

**ANNUAL GOVERNANCE REVIEW - ASSURANCE FRAMEWORK -
2012/13**

**REPORT OF TREASURER (PCC) AND DIRECTOR OF FINANCE (CHIEF
CONSTABLE)**

1 Purpose of the Report

- 1.1 The Committee are asked to agree an assurance framework for the production of an Annual Governance Statement for both the Police and Crime Commissioner (PCC) and Chief Constable for 2012/2013.

2 Background

- 2.1 The Accounts and Audit Regulations 2011 require that the PCC and Chief Constable produce an Annual Governance Statement, setting out their governance arrangements and reviewing their effectiveness. This will be approved by the Joint Independent Audit Committee before accompanying the Annual Statement of Accounts for each body.

3 Assurance Framework

- 3.1 The assurance framework is made up from a number of sources that provide assurance on governance arrangements and controls in place to achieve each body's strategic objectives.

- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance based around a framework that sets out the steps by which assurance should be gathered to enable the production of an Annual Governance Statement for the PCC and Chief Constable.

- 3.3 In preparation it will be necessary to review evidence from the following sources of assurance that the systems of internal control are operating as planned: -

- Governance arrangements
- Senior managers
- The system of internal audit
- Risk management arrangements
- Performance management and data quality
- Views of the external auditor, HMIC and other external inspectorates.
- The legal and regulatory framework

- Financial controls
- Partnership arrangements and governance
- Other sources of assurance

4 Sources of Assurance

4.1 Governance arrangements

4.1.1 From 2012, the PCC and Chief Constable have responsibilities for governance within the Office of the Police & Crime Commissioner (OPCC) and Force in their own right. This means that there will be two freestanding processes within the Police Service for ensuring good governance. In most respects the principles and implementation will be the same for the PCC and the Chief Constable. There may be however, areas specific to each corporation sole which will need to be reflected.

4.1.2 Under the CIPFA Framework, both the PCC and the Chief Constable should draw up a Local Code of Governance, and follow recognised best practice in managing and reviewing its operation. The codes are likely to be very similar and the PCC and Chief Constable could choose to develop a joint code to demonstrate how governance will work across both organisations.

4.1.3 Using the CIPFA Framework, the PCC and Chief Constable should each nominate an individual or a group of individuals who have appropriate knowledge, expertise and levels of seniority to:

- Consider the extent to which the organisations comply with the principles and elements of good governance set out in the framework
- Identify systems, processes and documentation that provide evidence of compliance.
- Identify the individuals or mechanisms responsible for monitoring and reviewing the systems, processes and documentation
- Identify any governance issues that have not been addressed and consider how they should be addressed.
- Identify the individuals who would be responsible for undertaking any actions that are required.

4.2 Senior managers

4.2.1 All Heads of Department and Area Commanders for the Force and senior officers of the OPCC will complete a self assessment assurance statement detailing the level of assurance they feel they can place on their key control and governance processes. The Joint Independent

Audit Committee will receive a report giving the overall opinion of senior managers on the adequacy of arrangements they have in place.

4.3 The system of internal audit

- 4.3.1 The Internal Audit Service, provided under a support services agreement with Gateshead Council, is responsible for ensuring that the key systems, both financial and non financial, of both bodies are subject to regular audit as part of the risk based internal audit plan.
- 4.3.2 In addition a review of the effectiveness of internal audit is required under the Accounts and Audit Regulations 2011. This is defined by CIPFA as “a framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in understanding its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation. This review will also include evaluating the effectiveness of the Joint Independent Audit Committee.
- 4.3.3 The overall independent opinion of the Chief Internal Auditor based on the work undertaken by the Internal Audit Service during the year will be reported to the Joint Independent Audit Committee in the Internal Audit Annual Report 2012/13.

4.4 Risk management

- 4.4.1 The PCC has a dual responsibility for putting in place arrangements to manage her own risks, separate from those of the Chief Constable, and for monitoring that the Chief Constable has adequate risk management arrangements in place. As a minimum the PCC will need to be able to demonstrate a risk management policy has been adopted by the OPCC and Chief Constable. The policy should: -
- Identify strategic and operational risks
 - Ensure the Chief Constable has appropriate arrangements in place to identify risks to its business and service delivery
 - Ensure appropriate arrangements are in place to align PCC and Chief Constable risk management policies where appropriate
 - Identify and analyse causes and consequences
 - Assess the risks for likelihood and impact
 - Identify controls
 - Allocate responsibility for the controls.
- 4.4.2 Officers from both bodies are currently working together to review the approach to risk management as a result of the organisational changes following the election of the PCC. In addition a Strategic Risk Register for the PCC has been drafted using the existing risk register and considering the different and new strategic risks facing the PCC and her office. Consideration is also currently being given to the

development of a joint Strategic Risk Register for the PCC and Chief Constable.

4.5 Performance management and data quality

- 4.5.1 The performance management framework, including data quality, forms part of the assurance of senior managers on the key controls operating in their areas.
- 4.5.2 In addition, corporate performance management information is reported into the Force's Senior Management Board on a regular basis with the PCC in attendance.

4.6 Views of the external auditor and other external inspectorates

- 4.6.1 The external auditor will issue an Annual Audit Letter to both the PCC and Chief Constable, providing a review of the value for money arrangements in each body and reporting any significant issues arising from the audits of their financial statements.
- 4.6.2 There are also a number of other external inspectorates, including HMIC, which report from time to time on management and governance arrangements within the Police Service.

4.7 Legal and regulatory framework

- 4.7.1 Assurance will be sought from the PCC's Chief Executive and the Chief Constable's Head of Legal who have a legal duty within their own bodies to ensure the lawfulness and fairness of decision-making and ensure compliance with established policies, procedures, laws and regulations.

4.8 Financial controls

- 4.8.1 Assurance will be sought from the Treasurer to the PCC and the Chief Constable's Director of Finance who are designated as the responsible officers for the administration of each body's financial affairs under section 151 of the Local Government Act 1972.

4.9 Partnership arrangements and governance

- 4.9.1 Assurance is also required in respect of any significant partnership arrangements, as they are key to the delivery of each body's objectives. Each arrangement will be assessed against guidance produced by the Audit Commission (Bridging the Accountability Gap, 2005)

4.10 Other sources of assurance

4.10.1 Other areas include anything not covered above which give an opinion on the internal control environment or governance arrangements for either body. This could, as an example, include issues arising from the work of the Professional Standards Department.

5 Review of Governance Arrangements

5.1 The approach taken to the production of the Annual Statements of Accounts for each separate body will inform the final process for the production of its Annual Governance Statement. This approach is based upon whether single entity or group accounts will be prepared which will in turn allow a decision to be taken in respect of whether each corporation sole has its own Annual Governance Statement or whether there is one statement which overarches both entities. Discussions are currently ongoing with the external auditors on the approach that will be followed.

5.2 The actual review of evidence from these assessments will be undertaken by representatives of both the PCC and Chief Constable who will prepare a statement covering 2012/13 for review and approval by the Joint Independent Audit Committee.

6 Equal opportunities implications

6.1 It is considered that there are no equal opportunities implications arising from the report.

7 Human rights implications

7.1 It is considered that there are no human rights implications arising from the report.

8 Risk Management implications

8.1 There are no additional risk management implications arising directly from this report.

9 Financial implications

9.1 There are no financial implications directly arising from this report

10 Recommendation

10.1 The Committee is asked to agree the Annual Governance Statement assurance framework for both the PCC and Chief Constable as set out in this report.