
| Constabulary | Body Worn Video | Fieldwork | N/A |
| Constabulary | TRIM (Trauma Risk Incident Management) | Fieldwork | N/A |

Appendix 2 – Progress on 2019/20 Audit Plan, including 2018/19 work in progress

| OPCC / Constabulary Review | Audit | Stage | Feedback form returned |
|----------------------------|---|---|------------------------|
| Constabulary | Firearms | Not yet started - Scoping meeting rescheduled to 15 July 2019 at the request of the Constabulary. | N/A |
| Constabulary | Training | Not yet started | N/A |
| Constabulary | Consultancy – Vehicle Utilisation | Not yet started - Scoping meeting arranged for 25 July 2019 | N/A |
| Constabulary | Consultancy – Custody Medical Contract | Not yet started | N/A |
| Constabulary | Consultancy – Seized Dogs | Not yet started - scoping meeting arranged for 15 July 2019 | N/A |
| Constabulary / OPCC | Risk management and governance | Not yet started | N/A |
| Constabulary / OPCC | Creditors | Not yet started | N/A |
| OPCC | Treasury management | Not yet started | N/A |
| | Attendance at Police Audit Training & Development event | Event is scheduled to take place on 26 & 27 September | 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 | 8% 95% (annual target) | 10% | Target is based on the same period last year. The plan is progressing as intended at this early stage in the year. |
| Completion of audit plan | Number of planned days delivered *281 per shared service agreement plus 26 days of WIP carried forward at 2018/19 year end. | 27 301* (annual target) | 25 | Target is based on the same period last year. All audits scheduled for quarter 1 have been scoped with fieldwork underway. Scoping meetings for work identified for quarter 2 are scheduled. |
| Audit scopes agreed | Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork. | 100% | 100% | |
| Draft reports issued by agreed deadline | Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork. | 70% | 100% | |
| Timeliness of final reports | % of final reports issued for Chief Officer / Director comments within five working | 90% | 100% | |

Appendix 3 – Internal audit performance measures

| Measure | Description | Target | Actual | Explanations for variances / remedial action required |
|------------------------------------|--|--------|--------|---|
| | days of management response or closeout meeting. | | | |
| 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% | |
| Follow up | % of high and medium priority audit recommendations implemented by target date | 100% | 100% | <p>One follow up audit has been completed for Criminal Justice Unit. All recommendations were actioned.</p> <p>Targets dates in the original audit report had been revised but this is tracked and reported to each JAC meeting through the 'monitoring key audit recommendations' report. Our work commence when all recommendations were reported to JAC as complete.</p> |
| Customer Feedback | % of customer satisfaction surveys returned | 100% | 100% | One form returned relating to an audit reported in 2018/19. |

Appendix 3 – Internal audit performance measures

| Measure | Description | Target | Actual | Explanations for variances / remedial action required |
|-------------------|--|--------|--------|---|
| Customer Feedback | % of customer satisfaction survey scoring the service as good. | 80% | 100% | Based on one form returned. |
| Chargeable time | % of available auditor time directly chargeable to audit jobs. | 80% | 76% | |

Cumbria Shared Internal Audit Service Internal Audit Report for Cumbria Constabulary



Follow up Audit of Criminal Justice Unit - Digital Case File Preparation

Draft Report Issued: **6th June 2019**

Final Report Issued: **27th June 2019**

Audit Resources

| Title | Name | Email | Telephone |
|---------------|--------------------|-----------------------------------|--------------|
| Audit Manager | Emma Toyne | emma.toyne@cumbria.gov.uk | 01228 226261 |
| Lead Auditor | Janice Butterworth | janice.butterworth@cumbria.gov.uk | 01228 226289 |

Audit Report Distribution

| | |
|------------------|---|
| For Action: | Chief Inspector Ben Swinson – CJU & Partnerships |
| For Information: | T/Chief Superintendent Rob O'Connor – Territorial Policing Command Assistant Chief Constable Andy Slattery |
| Audit Committee | The Joint Audit Committee, which is due to be held on 25 th July 2019, will receive the report. |

Cumbria Shared Internal Audit Service

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



1. Background

- 1.1. An audit of Digital Case File Preparation was 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:
- **Case file quality and Value for money**- Arrangements to identify and address the root cause of file quality issues and propose options for improvement. (R1 & 5)
 - **Risk register** - Arrangements to ensure that mitigating actions relating to the reported risk within digital case file quality are fully explored and challenged. (R2)
 - **Training** - The arrangements for ensuring that relevant officers have received appropriate digital case file training. (R3)
 - **Policies and procedures** - Defining internal procedures in relation to digital case file preparation. (R4)
- 1.2. Internal Audit has recently undertaken a formal follow up audit to provide updated assurance to senior management and the Joint Audit Committee that the previously agreed actions to address each recommendation have been fully implemented and all controls are working effectively to mitigate the risks previously identified.

2. Audit Approach

2.1. Follow up Methodology

- 2.1.1. The Internal Audit follow up process involved obtaining details of management updates to the Joint Audit Committee and then undertaking testing as necessary to confirm that the actions have been fully implemented and that controls are working as intended to mitigate risk.
- 2.1.2. It is the responsibility of management to continue to monitor the effectiveness of internal controls to ensure they continue to operate effectively.

3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.

- 3.2. Where the outcomes of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.
- 3.3. From the areas examined and tested as part of this follow up review we now consider the current controls 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 **five** audit recommendations for action. All **five** recommendations have been successfully implemented (summarised at Section 4.3).
- 4.3. **Recommendations fully implemented:** Progress on these recommendations is summarised as follows:
- Case file quality and Value for Money:** As part of a wider resource allocation review COG approved a new establishment for the Area Compliance Teams (ACT) in March 2019. The ACT is now permanent with an establishment of 1 Sergeant and 8 Police Constables. The Compliance Team's role is to check compliance with evidential requirements thereby ensuring their quality. The posts form part of the Constabulary's options for restricted and adjusted duties officers.
 - **Risk Register:** The risk and mitigating actions in respect digital case file quality was reviewed and updated following the audit. This risk was linked to the 2014 Change Programme which is now complete and as a result it is no longer on the Corporate Improvement Risk Register. Digital case file quality is now considered day business by the Constabulary.
 - **Training** – A comprehensive 'File Guidance' training document has been prepared for new recruits. The guidance includes file content requirements for Guilty Anticipated Plea (GAP) and Not Guilty Anticipated Plea (NGAP) cases. A monthly, force wide PoliceWorks newsletter is circulated to all officers via the Intranet providing advice and guidance on case file requirements and common errors.
 - **Policies and procedures** – The Constabulary follows the National Manual of Guidance (MOG) as the single reference document for preparing case files. A suite of electronic reference documents has been prepared, following MOG requirements, and is available to officers via the Intranet – File Quality Standards Site. The site provides advice and guidance on preparing and submitting digital case files

and includes a named individual to contact in the event of questions on the content.

Comment from the Assistant Chief Constable

I am pleased to note that all five recommendations from the original report have been fully implemented. I am satisfied that the Constabulary has addressed all remedial action identified and that compliance continues to be monitored by senior officers with responsibility for criminal justice.

**Andrew Slattery
Assistant Chief Constable
26/6/19**

Audit Assurance Opinions

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

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

Grading of Audit Recommendations

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

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

This page has been intentionally left blank

Cumbria Shared Internal Audit Service

Internal Audit Report for Cumbria Constabulary



Audit of Debtors

Draft Report Issued: **3rd May 2019**

Final Report Issued: **3rd July 2019**

Audit Resources

| Title | Name | Email | Telephone |
|-----------------|------------------|---------------------------------|--------------|
| Audit Manager | Emma Toyne | emma.toyne@cumbria.gov.uk | 01228 226261 |
| Lead Auditor(s) | Steven Archibald | steven.archibald@cumbria.gov.uk | 01228 226290 |

Audit Report Distribution

| | |
|------------------|--|
| For Action: | Alison Hunter - Payroll and Transactional Services Manager |
| For Information: | Michelle Bellis – Deputy Chief Finance Officer Ann Dobinson – Head of Central Services Stephen Kirkpatrick – Director of Corporate Support Roger Marshall – Joint Chief Finance Officer |
| Audit Committee | The Joint Audit Committee, which is due to be held on 25 th July will receive the report. |

Cumbria Shared Internal Audit Service

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



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

Executive Summary

1. Background

- 1.1. This report summarises the findings from the audit of **debtors**. This was a planned audit assignment which was undertaken in accordance with the 2018/19 Audit Plan.
- 1.2. The debtors function is important to the organisation because it ensures a variety of sundry debts owed to the constabulary are received and accounted for within approved timescales. The efficiency, effectiveness and reliability of the debtors function is a key element in ensuring the constabulary's cash flow remains within approved levels.
- 1.3. This review forms part of a three year rolling programme of financial system audits which ensures that all main financial systems are independently reviewed on a cyclical basis.

2. Audit Approach

2.1. Audit Objectives and Methodology

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

2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsors for this review were the Deputy Chief Finance Officer and the Head of Central Services. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
 - Debt control/recovery process (to include Legal Services debt collection)
 - Authorisation of write offs/cancellations

2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

3. Assurance Opinion

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

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

4. Summary of Recommendations, Audit Findings and Report Distribution

4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.

4.2. There is **1** audit recommendation arising from this audit review and these can be summarised as follows:

| Control Objective | No. of recommendations | | |
|---|------------------------|--------|----------|
| | High | Medium | Advisory |
| 1. Management - achievement of the organisation's strategic objectives (see section 5.1.) | - | - | - |
| 2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2.) | - | - | - |
| 3. Information - reliability and integrity of financial and operational information (see section 5.3) | - | 1 | - |
| 4. Security - safeguarding of assets (see section 5.4) | - | - | - |
| 5. Value - effectiveness and efficiency of operations and programmes (see section 5.5) | - | - | - |
| Total Number of Recommendations | - | 1 | - |

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

- Controls and procedures in respect of debtors and write-offs are included within the OPCC and Constabulary Financial Rules. These are supplemented with Central Services Department procedures which set out the steps to be followed.
- Monthly reconciliations between the Debt Analysis Report and the ledger are undertaken and are independently reviewed by the Payroll and Transactional Services Manager.
- Write offs tested were subject to authorisation by both the Deputy Chief Finance Officer and the Joint Chief Finance Officer in accordance with the Financial Rules.

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

4.4.1. *High priority issues:*

- There are no high priority issues to report

4.4.2. *Medium priority issues:*

- Documents relating to the recovery of debts had not been retained.

4.4.3. *Advisory issues:*

- There are no advisory issues to report

Comment from the Director of Corporate Support and Joint Chief Finance Officer

I am pleased that the audit of debtors provided reasonable assurance. The proposed response to the single recommendation in relation to document retention will provide an improved audit trail on actions taken to recover debts. Roger Marshall, Chief Finance Officer.

I echo the comments and observations of the Chief Finance Officer. I am assured that the management of debtors processes is both robust and effective. I am also satisfied that the proposed action regarding retention of documentation will adequately address the single recommendation made. Stephen Kirkpatrick, Director of Corporate Support.

Management Action Plan

5. Matters Arising / Agreed Action Plan

5.1. **Information** - reliability and integrity of financial and operational information.

● **Medium priority**

| Audit finding | Management response |
|--|--|
| <p>(a) Retention of documents relating to debtor invoices / write-offs.</p> <p>A sample of 10 debtor invoices from the July 2018 Debt Analysis Report (approximately 10%) was selected for audit testing to confirm that the documented debt recovery process had been followed.</p> <p>Testing found that of the 10 debtors invoices selected:</p> <p>7 had since been paid in full.</p> <p>2 remained outstanding at the time of audit testing (these invoices were included within a batch of outstanding invoices with the same supplier with negotiations ongoing).</p> <p>1 invoice had been written off.</p> <p>Internal Audit testing found that the case files for each of the debtor invoices that had been paid had been deleted from the system and as a result evidence of any documents such as reminder letters relating to the debts could not be provided. We are therefore unable to confirm that the defined process has been followed.</p> <p>Audit testing also included write offs. A sample of 5 write offs from the last 3 financial years (approximately 20%) was selected for audit testing to confirm that the documented write off process had been followed. Due to a number of the case files being deleted, we were unable to confirm legal services decisions to write off the debts in our sample.</p> <p>Testing confirmed that all write offs in our sample had been authorised by the Deputy Chief</p> | <p>Agreed management action:</p> <p>The period looked at for the debt collection was prior to a changeover in staff administration. When the new member of staff took over they cleared the folder of any debts that were no longer outstanding resulting in the letters and chase up emails being deleted. Our spreadsheet record includes details of all actions taken in order to chase debts, which is retained for reference.</p> <p>In light of the recommendation a new process will be introduced where documents/correspondence are saved directly onto the Accounts Receivable System attached to the account holder. This will enable us to view and keep an audit trail via the system of all documents or notes relating to the company and debt collection. We also have a company looking to allow us to produce statements from the system to send out, which will streamline the debt collection process.</p> |

| | |
|---|--|
| Finance Officer and the Joint Chief Finance Officer. | The new process and procedures will be in place by 31 August 2019. |
| <p>Recommendation 1</p> <p>Management should ensure that required information relating to debtors is retained in accordance with defined procedures.</p> | |
| <p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> Debtors and write off procedures are not fully adhered to. | <p>Responsible manager for implementing: Alison Hunter - Payroll and Transactional Services Manager</p> <p>Date to be implemented: 08/2019</p> |

Audit Assurance Opinions

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

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

Grading of Audit Recommendations

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

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

Recommendation Follow Up Arrangements:

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

This page has been intentionally left blank



Joint Audit Committee

Title: OPCC Risk Management Monitoring

Date: 15 July 2019

Agenda Item No: 09

Originating Officer: Joanne Head

CC:

Executive Summary:

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

Recommendation:

That, the committee notes the changes regarding the OPCC's strategic risk register, the oversight undertaken of the Constabulary's risk management; and the front sheet of the OPCC's operational risk register.

1. Introduction & Background

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

2. Issues for Consideration

2.1 Appended to this report at [Appendix 1](#) is the OPCC's strategic risk register, which has been reviewed and updated since the last meeting of the Committee. There are four identified risk, these being:

- R1 - Strategic Finance
- R2 - The Emergency Services Mobile Communications Programme
- R4 - Information Management (GDPR compliance)
- R5 – Procurement

- 2.2 The scoring for R1 remains at 16. As previously reported the 2019/20 grant settlement was more favourable than expected providing short term funding for pensions and increased flexibility to raise council tax, which was utilised in producing the 2019/20 budget. However, this does not alleviate the longer-term concerns regarding the sustainability of a funding model, which relies on local taxpayers to fund all cost increases. Leading to the risk score being maintained
- 2.3 R2 has retained its score of 9 as there has been no significant change to this risk since the last review. Although there is no further clarity on final costings there are firmer indications that the project will go ahead as it is picking up pace and will progress.
- 2.4 R4 continues to appear on the strategic register as the Constabulary project has been extended until the end of September 2019. That said the remaining work within the project has reduced with some elements of the action plan moving to business as usual. As this work progresses the severity of the risk to the OPCC, where it is interdependent upon the Constabulary, is reduced. The overall score for this risk has reduced from 9 to 8 and should the project be completed on time it is likely that the score will reduce further and result in the risk being removed from the OPCC's Strategic Risk Register. It will continue to appear on the Operational Risk Register and monitored until both organisations are compliant.
- 2.5 R5 continues to score 9. Work has been carried out within Procurement such as the implementation of the new Joint Procurement Regulations. An Internal Audit review has been programmed for the 2019/20 financial year to assess the work undertaken and identify any further risks.
- 2.6 The OPCC has also reviewed its operational risk register, rationalising it to reflect the operational risks it faces. A review of the operational risk register is carried out on a quarterly basis with all staff being required to review their own risks and make any necessary changes and updates. The OPCC Executive Team consider both the strategic and operational risk registers every quarter as part of their meetings. A copy of the front sheet is attached at [Appendix 2](#). This illustrates whether the scores for the individual risks have risen, remained the same or decreased and assists the Committee to understand how the risks are managed.
- 2.7 Operational Risk 14 – Independent Custody Visiting has been removed from the register, as it is no longer an active risk. A number of new custody visitors have been appointed, received their induction training and are now undertaking custody visits. The risk of visits not taking place due to a lack of volunteers has been mitigated.
- 2.8 A number of low scoring operational risks remain on the register, these being Risks 3 Financial Governance, Risk 4 Shared Services, and Risk 5 Asset management. They remain to show illustrated monitoring of these areas of business which are important to the OPCC's overall Governance regime.

- 2.9 The OPCC Chief Executive met with the Constabulary's Lead for Risk Management on Monday 8 July 2019. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.
- 2.10 Discussions took place in relation to the two separate risk registers, the risks identified therein and any risks that may impact upon the other organisation which may need to be recorded within the relevant strategic risk register if it does not already appear. Both the OPCC and Constabulary's strategic risk registers retained risks in relation to Strategic Finance and ESMCP with appropriate scoring. The Constabulary will report further on their strategic risk register at the meeting.

3. Implications

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

This page has been intentionally left blank

OFFICE OF THE POLICE & CRIME COMMISSIONER – STRATEGIC RISK REGISTER

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

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

| Risk No. | Risk Title | Total Score | Risk Owner | | Any outstanding actions YES/NO | Actions to be completed | Reviews |
|----------------|--|--|--------------------------------------|---------------------------------|--------------------------------|--|---------------|
| | | | Risk Owner | Action Owner | | | |
| R1 | Strategic Finance | 16  | Chief Executive | Chief Finance Officer | No | Continued review of the MTFF as part of the budgeting process. Further development and refinement of savings options in conjunction with the Constabulary. | October 2019 |
| R2 | The Emergency Services Mobile Communications Programme (ESMCP) | 9  | Chief Executive | Chief Executive | No | Continue to monitor the national position and take appropriate actions to prepare for implementation. | October 2019 |
| R4 (10) | Information Management (GDPR Compliance) | 8  | Head of Comms & Business Services | Governance Manager | Yes | The decreasing amount of outstanding project work reduces the severity of risks for the OPCC. Project timetabled for completion in September 2019 | October 2019 |
| R5 | Procurement | 9  | Head of Partnerships & Commissioning | Partnerships & Strategy Manager | Yes | Further development and implementation of a detailed procurement action plan including review recruitment of vacant posts. | November 2019 |

Scores:

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

| | | |
|------------------------------|--|---|
| Risk No: R1 | Risk Title: STRATEGIC FINANCE | The Police and Crime Commissioner is required to set a balanced budget. Resources from central Government formula grant provide the significant majority of funding to deliver police services. Real term reductions in that funding will have a substantial impact on the level of policing that can be provided and on the potential to deliver the Commissioner's wider responsibilities. Police & Crime Plan Objectives - 1 Your Priorities for Cumbria / 2 A Visible and Effective Police Presence / 3 Tackle Crime and Anti-Social Behaviour/ 4 Ensure Offenders Face a Consequence for their Crime / 5 Always Put Victims First / 6 Focus on Police on Online and Sexual Crime / 7 Spend Your Money Wisely / 8 Supporting Young People |
|------------------------------|--|---|

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

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

| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Unmitigated Score | | | Mitigated Score | | | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Actions | | | | Review Date |
|--|--|-------------------|------------|------------|-----------------|------------|------------|---|---|---|--|-----------------------|--------------|
| | | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | |
| Reduction in real term resources within the medium term time horizon to provide sufficient funding for the Commissioner and Constabulary to deliver current levels of policing service. Current government funding protection is only provided in cash terms, requiring the Commissioner to meet inflation and other service pressures from increased precept or savings. This risk has increased recently due to proposed increases in police pension contributions, introduction of PEQF, over-running national projects which may ultimately impact on force budgets, the relaxation of the public sector pay cap, Brexit and a potential review of the Police Funding Formula. | This risk may lead to a reduction in the level of police services and/or result in Cumbria Constabulary not being viable as an independent force. Alternative options for delivering a police service in Cumbria may have to be considered. This may impact on the extent to which services respond to local needs in Cumbria. During the period of change there may be reductions in public assurance/confidence. | 4 | 4 | 16 | 4 | 4 | 16 | Chief Executive (Reduce) | The budget and medium term financial forecast (MTFF) are reviewed and updated on a regular basis. The budget has been balanced in the short term and reserves provide additional security. The 2019/20 grant settlement was more favourable than expected providing short term funding for pensions and increased flexibility to raise council tax, which was utilised in producing the 2019/20 budget. However, this does not alleviate the longer term concerns regarding the sustainability of a funding model which relies on local taxpayers to fund all cost increases. Hence the risk score has been maintained Scenario planning to identify potential longer-term savings and service | Budget monitoring processes and internal controls are in place to manage financial commitments. The financial control environment is tested annually by internal and external audit. HMIC Peel inspections and external auditors review overall financial resilience and the track record of delivering savings. The most recent audit review of preparedness for funding cuts provided reasonable assurance. | Continued review of the MTFF as part of the budgeting process. Further development and refinement of savings options in conjunction with the Constabulary. | Chief Finance Officer | October 2019 |

| | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|---|--|--|--|--|
| | | | | | | | | | <p>re-engineering is on-going in both the OPCC and Constabulary. The Commissioner has joined the National Rural Crime Network to support rural policing issues. In the December 2017 grant settlement the Government announced that the review of the funding formula would be deferred to the next spending review from 2021/22.</p> | | | | |
|--|--|--|--|--|--|--|--|--|---|--|--|--|--|

| | | |
|------------------------------|---|---|
| Risk No: R2 | Risk Title: Emergency Services Mobile Communications Programme | The Emergency Services Network is a major national project to replace the current Airwave radio communications system across all emergency services with Mobile Phone technology. There are national and local risks in relation to uncertainty over the cost and timing of implementation of the new system. Cumbria also specific risks in relation to the coverage due to the topography of the county. Police & Crime Objectives: 1 – Your Priorities in Cumbria / 2 -A visible and Effective Police Presence |
|------------------------------|---|---|

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

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

| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Unmitigated Score | | | Mitigated Score | | | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Actions | | | | |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|--|--|--|-----------------|--------------|
| | | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date |
| The Emergency Services Mobile Communications Programme (ESMCP) is a collaboration between the police, fire and ambulance Emergency Services (3ES) in England, Scotland and Wales to replace the existing mobile radio system known as Airwave. ESCMP will deliver the Emergency Services Network (ESN) which will provide integrated critical voice and broadband data over an enhanced 4G commercial network. This is a significant project. At the present time there are concerns around cost, coverage and timescales for delivery, which has been subject to a series of delays. | This risk may result in significant additional costs and coverage issues may impact upon the Commissioner's ability to ensure Cumbria has an efficient and effective policing service, which could lead to reputational risk. | 4 | 3 | 12 | 3 | 3 | 9 | Chief Executive (Reduce) | The Commissioner is working regionally with other North West Commissioners and nationally through the APCC to highlight concerns. The Chief Constable is a member of the national reference group and Cumbria has seconded a staff member to the regional implementation team. Appropriate staffing resources have been identified within the ICT team to deliver the project and prudent estimates of costs have been included in the capital programme and medium term financial forecast. | Work being undertaken regionally and nationally provides some assurance. The critical nature of this national project and delays in national implementation mean it will be a significant risk for a protracted time period. | Continue to monitor the national position and take appropriate actions to prepare for implementation. Update July 2019 No further clarity on final costs. Firmer indications are that the project will go ahead, is picking up pace and will progress. | Chief Executive | October 2019 |

| | | |
|--------------------------------------|---|--|
| Risk Number: R4 (Op 10) | Risk Title: Information Management | The OPCC has a duty to process information in a fair and transparent manner in line with current legislation. Police & Crime Objectives: 1 Your Priorities in Cumbria |
|--------------------------------------|---|--|

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

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

| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Unmitigated Score | | | Mitigated Score | | | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Actions | | | | Review Date |
|--|---|-------------------|------------|------------|-----------------|------------|------------|---|--|--|--|--------------------|--------------|
| | | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | |
| The General Data Protection Regulations came into force on 25 May 2019. The OPCC has a responsibility to ensure it processes information in line with legislation. | Should the OPCC fail to comply with the new legislation or have a data breach could result in substantive financial penalties up to 2m Euros. Any significant loss of data could lead to reputational damage. | 4 | 3 | 12 | 4 | 2 | 8 | Head of Communications and Business Services | OPCC Lead officer identified and implemented required changes, where not interdependent upon the Constabulary. National guidance and information provided by APCC and APACE. Joint working with the Constabulary's Data Protection Officer remains ongoing. Monthly progress updates to the Joint Collaborative Board on the implementation and progress of Constabulary project against the action plan and further work to be carried out. Updating OPCC policies and strategies, developing new where appropriate. Six monthly Data Protection meetings between OPCC CEO & Joint DPO. Progression and completion of work such as policies, information sharing agreements and training packages by the Constabulary is continually reducing the risk to both organisations. | Regular meetings with OPCC Lead Officer and Project Team to monitor project progression. Reports to Executive Team to enable oversight, Internal Audit review of GDPR preparations gave an assurance of reasonable | The decreasing amount of outstanding work for the Constabulary project is reducing the severity of risks for the OPCC. Some elements of the project are now dealt with as Business as Usual. Project timetabled for completion in September 2019 | Governance Manager | October 2019 |
| Failure to process, store or handle data correctly could lead to a data | This could result in sensitive information being seen by unauthorised | 4 | 3 | 12 | 3 | 2 | 6 | Head of Communications | OPCC Staff, volunteers and panel members are aware of | Staff, volunteer and | The Constabulary data breach policy is being | Governance Manager | Dec 2019 |

| | | | | | | | | | | | | | |
|--|---|--|--|--|--|--|--|-----------------------|--|--|---|--|--|
| breach and information being lost or stolen. | people, resulting in financial penalties and reputational damage to the organisation. | | | | | | | and Business Services | information security requirements. Regular briefings by OPCC Lead at team meetings and training sessions on developments and updates throughout the year. Existing policies and procedures still provide advice and support in relation to Data Protection and are being updated on a rolling programme. | members awareness training. Reminders regarding information security | updated and will be finalised by the end of the summer. | | |
|--|---|--|--|--|--|--|--|-----------------------|--|--|---|--|--|

| | | |
|---------------------------|--|--|
| Risk Number: R5 | Risk Title: Procurement | The Commissioner shares a procurement team with Cumbria Constabulary. Recent difficulties in recruiting the Head of Procurement and other senior posts within the function have compromised the ability to provide an effective procurement service. Police & Crime Plan Objectives - 1 Your Priorities for Cumbria / 3 Tackle Crime & Anti-Social Behaviour / 4 Ensure Offenders Face a Consequence for their Crime / 5 Always Put Victims First / 6 Focus our Police on Online and Sexual Crime / 7 Spend Your Money Wisely / 8 Supporting Young People |
|---------------------------|--|--|

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

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

| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Unmitigated Score | | | Mitigated Score | | | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Actions | | | Action Owner(s) | Review Date |
|---|--|-------------------|------------|------------|-----------------|------------|------------|---|--|---|---|---------------------------------|-----------------|-------------|
| | | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | | | Assurances | Future or further actions to be taken | | | |
| Difficulties in recruiting a Head of Procurement and lack of capacity and skills within the function. | The procurement function operating sub-optimally, impacting on compliance with the Joint Procurement Regulations, ineffective commissioning processes. | 4 | 3 | 12 | 3 | 3 | 9 | Head of Partnerships and Commissioning | The Head of Procurement has developed a strategy and action plan to address weaknesses, strengthen the team and improve procurement processes. The new Joint Procurement Regulations have been agreed and are now in place. The action plan is regularly reviewed. | Oversight of procurement is provided by Collaborative Board. Additional assurances are provided by scrutiny of procurement by internal audit and JAC. | Further development and implementation of the strategy and detailed procurement action plan. This will be supported by an Internal Audit Review during the 2019/20 financial year. | Partnerships & Strategy Manager | Nov 2019 | |
| | | | | | | | | | | | | | | |

This page has been intentionally left blank

OFFICE OF THE POLICE & CRIME COMMISSIONER – OPERATIONAL RISK REGISTER

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

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

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

| | | | Risk Owner | | Actions | | Reviews |
|--|---|--------------------------------------|--|-----------------------------------|-----------------------------------|---|----------------|
| Risk No. | Risk Title | Total Score (direction of travel) | Risk Owner | Action Owner | Any outstanding actions YES/NO | Actions and dates to be completed | Date of review |
| FINANCE | | | | | | | |
| 01 | Budget Management | 9 ↔ | Joint Chief Finance Officer | Deputy CFO | No | The overall PCC and Constabulary expenditure in 2018/19 is forecast to come in over budget, actions are in place to contain expenditure and fund any deficit at the year-end. Budget pressures are likely to remain for the near future, which will need to be carefully monitored. | September 2019 |
| 02 | Investment Counterparty Risk | 3 ↔ | Joint Chief Finance Officer | Deputy CFO | No | None | May 2020 |
| 03 | Financial Governance | 2 ↔ | Joint Chief Finance Officer | Deputy CFO | No | Internal Audit commencing in Nov of Code of Corporate Governance | April 2020 |
| 04 | Shared Services | 2 ↔ | Chief Executive | Deputy Chief Executive | No | Governance agreements will be reviewed on an on-going basis. | April 2020 |
| 05 | Asset Management | 2 ↔ | Chief Executive | Chief Finance Officer | No | None | November 2019 |
| 06 | Insurance | 4 ↔ | Chief Executive | Chief Finance Officer | No | None | November 2019 |
| PARTNERSHIPS & COMMISSIONING | | | | | | | |
| 07 | Performance / delivery of the police and crime plan | 6 ↔ | Head of Partnerships & Commissioning | Partnerships and Strategy Manager | No | Maintain current staffing levels. | October 2019 |
| 08 | Partnerships & Collaboration | 6 ↔ | Head of Partnerships & Commissioning | Partnerships and Strategy Manager | No | Maintain an integrated partnership working approach | October 2019 |
| 09 | Commissioning of Services | 6 ↔ | Head of Partnerships & Commissioning | Partnerships and Strategy Manager | Yes | Increase contract management and engagement | November 2019 |
| COMMUNICATION AND BUSINESS SERVICES | | | | | | | |
| 10 | Information Management (GDPR) | 8 ↓ | Head of Communications & Business Services | Governance Manager | Yes | The decreasing amount of outstanding project work reduces the severity of risks for the OPCC. Project timetabled for completion in September 2019 | Sept 2019 |
| 12 | Complaints | 4 ↔ | Head of Communications & Business Services | Governance Manager | Yes | Legislation is yet to be passed through Parliament. Home Office are seeking a date and introduction is likely to be early 2020. | April 2020 |
| 14 | Independent Custody Visiting Scheme & Animal Welfare Scheme | | Head of Communications & Business Services | Governance Officer | No | There is no longer a need to continue this risk as new custody visitors have been appointed. | N/A |

This page has been intentionally left blank



Joint Audit Committee

TITLE OF REPORT: Constabulary Risk Management Update

DATE OF MEETING: 25th July 2019

ORIGINATING OFFICER: Strategic Development, Corporate Improvement

PART 1 or PART 2 PAPER: PART 1 (OPEN)

Executive Summary:

The purpose of this paper is to provide the Joint Audit Committee with an update on the Constabulary's risk management arrangements, including a review of the current strategic risk register.

Corporate Improvement has carried out a quality assurance check of all the departmental and operational risk registers, together with those from the new Boards, to ensure that risk is effectively managed across the organisation. The Strategic Risk Register was reviewed by Extended COG on 9th July 2019 where a decision was made to:

- Formulate a new strategic risk around Brexit, which will reflect the national planning work and situation but which will be Cumbria-specific.

Recommendations:

That the Joint Audit Committee:

Note the Constabulary's current strategic risks, and that a four monthly review of all risk registers was completed in accordance with the Risk Management Policy in June 2019.

MAIN SECTION

1. Introduction and Background

1.1 Strategic Risks

Risk is the threat that an event or action will affect the Constabulary's ability to achieve its organisational aim and objectives.

Each risk is managed at the level where the control to manage the risk resides. Therefore strategic risks are managed by the Chief Officer Group, significant operational risks are managed by Crime and Territorial Policing SMT and significant strategic business risks are managed in the relevant directorate by nominated senior managers. Projects and programmes also have their own risks that are managed by the project / programme teams.

Strategic risks are those affecting the medium to long term objectives of the Constabulary and are the key, high level and most critical risks that the Constabulary faces. Best practice indicates that the number should be between 5 and 10. Currently the Constabulary has ten strategic risks.

The Constabulary's mission is to 'Keep Cumbria Safe'. The Constabulary's core policing objectives are:

1. Responding to the public
2. Prevention and deterrence
3. Investigation
4. Protecting vulnerable people
5. Monitoring dangerous and repeat offenders
6. Disrupting organised crime
7. Responding to major incidents

The strategic risks identified by the Constabulary are concerned with:

1. Significant additional and unbudgeted capital and revenue expenditure may be incurred due to delays in ESMCP transition.
2. The implications of longer-term reduction in budget and the level of savings required.
3. Healthcare services for those in Custody
4. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme.
5. Failure to keep up with technological advances to fight digital crime.
6. Reduced public confidence due to delays in answering non-emergency and 999 calls.
7. GDPR
8. Failure to deliver Cumbria Vison 25 and its associated efficiency plan.
9. Lack of professional procurement capability.
10. Brexit

The table on page three outlines the Constabulary's nine strategic risks and provides the RAG rating (Red, Amber, and Green) for each risk (**RAG risk rating = impact x likelihood**). It also indicates which of the Constabulary's core policing objectives the risks link to.

Strategic Risk Register

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|---|---|-----------|------------|-------------------------|--------------|------------------------------|---|
| 32 | Director of Corporate Support | The Constabulary may incur significant additional and unbudgeted capital and revenue expenditure caused by a delay in ESMCP transition and consequential extension of reliance on Airwave resulting in the Constabulary having to extend the life of its airwave infrastructure, and potentially having to pay for both systems for a time. | High | Very High | 20 | 20 | All | <p>The Constabulary are joining with the region to develop a cost model to capture the financial impacts of Airwave extension, and seek Home Office central support.</p> <p>A national review of the programme is currently underway and we are still awaiting the results. The Constabulary has made the decision to extend the life of the current Airwave radio handsets.</p> |
| 28 | Chief Financial Officer / Director of Corporate Support | As a result of a combination of the inflationary pressures on police budgets particularly pay, the lack of provision for inflation in Government grant allocations, proposed changes to police pension contributions, the impact of national projects and initiatives such as ESN and PEQF and potential changes to the police funding formula (including the removal of dampening funding) there may be a detrimental and significant impact on the available budget and a requirement for substantially increased savings. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation. | Very High | High | 25 | 20 | All | <p>There was a better than anticipated grant settlement with additional grant support in 2019-20 for pensions and increased flexibility for the PCC to raise additional council tax. The PCC budget proposal, for a precept increase was supported by the Police and Crime Panel and the public. This provides assurance regarding the robustness of the 2019/20 budget, but the medium term financial pressures remain.</p> <p>The outcome of the Comprehensive Spending Review will be critical in determining resources over the medium term, but the results will not be known until December 2019.</p> |

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|--------------------------|--|-----------|------------|-------------------------|--------------|------------------------------|---|
| 38 | Head of Procurement | There is a risk of adequate and timely medical provision not being provided to detainees and other members of the public whilst attending a custody unit in Cumbria. Caused by changes to the existing contract model and provisions, together with staffing levels of the medical provisions contractor. This could result in the delay in assessment and provision of medical care, fitness for interview and other diversion measures provided by Health Care Professionals in a custody environment. | Very High | High | 25 | 20 | 4 | <p>Greater governance and strategic overview of the contract and performance meetings from both business users and Procurement department.</p> <p>Monthly Contract meetings established to ensure robust challenges to contractual performance issues.</p> <p>Mitigating actions from Custody staff to use alternative measure in medical provisions.</p> <p>The Commercial Solutions Department are actively involved in working with the Criminal Justice Unit and the contractor to manage the service provision.</p> |
| 41 | Supt Operational Support | Brexit has the potential to impact on the constabulary's ability to provide core functions. This could be caused by our staff being redeployed to other areas within The UK under NPoCC requirements or due to wider implications which are currently unintended following the UK's departure from the European Union. | High | High | 20 | 15 | All | <p>In anticipation of the initial departure from the EU the UK Government have produced a set of planning assumptions based on a Reasonable Worst Case Scenario 'No Deal' Brexit. Work in Cumbria was coordinated under the LRF mechanisms.</p> <p>The Conservative leadership election campaign has overtaken Brexit planning which will not recommence until the new PM is in place. It is anticipated that planning will recommence in late July with specific guidance to all constabularies through the Home Office and NPCC lead. LRFs again will take local primacy in planning arrangements to ensure that cross departmental planning occurs. A planning debrief from the Brexit activity in Cumbria until March 2019 has taken place to ensure preparedness for the next iteration. There is no</p> |

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|-------------------------------|---|--------|------------|-------------------------|--------------|------------------------------|--|
| | | | | | | | | known specific risk for Cumbria which is unique, compared to the risks faced for all other force areas. Cumbria Constabulary continues to contribute to the weekly EU exit NPoCC and CT reporting which monitors country wide implications. |
| 25 | Director of Corporate Support | Commitment to the Emergency Services Mobile Communications Programme (ESMCP) and subsequent use of the Emergency Services Network (ESN) has the potential to breach the Constabulary's risk capacity, cost and levels of service provision. This could potentially result in unacceptable levels of service provision; compromise officer safety, increasing costs and loss of reputation. The duration of impact is likely to exceed 2 years. | High | Medium | 16 | 12 | All | <p>The Constabulary is working in partnership with other forces and emergency services to deliver ESMCP together as a region.</p> <p>It was expected that the new system would go live in late 2017 however the National Programme announced a time slippage.</p> <p>The risk owner has transferred over to the Director of Corporate Support. Cumbria continues to be an active participant in the regional group and is leading coverage aspects on behalf of the region.</p> <p>A national review of the ESMCP programme is currently underway and we are still awaiting results. A review of current Airwave coverage is underway.</p> |
| 31 | D/Supt Crime | Advances in digital crime may result in the Constabulary being unable to keep up with technological change. This could result in a loss of confidence, both internally and with the wider public. | Medium | High | 12 | 12 | 2,3,4,5,6 | <p>Staff growth in this area has been approved, and all student officers receive cyber-crime training.</p> <p>In addition, the Constabulary has recently trained 12 new DMIS's with a view that all DMIS's will be accredited to College of Policing standards.</p> <p>The Constabulary has established a dedicated Force Specialist Cyber Unit. This is funded from the</p> |

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|------------------------|--|--------|------------|-------------------------|--------------|------------------------------|--|
| | | | | | | | | <p>Constabulary matched by the Police Transformation Fund. The changes mean that the DFU technical manager post has been upgraded and a new post holder appointed.</p> <p>A demand review to cover digital forensics has now been completed, with results and recommendations due to be discussed with Chief Officers within the coming days.</p> <p>Assessors have now been trained within Cumbria for the Digital Assessment Tool.</p> <p>The Cyber and Digital Crime Unit was officially opened by PCC Mr McCall on 13th</p> |
| 29 | Supt North TPA | Failure to answer 999 and non-emergency calls within a reasonable time and deal with them proficiently, could result in a loss of public confidence and prevent people reporting future crime / incidents to the Constabulary. | High | Low | 16 | 8 | All | The new SAFE system by Saab went live on 18th June 2019 and all CCR shifts have had 24hr support during rollout. As the system and its processes bed in, the risk score is expected to diminish by the next review. |
| 37 | Head of People | The Constabulary may not be fully compliant with new data protection legislation which was implemented on 25 th May 2018 caused by delays in the DPA 2018 receiving Royal Assent. This could result in inadvertent disclosure of personal information and potential action by the Information Commissioner. | High | Low | 16 | 8 | All | Self-assessment and Preparation Plan (SAPP) completed and areas of likely non-compliance identified. Project team has been set up under Force Disclosure Manager. Regular reporting on progress of project which will run until end of March 2019. Additional funding has been provided to support this work. |

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|---|---|--------|------------|-------------------------|--------------|------------------------------|---|
| | | | | | | | | <p>In addition, a review of the structures and governance of all information management functions and processes has been initiated to determine the level of resource required to manage the risks effectively. This is due to complete by end June.</p> <p>Existing policies and procedures have been updated to ensure compliance with GDPR & DPA 2018.</p> <p>Personal data breach procedure & DPIA procedure completed and agreed.</p> <p>Personal Data Breach reporting guidance completed, approved and disseminated.</p> |
| 2 | Director of Corporate Improvement & Director of Corporate Support | The Constabulary may not have the capacity to deliver the Cumbria Vision 25 and its associated Efficiency Plans. If this risk occurs the Constabulary would have to find further savings. | High | Low | 10 | 8 | All | <p>Governance arrangements for monitoring the progress of delivery and outcomes are via regular and frequent FSDB meetings which coordinates all business change strategies.</p> <p>A dedicated lead has been appointed to support delivery of Cumbria Vision 2025.</p> <p>High level plan and initial delivery plan completed and disseminated to all managers across the Constabulary. Governance changes now complete with supporting ICT change. Change to structure of Business Improvement Unit to allow delivery arm of BIU.</p> |

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|------------------------|---|--------|------------|-------------------------|--------------|------------------------------|---|
| | | | | | | | | <p>Benefits delivery capture is in the process of being implemented across all projects. All key projects have savings targets as part of benefits realisation and owners held to account for delivery.</p> <p>Revised reporting arrangements for Vision 25 are being implemented from March 2019 resulting in a V25 balanced scorecard showing progress of all work streams to Extended COG every two months to identify issues, risks and interdependencies, agreeing any action that is required.</p> <p>A review of the current savings and v25 work plan is being undertaken by the DCC's Senior Leadership Team, with a view to identifying options and priorities.</p> |
| 36 | Head of Procurement | There is a risk that a lack of professional procurement capability compromises our ability to provide an effective and compliant procurement service, resulting in some instances of non-compliance with joint procurement regulations. | Medium | Low | 9 | 6 | All | <p>Central Contracts repository in place</p> <p>VFM plans in development and vision and direction agreed</p> <p>New head of department has now been embedded. Chief Officers and the PCC have now approved the new procurement strategy and joint procurement regulations.</p> <p>The procurement function has been refocused as a commercial department to improve the balance of procurement activities; commercial engagement; and the management of suppliers. A follow up review is planned with internal audit. Forward</p> |

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Score before mitigation | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|------------------------|------------------|--------|------------|-------------------------|--------------|------------------------------|--|
| | | | | | | | | planning has been developed, with many of the team having commenced formal procurement apprenticeship programmes. A contract award board has been implemented. |

Risk Tolerance Levels

| | | |
|--|--|--|
| <p><u>Risk Score 1-4</u> Acceptable. No action is required but continue monitoring.</p> | <p><u>Risk Score 5-12</u> Tolerable risks but action is required to avoid a Red status. Investigate to verify and understand underlying causes and consider ways to mitigate or avoid within a specified time period.</p> | <p><u>Risk Score 15-25</u> Unacceptable. Urgent attention is required. Investigate and take steps to mitigate or avoid within a specified short term.</p> |
|--|--|--|

1.2 Drivers for Change

Effective risk management is a key component of effective corporate governance. Managing risk will contribute towards delivery of the strategic priorities. There are potential significant consequences from not managing risk effectively.

Robust risk management will help improve decision-making and drive corporate activity that represents value for money.

Effective risk management will help protect the reputation of the Constabulary and the Office of the Police and Crime Commissioner, safeguard against financial loss and minimise service disruption.

1.3 Consultation processes conducted or which needs to be conducted

Individual risk owners have been consulted as part of the standard risk management arrangements.

1.4 Impact assessments and implications on services delivered

Not applicable- described in the risk register where appropriate.

1.5 Timescales for decision required

Not applicable to this report.

1.6 Internal or external communications required

None.

2. Financial Implications and Comments

Any financial implications are described in the relevant risks outlined within this report.

3. Legal Implications and Comments

Any legal implications are described in the relevant risks outlined within this report.

4. Risk Implications

The Constabulary's risks are described in section one of this report.

5. HR / Equality Implications and Comments

Any HR / Equality implications are described in the relevant risks outlined within this report.

6. ICT Implications and Comments

Any ICT implications are described in the relevant risks outlined within this report.

7. Procurement Implications and Comments

Any procurement implications are described in the relevant risks outlined within this report.

8. Supplementary Information

8.1 List any relevant documents and attach to report

| | |
|-------------------|---------------------|
| Appendix 1 | Risk Scoring Matrix |
|-------------------|---------------------|

8.2 List persons consulted during the preparation of report

- All Departmental risk owners.
- Territorial Policing and Crime Command risk owners.
- Chief Officer Group.

Risk Scoring Matrix

| Impact Score | Description | | | | | |
|--------------|-------------|---|---|---|-------------------------------------|---|
| | | IMPACT ON SERVICE PROVISION | FINANCIAL IMPACT | IMPACT ON PEOPLE | DURATION OF IMPACT | IMPACT ON REPUTATION |
| 5 | Very High | Unable to function, inability to fulfil obligations | Severe financial loss > £3M | Multiple fatalities | In excess of 2 years | Highly damaging, severe loss of public confidence or being declared a failing Force |
| 4 | High | Significant impact on service provision | Major financial loss £1M to £3M | Fatality | Between 1 year - 2 years | National publicity, major loss of confidence or serious IPCC complaint upheld |
| 3 | Medium | Service provision is disrupted | Significant financial loss £500k to £1M | Serious injury, RIDDOR reportable | Between six months to 1 year | Some adverse local publicity, legal implications, some loss of confidence |
| 2 | Low | Slight impact on service provision | Moderate financial loss £100k to £500k | Slight medical treatment required | 2 to 6 months | Some public embarrassment, or more than 1 complaint |
| 1 | Very Low | Insignificant impact, no service disruption | Insignificant financial loss < £100k | First Aid treatment only No obvious harm/injury | Minimal - up to 2 months to recover | No interest to the press, internal only |

| Likelihood Score | Tolerance Levels – Likelihood Assessment | |
|------------------|--|--|
| 5 | Very High | A risk has a very high score if there is a 90% or more chance of it happening every year. This means that it is almost certain to happen regularly. |
| 4 | High | A risk has a high score if there is a 65% to 90% likelihood of it happening at some point over the next 3 years. Basically, it probably will happen but it won't be too often. |
| 3 | Medium | A risk has a medium score if the likelihood of it happening is between 20% and 65% over the next 10 years. This means it may happen occasionally. |
| 2 | Low | A risk has a low score if the likelihood of it happening is between 5% and 25% at some point in the next 25years. This means it is not expected to happen but it is possible. |
| 1 | Very Low | A risk has a very low score if the likelihood of it happening is less than 5% over 100 years. Basically, it could happen but it is most likely that this would never happen. |

| | | Impact | Impact | Impact | Impact | Impact |
|------------|---------------|--------------|---------|------------|---------|---------------|
| | | Very Low (1) | Low (2) | Medium (3) | High(4) | Very High (5) |
| Likelihood | Very High (5) | 5 | 10 | 15 | 20 | 25 |
| Likelihood | High (4) | 4 | 8 | 12 | 16 | 20 |
| Likelihood | Medium (3) | 3 | 6 | 9 | 12 | 15 |
| Likelihood | Low (2) | 2 | 4 | 6 | 8 | 10 |
| Likelihood | Very Low(1) | 1 | 2 | 3 | 4 | 5 |
| | | Impact | Impact | Impact | Impact | Impact |

This page has been intentionally left blank

Monitoring Key Audit Recommendations

Introduction

This report is designed to monitor the implementation of recommendations and actions arising from Audit and Inspection. The report fulfills the assurance responsibilities of the Joint Audit Committee with regards to the implementation of control recommendations and best practice arising from Audit and Inspection work.

Appendix A provides a table of all internal audit reports finalised in the current year, the level of assurance provided by the audit and the number of audit recommendations by grade of recommendation.

Report Summary

The table below shows the number of outstanding actions brought forward from the previous update to members and also of new recommendations since the last report.

| Summary of Actions | PCC | CC | Joint | Total |
|--|----------|----------|----------|----------|
| Open actions b/fwd from last report | 0 | 6 | 1 | 7 |
| New actions since last report | 0 | 2 | 0 | 2 |
| Total actions this report | 0 | 8 | 1 | 9 |
| Actions completed since last report | 0 | 6 | 1 | 7 |
| Open actions c/fwd to next report | 0 | 2 | 0 | 2 |

The table below shows the status of all recommendations, **Appendix B** provides a high level summary of the current status of individual actions and **Appendix C** provides narrative updates in respect of individual recommendations.

| Summary of Total Actions by Status | PCC | CC | Joint | Total |
|---------------------------------------|----------|----------|----------|----------|
| Completed | 0 | 6 | 1 | 7 |
| Ongoing (within original timescale) | 0 | 2 | 0 | 2 |
| Ongoing (original timescale extended) | 0 | 0 | 0 | 0 |
| Overdue/ timescale exceeded | 0 | 0 | 0 | 0 |
| Not yet due | 0 | 0 | 0 | 0 |
| Total | 0 | 8 | 1 | 9 |

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 | |
|----------------|--------------------------------------|
| High | Significant effect on control system |
| Medium | Effect on control system |
| Low | Best practice |

Monitoring of Individual Audit Reports 2019/20

| Audit Report | CC/ PCC/ Joint | Reported to JAC | Assurance Opinion | | | | Audit Recommendations (Grade) | | | |
|---|----------------------|--------------------|-------------------|------------|----------|--------------|-------------------------------|----------|----------|----------|
| | | | Substantial | Reasonable | Partial | Limited/None | High | Medium | Advisory | Total |
| General Data Protection Regulations (GDPR) | CC | 23/05/19 | | ✓ | | | 0 | 1 | 1 | 2 |
| Offender Management Follow Up | CC | 09/05/19 | | ✓ | | | 0 | 0 | 0 | 0 |
| Overtime Monitoring | CC | 09/05/19 | ✓ | | | | 0 | 0 | 1 | 1 |
| Main Accounting System | CC | 10/05/19 | ✓ | | | | 0 | 0 | 0 | 0 |
| Total To JAC 23/05/19 | | | 2 | 2 | 0 | 0 | 0 | 1 | 2 | 3 |
| Follow Up CJU Digital Case File Preparation | CC | 27/06/19 | | ✓ | | | 0 | 0 | 0 | 0 |
| Debtors | CC | 03/07/19 | | ✓ | | | 0 | 1 | 0 | 1 |
| Total To JAC 25/07/19 | | | 0 | 2 | 0 | 0 | 0 | 1 | 0 | 1 |

| Audit Report | Recommendation Summary | Current Status | | | | | |
|--|--|----------------|-------------------------------------|---------------------------------------|-----------------------------|-------------|---------------------|
| | | Completed | Ongoing (within original timescale) | Ongoing (original timescale extended) | Overdue/ timescale exceeded | Not Yet Due | For detail see page |
| Recommendations B/fwd from Report to JAC 20/03/19 | | | | | | | |
| Cumbria's Multi-Agency Safeguarding Hub (CC) | 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. | ✓ | | | | | 6-7 |
| Duty Management (CC) | 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. | | ✓ | | | | 8 |
| Vulnerability/ Hate Crime (CC) | 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. | ✓ | | | | | 9 |
| Statement of Accounts (Joint) | 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 misstated. | ✓ | | | | | 10 |
| Command & Control and 101 Calls (CC) | R1 The CCR Business Plan should be finalised and shared with the team. | ✓ | | | | | 11 |
| Command & Control and 101 Calls (CC) | R2 The CCR risk register should be completed and managed on an ongoing basis moving forwards. | ✓ | | | | | 12 |
| Command & Control and 101 Calls (CC) | R3 a) Management should agree and set out their monitoring and reporting requirements in respect of the new digital quality assurance system. R3 b) There should be clarity around the reporting capabilities of the digital quality assurance system. | ✓ | | | | | 13 |
| Totals B/Fwd Recommendations | | 6 | 1 | 0 | 0 | 0 | |

| Audit Report | Recommendation Summary | Current Status | | | | | For detail see page |
|--|--|----------------|-------------------------------------|---------------------------------------|-----------------------------|-------------|---------------------|
| | | Completed | Ongoing (within original timescale) | Ongoing (original timescale extended) | Overdue/ timescale exceeded | Not Yet Due | |
| New Recommendations Since Last Report | | | | | | | |
| GDPR (CC) | R2 Management should ensure that project management methodology and project governance are fully developed. | ✓ | | | | | 14 |
| Debtors (CC) | R1 Management should ensure that required information relating to debtors is retained in accordance with defined procedures. | | ✓ | | | | 15 |
| Totals New Recommendations | | 1 | 1 | 0 | 0 | 0 | |
| Totals All Recommendations | | 7 | 2 | 0 | 0 | 0 | |

| Audit Report: Cumbria's Multi-Agency Safeguarding Hub (CC) | | | |
|--|--|--|--------------------------------|
| Date Issued: 04/11/2016 | Date Considered by JAC: 24/11/2016 | Report of: Shared Internal Audit Service | Report for: CC |
| Recommendation: 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. | | | Grade: Medium |
| Agreed Action: 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. | | | Due Date: 31/01/2017 |
| Responsible Person: Chair of the Programme Board, DI Dan StQuintin | | | |
| Subsequent Updates: February 2017 - February 2018 Comments removed 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. June 2017 - The partnership has commissioned an external review of the hub process and model which is currently under way, the company doing the review are Ad Esse and their report is expected to be available around mid-July. August 2017 - Ad Esse have completed their assessment and we are awaiting the full report back from them. However, they have shared list of recommendations for the safeguarding hub. These recommendations are wide ranging and have triggered significant discussion by LSCB partners. These discussions will move forwards over the next few months at various 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. October 2017 - 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 February 2018 - 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. June 2018 - 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. August 2018 - 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. October 2018 -1) In relation to the Aim & Purpose of the Hub, a meeting was convened two weeks ago between Police, Children's Services and Health to discuss creating a new MOU. In the meeting it was agreed that an MOU will be created which sets out what the current aim & purpose of the hub is i.e. a front door to children services, where Police and Health assist Children's Services in managing their demand and where the only outcomes currently | | | |

are children's social care ones. A list of desirable aims for the hub will be listed, agreed and worked towards over the next few months. Ongoing, but progress now being made. 2) A draft MOU has been created by DI St Quintin and shared with Children's Services and Health. It was agreed that all partners will read and comment on the draft and a meeting is planned on 22/11/19 to discuss any contentious issues. A final draft will then be created in time for the Hub Programme Board (which is an LCSB sub-group) on the 6th December where it is hoped it can be signed off and the 'desirables' can also be agreed. Ongoing, but progress now being made. 3) This work is ongoing. I do not have a timescale for completion, but there has been three multi-agency meetings regarding this and an initial draft has been created. Ongoing, but progress now being made. 4) In order to clarify definitively what is required the Information Commissioner's Office was contacted regarding the use of 'Public Task' as a lawful basis for sharing personal information under GDPR. The ICO has stated that there are opportunities to use 'Public Task' to supersede a lack of consent to intervene in child in need cases. For this to happen, all agencies must include that they are using 'Public Task' in their privacy notices. This information will be brought to the Hub Programme Board in December for discussion by the group.

March 2019 – 1 & 2: The Safeguarding Hub MOU has been written. It sets out the aim and purpose of the Hub which all agencies have agreed. The MOU has been agreed by the LCSB. It is now with executives from Police, Social Care and Health for agreement and sign off. It was sent to DCC Webster on 5th March 2019. A list of aspirations to develop the Safeguarding Hub has also been agreed and discussed at the Hub Programme Board. 3: A threshold document has been created and needs to be agreed. More importantly, the Safeguarding Hub Information Sharing Agreement (ISA) has been created and agreed. This is to be published very shortly on the Information Sharing Gateway. 4) With the creation and agreement of the ISA, the need for further work around GDPR is not required at present.

Police resourcing in the Hub is now at establishment levels. This is the first time that the Hub has been fully staffed with police officers for two years. All police officers working in the Hub are qualified detectives and have the significant skills and experience around Safeguarding. A new police system for creating and managing police safeguarding referrals has been designed and launched in November 2018. Although there were some initial compliance issues, the system is proving to be a vast improvement on its predecessor. These points have enabled Cumbria Constabulary to provide a more enhanced level of service to vulnerable people in Cumbria, keeping people safer and preventing harm more swiftly.

July 2019 - This is complete and ongoing. There are adequate resources in the SG Hub. They are suitably skilled and have the right experience. These levels have been agreed by partners when they signed the SG Hub MOU earlier this year. It is ongoing, because staffing does change and therefore needs to be monitored closely.

| Status: | Agreed Changes to Due Date: | New Date: | Where & When Approved: |
|-----------|---|-----------------------|--|
| Completed | <i>(N.B. any changes to due date must be agreed by COG or Governance Board)</i> | 31/08/2017 | Agreed by responsible officer, before decision to approve these at COG/Board was made. |
| | | 31/10/2017 | |
| | | 31/01/2018 | |
| | | 30/04/2018 | |
| | | 30/09/2018 | |
| | | 31/03/2019 | |

| Audit Report: Duty Management | | | |
|--|--|--|--|
| Date Issued: 26/04/2018 | Date Considered by JAC: 24/05/2019 | Report of: Shared Internal Audit Service | Report for: CC |
| Recommendation: 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. | | | Grade: Medium |
| Agreed Action: 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. | | | Due Date: 31/10/2019 |
| | | | Responsible Person: Head of People Sarah Jackson Chief Inspector (Resource Co-ordination) Martin Loebell |
| Subsequent Updates: | | | |
| June 2018 - 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. | | | |
| August 2018 - 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. | | | |
| November 2018 - This is part of business futures, and the full implementation will not be realised until 2020. The Business Future Board governs all of the work streams and a permanent PM appointment ensures compliance with milestones. | | | |
| March 2019 - The business futures project moved into exception in December 2018 and the project has now been paused whilst a way forward is fully explored. The force is now reviewing its requirements from HR and Duties systems and will provide an update report to COG in May. An appropriate level of project / programme management resource is in place in order to coordinate changes. | | | |
| July 2019 – Work continues to decide a way forward for business support systems which will include a replacement duties management system, at the point the Constabulary is ready to progress, the information requirements of all relevant groups will be taken into consideration. | | | |
| Status: | Agreed Changes to Due Date: (N.B. any changes to due date must be agreed by COG or Governance Board) | New Date: | Where & When Approved: |
| Ongoing (within original timescale) | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

| Audit Report: Vulnerability/Hate Crime | | | |
|--|--|--|--|
| Date Issued: 01/05/2018 | Date Considered by JAC: 24/05/2018 | Report of: Shared Internal Audit Service | Report for: CC |
| Recommendation: 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. | | | Grade: Medium |
| Agreed Action: 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. | | | Due Date: 31/10/2018 |
| | | | Responsible Person: Det. Supt PPU & Operations Vicki Ellis Dave Pattinson Craig Smith |
| Subsequent Updates: | | | |
| 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. | | | |
| November 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 has been pended until Dec 2018 / Jan 2019 - with a methodology. | | | |
| March 2019 - The reality testing to be conducted by the BIU has been adjourned due to the imminent arrival of the HMICFRS for the crime Data Integrity Audit. The Hate crime reality work is commencing beginning of March, we have drafted up the aspects for review. Completion date is now likely to be June 2019. | | | |
| July 2019 – The reality testing by the BIU has commenced with result being fed back to officers within the crime command. | | | |
| Status: | Agreed Changes to Due Date: (N.B. any changes to due date must be agreed by COG or Governance Board) | New Date: | Where & When Approved: |
| Completed | | 31/01/2019 | |
| | | 30/06/2019 | |
| | | | |
| | | | |
| | | | |

| Audit Report: Statement of Accounts 2017/18 | | | |
|---|--|--|---|
| Date Issued: 10/07/2018 | Date Considered by JAC: 19/07/2018 | Report of: Grant Thornton External Audit | Report for: Joint |
| Recommendation: 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. | | | Grade: Medium |
| Agreed Action: 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. | | | Due Date: 31/03/2019 Responsible Person: Deputy Chief Finance Officer Michelle Bellis |
| Subsequent Updates: 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. November 2018 - Finance and the Head of Estates & Fleet have met to discuss requirements, the valuer has been instructed and the valuations are expected in January 2019. March 2019 - The valuations were received in January and work is underway to record the accounting transactions and prepare the supporting working papers for audit. July 2019 – In a step towards moving the asset valuations to a 2 yearly cycle, all assets, with the exception of two properties; Hunter Lane and Kendal Police Station were revalued in 2018/19. Hunter lane was excluded as it is due to be disposed of once the move to the Eden Deployment Centre is completed and a sale is finalised. Kendal was not valued as it had been done in 2017/18. As there were only 2 properties not valued a detailed working paper was not provided to the auditors but additional information has now been provided by the Head of Estates & Fleet. Moving forward when 50% of the asset base is re-valued, a desk top exercise will be carried out on the remaining 50% of assets and a working paper provided. | | | |
| Status: | Agreed Changes to Due Date: (N.B. any changes to due date must be agreed by COG or Governance Board) | New Date: | Where & When Approved: |
| Completed | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

| Audit Report: Command & Control and 101 Calls | | | |
|--|---|--|--|
| Date Issued: 06/03/2019 | Date Considered by JAC: 20/03/2019 | Report of: Shared Internal Audit Service | Report for: CC |
| Recommendation: R1) The CCR Business Plan should be finalised and shared with the team. | | | Grade: Medium |
| Agreed Action: The Business Plan will be signed off by the Chief Inspector Territorial Policing Command and communicated to staff through 1:1s. | | | Due Date: 30/04/2019 |
| | | | Responsible Person: Chief Inspector - HQ CCR & CCU Gaynor Wardle |
| Subsequent Updates: July 2019 – The business plan was signed off by ACC Slattery and was discussed at the Local Policing and Specialist Capabilities Board in March. The business plan is now available on SharePoint for all relevant officers to see. The plan has been communicated with control room staff both by email and through the regular 1:1 Strengths Based Conversation (SBC) meetings. | | | |
| Status: | Agreed Changes to Due Date: <i>(N.B. any changes to due date must be agreed by COG or Governance Board)</i> | New Date: | Where & When Approved: |
| Completed | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

| Audit Report: Command & Control and 101 Calls | | | |
|--|---|--|--|
| Date Issued: 06/03/2019 | Date Considered by JAC: 20/03/2019 | Report of: Shared Internal Audit Service | Report for: CC |
| Recommendation: R2) The CCR risk register should be completed and managed on an ongoing basis moving forwards. | | | Grade: Medium |
| Agreed Action: The CCR risk register has been created. We are currently reviewing other risk registers which impact on CCR and will consolidate these into the CCR risk register. Once populated the CCR risk register will be kept under review in accordance with the Constabulary's risk management process. | | | Due Date: 30/04/2019 Responsible Person: Chief Inspector - HQ CCR & CCU Gaynor Wardle |
| Subsequent Updates: July 2019 – The Constabulary Strategic Risk Register now includes a specific section for the control room, this is updated regularly by CI Wardle and is discussed on a regular basis at both Local Policing and Specialist Capabilities Board and the Chief Officer Group. | | | |
| Status: | Agreed Changes to Due Date: <i>(N.B. any changes to due date must be agreed by COG or Governance Board)</i> | New Date: | Where & When Approved: |
| Completed | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

| Audit Report: Command & Control and 101 Calls | | | |
|---|---|--|--|
| Date Issued: 06/03/2019 | Date Considered by JAC: 20/03/2019 | Report of: Shared Internal Audit Service | Report for: CC |
| Recommendation: R3) a) Management should agree and set out their monitoring and reporting requirements in respect of the new digital quality assurance system. R3) b) There should be clarity around the reporting capabilities of the digital quality assurance system. | | | Grade: Medium |
| Agreed Action: a) We have set out our monitoring and reporting requirements and these will be subject to on-going review. b) The digital quality assurance system has now been removed from the process and we have now implemented an audit process for monitoring call handling. Information available by dashboard is used by the Chief Inspector – HQ CCR & CCU to monitor compliance with the procedure and identify trends. | | | Due Date: 30/04/2019 Responsible Person: Chief Inspector - HQ CCR & CCU Gaynor Wardle |
| Subsequent Updates: July 2019 – A digital auditing reporting system is now in place where a sergeant completes an audit of 20 incident logs per month. The sergeant will check the whole life of an incident and monitor compliance against a pre-determined check list to insure that the incident has been handled correctly. The results of the audit are published on a performance dashboard and individual inspectors can check their team compliance, raise issues through SBC and cascade any learning taken from the audit findings. Inspector House has overall ownership for the audit and reporting process. | | | |
| Status: | Agreed Changes to Due Date: <i>(N.B. any changes to due date must be agreed by COG or Governance Board)</i> | New Date: | Where & When Approved: |
| Completed | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

| Audit Report: General Data Protection Regulations (GDPR) | | | |
|--|--|--|---|
| Date Issued: 29/03/2019 | Date Considered by JAC: 23/05/2019 | Report of: Shared Internal Audit Service | Report for: CC |
| Recommendation: R2) Management should ensure that project management methodology and project governance are fully developed. | | | Grade: Medium |
| Agreed Action: All technical issues have now been fixed and monthly reports on completion are received from the National Team. Regular reminders are issued to those whose GDPR e-learning completion is outstanding in order to further increase the over 90% completion rate. GDPR e-learning is now part of the induction process which will help to ensure that all new starters complete the training within their first week. | | | Due Date: 30/04/2019 Responsible Person: Project Manager GDPR Lesley Johnson |
| Subsequent Updates: July 2019 - Since the audit report the project manager has produced a revised project plan utilising Microsoft Project and project risk register. Governance arrangements continue with monthly highlight reports and update paper to the Business Support Board. The project has been extended until September 2019 whilst the Information Management review is ongoing. Good progress has been made with the implementation of the requirements – DPIA process, Personal data breach reporting policy, Information Sharing Policy & Procedures produced. The PM however is the only resource on the project and there are still a number of outstanding tasks and the project has a RAG status of Amber. | | | |
| Status: | Agreed Changes to Due Date: (N.B. any changes to due date must be agreed by COG or Governance Board) | New Date: | Where & When Approved: |
| Completed | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

| Audit Report: Debtors | | | |
|--|--|--|---|
| Date Issued: 03/07/2019 | Date Considered by JAC: 25/07/2019 | Report of: Shared Internal Audit Service | Report for: CC |
| Recommendation: R1) Management should ensure that required information relating to debtors is retained in accordance with defined procedures. | | | Grade: Medium |
| Agreed Action: The period looked at for the debt collection was prior to a changeover in staff administration. When the new member of staff took over they cleared the folder of any debts that were no longer outstanding resulting in the letters and chase up emails being deleted. Our spreadsheet record includes details of all actions taken in order to chase debts, which is retained for reference. In light of the recommendation a new process will be introduced where documents/correspondence are saved directly onto the Accounts Receivable System attached to the account holder. This will enable us to view and keep an audit trail via the system of all documents or notes relating to the company and debt collection. We also have a company looking to allow us to produce statements from the system to send out, which will streamline the debt collection process. | | | Due Date: 31/08/2019 Responsible Person: Payroll and Transactional Services Manager Alison Hunter |
| Subsequent Updates: July 2019 – Work is ongoing setting up the process and amending the procedures to be able to attach all relevant documents directly onto the debtors system. Progress is on track to go live with this before the end of August 2019. | | | |
| Status: | Agreed Changes to Due Date: (N.B. any changes to due date must be agreed by COG or Governance Board) | New Date: | Where & When Approved: |
| Ongoing (within original timescale) | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

This page has been intentionally left blank

The Joint Audit Findings

The Police and Crime Commissioner for Cumbria and The
Chief Constable for Cumbria Constabulary

Year ended 31 March 2019

23 July 2019



Contents



Your key Grant Thornton team members are:

Robin Baker
Audit Director

T: 0161 214 6399

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

Lynne Johnstone
Audit Manager

T: 0141 223 0771

E: lynne.d.johnstone@uk.gt.com

Hannah Foster
Executive

T: 0141 223 0735

E: hannah.r.foster@uk.gt.com

Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

Page

- 3
- 4
- 15
- 19

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion – PCC
- F. Audit Opinion – Chief Constable

- 20
- 21
- 22
- 26
- 27
- 30

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. 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.

Headlines

This table summarises the key findings and other matters arising from the statutory audits of Cumbria Police and Crime Commissioner ('the PCC') and Cumbria Chief Constable and the preparation of the PCC and Chief Constable's financial statements for the year ended 31 March 2019 for those charged with governance.

| | | |
|-------------------------------------|---|---|
| Financial Statements | <p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the entity's (and where relevant, the group's) financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the financial position of the entity and the entity's income and expenditure for the year; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> | <p>Our final accounts audit work was completed on site during June and July 2019. Our findings are summarised on page 4.. We have identified two adjustments to the financial statements that have resulted in a £56m adjustment to the Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have raised no new recommendations for management as a result of our audit work. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion for the PCCs financial statements (including the group financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements Appendices E and F or material changes to the financial statements, subject to the following outstanding matters including:</p> <ul style="list-style-type: none">- finalisation of manager and director detailed reviews- completion of our work on journals and pensions- receipt and review of assurance letter from the LGPS pension fund auditor- receipt of management representation letter- review of the final set of financial statements- updating our post balance sheet events review, to the date of signing the opinion. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisations and the financial statements we have audited. Our anticipated audit report opinions will be unmodified.</p> |
| Value for Money arrangements | <p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, both entities have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p> | <p>We have completed our risk based reviews of the PCC's and Chief Constable's value for money arrangements. We have concluded that both Cumbria PCC and the Chief Constable have proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing unqualified value for money conclusions, as detailed in Appendices E and F.</p> |
| Statutory duties | <p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and• To certify the closure of the audits. | <p>We have not exercised any of our additional statutory powers or duties for either entity. We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit opinions.</p> |

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audits. Once again the Finance team produced excellent accompanying working papers at the commencement of our work to support the draft financial statements.

Summary

Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Joint Audit Committee, attended by the Police and Crime Commissioner and Chief Constable.

As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the PCC and Chief Constable's business and is risk based, and in particular included:

- an evaluation of the PCC and Chief Constable's internal controls environment, including its IT systems and controls; and;
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 20 March 2019.

Conclusion

We have substantially completed our audits of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Committee meeting on 25 July 2019, as detailed in Appendix E and F. These outstanding items include:

- finalisation of manager and director detailed reviews
- completion of our work on journals and pensions
- receipt and review of assurance letter from the LGPS pension fund auditor
- receipt of management representation letter
- review of the final set of financial statements and
- updating our post balance sheet events review, to the date of signing the opinion.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality.

| | Group, PCC/Chief Constable Amount (£) | Qualitative factors considered |
|--|--|--|
| Materiality for the financial statements | 2,739,000 | • 2% of the Chief Constable's prior year gross expenditure |
| Performance materiality | 2,054,000 | • 75% of materiality for the financial statements |
| Trivial matters | 137,000 | • 5% of materiality for the financial statements |

Significant findings – audit risks

| Risks identified in our Audit Plan | Relates to | Commentary |
|---|------------|---|
| <p>1 The revenue cycle includes fraudulent transactions</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> | Both | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the PCC and Chief Constable, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for the PCC and Chief Constable.</p> |
| <p>2 Management override of controls</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 therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | Both | <p>We have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing, identified and selected a sample of high risk unusual journals to test for appropriateness, our detailed testing remains outstanding. • gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work has not identified any issues in respect of management override of controls subject to the completion of our outstanding procedures.</p> |

Significant findings – audit risks

| | Risks identified in our Audit Plan | Relates to | Commentary |
|---|---|------------|--|
| 3 | <p>Valuation of land and buildings</p> <p>The PCC revalues land and buildings on a rolling two year basis (previously a five-yearly basis). This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the PCC financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> | PCC | <p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert received direct confirmation from the valuer confirmation of the basis on which the valuation was carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding tested a sample of revaluations made during the year to see if they had been input correctly into the PCC's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. We identified an issue in relation to a specific asset Hunter Lane Police Station and its garage. We understand the PCC is at advanced stage of discussion to dispose of this asset and an offer subject to contact was accepted after the year end. In such circumstances it is appropriate to re-assess the carrying value. As a result there is an unadjusted audit difference of £1.1m to reduce the carrying value from £1.6m to £0.5m. At the 31 March 2019 the revaluation surplus in relation to this asset was £0.3m reducing the impact to £0.8m this issue is discussed further on page 9. |

Our audit work has not identified any other material issues in respect of valuation of land and buildings.

Significant findings – audit risks

| Risks identified in our Audit Plan | Relates to | Commentary |
|---|------------|---|
| <p>4 Valuation of the pension fund net liability</p> <p>The pension fund net liability, as reflected in the PCC group balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved £1,350 million (2018: £1,229 million) in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | Both | <p>We have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuaries who carried out the group's pension fund valuation; assessed the accuracy and completeness of the information provided by the group to the actuaries to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertake procedures to confirm the reasonableness of the actuarial assumptions made and the source data used. <p>We are awaiting the assurance from the auditor of Cumbria County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</p> <p>We draw your attention to page 8 regarding a national issue relevant to all local authorities to consider and assess how the result of the McCloud case has impacted upon the valuation of the pension fund net liability and the pension reserve. The McCloud /Sergeant cases have a direct impact on the Police and LGPS Pension Schemes and are a significant development for the Police sector.</p> <p>Our audit work has not identified any issues in respect of the valuation of net pension liabilities, subject to the to the satisfactory completion of our outstanding procedures.</p> |

Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year

| Issue | Relates to | Commentary |
|-------|------------|------------|
|-------|------------|------------|

1 Potential impact of the McCloud judgement

The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.

The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.

The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for firefighter pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits, such as the Local Government Pension Scheme and the Police Pension Schemes.

Both

Management requested an updated estimate from the actuaries of the potential impact of the McCloud ruling. This has now been received from both Mercers and Government Actuarial Department (GAD) (Officers). This indicates increases in past service costs of £56.3m and therefore an increase in the total net liability of £56.3m.

The detailed breakdown is as follows:-

| | LGPS £000 | Police Pension Schemes £000 | TOTAL £000 |
|-----------------------------------|--------------|--------------------------------|---------------|
| Increase in past service cost | 1,652 | 54,630 | 56,282 |
| Increase in interest | 2 | - | 2 |
| Increase in net pension liability | 1,654 | 54,630 | 56,284 |

The financial statements have been amended and at the date of this report we currently reviewing the analysis performed by the actuaries, and considering whether the approach that has been taken to arrive at this estimate is reasonable. We will then complete the remainder of our work on pensions as detailed on page 7.

Significant findings – key judgements and estimates

| | Relates to | Summary of management's policy | Audit Comments | Assessment |
|--|------------|---|--|------------|
| Land and Buildings – Other - £54.4m, (2018: 51.1m) | PCC | <p>Land and buildings comprises £48.1m of specialised assets such as police stations, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of operational land and buildings (£6.1m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. There are also £0.2m non-operational land and buildings which are valued at market value.</p> <p>Following the control finding raised as part of the 2017/18 audit Management took the decision to move to a two yearly cycle for land and building asset valuation with a more even split of valuations between the years. 2018/19 is a transition to these new arrangements and as such all but 2 assets were revalued. The PCC has engaged Carigiet Cowen to value all but 2 properties as at 31 March 2019. 88% of total assets were fully revalued.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £2.1m. The total year end valuation of Other land and buildings was £54.4m (2018: 51.1m).</p> | <p>Management's assessment of the carrying value of assets not revalued did not identify any material change to the properties value, however following challenge from Grant Thornton it was confirmed that appropriate consideration had not been made of the future service potential of these assets and the presence of any indicators of impairment.</p> <p>The results of this challenge impacted one specific asset, Hunter Lane Police Station and Garage which has a carrying value of £1.6m as at 31 March 2019 having last been revalued in 2018. The service potential of this asset is now limited following the decision to relocate to a new purpose built building "The Eden Deployment Centre" which is under construction and due to become operational in 2019/20. Although at 31 March 2019 Hunter Lane Police Station was in use as an operational police station, it was actively marketed for sale with a subject to contract offer being received post year end in the region of £0.5m. Our view is that this indicates an impairment in the carrying value of the asset, resulting in an unadjusted audit difference of £1.1m to reduce the year end carrying value from £1.6m to £0.5m. At the 31 March 2019 the revaluation surplus in relation to this asset was £0.3m reducing the impact to £0.8m. We also consider that there is appropriate evidence that this asset now meets the definitions of an asset held for sale and as such the asset should be transferred from land and buildings and disclosed in assets available for sale on the face of the balance sheet. We have included two unadjusted audit differences in appendix C as follows:</p> <ul style="list-style-type: none"> to reduce the carrying value of the asset as at 31 Mach 2019 from £1.1m to £0.5m which includes releasing the associated revaluation surplus of £0.3m for this asset. to reclassify the reassessed carrying value of £0.5m from land and buildings to Assets held for sale (within 1 yr). <p>See the significant risk on page 6 where audit procedures undertaken have been detailed.</p> | ● |

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings – key judgements and estimates

| | Relates to | Summary of management’s policy | Audit Comments | Assessment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|----------------------|---|--|------------|----------------------|------------------------|------------------|------------|---------------|------|-------|-----|--|-----------------------|------|-------|-----|--|---------------|------|-------|-----|--|--|------------------|------------------|-----|--|--|------------------|------------------|-----|--|--|
| Net pension liability – £1,350m | Both | The PCC and Chief Constable’s total net pension liability at 31 March 2019 is £1,350m (PY £1,229m) comprising the LGPS and Police Pension schemes. The group, PCC and Chief Constable use GAD and Mercer to provide actuarial valuations of the group’s assets and liabilities derived from these schemes, utilising key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £40m net actuarial loss during 2018/19. | <p>In understanding how management have calculated the estimate of the net pension liability we have:</p> <ul style="list-style-type: none"> assessed the use of a management’s expert actuaries (GAD/Mercer) assessed the actuary’s roll forward approach taken used PwC as an auditors expert to assess actuary and assumptions made by the actuary (see the table below) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value - LGPS</th> <th>Actuary Value - Police</th> <th>Within PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.45%</td> <td>Yes</td> <td style="text-align: center;"></td> </tr> <tr> <td>Pension increase rate</td> <td>2.3%</td> <td>2.35%</td> <td>Yes</td> <td style="text-align: center;"></td> </tr> <tr> <td>Salary growth</td> <td>3.7%</td> <td>4.35%</td> <td>Yes</td> <td style="text-align: center;"></td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>25.6/ 23.3 years</td> <td>24.6/ 22.7 years</td> <td>Yes</td> <td style="text-align: center;"></td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>28.6/ 25.9 years</td> <td>26.2/ 24.3 years</td> <td>Yes</td> <td style="text-align: center;"></td> </tr> </tbody> </table> | Assumption | Actuary Value - LGPS | Actuary Value - Police | Within PwC range | Assessment | Discount rate | 2.4% | 2.45% | Yes | | Pension increase rate | 2.3% | 2.35% | Yes | | Salary growth | 3.7% | 4.35% | Yes | | Life expectancy – Males currently aged 45 / 65 | 25.6/ 23.3 years | 24.6/ 22.7 years | Yes | | Life expectancy – Females currently aged 45 / 65 | 28.6/ 25.9 years | 26.2/ 24.3 years | Yes | | |
| Assumption | Actuary Value - LGPS | Actuary Value - Police | Within PwC range | Assessment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 2.4% | 2.45% | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pension increase rate | 2.3% | 2.35% | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary growth | 3.7% | 4.35% | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Males currently aged 45 / 65 | 25.6/ 23.3 years | 24.6/ 22.7 years | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Females currently aged 45 / 65 | 28.6/ 25.9 years | 26.2/ 24.3 years | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <ul style="list-style-type: none"> assessed the completeness and accuracy of the underlying information used to determine the estimate impact of any changes to valuation method undertook a reasonableness test of the PCC and CC’s share of LGPS pension assets. assessed the reasonableness of the movement in the estimate assessed the adequacy of disclosure of estimate in the financial statements. <p>As previously noted, this final assessment is dependent on the outcome of our audit work on the impact of the McCloud ruling, which is ongoing at this point.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process and key assumptions to be reasonable

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

| | Significant matter | Relates to | Commentary |
|---|---|------------|--|
| 1 | Significant events or transactions that occurred during the year | Both | We have no findings to report. |
| 2 | Business conditions affecting the group, PCC and Chief Constable, and business plans and strategies that may affect the risks of material misstatement | Both | We have no findings to report. |
| 3 | Concerns about management's consultations with other accountants on accounting or auditing matters | Both | No consultations with other accountants have been made during the year. |
| 4 | Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services | Both | We were re-appointed as auditors of the Police and Crime Commissioner (PCC), the Chief Constable and the PCC Group for five years from 2018/19. We issued our fee letters for 2019/20 on the 30 April 2019 and presented them to the Joint Audit Committee on 23 May 2019. |
| 5 | Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information | Both | We have no findings to report. |
| 6 | Other matters that are significant to the oversight of the financial reporting process | Both | We have no findings to report. |

Significant findings - Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary - PCC

Management's assessment process

The group has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exists.

Auditor commentary

- The PCC and CC’s going concern assessment was communicated to us in their letter dated 15 April 2019.

Work performed

We have discussed the financial standing of the PCC with the Joint Chief Financial Officer. We have reviewed management’s assessment of going concern, the assumptions used and supporting information.

Auditor commentary

- Managements assessment of going concern includes reference to the significant operational and financial challenges facing the PCC and CC. We are satisfied these factors have been appropriately considered and factored into both the MTFP and the rolling cash flow projections.
- Explicit disclosure of going concern as the basis of the preparation of the accounts to be made in the Narrative Report.

Concluding comments

- We are satisfied that it remains appropriate to continue to prepare the accounts on the going concern basis.

Auditor commentary

- Our opinion is unmodified in respect of going concern.
-

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| Issue | Commentary |
|---|---|
| ① Matters in relation to fraud | <ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Joint Audit Committee. We have not been made aware of any incidents of fraud in the period and no other issues have been identified during the course of our audit procedures. |
| ② Matters in relation to related parties | <ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed. |
| ③ Matters in relation to laws and regulations | <ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| ④ Written representations | <ul style="list-style-type: none"> A letter of representation has been requested from the PCC and Chief Constable, including specific representations in respect of the Group. |
| ⑤ Confirmation requests from third parties | <ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the PCC's bank, investment counter-parties and valuers. This permission was granted and the requests were sent all of these requests were returned with positive confirmation. |
| ⑥ Disclosures | <ul style="list-style-type: none"> Our review found no material omissions in the financial statements. Please see Appendix C for details of the adjusted and unadjusted audit differences and disclosures. |
| ⑦ Audit evidence and explanations/significant difficulties | <ul style="list-style-type: none"> All information and explanations requested from management was provided. |

Other responsibilities under the Code

| Issue | Commentary |
|--|--|
| 1 Other information | <ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix E and F</p> |
| 2 Matters on which we report by exception | <p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p> |
| 3 Specified procedures for Whole of Government Accounts | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> Note that work is not required as the PCC and Chief Constable do not exceed the threshold; |
| 4 Certification of the closure of the audit | <p>We intend to certify the closure of the 2018/19 audit of Cumbria PCC and Cumbria Chief Constable in the audit opinion, as detailed in Appendix E and F.</p> |

Value for Money

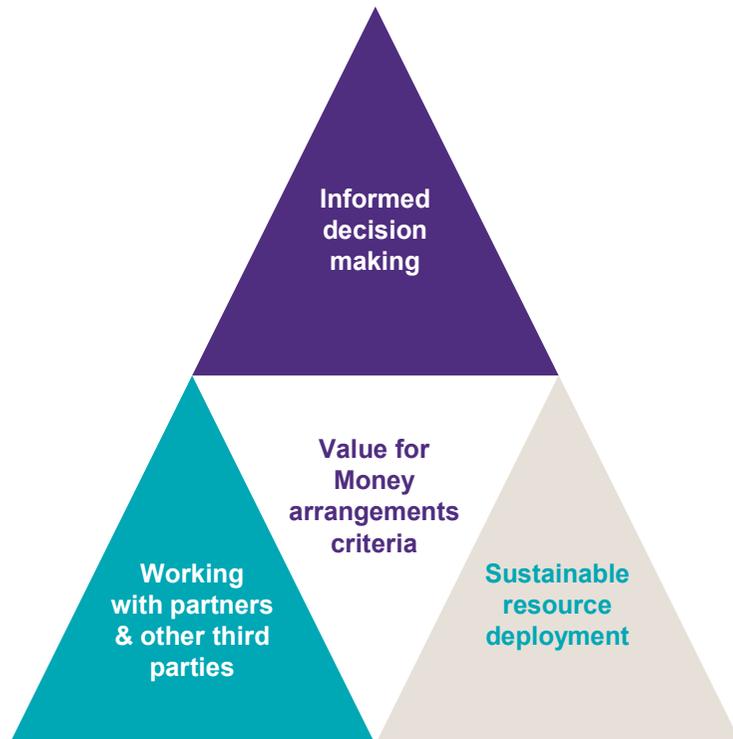
Background to our VFM approach

We are required to satisfy ourselves that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the PCC and Chief Constable. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in March 2019 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan issued and presented to the March Joint Audit Committee.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the PCC and Chief Constable's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the PCC and Chief Constable's arrangements.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 17 to 18.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that both the PCC and Chief Constable had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E and F.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings – PCC and Chief Constable

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

| Significant risk | Findings | Conclusion |
|---|---|--|
| <p>1 Financial sustainability</p> <p>Cumbria along with many other forces continues to face increasing financial pressures and is currently forecasting a year end position that indicates a £0.6m overspend.</p> <p>We will update our understanding of the arrangements that are in place for the regular monitoring of the in year financial position and assess how the future financial challenges are being addressed.</p> | <p>The PCC and the Constabulary continue to face financial challenges but the Medium Term Financial Forecast (MTFF) 2019/20 to 2022/23 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 continues to be a robust process in place to produce the MTFF.</p> <p>The PCC set the 2019/20 budget and Council tax requirement on 20 February 2019. This resulted in a balanced revenue budget for 2019/20 of £145.7 million and a Council Tax increase of 10.29%. This showed that savings of £4.1 million were required between 2020/21 and 2022/23. The 2019/20 Council Tax increase of 10.29% will help fund a further 20 Police Officers (on top of the increase of 25 officers provided in 2018/19) from 1145 to 1165 FTE, The remainder of the budget proposed has been produced on a continuation basis, which means that current levels of service have been maintained over the life of the four year forecast. This includes functions where additional funding was provided in the 2018/19 budget in response to service pressures including an additional 25 officers. Securing public support for another large Council Tax increase (2018/19 5.14%) will be challenging even if it were linked to additional resources / improved outcomes. The Joint Chief Finance Officer (CFO) provides an assessment of the adequacy of balances and reasonableness of assumptions and estimates used to produce the budget. There is also a formal process of challenge by the Police and Crime Panel.</p> <p>As part of the budget setting process for 2019/20, the projections for 2020/21 to 2022/23 were updated. This showed that savings of £4.1 million were required between 2021/22 and 2022/23. Gross expenditure of £145.754m can be supported by budgeted income in 2019/20. However, it is anticipated that in future years funding will fail to keep pace with expenditure pressures meaning that by 2022/23 £4.1m savings will be needed to offset rising costs. The key driver in the level of savings requirements is increasing inflationary pressure. Previously, inflation on pay costs had been held at 2% for the life of the medium term forecast, 2018/19 saw further relaxation of the public sector pay constraint and as a consequence, the medium term forecast has now been adjusted to assume annual pay rises of 3%. Inflation on supplies has also been set at 2% for the life of the medium term forecast in line with Bank of England estimates. 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 well 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>Recognising the need to make further budget savings in the medium term in order to deliver a balanced budget, the Commissioner and Chief Constable have engaged in a number of discussions to consider areas of the budget that will be targeted for reductions in expenditure. Whilst no firm decisions have been made, initiatives, which will be explored as part of the Constabulary’s Vision 2025 Strategy include, adjusting the workforce mix, consolidating functions to provide greater resilience, collaboration with other forces and other public sector bodies and realising benefits from investment in new technology.</p> | <p>Both the PCC and Chief Constable have in place robust arrangements to monitor and update their financial plans and the delivery of the required savings. They still face significant financial changes from any formula funding changes. We concluded that the PCC and Chief Constable have proper arrangements in place for ensuring they plan finances effectively to support their strategic functions and arrangements for ensuring informed decision making.</p> |

Key findings – PCC and Chief Constable

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

| | Significant risk | Findings | Conclusion |
|--|---|--|------------|
| <p>1 Financial sustainability (continued)</p> <p>Cumbria along with many other forces continues to face increasing financial pressures and is currently forecasting a year end position that indicates a £0.6m overspend.</p> <p>We will update our understanding of the arrangements that are in place for the regular monitoring of the in year financial position and assess how the future financial challenges are being addressed.</p> | <p>Over the life of the financial forecast total reserves are planned to reduce from £18.1m at the start of 2019/20 to £9.1m by end of March 2023, largely due to provision of funding to the support the capital programme. Of the remaining £9.1m, the general reserve of £3m is held for managing financial risks and unforeseen events, budget support, stabilisation and insurance reserves/contingencies of £3.9m provide further resilience, whilst a small number of other reserves are earmarked for specific purposes including pooled/partnership funds.</p> <p>In addition to revenue grants the Commissioner also receives a small amount of annual capital funding that supports a capital programme. The programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner. The budget benefits from £0.372m in capital grant to support capital expenditure from the 2019/20 settlement, which is slightly higher than the capital grant received in 2018/19 of £0.364m. Over recent years the level of capital grant has reduced significantly as a result of national top-slicing from capital allocations, contributing to a widening gap between the requirement for capital expenditure and capital funding. This has to be met by revenue contributions to capital, capital receipts from the disposal of property and the use of reserves. In 2019/20 the revenue budget contributes £1.8m to fund capital, this figure increases to over £3m per annum from 2020/21. Over the four years of the medium term financial forecast, major capital schemes for ICT and estates are primarily funded through one off reserves and capital receipts. Beyond 2023/24 both these sources of funding will be largely exhausted and as a result revenue contributions will be the primary source of capital funding.</p> <p>The revenue expenditure out-turn position for 2018/19 is an overspend of £0.196m. The overall overspend is made up of an overspend of £0.159m on the core budgets of the Commissioner and Constabulary plus a one off contribution of £0.037m to a legal provision in relation to ongoing legal cases. The core overspend equates to 0.2% of the revised net budget of £99.458m, which is comfortably within the target for the revenue expenditure to be within 1% of the budget at out-turn.</p> | <p>Both the PCC and Chief Constable have in place robust arrangements to monitor and update their financial plans and the delivery of the required savings. They still face significant financial changes from any formula funding changes. We concluded that the PCC and Chief Constable have proper arrangements in place for ensuring they plan finances effectively to support their strategic functions and arrangements for ensuring informed decision making.</p> | |

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

We confirm that there is one significant matter that could appear to have an impact on our independence, objectivity and integrity, and as your auditors we are required to draw it to your attention. We discussed this matter with you in July 2018 and at subsequent Joint Audit Committee meetings. On 9 July 2018, Richard McGahon, your then External Senior Audit Manager applied for the post of Head of Internal Audit at Cumbria County Council and was successfully appointed to that post. The County Council's Internal Audit team provide an internal audit service to the PCC and Chief Constable. In July 2018, the Engagement Lead and our Ethics Team made the decision to remove Richard McGahon from this audit engagement to safeguard our independence, objectivity and integrity. An additional safeguard was put in place whereby the Engagement Lead carried out a review of all work Richard McGahon had reviewed.

The Engagement Lead sought assurance from the Ethics Team that given Richard McGahon had no involvement in accounts preparation, and as our team does not place direct reliance on internal audit work the remaining perceived threat to independence, objectivity and integrity was low. However, there remains a perceived threat of independence, and this has been further mitigated by putting in place safeguards, including the appointment of an Audit Manager who only joined the firm in September 2018, and had no previous relationship with Richard McGahon.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the PCC and Chief Constable. No non-audit services were identified which were charged from the beginning of the financial year to 22 July 2019.

Action plan

We have identified no new recommendations for the Cumbria PCC and CC as a result of issues identified during the course of our audit. Progress made on prior year findings are detailed on the following page.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Cumbria PCC and Chief Constable's 2017/18 financial statements, which resulted in 2 recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and note 1 is still to be fully completed.

Assessment
 ✓ Action completed
 X Not yet addressed

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|---|---|
| 1 ✓ | <ul style="list-style-type: none"> Both the PCC and Chief Constable asked for the Local Government Pension Scheme (LGPS) IAS19 pension disclosures to be re-run by the Actuary. This was done and the assets and liability have moved by over 2% and nearly 1% respectively. We challenged the level of the movement as we expected the asset value to change slightly with no significant movement in the liability. When we compared the original and re-run IAS19 disclosures we identified two significant changes in the data given to the actuary for the Chief Constable. They were: <ul style="list-style-type: none"> pensions paid reduced by around £1.5 million in the re-run; payments in respect of leavers reduced by around £0.3 million in the re-run. It has now been confirmed that an error occurred in the extraction of the data sent to the actuary by the Cumbria Local Government Pension Scheme. The IAS19 information has been re-run. The risk was that by not validating the re-run data that a material error could occur. | <ul style="list-style-type: none"> Following the issue that arose in relation to 2017/18 it has been agreed that the county Council will not make any amendments to the data submission made by the Police in respect of the PCC or CC without first discussing with the finance team at the Constabulary. In addition to this an additional working paper had been added to the audit file which compares the figures provided by the finance team in the data submission and the schedule provided by Mercers for the figures used. There were no differences identified for 2018/19. This additional step will ensure consistence from 2018/19 onwards. |
| 2 ✓ | <ul style="list-style-type: none"> Between 31 March 2016 and 31 March 2018 the PCC revalued all of its land and buildings as part of a rolling programme. However, in 2017/18 on three assets were revalued with a value of £7.5 million (15% of net book value). This meant that 46% of land and buildings had not been revalued for 12 months and 39% had not been revalued for 2 years. The longer an asset has not been revalued for the greater the risk that their value has changed and the more assets in this position the greater the risk that overall assets not revalued could be materially mis-stated. The Finance team had discussed the issue with the valuer and the valuer was satisfied that they would not be materially mis-stated. However, this assessment was not documented in the working papers. In addition, it is clear that the potential risk of assets not revalued being materially mis-stated is increased when the rolling programme of valuations is disproportionately low in one of the three years. | <ul style="list-style-type: none"> Following the matters raised in 2017/18 it has been decided to move to a two yearly cycle for land and building asset valuation with a more even split of valuations between the years. In 2018/19 is a transition to these new arrangements and as such all but 2 assets were revalued. From 2019/20 a detailed working paper will prepared and provided setting out the desk based excise undertaken to provide assurance for the 50% of assets that will not be formally valued by our external valuers. This will also detail our consideration of any indicators of impairment. |

Audit Adjustments - PCC

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 |
|---|--|--|---------------------------------------|
| 1 Defined benefit pension scheme - McCloud impact for Cumbria Local Government Pension Scheme | 1,654 | (1,654) | Nil |
| 2 Defined benefit pension scheme - McCloud impact for Police Pension Schemes | 54,630 | (54,630) | nil |
| Overall impact | £56,284 | (£56,284) | £nil |

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

| Disclosure omission | Value £000 | Impact on the financial statements | Adjusted? |
|--|------------|---|-----------|
| Asset held for sale | 485 | The PCC has agreed the sale of Hunter Lane Police Station subject to contract. Our view is that this meets the definition of an asset held for sale and as such should be moved from Fixed Assets to Current Assets and disclosed on the face of the balance sheet. | X |
| Miscellaneous | N/A | The financial statements have been amended for minor narrative changes. | ✓ |
| Note 23, Disclosure of Remuneration for Senior Employees | N/A | The name of individuals paid >£150,000 had not been disclosed. This has been amended in the final financial statements. | ✓ |
| Annex A – Statement of accounting Policies, Note 2 Accruals of Income Expenditure | N/A | The revenue accounting policy in the financial statements presented for audit had not been fully updated for IFRS 15, the new revenue standard. The revenue accounting policy in the amended financial statements is now in line with IFRS 15. There were no adjustments identified on transition to IFRS 15. | ✓ |

Audit Adjustments - PCC

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Joint Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|--|---|---|--|---------------------------------|
| 1 Fixed assets – impairment of Hunter Lane | 832 | 832 | Nil | • Not considered to be material |
| Overall impact | £832 | £832 | £Nil | |

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2017/18 financial statements.

Audit Adjustments – Chief Constable

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 |
|---|--|--|---------------------------------------|
| 1 Defined benefit pension scheme - McCloud impact for Cumbria Local Government Pension Scheme | 1,620 | (1,620) | Nil |
| 2 Defined benefit pension scheme - McCloud impact for Police Pension Schemes | 54,630 | (54,630) | nil |
| Overall impact | £56,250 | (£56,250) | £nil |

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission | Value £000 | Impact on the financial statements | Adjusted? |
|---|------------|---|-----------|
| Miscellaneous | N/A | The financial statements have been amended for minor narrative changes, 3 calculation errors in the narrative report, | ✓ |
| Note 16, Disclosure of Remuneration for Senior Employees | N/A | The name of individuals paid >£150,000 had not been disclosed. This has been amended in the final financial statements. | ✓ |

Audit Adjustments – Chief Constable

Impact of unadjusted misstatements

There were no unadjusted misstatements in the 2018/19 financial statements.

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2017/18 financial statements.

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit Fees

| | Proposed fee | Proposed Final fee |
|---|----------------|--------------------|
| PCC Audit | 23,360 | 23,360 |
| • Proposed additional fee | | 2,000 |
| Chief Constable Audit | 11,500 | 11,500 |
| Total audit fees (excluding VAT) | £34,860 | £36,860 |

- The proposed fees reconcile to the financial statements. The proposed fee adjustment relates to the additional audit procedures we have had to undertake on the revised actuarial numbers.

Audit opinion – PCC

We anticipate we will provide the Group / PCC with an unmodified audit report

Independent auditor's report to the Police and Crime Commissioner for Cumbria

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Cumbria (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable for Cumbria Constabulary (the 'group') for the year ended 31 March 2019 which comprise the , the Comprehensive Income and Expenditure Statement – Group, the Comprehensive Income and Expenditure Statement – PCC, Movement in Reserves Statement – Group, Movement in Reserves Statement – PCC, the Balance Sheet – PCC & Group, the Cash Flow Statement – PCC & Group and notes to the financial statements, including a summary of significant accounting policies and Annexes A, B, C and D and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, Pension Fund Net assets and Liabilities and the notes to financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2019 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Police and Crime Commissioner in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Joint Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Joint Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Police and Crime Commissioner's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Joint Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement, other than the group and Police and Crime Commissioner financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and the Police and Crime Commissioner obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner gained through our work in relation to the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or; We have nothing to report in respect of the above matters.
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Police and Crime Commissioner and the Joint Chief Finance Officer for the financial statements

As explained more fully in the Responsibilities for the Statement of Accounts, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Joint Chief Finance Officer. The Joint Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Joint Chief Finance Officer is responsible for assessing the group's and the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the group or the Police and Crime Commissioner will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the* Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

To be signed

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Liverpool

To be dated

Audit opinion – Chief Constable

We anticipate we will provide the Chief Constable with an unmodified audit report

Independent auditor's report to the Chief Constable for Cumbria Constabulary

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Chief Constable for Cumbria Constabulary (the 'Chief Constable') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and Annexes A, B, C and D and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, Pension Fund Net assets and Liabilities and the notes to financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Joint Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Joint Chief Finance Officer Narrative Report and Annex D - the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Chief Constable obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable gained through our work in relation to the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Chief Constable and the Joint Chief Finance Officer for the financial statements

As explained more fully in the Responsibilities for the Statement of Accounts, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Joint Chief Finance Officer. The Joint Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Joint Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Chief Constable will no longer be provided..

The Chief Constable is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Chief Constable* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

To be signed

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Liverpool

To be dated



This page has been intentionally left blank



Item 12

The Police and Crime Commissioner for Cumbria & the Chief Constable for Cumbria Constabulary

Annual Statement of Accounts 2018/19: Assurance Framework

Report to the Police and Crime Commissioner, Chief Constable and Joint Audit Committee 25 July
2019

Report of the Joint Chief Finance Officer

1. Introduction and Background

- 1.1. This report sets out for the Commissioner, Chief Constable and members of the Joint Audit Committee, those areas of governance and audit pertaining to scrutiny and formal approval of the 2018/19 Statement of Accounts. This report covers the single entity financial statements of the Police and Crime Commissioner, the single entity financial statements of the Chief Constable, and the Group financial statements. The report sets out the opinion of the Commissioner's appointed auditor and amendments made to the Accounts, and accompanying governance statement, as a consequence of the findings of the audit. It also sets out information provided to Mr Robin Baker, of Grant Thornton UK LLP, the Commissioner's appointed auditor, as part of the regulatory requirement for a letter of representation.
- 1.2. The report includes an appendix that provides a narrative on the financial statements (**Appendix A**). The appendix aims to support members of the Joint Audit Committee in undertaking their assurance role by providing a narrative in respect of the sources of assurance available to them and on the substantive issues that have been considered in respect of the production of the financial statements.

2. Formal Approval of the Audited Statements

- 2.1. The Statement of Accounts were authorised by the Joint Chief Finance Officer on 23 May 2019 in accordance with the 2015 Accounts and Audit Regulations. The audit has now been substantially completed, the Joint Chief Finance Officer is required to again certify the statements and present them to the Commissioner and Chief Constable for formal approval. Prior to certification the Commissioner and Chief Constable will take into consideration the Audit Findings Report from Mr Robin Baker. The Commissioner and Chief Constable will also take into consideration the views of members of the Joint Audit Committee. The Committee will receive the Statement of Accounts and the Audit Findings Report. They will consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Commissioner.

3. Appointed Auditor's Audit Findings Report

- 3.1. Preceding this item on your agenda is the Audit Findings Report from Mr Robin Baker, of Grant Thornton UK LLP, the Commissioner's appointed auditor. Mr Baker reports on his completion of the annual audit of the Statements of Account for 2018/19. The Commissioner, Chief Constable and members of the Joint Audit Committee will be pleased to see his intention, based on his findings to date, to issue an unqualified audit opinion in respect of the Statement of Accounts for the year to 31 March 2019 and in respect of the Commissioner's and Chief Constable's arrangements to secure Value for Money.
- 3.2. In carrying out their audit, the auditors have considered internal controls that are relevant to the preparation of the financial statements. Where they identify any control weaknesses, these are reported to the Commissioner and Chief Constable. Within their report the auditors have raised no matters in relation to internal control which need to be considered by those charged with governance.
- 3.3. As noted in the audit findings report there were two adjusted and one unadjusted misstatements identified during the audit:
 - ◆ The two adjusted misstatements relate to an increase in liabilities in respect of both the police pensions schemes and the Local Government Pension Scheme (LGPS) as a result of the McCloud/Sergeant judgement and the Government's subsequent loss of the right to appeal the judgement. These change amount to £54.6m in respect of police pensions and £1.6m for LGPS. Changes in relation to this matter are highlighted in green in the attached marked up version of the Statement of Accounts).

- ◆ The unadjusted misstatement relates to the valuation of the police station and garages at Hunter Lane in Penrith. The accounts were prepared on the valuation basis of Existing Use Value (EUV) as the building was at the balance sheet date and is likely to remain so until January 2020, in operational use. The auditors have determined that as a sale (subject to contract) has been agreed for the premises and it is likely to be disposed of within 12 months of the balance sheet date the asset should have been treated as an “asset held for sale” and the reduction in carrying value reflected in the accounts. The impact of this misstatement is estimated at be £0.8m and as such is not material and has not been amended in the accounts. It is envisaged that the disposal will take place during 2019/20 and as such the item will be written out of the accounts.

3.4. There were a number of disclosure changes identified during the audit which have been adjusted in the financial statements, in the member’s copy of the financial statements these disclosure changes have been highlighted in pink. Other changes highlighted in yellow include the updating of relevant dates for signing off the statements, the inclusion of the auditor’s opinion and update to the annual governance statement to reflect the period from its initial publication and the date of this report.

3.5. In their report the auditors have made no recommendations as a result of issues identified during the audit, and have provided an update on the recommendations made in the 2017/18 audit findings report.

3.6. The auditors have again noted that the financial statements were supported by excellent quality working papers that were made available at the commencement of the audit.

4. Post Balance Sheet Event

4.1. A post balance sheet event is an event, subsequent to the date of the financial statements, and for which International Financial Reporting Standards and the Code of Practice on Local Authority Accounting (the Code) require adjustment or disclosure. There have been no post balance sheet events following authorisation of the financial statement by the Chief Finance Officer on 23 May and to the issuing of this report.

5. 2018/19 Governance Statements

The Police and Crime Commissioner and Chief Constable approved their 2018/19 Annual Governance Statements (AGS) on 23 May 2019.

6. Letters of Management Representation

- 6.1. At the conclusion of the audit of the Statement of Accounts, but before an opinion can be given, a 'Letter of Management Representation' is provided to the appointed auditors by the Joint Chief Finance Officer on behalf of the Commissioner and Chief Constable. The underlying purpose of the letter is to confirm that the financial statements reflect a true and fair view in accordance with international financial reporting standards. The letters set out that relevant codes, standards and statutory directions have been complied with and that we have made reasonable estimates and judgements in undertaking accounting entries and disclosures. The letters also confirm that there has been full disclosure of all matters requiring disclosure to our auditors. The Letters of Management Representation are attached at **Appendix B**.

7. Acknowledgements

- 7.1. The work undertaken in preparing the Statement of Accounts and supporting the audit for the year places very significant demands on staff within the financial services team. Key amongst those has been Michelle Bellis, Deputy Chief Finance Officer and Lorraine Holme, Financial Services Manager, who have once again secured for the Commissioner and Chief Constable another clean audit. This report also acknowledges the work undertaken by our colleagues in external audit headed by Robin Baker and Lynne Johnstone. This is the fourth year that both the publication of the unaudited accounts and the audited accounts has been brought forward in line with the requirements of the Accounts and Audit Regulations 2015. The work to bring forward the closure of accounts has impacted both on our own team and those at Grant Thornton.

8. Recommendations

- 8.1. Following consideration of the findings and conclusions of the Appointed Auditor it is recommended that:
- ◆ Members of the Joint Audit Committee determine whether there are any issues in respect of governance or the statement of accounts that they wish to report to the Commissioner and/or Chief Constable.
 - ◆ The Commissioner and Chief Constable sign the audited Statement of Accounts and authorise for publication the Accounts and accompanying Governance Statement.

Statement of Accounts Narrative 2018/19

1. Introduction and Background

- 1.1. The Police and Crime Commissioner and Chief Constable are asked to sign their respective annual statement of accounts following audit and the review process by the Joint Audit Committee. Members of the Joint Audit Committee will receive a copy of the audited accounts and accompanying governance statement for which they have a review and assurance role. The Statement of Accounts are highly complex technical documents. They take a number of weeks to produce and a similar period of time to audit by a team of technical and experienced staff. The audit process will typically involve support from national technical teams who assess and advise on accounting treatment for complex transactions against the requirements of international financial reporting standards and codes of practice. Within the finance profession, the Statement of Accounts is a very specialist field.
- 1.2. In this context, this narrative aims to provide a guide to the considerations that the Commissioner, Chief Constable and Members of the Joint Audit Committee can reasonably be expected to take account of, in carrying out a review process and undertaking to approve the Statement of Accounts. It covers two main areas, sources of assurance for the financial statements and key challenges. These are the areas that influence the dialogue and engagement between the finance staff preparing the accounts and those undertaking the audit. In doing this, the narrative aims to ensure that members have sufficient information to fulfil their assurance role and that the Commissioner can place reliance on this assurance in approving the Statement of Accounts.

2. Sources of Assurance

- 2.1. The Statement of Accounts consolidates financial transactions for a financial year and records the position as at 31 March in respect of assets and liabilities including reserves and cash flow. They include a number of year end accounting entries that ensure income and expenditure is presented on an accruals basis, that assets and liabilities are recorded in accordance with accounting standards and codes and that the financial implications of those assets and liabilities are adjusted such that net expenditure reflects the actual cost funded by external financing (government grants and the council tax payer). They are accompanied by accounting policies that explain how those transactions and balances have been accounted for and a set of notes that provide further detail on amounts included within the main financial statements.

2.2. Those undertaking a review of the accounts will not usually be in a position to determine whether the presented figures are correct based on a reading of the financial statements and notes. The review processes must therefore place reliance on wider sources of assurance from which it is reasonable to make a judgement that the accounts present a true and fair view. The main sources of assurance that support this process are the opinion of the Joint Chief Finance Officer (CFO), the opinion of the Head of Internal Audit (HIA) and the opinion of the Appointed Auditor. These opinions are supported by the statements made by the Joint Chief Finance Officer, on behalf of the Commissioner and Chief Constable, within the letter of representation, by the Commissioner’s Annual Governance Statements (signed by the Commissioner, the Commissioner’s Monitoring Officer and the CFO) and by the Chief Constable’s Annual Governance Statement (signed by the Chief Constable and the CFO)

2.3. **The Joint Chief Finance Officer’s (CFO) Opinion:** The CFO provides to members an annual opinion on the effectiveness of the arrangements for audit. That review, presented to members at their Meeting on 23 May 2019, concluded that “there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2019.” In presenting this opinion, the CFO takes into account the opinion of the external auditors. The external auditor’s Progress Report and Update, also presented on the May agenda, advised that “Overall, we considered the work of internal audit to date, to help inform our understanding of the Police and Crime Commissioner and Chief Constable’s control environment and inform our audit strategy for our accounts and value for money work. Our review of internal audit work has not identified any weaknesses which impact on our audit approach”. This assurance enables the Commissioner and members of the Joint Audit Committee to place reliance on the opinion of the Chief Internal Auditor and the findings of internal audit.

Sources of Assurance

“internal audit work has not identified any weaknesses which impact on our audit approach” **Grant Thornton, the Commissioner and Chief Constable’s appointed auditor.**

“There are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2019.” **Joint Chief Finance Officer**

2.4. **The opinion of the Head of Internal Audit (HIA):** The HIA provides an annual opinion on the internal control environment. The opinion is based on the audit reviews undertaken over the course of the financial year. Audits are risk based and include cyclical reviews of the material financial systems. The findings of the HIA are set out in an annual report

Sources of Assurance

“In my opinion, the PCC and Chief Constable’s frameworks of governance, risk management and internal control are reasonable and audit testing has confirmed that controls are generally working effectively in practice” **Head of Internal Audit.**

which was presented to members at the May meeting. The HIA's opinion for 2018/19 is that "the PCC and Chief Constable's frameworks of governance, risk management and internal control are reasonable and audit testing has confirmed that controls are generally working effectively in practice. Where internal audit work has identified scope for improvements, the management response has been positive with agreed action plans in place to address all recommendations.

2.5. Of the 17 audits finalised during 2018/19 all of which contributed to the Commissioner and Chief Constable's overall assurance with 16 of the 17 assurance audits achieving reasonable or higher assurance. The findings of financial audits reported to the Joint Audit Committee and the overall opinion of the Chief Internal Auditor is further supported by annual management assurances across all financial systems that are provided to the Joint Chief Finance Officer for review. Collectively these internal controls provide assurance to members, the Chief Constable and the Commissioner on the integrity of the underlying financial transactions and their representation within the financial ledger that is used to produce the financial statements.

2.6. **The opinion of the Appointed Auditor:** The Appointed Auditor will provide an independent external opinion on the financial statements following the audit process. In forming this audit opinion they will undertake a range of audit work. This will include reconciling the figures within the accounts to the financial ledger, undertaking a computer based analytical review to validate the accuracy of material transactions and undertaking further systems based sample testing of ledger amounts back to the primary financial transactions. The external auditors will also review accounting policies and ensure accounting estimates, manual entries and the presentation of financial information is consistent with policy, financial reporting standards and codes of practice. The external audit is typically undertaken by a team of professionally qualified staff who will audit a number of public and/or private sector clients. They will have access to national technical support and quality controls at a regional and national level to support the integrity of the audit and ensure specialist advice and input is given to the treatment of complex transactions of a technical nature.

Sources of Assurance

"Once again the finance team produced excellent accompanying working papers at the commencement of our work to support the draft financial statements."

"We anticipate providing an unqualified audit opinion in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable. We also anticipate providing an unqualified opinion in respect of the Chief Constable's financial statements."

The opinion of the Commissioner's appointed auditors, Grant Thornton.

- 2.7. In forming their opinion, the external auditors give consideration to internal controls relevant to the preparation of the financial statements. The external auditors complete walkthrough tests of controls operating in areas where they consider that there is a risk of material misstatement to the financial statements. For the 2018/19 financial statements this has included walkthrough tests of payroll and pensions processes, PPE and the Police Officer Pensions Fund. The auditors also reviewed and reported on journal entry controls and early substantive testing in their report to the Committee on 23 May 2019. Their report confirmed that they did not identify any issues to report or any weaknesses which impact on the audit approach. The annual audit findings report of the Appointed Auditor is made to the Commissioner, Chief Constable and Members preceding this item on the agenda and presents the Appointed Auditors intention to issue an “unqualified audit opinion” on the financial statements.
- 2.8. **The Letters of Representation:** The letters of representation are provided at **Appendix B** and referenced in the main body of this report. The letters provide assurances from the Commissioner and Chief Constable to the Appointed Auditor. The letters are written on behalf of the Commissioner and Chief Constable respectively by the Joint Chief Finance Officer. That officer, as required under legislation, must be financially qualified. The Joint Chief Finance Officer, Roger Marshall is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) with a requirement to abide by codes of practice, standards and ethics. These arrangements provide assurance that members can place reliance on the representations made by the Joint Chief Finance Officer in the letters of representation on behalf of the Commissioner and Chief Constable. There have been no specific matters raised by the Commissioner or Chief Constable in the letter of representation for 2018/19 and all appropriate assurances have been provided to the external auditors.
- 2.9. **The Annual Governance Statement:** An Annual Governance Statement (AGS) for the separate entities of the Police and crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary were presented to members on 23 May 2019 with a number of supporting governance papers. The AGS detail how the Commissioner and Chief Constable have complied with the governance framework set out within the Code. The Statements have been updated to take account of the period from its un-audited issue to the date of the audited financial statements and the PCCs AGS will be signed by the Commissioner, the Commissioner’s statutory Monitoring Officer and Joint Chief Finance Officer and the Chief Constable’s AGS will be signed by the Chief Constable and the Joint Chief Finance Officer. The Annual Governance Statement provides members with assurance that the Commissioner has in place appropriate arrangements for financial and wider governance matters including arrangements for managing risks and internal controls.

2.10. Collectively, these sources of assurance, where they are operating to the satisfaction of members, can support conclusions in respect of the extent to which the committee is reasonably able to provide the related assurance to the Police and Crime Commissioner and Chief Constable in reviewing the financial statements.

3. Key Challenges

3.1. **2018/19 Financial Year Accounts and Audit Timetable** The most significant factor influencing the production of the statement of accounts for 2018/19 has continued to be the 'now' statutory requirement, arising from the Accounts and Audit Regulations 2015, to bring forward the deadline for closure of the accounts to the end of May alongside completion of the audit by end of July. Whilst the new deadlines were achieved on a voluntary basis in 2015/16 and 2016/17 and in accordance with regulations for 2017/18, the early publication requirements continue to put a strain on the resources of the finance team, requiring a concerted effort from the whole of the team over a number of weeks to complete the work. This has necessitated continuing the early dialogue with the external auditors to agree some changes to the closedown process and delivery of the audit. The significant changes have been:

- ◆ Agreement on a number of areas of audit work that could be delivered as part of the interim audit in February/March. This has involved the provision of information on specific transactions and notes, including working papers at an earlier stage in the process. This was provided in relation to payroll, pensions, operating expenses, income and grants and user access to the oracle financial system.
- ◆ This was supported by continuing the practice agreed in 2014/15 for external valuations of land and buildings to be brought forward to the end of the December. The valuer provides a statement from the as at 31st March confirming their continued accuracy.
- ◆ Sample testing commenced as part of the interim audit and this included work on cash and investments.
- ◆ This work was successful in delivering a sign off date for the financial statements by the Joint Chief Finance Officer on 23rd May 2019.

3.2. Post publication of the draft statement of accounts the McCloud/Pension issue has presented challenges both to the finance team and auditors in achieving the true and fair view of the financial position by the deadline of 31 July 2019. However, this is a national issue which will impact on all policing bodies and local authorities and has resulted from the progression of the legal proceedings since the balance sheet date. Through close cooperation between the finance team and the audit team we have been able to reflect the changes to the pension liabilities in the Statement of Accounts

by the deadline date, however it is acknowledged that this has not afforded the Joint Audit Committee to receive all papers in a timely manner in advance of the meeting.

3.3. Changes to CIPFA Code of Practice 2018/19

The 2018/19 financial year included technical changes in relation to financial instruments and revenue recognition, both of which have been adopted but neither of these changes has had an impact on the statement of accounts.

3.4. Public Consultation

The draft statements of Accounts for the Chief Constable and PCC/Group have been published on the respective websites since 29 May 2019. The notice of publication advises readers of their rights of inspection. There have been no requests to view the financial statements or accompanying papers.

This concludes the substantive matters considered as part of the production of the statement of accounts.

Peter McCall
Police and Crime Commissioner for Cumbria
Carleton Hall
Penrith CA10 2AU



In case of enquiry please
contact: P Coulter
Tel: 01768 217734
Email:
roger.marshall@cumbria.police.uk
www.cumbria-pcc.gov.uk

Mr Robin Baker
Director
Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

25 July 2019

Dear Mr Baker

The Police and Crime Commissioner for Cumbria
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of the Police and Crime Commissioner for Cumbria (the 'PCC') and its subsidiary undertaking, The Chief Constable for Cumbria Constabulary, for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the group and parent PCC financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent PCC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the group and parent PCC financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent PCC and these matters have been appropriately reflected and disclosed in the group and parent PCC financial statements.

- iii The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and parent PCC financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent PCC financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the group and parent PCC financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the group and parent PCC has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the group and parent PCC financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent PCC financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached (Appendix A). We have not adjusted the group and parent PCC financial statements for these misstatements brought to our attention as they are not material to the results of the group and parent PCC and its financial position at the year-end.
- xii The group and parent PCC financial statements are free of material misstatements, including omissions.
- xiii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent PCC financial statements.
- xv We believe that the group and parent PCC's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent PCC's needs. We believe that no further disclosures relating to the group and parent PCC's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvi We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and parent PCC financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the PCC from whom you determined it necessary to obtain audit evidence.
- xvii We have communicated to you all deficiencies in internal control of which management is aware.
- xviii All transactions have been recorded in the accounting records and are reflected in the group and parent PCC financial statements.
- xix We have disclosed to you the results of our assessment of the risk that the group and parent PCC financial statements may be materially misstated as a result of fraud.
- xx We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent PCC and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the group and parent PCC financial statements.
- xxi We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent PCC's financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii We have disclosed to you the identity of the group and parent PCC's related parties and all the related party relationships and transactions of which we are aware.
- xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent PCC financial statements.

Annual Governance Statement

xxv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the PCC's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi The disclosures within the Narrative Report fairly reflect our understanding of the group and parent PCC's financial and operating performance over the period covered by the group and parent PCC financial statements.

Approval

The approval of this letter of representation was minuted by the Joint Audit Committee at its meeting on 25 July 2019 which was attended by the Police and Crime Commissioner for Cumbria.

Yours sincerely

Peter McCall

The Police and Crime Commissioner for Cumbria

25 July 2019

Roger Marshall

Joint Chief Finance Officer

25 July 2019

Audit Adjustments - PCC

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Joint Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|--|---|---|--|---------------------------------|
| 1 Fixed assets – impairment of Hunter Lane | 832 | 832 | Nil | • Not considered to be material |
| Overall impact | £832 | £832 | £Nil | |

Name
 Department Title
 Email michelle.bellis@cumbria.police.uk
 T 101 ext:
 My Reference CC Letter of Rep
 Your Reference CC Letter of Rep
 www.cumbria.police.uk

Chief Constable
 Chief Constable Michelle Skeer
 Police Headquarters
 Carleton Hall
 Penrith, Cumbria
 CA10 2AU



Mr Robin Baker
 Director
 Grant Thornton UK LLP
 Royal Liver Building
 Liverpool
 L3 1PS

26 July 2019

Dear Mr Baker

**[The Chief Constable for Cumbria Constabulary
 Financial Statements for the year ended 31 March 2019](#)**

This representation letter is provided in connection with the audit of the financial statements of the Chief Constable for Cumbria Constabulary (the Chief Constable) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Chief Constable financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Chief Constable's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Chief Constable and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Chief Constable has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Chief Constable have been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Chief Constable financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii We believe that the Chief Constable's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Chief Constable's needs. We believe that no further disclosures relating to the Chief Constable's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Chief Constable financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Constabulary from whom you determined it necessary to obtain audit evidence.

- xv We have communicated to you all deficiencies in internal control of which management is aware.

- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Chief Constable and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxi We have disclosed to you the identity of the Chief Constable's related parties and all the related party relationships and transactions of which we are aware.

- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Chief Constable's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii The disclosures within the Narrative Report fairly reflect our understanding of the Chief Constable's financial and operating performance over the period covered by the Chief Constable financial statements.

Approval

The approval of this letter of representation was minuted by the Joint Audit Committee at its meeting on 25 July 2019. The meeting was not attended by the Chief Constable for Cumbria Constabulary but she was appropriately briefed in advance by the auditor and by the Chair following the meeting.

Yours sincerely

Michelle Skeer

The Chief Constable for Cumbria Constabulary

26 July 2019

Roger Marshall

Joint Chief Finance Officer

26 July 2019

This page has been intentionally left blank