

Annual Governance Statement

The Accounts and Audit Regulations 2015 require an Annual Governance Statement (AGS) to be published along with the annual statement of accounts and a narrative statement that sets out financial performance and economy, efficiency and effectiveness in its use of resources.

This statement is prepared in accordance with the CIPFA/SOLACE *'Good Governance: Framework'* and explains how the Chief Constable of Northumbria Police Force has complied with this framework and meets the statutory requirements of regulations.

Scope of Responsibility

The Police Reform and Social Responsibility (PRSR) Act 2011 sets out the accountability and governance arrangements for policing and crime matters. The Act establishes both the Police and Crime Commissioner (PCC) and the Chief Constable as the 'Corporation Sole' for their respective organisations. This means each is a separate legal entity, though the Chief Constable is accountable to the PCC. Both the PCC and Chief Constable are subject to the Accounts and Audit Regulations 2015, as such both must prepare their statements of account in accordance with the CIPFA Code of Practice on Local Authority Accounting and their individual Annual Governance Statement, both of which are subject to external audit.

The Chief Constable shares most core systems of control with the PCC, including: the main finance systems, internal policies and processes, the Chief Finance Officer (CFO), internal audit and a Joint Independent Audit Committee (JIAC). The PCC's statement of accounts includes a similar statement which covers both the Office of the PCC as well as the group position of the PCC and Chief Constable.

The Chief Constable is responsible for the direction and control of the Force. In discharging this function the Chief Constable supports the PCC to ensure their business is conducted in accordance with the law, proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Chief Constable is also responsible for putting-in-place proper arrangements for the governance of the Force and ensuring that these arrangements comply with the PCC's Governance Framework. In so doing the Chief Constable is ensuring a sound system of internal control is maintained throughout the year and that appropriate arrangements are in place for the management of risk.

The Chief Constable and PCC have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE *'Good Governance: Framework'*.

The PRSR Act 2011 requires the PCC and Chief Constable to each appoint a Chief Finance Officer (CFO) with defined responsibilities and powers. The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the CFO appointed by the PCC and the CFO appointed by the Chief Constable gives detailed advice on how to apply CIPFA's overarching Public Services Statement. The 2014 Statement states:

"That both the PCC and Chief Constable appoint separate CFOs, where under existing arrangements a joint CFO has been appointed the reasons should be explained publicly in the authority's AGS, together with an explanation of how this arrangement delivers the same impact."

The PCC and the Chief Constable agreed to appoint a joint CFO for both corporate bodies. The reasoning was that a joint CFO role would provide both the PCC and Chief Constable with a single efficient, effective and economic financial management lead. The appointment to the joint role was approved by the independent Northumbria Police and Crime Panel at their confirmation meeting held on 23 July 2013. However, the panel raised concerns at the potential for a conflict of interest to arise with the joint role and stressed the need, especially with the Section 151 responsibilities, to advise the PCC and Chief Constable of any such conflicts at an early stage. The panel also stated that they expect the CFO to act in accordance with the requirements, standards and controls as set out in the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (the CIPFA Statement).

As part of the AGS assurance review an annual assessment to the latest CIPFA Statement (2014) is carried out by the joint CFO and has been reviewed by the Joint Independent Audit Committee. It confirms that the role is complying with the requirements of the Statement. The PCC and the Chief Constable are also satisfied that the role is working efficiently, that the responsibilities set out in the Scheme of Governance are being completed effectively and that potential conflicts are subject to continuous review.

The Governance Framework

The governance framework in place throughout the 2016/17 financial year covers the period from 1 April 2016 to 31 March 2017 and any issues which arise up to the date of approval of the annual Statement of Accounts.

This framework comprises the systems, processes, culture and values by which the Chief Constable operates in support of the PCC's Scheme of Governance. It is through the application of this framework that the Chief Constable is able to both monitor and deliver the objectives of the Force and provides assurance to the PCC that these objectives are leading to the delivery of appropriate and cost effective policing services which provide value for money. This is a duty under the Local Government Act 1999.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot, however, eliminate all risk of failure to achieve aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal-control is an on-going process designed to identify and prioritise the risks to achieving the PCC's and Chief Constable's aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

A copy of the Governance Framework is available on the PCC website at <https://goo.gl/rwZkEB> (This is a shortened URL that will take you to the document on our website).

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel and making proper arrangements for the governance of the Force. The role is accountable to the PCC for the exercise of those functions. The Chief Constable must therefore satisfy the PCC that the Force has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the PCC's Governance Framework. It is informed by internal assurances on the achievement of the principles set out in the CIPFA/SOLACE Framework

(Delivering Good Governance in Local Government - Guidance Notes for Police Authorities 2016 Edition), for those areas where the Chief Constable has responsibility. It is also informed by on-going internal and external audit and inspection opinions.

The principles of good governance where the Chief Constable has responsibility are:

1. Focusing upon the purpose of the Force and on outcomes for the community and creating and implementing a vision for the local area.
2. Ensuring that the Force and partners work together to achieve a common purpose within clearly defined functions and roles.
3. Promoting values for the Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of all to be effective in their roles.

Focusing on the Purpose of the Force and on Outcomes for the Community and Creating and Implementing a Vision for the Local Area

The purpose, vision, values, priorities and strategic objectives of the PCC are developed in consultation with the Chief Constable. These are set out in the PCC's Police and Crime Plan.

Delivery of the Police and Crime Plan is the responsibility of the Chief Constable. The Strategic Management Board (SMB) is the Force's primary meeting to drive and manage performance and delivery of the Police and Crime Plan. The Chief Constable chairs the Strategic Management Board. Performance is considered in a number of ways: performance compared to previous years; performance compared to agreed service standards; performance compared to peers (most similar family of Forces or nationally); and Direction of travel.

Other areas of business are also regularly reported to SMB, and include the Strategic Policing Requirement, community consultation and engagement, progress against action plans in response to recommendations and areas of improvement resulting from inspections by Her Majesty's Inspectorate of Constabulary for England and Wales (HMIC) and risk management.

Performance and activity in support of the Police and Crime Plan is monitored by Chief Officers as part of regular meetings with respective Senior Police Officers and Directors of Services.

Ensuring the Force and Partners Work Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

The PCC's Governance Framework sets out the roles of both the Chief Constable and PCC, clearly defining how they work together to ensure effective governance and internal control.

A Service Level Agreement between the PCC and the CC exists. This agreement identifies the services that will be shared in order to best fulfil the duties and responsibilities of each in an efficient and effective way. This arrangement assists the Force to deliver the priorities as set out in the Police and Crime Plan whilst supporting the PCC in her responsibilities to maintain a strategic overview and to undertake her scrutiny and public consultation role.

The Chief Constable and PCC have regular meetings, the minutes of which are published on the PCC website to ensure transparency of decision making.

The governance arrangements for partnership-working are clearly set out and monitored during the year. All Community Safety partnerships carry out regular self-assessments to Home Office guidance. The partnership arrangement with the North East Regional Special Operations Unit (NERSOU), a collaboration between the three Forces of Northumbria, Cleveland and Durham, is subject to a formal agreement and monitored. Other agreements are published on the PCC website under Collaboration Agreements.

Promoting Values of Good Governance Through Upholding High Standards of Conduct and Behaviour

The Chief Constable launched the '*Proud to Protect*' vision in 2015. The vision is supported by the Force mission to serve the communities of Northumbria with pride – proud of what we do and proud of who we are. Proud to Serve sets out our service values and support for the Code of Ethics. Proud of our People sets out the expectations of our officers and staff. Proud to Improve on how we will do things differently and Proud to Lead on how we lead, empower and welcome the view of others. Further work is currently on going, driven by the Programme of Change to further embed the values that underpin the '*Proud to Protect*' vision. e.g. the Proud To Lead campaign designed to inspire, empower and raise the standards of leadership across all ranks and grades within the organisation.

The HMIC has issued its third PEEL (Police Effectiveness, Efficiency, Legitimacy and Leadership) assessment of the Force. The report can be found here:

<https://www.justiceinspectorates.gov.uk/hmic/peel-assessments/peel-2016/northumbria/>?

In summary:

- The extent to which Northumbria Police is effective at keeping people safe and reducing crime is **good**.
- The extent to which Northumbria Police is efficient at keeping people safe and reducing crime is **good**.
- The extent to which Northumbria Police is legitimate at keeping people safe and reducing crime is **good**.

From the 2016 PEEL assessment, although all areas were classified with a good assessment there were items identified for improvement, but only one area within the '*Effectiveness*' assessment was an area for concern. Significant progress has now been made to address this concern and therefore it is not included as an action within the AGS:

- The Force's ability to examine digital devices is causing severe delays, hampering the quality of investigations and undermining the service provided to victims.

The PCC is responsible for handling complaints and conduct matters in relation to the Chief Constable as well as complying with the requirements of the Independent Police Complaints Commission. The PCC also operates an independent complaints scrutiny panel that look at upheld complaints made against the Force, looking for lessons learned to improve future practices. Complaints are also reported to each Police and Crime Panel meeting.

The Force has a Professional Standards Department, which reports directly to the Deputy Chief Constable. It is through the work of this department that the Force is able to promote the ethos of personal accountability amongst staff, as well as to investigate allegations of breaches in the code of conduct. Regular communication with both new and existing members of staff reinforce our corporate anti-corruption messages.

Taking Informed and Transparent Decisions Which are Subject to Effective Scrutiny and Risk Management

All strategic decision making is carried out in accordance with the PCC's Governance Framework.

The Governance arrangements ensure that key decisions are taken at the appropriate level, and are referred to the PCC as required. The Chief Constable is subject to the oversight and scrutiny of the PCC through regular meetings between the Chief Constable and the PCC.

The PCC and Chief Constable have established a Joint Independent Audit Committee (JIAC). This JIAC receives reports from both the internal and external auditors, as well as any other reports required to be referred to it under its established Terms of Reference. Through this body the Chief Constable is subject to scrutiny not only by the PCC, but also by the independent members of the JIAC.

The PCC and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk, whilst reducing the bureaucracy associated with historic practices. Each strategic risk is assigned to a Chief Officer and OPCC owner who has responsibility for the management of controls and the implementation of new controls where necessary. The register is managed at the Executive Board and presented to the Joint Business Meeting on a quarterly basis. The Joint Independent Audit Committee and the Joint PCC/Chief Constable Governance Meeting provide additional scrutiny and governance on a quarterly basis.

The strategic risk register is also subject to scrutiny by the JIAC.

Developing the Capacity and Capability of Officers of the Force to be Effective

The Force operates a Performance Development Review (PDR) process. Through the PDR process, the Force is able to ensure that the corporate values are reinforced and promoted and that each member of staff has individual objectives which underpin and support the performance of the local policing area or department in which they work, as well as their own personal development. The Force PDR process has been redesigned in line with the values of Proud to Protect and was re-launched in 2016/17 as part of the Proud to Lead campaign.

In recognition of the importance of developing the capacity and capability of the workforce, the learning development structures have been enhanced during 2016/17. A range of internal training resources are provided to meet the identified development needs of the staff. If appropriate, the Force will also use external training events to provide staff with necessary development opportunities. The Force has also embarked on a leadership development programme and launched a pilot scheme during 2016/17. This is one of the key features of the Proud Vision – Proud to Lead.

Value for Money and Reliable Financial and Performance Statements are Reported and Internal Financial Controls Followed

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Chief Constable's and PCC's overall objectives and targets. Internal financial control systems are in place to minimise the

risk of loss, unlawful expenditure or poor value for money, and to maximize the use of those assets and resources over which the Chief Constable has delegated control.

The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the PCC and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC on a quarterly basis. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the PCC and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2016/17.

The financial management and performance reporting framework follows national and/or professional best practice and its key-elements are set out below:

- Financial Regulations establish the principles of financial control; they are designed to ensure that the PCC and Chief Constable conduct their financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services;
- A robust system through which we manage finance, HR, payroll and procurement processes is used throughout the Force. This enables systematic control to be applied, particularly in relation to budget management. This ensures that responsibility and accountability for resources rest with those managers who are responsible for service-provision. This is underpinned by systematic controls which ensure financial commitments are approved by the relevant manager;
- In accordance with the Prudential Code and best accounting practice, the Chief Constable and PCC produce a four year Medium Term Financial Strategy (MTFS) and capital programme. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget and capital programme;
- The MTFS includes known commitments, anticipated resource availability and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities;
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the Chief Constable and sets out the financial implications of the PCC's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor and report on financial performance;
- Monthly financial performance reports are presented to the Executive Board that focus on year-to-date information and forecast outturn enabling officers to establish a clear understanding of financial performance. These are then presented quarterly to the PCC through the Joint Business Meeting and these are available on the PCC website for wider scrutiny of financial performance by the public. Additional monitoring reports are produced and discussed with budget managers on a regular basis throughout the year;
- HMIC Value for Money reviews are considered by management and recommendations implemented as appropriate.

Review of Effectiveness

The Chief Constable has responsibility for conducting, at least annually, an evaluation of the effectiveness of the governance framework, including the system of internal audit and system of internal control. This is informed by the internal audit assurance, opinions and reports of our external auditors and other inspection bodies, as well as the work of the CFO and of managers within the Force who have responsibility for the development and maintenance of the governance environment.

For 2016/17 the review process has been led by the Joint PCC/Chief Constable Governance Monitoring Group and considered by the JIAC and has taken account of:

- Governance arrangements;
- An assessment of the role of the CFO in accordance with best practice;
- Senior managers assurance statements;
- 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, revenue outturn;
- Partnership arrangements and governance; and
- Other sources of assurance as appropriate.

Internal Audit Overall Assessment & Independent Opinion

The assessment by Internal Audit of the PCC and Chief Constable's internal control environment and governance arrangements makes up a fundamental element of assurance for the Annual Governance Statement.

During 2016/17 27 internal audits were completed. Of those completed 21 audits concluded that systems and procedures in place were operating well and 6 audits concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness.

Based on the evidence arising from internal audit activity during 2016/17, including advice on governance arrangements, the PCC and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

Actions from the 2015/16 Statement

There were no actions identified in the 2015/16 Annual Governance Statement.

2016/17 Governance Issues

The review has identified no issues that need to be included within the 2016/17 Annual Governance Statement as actions.

Conclusion

No system of internal control can provide absolute assurance against material misstatement or loss; this statement is intended to provide reasonable assurance.

However, on the basis of the review of the sources of assurance set out in this statement, we are satisfied that the Chief Constable of Northumbria Police has in place satisfactory systems of internal control which facilitate the effective exercise of their functions and which include arrangements for the governance, control and the management of risk.

SIGNED
Chief Constable

SIGNED
Deputy Chief Constable

SIGNED
Director of Finance and ICT

Date:

