

**Joint Independent Audit Committee  
Agenda**

**Monday 19 November 14:00**

**Training Room 2  
Newcastle City Centre Police Station  
Forth Banks**

**OPEN SESSION UNDER THE FREEDOM OF INFORMATION ACT 2000**

- 1. Introduction**
- 2. Declaration of Interest**
- 3. Minutes of Previous Meeting Held 23.07.18**  
*(Attached)*
- 4. Matters Arising**  
*(Action list attached)*
- 5. JIAC Annual Report**  
JIAC Vice Chair  
*(Paper attached)*
- 6. Annual Audit Letters (PCC & CC)**  
External Auditor, Mazars
  - a. Chief Constable for Northumbria**  
*(Paper attached)*
  - b. Police and Crime Commissioner for Northumbria**  
*(Paper attached)*
- 7. External Auditors Report**  
External Auditor, Mazars  
*(Verbal update)*
- 8. Audit Committees: Practical Guidance for Local Authorities and Police**  
Head of Finance  
*(Paper and appendices attached)*
- 9. Summary of Recent External Inspection Reports**  
Report of Head of Corporate Development  
*(Paper attached)*
- 10. Joint Strategic Risk Register**  
Report of Head of Corporate Development  
*(Paper and appendices attached)*



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## 11. Treasury Management Mid-Year Review

Report of Head of Finance  
(Paper and appendices attached)

## 12. Emergent Audit Plan 2019/20 – 2021/22

Report of Internal Audit Manager  
(Paper and appendices attached)

## **CLOSED SESSION UNDER THE FREEDOM OF INFORMATION ACT 2000**

### 13. Exclusion of the Press and Public – Exempt Business

The Committee is asked to pass a resolution to exclude the press and public from the meeting during consideration of the following items on the grounds indicated.

<b>Agenda item number</b>	<b>Paragraph of Schedule 12A to the Local Government Act 1972</b>
14	7
15	7



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OFFICIAL – SENSITIVE

## 5. UPDATE ON REVISED PRACTICAL GUIDANCE FOR LOCAL AUTHORITY AND POLICE AUDIT COMMITTEES

K Laing briefed members that Northumbria Police have the updated Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and it has been analysed in reference to the 2013 version by himself and A Buckingham. This recent guidance has also been compared to the JIAC terms of reference. Members were informed there are no significant changes discovered as of yet. However, a self-assessment is to be undertaken and recommendations made.

### **Agreed:**

- ***Self-assessment concerning CIPFA guidance to be taken to Joint Business Meeting (JBM) and then, presented at JIAC***

**Action: K Laing**

## 6. ANNUAL GOVERNANCE STATEMENTS

### a. CHIEF CONSTABLE FOR NORTHUMBRIA

J Cooke queried if any members had any issues with the report. On page 5, J Cooke questioned if the Police Effectiveness, Efficiency and Legitimacy Programme (PEEL) had remedied criticisms of the Force in handling vulnerability; since the previous sign off, more has been learnt. P Godden assured members the key questions regarding vulnerability had been assessed by Her Majesty's Inspectorate of Constabulary and Fire Rescue Services (HMICFRS) with their judgement written in the document; the full HMICFRS statement is cited in the report.

P Wood initiated discussion concerning complaints. Members agreed to discuss this under Agenda Item 6b.

Update **noted**.

### b. POLICE AND CRIME COMMISSIONER FOR NORTHUMBRIA

Again, J Cooke queried if any members had any issues with the report. As per the previous agenda item, P Wood enquired about the complaint process. R Durham confirmed the Office of the Police and Crime Commissioner's (OPCC) complaints procedure: in 2013 a committee was established to investigate complaints, upheld complaints were above the national average at 52%. This committee has been discontinued as the percentage of upheld complaints is now comparable with other forces. Performance reports regarding complaints go on a quarterly basis to the Police and Crime Panel. Professional Standards Department (PSD) liaises with Performance in compiling the aforementioned reports.

D Best provided context pertaining to Independent Office of Police Conduct (IOPC) upheld complaints; those upheld are usually due to a technicality, not officer conduct.

### **Agreed:**

- ***On the PCC website, add a link to the quarterly report on complaints to increase public confidence***

**Action: R Durham**



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## 7. STATEMENTS OF ACCOUNTS

### a. STATEMENT OF ACCOUNTS

The final version of the Statement of Accounts had been circulated to JIAC members for information prior to the meeting. K Laing informed JIAC the report illustrated compliance with audit and accounting regulations and that accounting books had been open for public consultation between 1 June and 12 July 2018; no member of the public looked at the books.

A reminder was provided that this year was the first year the statements had been produced to the tighter timescales; members were pleased with the work of G Dickson and her team for completing the report within the time limit. K Laing gave a publication timeframe for the report: meeting with the Chief Constable and the PCC on 26 July to certify the report prior to publication on their respective websites.

#### **Agreed:**

- **Members noted the Force had followed all regulations**
- **Recommended signature of the AGS by the Chief Constable and PCC**

## 8. AUDIT COMPLETION REPORTS (PCC & CC)

### a. CHIEF CONSTABLE FOR NORTHUMBRIA

C Waddell introduced the work undertaken by Mazars on behalf of the Chief Constable, Northumbria. There were no significant risks identified within the Value for Money conclusion; a review of HMICFRS reports for issues that could contradict this judgement had been undertaken. Members were informed that the intention was to issue an unqualified opinion on the statements, with no numeric changes identified. For the Whole of Government Accounts (WGA), audit thresholds have been changed; Northumbria Police is now below the level required for a full audit. C Wardell confirmed the external auditors for South Tyneside Council had provided pension assurances.

Discussion pertaining to the financial landscape of policing occurred; in relation to Northumbria Police, M Tait reminded members 2018/19 saw movement away from absolute austerity with the raising of the PCC precept. Ultimately, it is not envisaged that 2019/20 will see a sudden financial shock and a requirement to balance finances akin to absolute austerity. M Tait reassured members the Chief Officer Team is continually reviewing options to improve the services of the Force.

P Angier opened conversation regarding demand on the Force. D Best communicated new types of crime are emerging, such as cyber, and they are more complex and time consuming. He gave notice that managing demand is difficult, but the Force is managing; members appreciated the honesty and J Dafter commented the work undertaken by the Force and its progress is remarkable.

Update **noted**.

### b. POLICE AND CRIME COMMISSIONER FOR NORTHUMBRIA

C Waddell introduced the report. P Wood remarked the no misstatements in the audit were very impressive. On page 4, J Cooke queried if the 'Xm' would be replaced with a figure; C Waddell confirmed, that when complete, a figure would be included.

J Dafter was appreciative of M Tait, K Laing and G Dickson's productivity in making the audit a smooth piece of work. K Laing reciprocated the thanks towards Mazars.

Update **noted**.



## 9. SUMMARY OF RECENT EXTERNAL INSPECTION REPORTS

P Godden introduced the report with notice given that action plans are created from received inspection reports and sent to the PCC's Scrutiny meeting for monitoring. No issues have been identified within this process.

The January HMICFRS Child Inspection Programme was highlighted as being challenging due to the increased standards set by HMICFRS; however, Northumbria did well compared to other forces. Resultant areas for improvements prompted seven recommendations that have been included in an action plan; the plan is going to JBM on 26 July, then back to HMICFRS who will complete another inspection within six months. Members stated it would be good to have a more positive inspection result in six months and it would be beneficial to receive an update on the progress of the action plan at the next JIAC meeting. D Best cautioned the Force can report improvement now, but HMICFRS criteria may have changed again in six months' time. Overall, the Force is happy with progress made since January.

N Mundy questioned if the Child Inspection Programme findings had been a surprise for Northumbria; P Godden stated it was not surprising due to a self-assessment prior to inspection. Reiteration of higher HMICFRS standards was given for the volume of findings. D Best provided further context around the variant standards expected by HMICFRS, for example Threat, Harm, Risk, Investigate, Vulnerable and Engagement (THRIVE). Emphasis given the HMICFRS approach is seen by the Force as an opportunity to continue advancing around areas for improvement; N Mundy agreed with this sentiment with it being akin to how the Care Quality Commission manage inspections.

### **Agreed:**

- ***JIAC members to be kept abreast of HMICFRS inspection findings and the subsequent action plans implemented by Northumbria Police***
- ***Provide succinct update on the Force's progress with the Child Inspection action plan at the next JIAC meeting***

**Action: P Godden**

## 10. JOINT STRATEGIC RISK REGISTER

P Godden gave context around the Joint Strategic Risk Register (JSRR) and noted there had been no significant amendments due to a formal review in March 2018. There are two new risks: 7, 'Service Failures with the Regional Contract for the Provision of Interpreting Services'; and 23, 'Reductions in Grant Funding'.

The applicability of a red RAG rating for 'Requirement to Achieve ISO/IEM Accreditation' (Risk 15) was discussed as the date for the implementation of the General Data Protection Rules (GDPR) had passed. D Best stated there is still work to be progressed and the resources and effort for this are unknown as it is a very complex issue; as such, being Red shows the Force is taking the risk seriously. M Tait stated the Information Management Board may provide some assurances to this risk.

P Wood queried if the HMICFRS Child Inspection findings were included in the JSRR. P Godden assured members that Risk 1, 'Failure to Deliver Against Objectives Set Out in the Police and Crime Plan', encompassed the findings. Notice given that if the JSRR became too strategic orientated, it would lose its function; Operational Delivery Groups within Northumbria Police monitor the findings.

Although Risk 21, 'Financial Risks Arising as a Result of Exit from European Union', encompasses Brexit, J Cooke wanted assurance the risk included other negative impacts of Brexit.



**Agreed:**

- **Version and date of JSSR to be included on report header to ensure most recent version is being reviewed by JIAC members**
- **Consideration of enhancing Risk 21 to include further reference to Brexit**

**Action: P Godden**

**11. TREASURY MANAGEMENT ANNUAL REPORT 2017/18**

K Laing introduced the report stating it was the statutory annual report being presented to the PCC.. The financial year 2017/18 included the transfer of treasury management from Gateshead Council to the Force; Northumbria were compliant and used external advisers, Link Asset Management, in the transition. Members were pleased the transition was smooth as it had been a cause for concern; praise was given to K Laing and his Finance team.

N Mundy enquired how low interest rates are, and may, affect Force treasury management and structuring of future debt. K Laing informed members Link Asset Management come in-Force twice a year and advise Northumbria on interest rates. Link Asset Management have trigger rates and inform the Force of any significant changes in interest rates.

Concerning borrowing, the Force was successful in saving money: £138,000 on borrowing costs due to securing lower than budgeted interest rates; for investments, achieved an additional £19,000 in interest over budget.. Northumbria is compliant concerning prudential indicators. On one occasion, the Force exceeded the internal accumulative limit; surpassing the limit by £2,900,000. This occurred during the transition and was very quickly corrected.

**Agreed:**

- **Members approved the report and its findings**

**14. DATE, TIME AND VENUE OF NEXT MEETING**

19 November, 14:00, Meeting Room 2, Forth Banks



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## AGENDA ITEM 4

<b>SOURCE</b> Meeting / date / minute ref.	<b>ACTION</b>	<b>ASSIGNED TO</b>	<b>UPDATE</b> Cleared or update
<b>3/2018</b> <b>Minute 6a</b>	Self-assessment concerning CIPFA guidance to be taken to Joint Business Meeting (JBM) and then, presented at JIAC.	K Laing	<b>Complete</b> – Update under agenda item 8.
<b>3/2018</b> <b>Minute 6b</b>	On the PCC website, add a link to the quarterly report on complaints to increase public confidence.	R Durham	<b>Complete</b> – PCC Website updated and link inserted.
<b>3/2018</b> <b>Minute 9</b>	Provide succinct update on the Force's progress with the Child Inspection action plan at the next JIAC meeting.	P Godden	<b>Complete</b> – Update under agenda item 9.
<b>3/2018</b> <b>Minute 10</b>	Version and date of JSRR to be included on report header to ensure most recent version is being reviewed by JIAC members. Consideration of enhancing Risk 21 to include further reference to Brexit.	P Godden	<b>Complete</b> – Update under agenda item 10.



**VERA BAIRD** <sup>QC</sup>  
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**Joint Independent Audit Committee for Northumbria Police and Northumbria  
Police and Crime Commissioner.**

**Annual Report 2017 – 2018**

**1. Introduction**

The Joint Independent Audit Committee (JIAC) provides independent assurance that adequate corporate and strategic risk management arrangements are in place for the Police and Crime Commissioner for Northumbria (PCC) and the Chief Constable (CC). It jointly advises the PCC and the CC on governance matters as well as good practices.

The Chartered Institute of Public Finance and Accounting (CIPFA) guidance recommends that the JIAC report annually on how they have discharged their duties and responsibilities.

This report provides the PCC and CC with a summary of the committee's activities in the financial year 2017/18. It also seeks to provide assurance that the committee has fulfilled its terms of reference and added value to the overall governance arrangements that were in place for both the PCC and the CC.

The committee wishes to record its thanks to the officers of the PCC and CC along with the Internal Audit, External Audit, Finance and Corporate Development teams who have supported the work of the committee during the year.

This is my last report as Chairman of the Committee and I wish to express my thanks to my fellow members for their wise counsel and support over the last 5 years and to the Officers of both the PCC and CC who have supported our work, ensuring that we have all the necessary information to fully meet our responsibilities as an Audit Committee.

**2. Committee Membership and Attendance**

The members of the committee during the year were as detailed in the table below together with the attendance record.

		<b>No of Meetings</b>	<b>% Attendance</b>
Chairman	John Cooke MBE	4	100
Vice Chairman	Neil Mundy	3	75
Members	Peter Wood	4	100
	Philip Angier	2	50
	Kushil Amiani	4	100

### **3. Meetings**

The committee met on 4 occasions during the financial year with the meeting in July 2018 to review financial, audit and governance performance for 2017/2018. Meetings are open to the press and public with minutes being published on the PCC website.

During the year the Chairman met informally with officers of the PCC and CC, Internal and External Auditors to ensure that their work programmes were relevant to the work of the committee, meeting with agreed deadlines and to provide an opportunity for them to raise any issues of concern. No issues of concern were raised at these meetings.

### **4. Risk Management**

The committee has a role to ensure that the PCC and CC have in place robust and effective arrangements for the identification and management of strategic risk. A joint strategic risk register has been established which is reviewed at each meeting of the committee. Regular reports are received from the Head of Corporate Development on:

- Escalation and de-escalation of identified risks, together with an explanation of the rationale for any alteration.
- Additional risks arising during the year with an explanation of ownership of the risk and the likely effect to the organisation.
- Deletions of risks which are deemed to no longer have a strategic relevance. Again, a full explanation is provided.

During the year 3 strategic risks were removed from the register and 5 new risks added. The Risk Register was also re-aligned with the corporate Proud to Protect agenda.

The reports received by the committee during the year have given assurance that strategic risks reflect the current economic and operational environments.

HMIC inspections and internal audit reports on matters such as business continuity, cyber security, financial and treasury management have provided further assurance. The triangulation of the risk register, with both internal and external reports, has given the committee confidence that strategic risk is well and effectively managed.

### **5. External Audit.**

Mazars LLP conducted the external audit for 2017/18 providing an unqualified audit opinion on the Financial Statements for both the PCC and the CC.

The Annual Completion Reports for the year were presented to the committee in July 2018 which set out the audit outcomes. There were no matters which Mazars felt should be brought to the attention of the committee.

In respect of the value for money conclusions for the PCC and CC, Mazars concluded that both had proper arrangements in place to ensure efficiency and effectiveness as well as securing the necessary economy in the use of resources.

The changes to the reporting timetable for 2017/18 had been carefully considered with internal audit, external audit and the finance team to ensure that key dates were met. The audit was completed by the required date without compromising the quality or integrity of the audit. The committee congratulate all involved in meeting the challenging time scales.

## **6. Internal Audit.**

Independent Internal Audit services are provided by Gateshead Council under the terms of a service level agreement with both the PCC and the CC.

The annual audit plan is determined after an assessment of the risks associated with the various activities of the PCC and CC. The audit plan supporting the risk management process is agreed by the committee. This ensures that internal audit activity fully supports and provides assurance to our external auditors.

During the year the committee has closely monitored progress against the plan receiving copies of all completed audit reports as well as updates where there were significant findings. The committee continues to challenge sample size and scope within individual audits and has received assurances on the efficacy or has prompted a review.

Audit Plan 2017/18

<b>Audits Planned</b>	<b>Audits Completed</b>	<b>Operating Well</b>	<b>Satisfactory</b>	<b>Requires Improvement</b>
25 (27)	25 (27)	17(21)	8(5)	0(1)

() relate to 2016/17 audit outcomes.

The committee noted that there was a fall in the percentage of those areas operating well in comparison to previous years. Assurances were given that where this was the case these were associated with organisational change and development.

There were no in year investigations. However, the committee followed up on progress and actions relating to the 2 investigations in the last financial year. The committee were satisfied with the reports they received.

## **7. Corporate Governance.**

The committee considered the draft of the Annual Governance Statements for the PCC and CC which accompany the Financial Statements. Recommendations for additions in the draft statements were made and accepted. The committee was able to recommend their adoption.

## **8. Treasury Management.**

The committee is required to monitor and approve Treasury Management policies and strategy. Treasury management was undertaken by Gateshead Council under the terms of a service level agreement, but with effect from January 2018 Treasury Management was taken in-house. The committee monitored progress throughout the year and are pleased to report that the transfer was carried out effectively and efficiently with only positive benefits to the organisation. Capita Treasury Management were retained as treasury service advisers.

During the year training on Treasury management was provided by the Head of Finance. The objective was to ensure that members fully understood the current policies and strategies and were able to effectively question and challenge.

The strategy is agreed annually and reviewed during the year. Challenge is provided on borrowing and the timing of redemptions to ensure that the best use of reserves is made. The committee is content that Treasury management is well managed, operating within the agreed limits.

## **9. JIAC Self-Assessment.**

A self-assessment of the committee's competencies was carried out in June 2018 and the following were highlighted.

- The committee were operating well and fully meeting the revised terms of reference. They demonstrate the necessary skills, knowledge and experience to perform their function.
- Where additional knowledge is required, both the PCC and CC representatives are able and willing to provide the necessary briefing/training. (evidenced by training on Treasury Management, briefing on the results of the staff survey undertaken by Durham University and updates on Stop and Search).
- Support for the work of the committee comes from the Director of Finance. Chief of Staff to the PCC and the Deputy Chief Constable. This has greatly assisted the committee in its work.

## **10. JIAC Member Development.**

The Director of Finance will review the structure of the committee following my resignation to ensure that the required skill, knowledge and experience is maintained so that the committee can meet its Terms of Reference.

The committee is committed to developing its skills and knowledge and constantly reviews its need for additional information, briefing or training.

**John Cooke MBE**  
**Chairman Joint Independent Audit Committee**



# Annual Audit Letter

Chief Constable for Northumbria  
Year ending 31 March 2018





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2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Chief Constable for Northumbria and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# 1. EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for the Chief Constable for Northumbria (the Chief Constable) for the year ended 31 March 2018. Although this letter is addressed to the Chief Constable, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 27 July 2018 included our opinion that the financial statements:</p> <ul style="list-style-type: none"><li>• gave a true and fair view of the Chief Constable's financial position as at 31 March 2018 and of its expenditure and income for the year then ended; and</li><li>• had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18</li></ul>
Other information published alongside the audited financial statements	<p>Our auditor's report issued 27 July 2018 included our opinion that the other information in the Statement of Accounts was consistent with the audited financial statements.</p>
Value for Money conclusion	<p>Our auditor's report concluded that we were satisfied that in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.</p>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

### The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Chief Constable and whether they give a true and fair view of the Chief Constable's financial position as at 31 March 2018 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Chief Constable's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

### Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Chief Constable. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2018:

Financial statement materiality	Our financial statement materiality was based on 2% of Gross Revenue Expenditure.	£6.440 million
Trivial threshold	Our trivial threshold was based on 3% of financial statement materiality.	£193,000
Specific materiality	We applied a lower level of materiality to the following areas of the accounts:	<ul style="list-style-type: none"><li>• Related Party Transactions</li><li>• Senior Officer Remuneration</li><li>• Exit Packages</li></ul>

## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Chief Constable's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Joint Independent Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p><b>Management override of controls</b> Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We addressed this risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>	<p>Our work provided the assurance we sought and did not highlight any material issues to bring to the Chief Constable's attention.</p>
<p><b>Defined benefit liability valuation</b> The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts the significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we:</p> <ul style="list-style-type: none"> <li>evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; and</li> <li>considered the reasonableness of the actuaries outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.</li> </ul>	<p>Our work provided the assurance we sought and did not highlight any material issues to bring to the Chief Constable's attention.</p>

## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

### Our findings and recommendations are set out below.

We have not identified any significant deficiencies as a result of our work this year.

### Follow up of previous internal control points.

We did not raise any internal control points in 2016/17.

# 3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion

Unqualified

## Our approach to Value for Money

We are required to consider whether the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, '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.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making.
- Sustainable resource deployment.
- Working with partners and other third parties.

## Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Chief Constable being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant Value for Money risks.

Our auditor's report, issued to the Chief Constable on 27 July 2018, stated that that, in all significant respects, the Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>There is an up-to-date Governance Framework available on the website covering both the Chief Constable and PCC.</p> <p>Delivery of the Police and Crime Plan is the responsibility of the Chief Constable. Performance is monitored at the Strategic Management Board, underpinned by a number of operational delivery groups. The PCC and the Interim Chief of Staff scrutinise progress, along with performance, at a monthly scrutiny meeting with the Chief Constable and his team.</p> <p>Experienced management team are in place who regularly report appropriate both performance and financial information to the Chief Constable and PCC.</p> <p>The Police and Crime Panel (hosted by Gateshead Council and independent of both the Chief Constable and PCC) meet 6 times per year and hold the PCC to account.</p> <p>There is a Police and Crime Plan in place for the period 2017 to 2021 in place along with other key documents such as an updated Medium Term Financial Strategy, risk management arrangements and a comprehensive workforce strategy.</p>	Yes

1. Executive summary

2. Audit of the financial statements

3. Value for Money conclusion

4. Other reporting responsibilities

5. Our fees

6. Forward look

### 3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion

Unqualified

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>An updated MTFS, covering the period 2018/19 to 2021/22, and including the 2018/19 budget was approved in February 2018. The MTFS is clearly linked to the Police and Crime Plan.</p> <p>Both the CC and PCC have a history of meeting financial targets with no previous budget deficits. The level of general fund balances is approved annually as part of the approval of the MTFS.</p> <p>An up to date asset register is in place.</p> <p>The Capital Programme, included in the 2018/19 to 2021/22 approved MTFS, sets out the Police's investment priorities. Capital schemes are appraised and prioritised to ensure they reflect key investment requirements.</p> <p>A Workforce Strategy is in place that includes recruitment, training and development of officers and police staff.</p>	Yes
Working with partners and other third parties	<p>Collaboration agreements to which the Chief Constable and PCC are parties to are published on the PCC's website.</p> <p>Both the Chief Constable and PCC are aware of the importance of collaboration. This is evidenced in the Collaboration and Partnership Strategy, updated May 2016.</p> <p>The force is involved in a number of relevant areas of collaboration with other police forces and public organisations, including</p> <p>Co-locating with partners wherever possible, including fire and rescue services, councils and local community groups;</p> <p>Continuation of the 7 force Section 22A collaboration agreement. The agreement provides an overarching framework for areas of collaboration in the region. Currently the agreement covers the following capabilities across the 7 forces: Disaster Recovery Identification and CBRN (Chemical, Biological, Radiological and Nuclear incidents;</p> <p>The North East Regional Special Operations Unit (NERSOU) collaboration between Northumbria, Durham and Cleveland forces</p> <p>Northumbria participates in National Procurement Frameworks which are delivering significant savings on an on-going basis.</p>	Yes

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## 4. OTHER REPORTING RESPONSIBILITIES

<b>Exercise of statutory reporting powers</b>	<b>No matters to report</b>
<b>Other information published alongside the audited financial statements</b>	<b>Consistent</b>

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Chief Constable's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

### Matters which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest
- make a referral to the Secretary of State where we believe that a decision has led to, or would lead to, unlawful expenditure, or an action has been, or would be unlawful and likely to cause a loss or deficiency; and
- make written recommendations to the Chief Constable which must be responded to publically.

We have not exercised any of these statutory reporting powers.

### Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Chief Constable. In our opinion, the other information in the Statement of Accounts was consistent with the audited financial statements.

## 5. OUR FEES

### Fees for work as the Chief Constable's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Joint Independent Audit Committee in February 2018.

Having completed our work for the 2017/18 financial year, we can confirm that our final fees are as follows:

Area of work	2017/18 proposed fee	2017/18 final fee
Delivery of audit work under the NAO Code of Audit Practice	£18,750	£18,750

### Fees for other work

We confirm that we have not undertaken any non-audit services for the Chief Constable in the year.

# 6. FORWARD LOOK

## Financial outlook

The Chief Constable and the Police and Crime Commissioner for Northumbria (the Commissioner) continue to experience financial pressures as a result of the funding available from central government and these challenges are likely to remain for the foreseeable future.

The 2018/19 to 2021/22 Medium Term Financial Strategy demonstrates the need to continue to identify cost efficiencies whilst also outlining a manageable position over the next four years.

## Operational challenges

The Commissioner's Police and Crime Plan 2017-2021 and Strategy 2025 set out the strategic priorities, direction and vision of Northumbria Police. The Police and Crime Plan sets out the priorities set for the Chief Constable against which he will be held to account for their delivery. Delivery of the Strategy 2025 priorities require organisational capacity, and strong governance, risk and project management arrangements.

## How we will work with the Chief Constable

We will focus our 2018/19 audit on the risks that the above challenges present to the Chief Constable's financial statements and ability to maintain proper arrangements for securing value for money. We will also share with the Chief Constable and appropriate staff relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

We will have a 'lessons learnt' session with the finance team to carry out a review of the 2017/18 earlier deadline and identify anything that could be done better and quicker

In terms of the technical challenges that the finance team face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

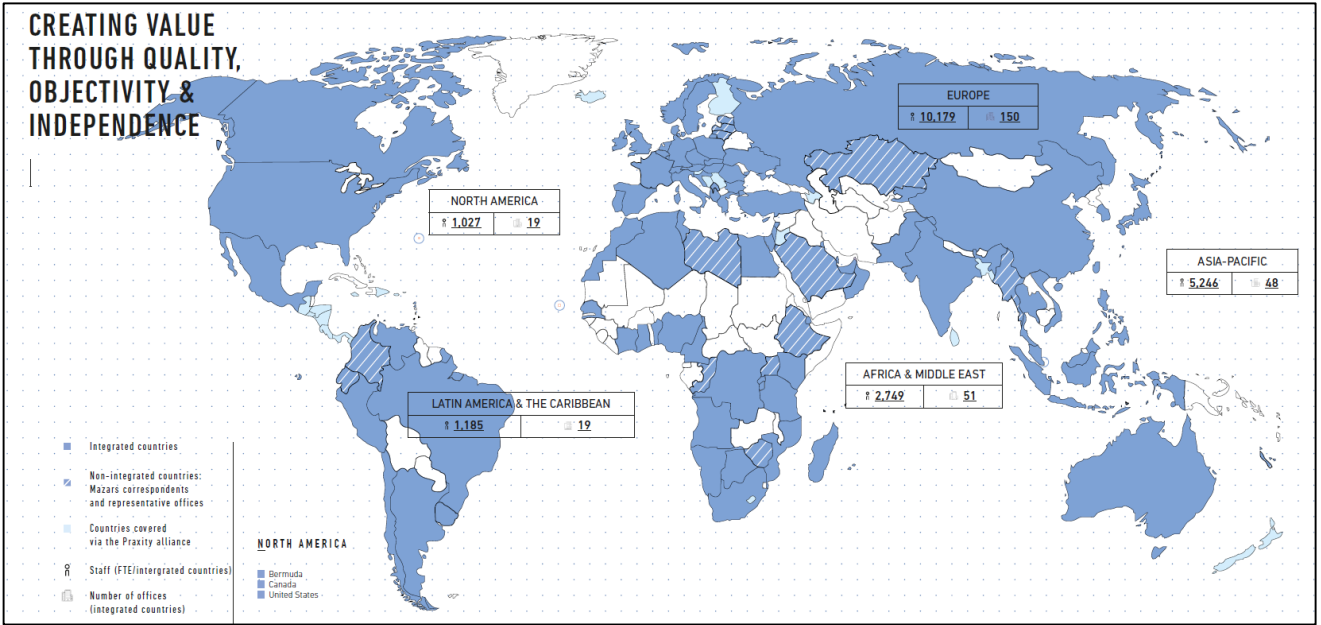


# MAZARS AT A GLANCE

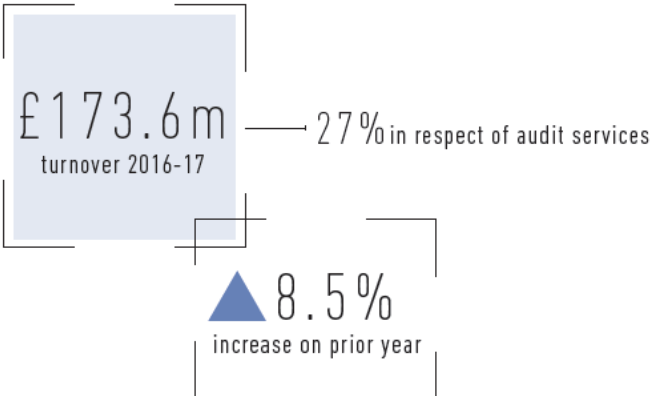
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## Mazars in the UK



As at 31 August 2017

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# Annual Audit Letter

Police and Crime Commissioner for Northumbria  
Year ending 31 March 2018





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2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Police and Crime Commissioner for Northumbria and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# 1. EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for the Police and Crime Commissioner for Northumbria (the Commissioner) for the year ended 31 March 2018. Although this letter is addressed to the Commissioner, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 27 July 2018 included our opinion that the financial statements:</p> <ul style="list-style-type: none"><li>• gave a true and fair view of the Commissioner's financial position as at 31 March 2018 and of its expenditure and income for the year then ended; and</li><li>• had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18</li></ul>
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 27 July 2018 included our opinion that the other information in the Statement of Accounts was consistent with the audited financial statements.</p>
Value for Money conclusion	<p>Our auditor's report concluded that we were satisfied that in all significant respects, the Commissioner has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, on 27 July 2018 we reported to the group auditor in line with the requirements applicable to the Commissioner's WGA return.</p>

## 2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

### The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Commissioner and whether they give a true and fair view of the Commissioner's financial position as at 31 March 2018 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Commissioner's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

### Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Commissioner. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2018:

Financial statement materiality	Our financial statement materiality was based on 2% of Gross Revenue Expenditure.	£5.771 million Commissioner £6.509 million Group
Trivial threshold	Our trivial threshold was based on 3% of financial statement materiality.	£173,000 Commissioner £195,000 Group
Specific materiality	We applied a lower level of materiality to the following areas of the accounts:	<ul style="list-style-type: none"><li>• Related Party Transactions</li><li>• Officer Remuneration</li></ul>

## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Commissioner's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Joint Independent Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p><b>Management override of controls (relevant to single entity and group accounts)</b></p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We addressed this risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>	<p>Our work provided the assurance we sought and did not highlight any material issues to bring to the Commissioner's attention</p>
<p><b>Revenue recognition (relevant to single entity and group accounts)</b></p> <p>There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period.</p> <p>Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk.</p>	<p>We tested cut off to assess whether transactions were included in the appropriate year. We also carried out analytical review procedures</p>	<p>Our work provided the assurance we sought and did not highlight any material issues to bring to the Commissioner's attention.</p>
<p><b>Treasury Management (relevant to single entity and group accounts)</b></p> <p>The Commissioner took a decision to bring the Treasury Management function in-house from January 2018.</p> <p>This change brought with it the potential for a material misstatement in the 2017/18 financial statements.</p> <p>Given the complexity and large volume of significant material cash transactions involved and potential issues, we identified this as a significant risk.</p>	<p>We liaised with officers and carried out substantive testing in order to gain assurance that the transfer of information between organisations was carried out accurately and did not result in a material financial misstatement.</p>	<p>Our work provided the assurance we sought and did not highlight any material issues to bring to the Commissioner's attention</p>



# 2. AUDIT OF THE FINANCIAL STATEMENTS

Identified significant risk	Our response	Our findings and conclusions
<p><b>Defined benefit liability valuation (relevant to group accounts only)</b>                      The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts the significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we:</p> <ul style="list-style-type: none"> <li>evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; and</li> <li>considered the reasonableness of the actuaries outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.</li> </ul>	<p>Our work provided the assurance we sought and did not highlight any material issues to bring to the Commissioner's attention</p>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

### Our findings and recommendations are set out below.

We have not identified any significant deficiencies as a result of our work this year.

### Follow up of previous internal control points.

We did not raise any internal control points in 2016/17.

### 3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion

Unqualified

#### Our approach to Value for Money

We are required to consider whether the Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the 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.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making.
- Sustainable resource deployment.
- Working with partners and other third parties.

#### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Commissioner being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant Value for Money risks.

Our auditor's report, issued to the Commissioner on 27 July 2018, stated that that, in all significant respects, the Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31<sup>st</sup> March 2018.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>There is an up-to-date Governance Framework available on the website covering both the Commissioner and Chief Constable.</p> <p>Delivery of the Police and Crime Plan is the responsibility of the Chief Constable. Performance is monitored at the Strategic Management Board, underpinned by a number of operational delivery groups. The Commissioner and the Chief of Staff scrutinise progress, along with performance, at a monthly scrutiny meeting with the Chief Constable and his team.</p> <p>Experienced management team are in place who regularly report appropriate both performance and financial information to the Commissioner and Chief Constable.</p> <p>The Police and Crime Panel (hosted by Gateshead Council and independent of both the Commissioner and Chief Constable) meet 6 times per year and hold the Commissioner to account.</p> <p>There is a Police and Crime Plan in place for the period 2017 to 2021 in place along with other key documents such as an updated Medium Term Financial Strategy, risk management arrangements and a comprehensive workforce strategy.</p>	Yes

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### 3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion

Unqualified

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>An updated MTFS, covering the period 2018/19 to 2021/22, and including the 2018/19 budget was approved in February 2018. The MTFS is clearly linked to the Police and Crime Plan.</p> <p>Both the CC and Commissioner have a history of meeting financial targets with no previous budget deficits. The level of general fund balances is approved annually as part of the approval of the MTFS.</p> <p>An up to date asset register is in place.</p> <p>The Capital Programme, included in the 2018/19 to 2021/22 approved MTFS, sets out the Police's investment priorities. Capital schemes are appraised and prioritised to ensure they reflect key investment requirements.</p> <p>A Workforce Strategy is in place that includes recruitment, training and development of officers and police staff.</p>	Yes
Working with partners and other third parties	<p>Collaboration agreements to which the Commissioner and Chief Constable are parties to are published on the Commissioner's website.</p> <p>Both the Commissioner and Chief Constable are aware of the importance of collaboration. This is evidenced in the Collaboration and Partnership Strategy, updated May 2016.</p> <p>The force is involved in a number of relevant areas of collaboration with other police forces and public organisations, including:</p> <ul style="list-style-type: none"> <li>• Co-locating with partners wherever possible, including fire and rescue services, councils and local community groups.</li> <li>• Continuation of the 7 force Section 22A collaboration agreement. The agreement provides an overarching framework for areas of collaboration in the region. Currently the agreement covers the following capabilities across the 7 forces: Disaster Recovery Identification and CBRN (Chemical, Biological, Radiological and Nuclear incidents).</li> <li>• The North East Regional Special Operations Unit (NERSOU) collaboration between Northumbria, Durham and Cleveland forces.</li> <li>• Northumbria participates in National Procurement Frameworks which are delivering significant savings on an on-going basis.</li> </ul>	Yes

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## 4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below testing threshold
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Commissioner's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

### Matters which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make a referral to the Secretary of State where we believe that a decision has led to, or would lead to, unlawful expenditure, or an action has been, or would be unlawful and likely to cause a loss or deficiency; and
- make written recommendations to the Commissioner which must be responded to publically.

We have not exercised any of these statutory reporting powers.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 27 July 2018.

### Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Commissioner. In our opinion, the other information in the Statement of Accounts was consistent with the audited financial statements.

## 5. OUR FEES

### Fees for work as the Commissioner's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Joint Independent Audit Committee in February 2018.

Having completed our work for the 2017/18 financial year, we can confirm that our final fees are as follows:

Area of work	2017/18 proposed fee	2017/18 final fee
Delivery of audit work under the NAO Code of Audit Practice – Police and Crime Commissioner for Northumbria	£37,050	£37,050
Delivery of audit work under the NAO Code of Audit Practice – Chief Constable for Northumbria	£18,750	£18,750

### Fees for other work

We confirm that we have not undertaken any non-audit services for the Commissioner in the year.

# 6. FORWARD LOOK

## Financial outlook

The Police and Crime Commissioner for Northumbria (the Commissioner) and the Chief Constable continue to experience financial pressures as a result of the funding available from central government and these challenges are likely to remain for the foreseeable future.

The 2018/19 to 2021/22 Medium Term Financial Strategy demonstrates the need to continue to identify cost efficiencies whilst also outlining a manageable position over the next four years.

## Operational challenges

The Commissioner's Police and Crime Plan 2017-2021 and Strategy 2025 set out the strategic priorities, direction and vision of Northumbria Police. The Police and Crime Plan sets out the priorities set for the Chief Constable against which he will be held to account for their delivery. Delivery of the Strategy 2025 priorities require organisational capacity, and strong governance, risk and project management arrangements.

## How we will work with the Commissioner

We will focus our 2018/19 audit on the risks that the above challenges present to the Commissioner's financial statements and ability to maintain proper arrangements for securing value for money. We will also share with the Commissioner and appropriate staff relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

We will have a 'lessons learnt' session with the finance team to carry out a review of the 2017/18 earlier deadline and identify anything that could be done better and quicker

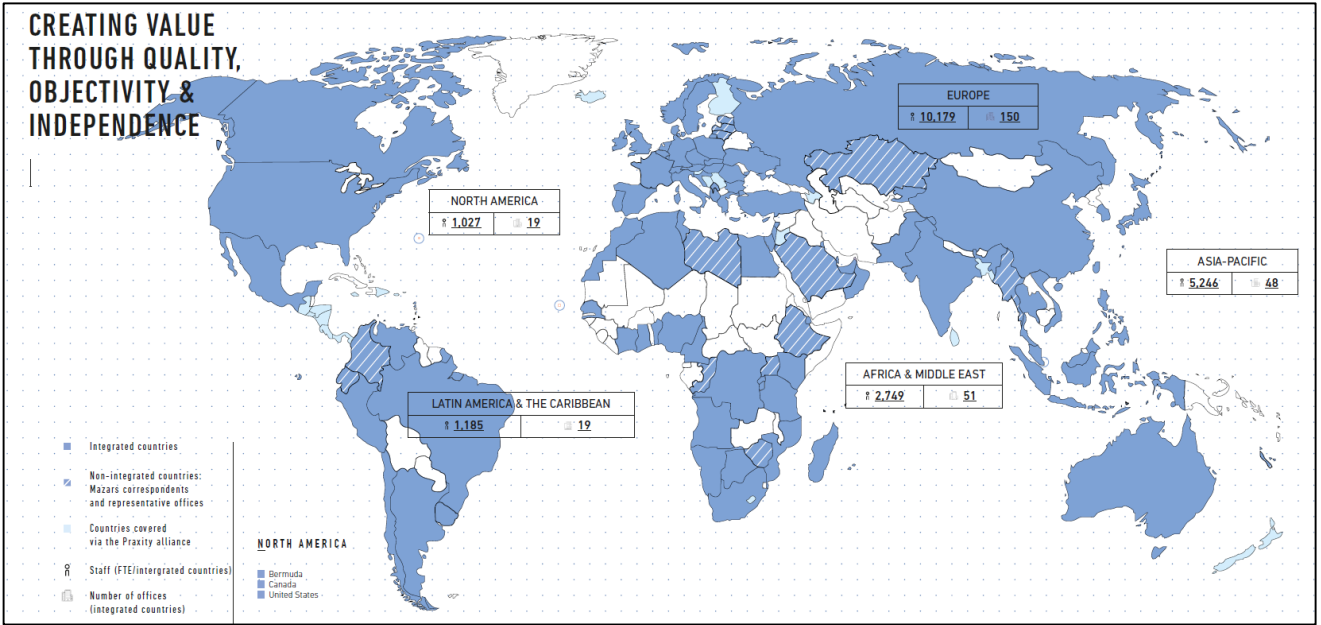
In terms of the technical challenges that the finance team face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

# MAZARS AT A GLANCE

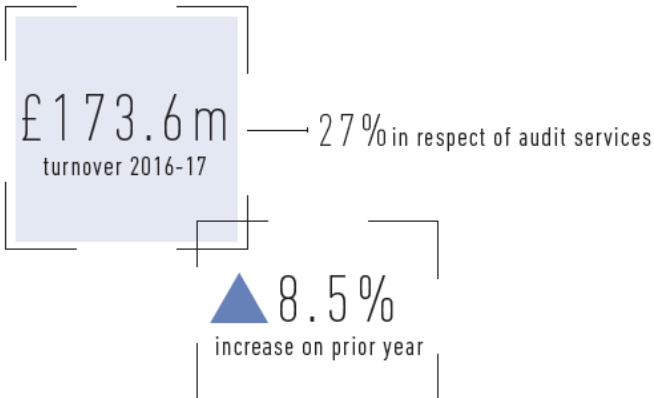
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As at 31 August 2017



## CONTACT

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<b>JOINT INDEPENDENT AUDIT COMMITTEE</b>	<b>19 NOVEMBER 2018</b>
<b>REVIEW OF THE 2018 CIPFA AUDIT COMMITTEE GUIDANCE AND JIAC TERMS OF REFERENCE</b>	
<b>REPORT OF: KEVIN LAING, HEAD OF FINANCE</b>	
<b>REPORT AUTHOR: SIAN ARMSTRONG, TRAINEE ACCOUNTANT</b>	

## **1. PURPOSE**

- 1.1 The purpose of this report is to present the findings of a review carried out between the 2018 CIPFA Audit Committee Practical Guidance for Local Authorities and Police and the Terms of Reference (TOR) of the Joint Independent Audit Committee (JIAC).
- 1.2 The outcome of the review will be presented to the Joint Business Meeting (JBM) on 15 November 2018, with a recommendation to amend the JIAC TOR as outlined in 4.2 and 4.3 below.

## **2. RECOMMENDATION**

- 2.1 JIAC is asked to note the contents of this report and the revised TOR attached at Appendix A.

## **3. BACKGROUND**

- 3.1 The Joint Independent Audit Committee is established as a committee of independent members whose purpose is to advise the Police and Crime Commissioner (PCC) and Chief Constable (CC) on the principles of financial reporting, internal controls, corporate governance, risk management and issues identified by the respective auditors.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issue guidance on the function and operation of audit committees in local authorities and police bodies. The guidance represents CIPFA's view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. A new version of this guidance was issued in 2018 which replaces the previous edition issued in 2013.
- 3.3 It is deemed good practice to carry out a regular review of the JIAC TOR to ensure they are up-to-date, accurate and in line with CIPFA guidance. It also ensures the PCC and CC are kept up-to-date with the latest best practice and any changes in guidance.
- 3.4 This review analysed the guidance and compared this with the JIAC TOR to identify any changes that the Force should be aware of in relation to the new edition of the guidance and highlights the key considerations.

**OFFICIAL**

**4. SUMMARY**

4.1 This report acknowledges there are no significant changes to the guidance that would impact on the responsibilities of the JIAC and the TOR.

4.2 There are 2 minor changes to the TOR following the review, for clarification purposes only, to explicitly outline practices which are already undertaken by JIAC. These are summarised below and the updated TOR are attached at Appendix A:

I. *The CIPFA guidance states that it is important that the audit committee is held to account on the extent to which it has fulfilled its purpose, and that it should be held to account on a regular basis by the group to which it is accountable. In practice the JIAC is held to account by the PCC and CC through its annual review of effectiveness. The TOR have been amended (section 25.) to reflect the following wording:*

*“The Committee will be held to account by the PCC and CC on the extent to which it has fulfilled its purpose. The Committee will conduct an annual review of its effectiveness and identify and commission any training requirements in order to fulfil its role and purpose.”*

II. CIPFA requires all Local Authorities and Police to make suitable arrangements for the scrutiny of Treasury Management activities. Where the audit committee has been nominated, then it should be aware that it needs to undertake a scrutiny role in accordance with the Code, in addition to any oversight of governance, risks and assurance matters relating to Treasury Management, that it would consider as an audit committee. The Treasury Management Policy Statement and Strategy already nominates JIAC to fulfil this role, however, the TOR have been amended (section 49.) to reflect the specific clause required by CIPFA. The following wording is included:

*“Provide effective scrutiny and review of the Treasury Management Strategy and Policies, along with monitoring performance by receiving the mid-year review and annual report, in line with the delegation from the Police and Crime Commissioner to the Joint Independent Audit Committee.”*

4.3 In addition, following the review and presentation at the Joint PCC/CC Governance meeting. It is recommended that the ‘Quorum’ for the meeting be changes from 2 independent members to 3. The revised wording at 10 would be changed to:

*“No business shall be transacted at meetings of the committee unless three (3) members are present”.*

4.4 The TOR have been updated with the points raised in 4.2 and 4.3 above and are attached at Appendix A for information.

**5. CONSIDERATIONS**

<b>Government Classification Scheme</b>	OFFICIAL
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**OFFICIAL**

<b>Freedom of Information</b>	Non-exempt
<b>Consultation</b>	No
<b>Resource</b>	No
<b>Code of Ethics</b>	No
<b>Equality</b>	No
<b>Legal</b>	No
<b>Risk</b>	No
<b>Communication</b>	No



## **JOINT INDEPENDENT AUDIT COMMITTEE FOR THE NORTHUMBRIA POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE**

### **TERMS OF REFERENCE**

#### **Introduction**

1. The Joint Independent Audit Committee (the Committee) is established as a committee of independent members whose purpose is to advise the Police and Crime Commissioner (PCC) and Chief Constable (CC) on the principles of financial reporting, internal controls, corporate governance, risk management and issues identified by the respective auditors.
2. The Committee will have no executive powers other than those set out in its terms of reference.

#### **Membership**

3. The Committee will consist of 5 members recruited by open advert, for a term of 4 years with no member sitting for more than 2 terms.
4. The Committee will appoint a Chair and Vice Chair from amongst its members.

#### **Attendance**

5. A record of member attendance will be included in the annual report of the committee.
6. The PCC and CC will both provide a representative to attend all meetings.
7. The Joint Chief Finance Officer, Deputy Head of Finance, Head of Corporate Development will normally attend each meeting.
8. The Chief Internal Auditor and the External Auditor will normally attend each meeting.

#### **Secretarial Assistance**

9. The Office of the PCC or the CC will provide secretarial assistance to the committee.

#### **Quorum**

10. No business shall be transacted at meetings of the committee unless three (3) members are present.

### **Frequency of Meetings**

11. The committee will meet at least four (4) times each year. Additional meetings may take place as required. Meetings are open to the press and public but they may be excluded when information of an exempt or confidential nature is being discussed.

### **Notice of Meetings**

12. Meetings of the Committee will be called in accordance with the agreed annual schedule
13. Notice of meetings and confirmation of the venue, time and date together with the agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend no later than five (5) working days before the date of the meeting. Other than in exceptional circumstances supporting papers shall be sent to the committee members and other attendees, as appropriate, at the same time.

### **Minutes of Meetings**

14. The Minutes shall record the proceedings and resolutions of all meetings of the committee, including the names of all present.
15. The Secretary shall keep a separate record of all points of action arising from the committee and all issues carried forward.
16. The minutes of the meeting shall record the existence of any conflict of interest.
17. The minutes of the meeting will be agreed by the JIAC Chair.

### **Programme of Work**

18. An annual programme of work cross referenced to these Terms of Reference will be agreed by the Committee showing expected documents and reports to be presented.

### **Authority**

19. The Committee is authorised to act within its Terms of Reference and to:
  20. Request information for presentation at meetings for matters falling within the TOR,
  21. Recommend to the PCC and CC that external advice should be taken when considered following discussion at JIAC.

## **Reporting**

22. The Committee will provide annual assurance of work undertaken in support of the Annual Governance Statement.
23. The Committee will provide annual assurance with regard to Treasury Management
24. The Committee will provide annual assurance with regard to compliance with external statutory reporting requirements.

## **Review of Effectiveness**

25. The Committee will be held to account by the PCC and CC on the extent to which it has fulfilled its purpose. The Committee will conduct an annual review of its effectiveness and identify and commission any training requirements in order to fulfil its role and purpose.

## **Review and Revision**

26. These Terms of Reference will be reviewed annually with any revisions or variations being approved by the PCC and CC.

## **Purpose of the Committee**

27. The purpose of the Committee shall be to provide independent assurance on the adequacy and effectiveness of the risk management framework and the associated control environment. This includes independent scrutiny of the organisations regulatory compliance and financial and non-financial performance to the extent that it creates exposure to risk and weakens the control environment. Specifically oversee the integrity of the financial reporting processes and the annual governance statement.

## **Duties of the Committee**

28. The duties of the JIAC are to:

### **Audit activity**

29. To ensure that there are effective and independent internal and external audit functions established by management that meet the statutory audit standards and provide appropriate independent assurance to the JIAC, the PCC and the CC. This will be achieved by:

30. Receiving the Chief Internal Auditor's report and opinion together with a summary of internal audit activity, both actual and proposed, and the



level of assurance it can give over the PCC and CC's corporate governance arrangements.

31. Receiving, reviewing and commenting on all internal audit reports.
32. Receiving an annual report providing assurance on the management and performance of the providers of internal audit services.
33. A report from the Head of Internal Audit on agreed recommendations not implemented within reasonable time scales.
34. The external auditor's annual letter, relevant reports and the report to those charged with governance.
35. Any specific reports as agreed with the external auditor.
36. The scope and depth of external audit work to ensure that it gives value for money.
37. The commissioning of work from internal and external audit, subject to prior agreement with the CFO for any costs associated with such work.
38. Receiving any proposals affecting the provision of internal and external audit.
39. Considering any significant risk and internal control implications in any work carried out by other providers of assurance e.g. HMIC, HMRC, peer review, internal service reviews etc. as reported by officers and staff from within the force as well as internal and external audit.
40. Review, as a JIAC, the performance (and provide feedback) of both internal and external audit functions.

### **Regulatory Framework**

41. Ensure that there is an effective regulatory framework and evidence of compliance with mandatory and best practice standards and to provide appropriate independent assurance to the PCC and CC. This will be achieved by fulfilling its role to:
  42. Maintain an overview of the Scheme of Consent in respect of contract procedures and rules, financial regulations and codes of conduct and behaviour.
  43. Review any issues referred to it by the PCC or CC.

44. Monitor and where appropriate make recommendations on the effective development and operation of the strategic risk management and corporate governance arrangements for the PCC and CC.
45. Monitor any codes of governance or policies relating to declarations of interest, gifts and hospitality and expenses.
46. Agree the assurance framework for and oversee the production of the PCC and CC's Annual Governance Statements and review and comment on these statements prior to their approval by the PCC and CC.
47. Monitor the whistle blowing arrangements and counter fraud and corruption strategy of the PCC and CC ensuring that adequate levels of assurance covering these matters are received.
48. Oversee the PCC and CC's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
49. Provide effective scrutiny and review of the treasury management strategy and policies, along with monitoring performance by receiving the mid-year review and annual report, in line with the delegation from the Police and Crime Commissioner to the Joint Independent Audit Committee.
50. Monitor the PCC and CC's compliance with its own and other published standards and controls.
51. Receive and when appropriate provide challenge to draft financial statements of accounts making any recommendation or bringing to the attention of the PCC and CC any significant concerns or weaknesses.
52. Consider the findings and overall opinion on the accounts and the VFM conclusion as set out in the audit completion report from the external auditor and to seek satisfactory assurance that any action required in response to any resultant control weaknesses are implemented by management on a timely basis.
53. Any other matter falling out with these TOR will initially be discussed with the CFO to determine how best to progress.



<b>Joint Independent Audit Committee</b>	<b>19 November 2018</b>
<b>Summary of Recent External Inspection Reports</b>	
<b>Paul Godden, Head of Corporate Development Department</b>	

**I. PURPOSE**

- 1.1 To provide members with details of recent external inspection reports and an overview of the process in place to manage the Force's response to inspection recommendations and findings.

**2. BACKGROUND**

- 2.1 The following inspection reports have been published by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) since the last Joint Independent Audit Committee:

[Growing up neglected: a multi-agency response to older children](#)

[Understanding the difference: the initial police response to hate crime](#)

[CJJI of the Handling of Cases Involving Disability Hate Crime](#)

- 2.2 Corporate Development Department acts as the central liaison point for all HMICFRS related matters.
- 2.3 All HMICFRS inspection reports and other external inspection reports are considered by the Executive team. A lead is appointed to consider inspection findings and prepare an action plan in response to any recommendations and areas for improvement identified. These action plans are agreed at Executive Board and by the Police and Crime Commissioner (PCC).
- 2.4 Project teams are appointed to support implementation of the action plan, as appropriate. All activity is regularly reviewed by the respective owners. Delivery is overseen at Chief Officer/ Director level and reported to the Scrutiny Meeting of the Office of the Police and Crime Commissioner.
- 2.5 A recommendations register is being developed by HMICFRS containing all causes of concern and recommendations from inspections led by them. The register will provide an overview of the recommendations a force is subject of and the status of each.
- 2.6 It is proposed that following its launch (anticipated in 2019), an update from the register is provided to the Joint Independent Audit Committee in order to provide members with HMICFRS' assessment of whether recommendations have been implemented.
- 2.7 There are no matters of exception for the current reporting period for existing action plans in response to previous inspections.

**Growing up neglected: a multi-agency response to older children (published July 2018)**

- 2.8 The report follows a joint inspection programme by Ofsted, HMICFRS, the Care Quality Commission (CQC) and HMI Probation which examined 'the multi-agency response to older

## **AGENDA ITEM 9**

children who are experiencing neglect' and reviewed practice in children's social care, education, health services, the police, youth offending services and probation services.

- 2.9 The inspection focused on the six local areas of Stockton-On-Tees, Cheshire West and Chester, Haringey, Bristol, Peterborough and Wokingham and looked at experiences of children, aged seven to 15.
- 2.10 The report recognised that much has been done by agencies to address neglect of younger children but called for a greater awareness of the neglect of older children and a focus on trauma-based approaches to tackling it. It also called for a greater awareness among professionals in adult services of the risks of neglect of older children who are living with parents with complex needs.
- 2.11 The report makes no specific recommendations for police forces or partners but does highlight areas for consideration and shares significant learning. This has been considered in the context of Northumbria Police and a report outlining the force position will be presented to Joint Business Meeting on 15<sup>th</sup> November 2018.

### **Understanding the difference: the initial police response to hate crime (published July 2018)**

- 2.12 The inspection focused on the first stages of interaction between a hate crime victim and the police to assess: how forces raise awareness of hate crime in their communities; initial call handling; crime and incident recording; use of problem profiles; risk assessments and risk management; the police response to reports of hate crime; and the system for victim support referrals.
- 2.13 The report findings were based on information supplied by all 43 forces in England and Wales; in-depth fieldwork in six forces (Avon and Somerset, West Yorkshire, Greater Manchester, Gwent, Nottinghamshire and Suffolk); qualitative research with victims; and interviews with national figures in the field of hate crime.
- 2.14 In the forces visited, evidence was found of positive and innovative practice and many examples of individual police officers and staff dealing professionally, sensitively and effectively with victims; however, inconsistencies existed between forces and sometimes within forces themselves.
- 2.15 HMICFRS found a lack of accurate information, specifically regarding crime recording and the identification of hate crime, which inhibits an informed understanding of the nature and scale of it and also how to respond to it effectively. This resulted in six causes of concern, eight further recommendations and two areas for improvement.
- 2.16 Many of the areas highlighted within the report have already been addressed or identified by Northumbria Police following an internal hate crime review undertaken at the beginning of 2018. A combined Hate Action Plan will be reported to the Joint Business Meeting on 13<sup>th</sup> December 2018.

### **The Handling of Cases Involving Disability Hate Crime (published October 2018)**

- 2.17 A joint report of Her Majesty's Crown Prosecution Service Inspectorate (HMCPSI) and HMICFRS was published on the police and CPS response to disability hate crime.
- 2.18 The findings show that the CPS focus has been maintained and substantial progress has been made in the handling of cases involving disability hate crime but that more needed to be done by prosecutors and police. Whilst acknowledging improvements, the report makes recommendations to further improve performance.

- 2.19 The report highlighted seven issues to be addressed by the CPS and four issues to be addressed by the police. An issue regarding identification and flagging replicated findings in the Understanding the Difference report. The remaining issues have been considered and any gaps will be incorporated into the Hate Action Plan prior to presentation at the Joint Business Meeting in December 2018.

### **National Child Protection Inspection – Northumbria Police**

- 2.20 As reported at the JIAC in July, HMICFRS visited Northumbria Police in January 2018 to examine all aspects of child protection arrangements, including leadership, governance, partnerships, initial contact, investigations, decision making, management of those who pose a risk to children and the detention of children and young persons.
- 2.21 An action plan was produced in response to the recommendations and this was presented to the Joint Business Meeting on 26<sup>th</sup> July 2018 prior to being submitted to HMICFRS on 8<sup>th</sup> August 2018.
- 2.22 Activity has been undertaken against all seven of the recommendations made which includes a review of the response to missing children; greater accessibility to appropriate information for attending officers with regard to child protection plans; early access to appropriate adult provision in custody; and a programme to improve investigative standards force wide has been implemented. All recommended review activity has been undertaken and work is ongoing to respond to identified gaps.
- 2.23 An update report on progress against the plan will be submitted to the Scrutiny Meeting on 6<sup>th</sup> December 2018.
- 2.24 The force has been notified that the post-inspection review of child protection will take place week commencing 7<sup>th</sup> January 2019 to examine the progress being made by the force in response to the recommendations made. HMICFRS inspectors will provide feedback at the end of the post-inspection review, and subsequently in writing to the Chief Constable and PCC within three weeks of the visit. This will be published on the HMICFRS website.

### **3. FINANCIAL CONSIDERATIONS**

- 3.1 There are no additional financial considerations arising from this report.

### **4. LEGAL CONSIDERATIONS**

- 4.1 There are no legal considerations arising from the content of this report.

### **5. EQUALITY CONSIDERATIONS**

- 5.1 There are no equality implications arising from the content of this report.

### **6. RISK MANAGEMENT**

- 6.1 The Force prepares action plans in response to HMICFRS findings, as appropriate, and delivery will be monitored through the Northumbria Police governance structure and by the Office of the Police and Crime Commissioner.
- 6.2 HMICFRS expects that progress is made in response to the recommendations and uses progress against previous recommendations to assess risk when considering future inspection activity.

**7. RECOMMENDATIONS**

- 7.1 The Committee is asked to note the recent external inspection reports and that there are no matters of exception to report for existing action plans in response to previous inspections.

**Short Report for Information**

<b>Joint Independent Audit Committee</b>	<b>19 November 2018</b>
<b>Joint Strategic Risk Register</b>	
<b>Report of Paul Godden, Head of Corporate Development Department</b>	
<b>Author: Tanya Reade, Corporate Development Department</b>	

**1. PURPOSE**

- 1.1 To present the current Strategic Risk Register.

**2. BACKGROUND**

- 2.1 The Office of Police and Crime Commissioner (OPCC) and Northumbria Police share a joint Strategic Risk Register. Each strategic risk is assigned a Chief Officer/ Director and an OPCC owner, who has responsibility for the management of controls and the implementation of new controls where necessary.

**Governance of Strategic Risk Register**

- 2.2 The risk register (Appendix A) identifies each risk and the consequences if it were to happen. The register also provides a summary of existing controls and the risk rated on the likelihood of the risk occurring and the impact it would have. All risks are regularly reviewed by the respective owners and additional controls identified or changed, where necessary.
- 2.3 Area Commanders, Department Heads and OPCC are responsible for the identification of emerging risks which cannot be controlled locally, and have the potential to prevent the Force and PCC from achieving objectives. These risks are escalated to the PCC and Chief Officers via the relevant Operational Delivery Group or Board, and recorded on the Joint Strategic Risk Register.
- 2.4 The register is presented to the Joint Business Meeting between the PCC and the Chief Constable on a quarterly basis. The Joint Independent Audit Committee and the Joint PCC/ Chief Constable Governance Group provide additional scrutiny and governance on a quarterly basis.
- 2.5 Current risk management processes and procedures continue to help to ensure the effective management of those risks which have the potential to adversely affect the delivery of the Force and PCC strategic aims and objectives.

**Changes to Strategic Risk Register**

- 2.6 The key changes to the risk register since the last quarter are outlined below.
- 2.7 Appendix B provides an overview of the RAG status of the risks.

**Existing Risks**

Operational Risks

**Risk 5 – Reduction in partnership services due to financial constraints and lack of integrated planning**



**Short Report for Information**

- 2.8 This risk has been amended to “Reduction in partnership services due to financial constraints **and/or** lack of integrated planning”.
- 2.9 Controls have been updated to reflect effective partnership governance arrangements and joint partnership plans based on Threat, Harm and Risk and the sharing of best practice and problem solving events with partners.
- 2.10 Likelihood low (2) and impact medium (3) remain unchanged.

**Risk 6 – Failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget**

- 2.11 Ownership has transferred from ACC Local Policing to ACC Citizen Focus and will be overseen by the Digital Oversight Board.
- 2.12 The Emergency Services Mobile Communications Programme (ESMCP) has been delayed and has undergone a complete review. The full business case is being revised and the new Programme Plan and associated assumption will be considered at the Joint Chief Constables' 'Reference Group/ Police ESN Golds' Group meeting following the Extraordinary Chiefs' Council chaired by Chief Constable Francis Habgood.
- 2.13 Force Senior Responsible Owners (SROs) are fully aware of the risk to local force, regional and national covert users.
- 2.14 Current consequences and controls remain applicable for Northumbria Police.
- 2.15 Likelihood remains as very high (5); impact has been re-assessed from low (2) to medium (3).

**Regulation and Standards****Risk 17 – Failure to achieve ISO/IEC 17025 accreditation for digital device examination and impact on digital forensic examinations**

- 2.16 The first stage of ISO 17025 accreditation for digital forensics has been completed as far as Northumbria Police can progress; currently at the stage 'Awaiting Grant' of accreditation. This is expected to be finalised by United Kingdom Accreditation Service (UKAS) October /November 2018, following assessment in the Imaging of Computer and Removable Media.
- 2.17 Further areas in Digital Forensics will be subject to assessment in April/ May 2019.
- 2.18 Likelihood medium (3) and impact medium (3) remain unchanged.

**Risk 19 – Failure to comply with the requirements of the General Data Protection Regulation (GDPR)**

- 2.19 This risk has been updated to 'Failure to comply with the requirements of the General Data Protection Regulation in respect of the management and storage of documentation'.
- 2.20 The GDPR compliance deadline of May 2018 was met. Further work is required in respect of the management and storage of documentation to ensure compliance with GDPR regulations.
- 2.21 Likelihood has been assessed as low (2) and impact high (4).

**Short Report for Information**Financial**Risk 23 – Financial Risks arising as a result of exit from European Union**

- 2.22 The potential consequences aligned to this risk have been reviewed to incorporate areas on Treasury Management, Financial Risks, Demand Pressures and the Procurement and Contract Risks.
- 2.23 A further two controls have also been included in relation to value for money in procurement processes and supplier lead times.
- 2.24 Likelihood has been assessed as medium (3) and medium (3).

**Removed Risks****Failure to dispose of the former HQ site as valued within the MTFS**

- 2.25 Since the last reporting period the former Northumbria Police headquarters site at Ponteland has been sold for £21m.
- 2.26 The risk will now be removed from the Strategic Risk Register.

**New Risks**Operational Risks**Risk 8 – Historic biometrics, DNA and fingerprints from voluntary attenders**

- 2.27 As a result of a recent review of historic biometrics, DNA and fingerprints, biometrics data and sampling has been highlighted as an area of concern.
- 2.28 Potential consequences include missed opportunities for the detection of further crime and a reduction in public confidence.
- 2.29 Current systems are being reviewed and a performance framework implemented.
- 2.30 The risk rating should improve following delivery of a control strategy.
- 2.31 Likelihood has been assessed as medium (3) and impact high (4).

**Risk 9 – Operational/ law enforcement risks arising as a result of exit from European Union**

- 2.32 Financial Risks arising as a result of exit from the European Union (Risk 23) is a current risk on the register, which encompasses Brexit.
- 2.33 A further risk has been included in relation to negative impacts of Brexit on operational/ law enforcement.
- 2.34 Following exit from the European Union, UK law enforcement agencies may no longer have access to European policing tools and measures that are currently used to facilitate the exchange of information and intelligence, on a daily basis, in an operational policing context.
- 2.35 Northumbria Police is represented in national meeting processes to plan for this.
- 2.36 Likelihood has been assessed as medium (3) and impact medium (3).

**Short Report for Information**

Financial Risks

**Risk 25 – Significant increase in the cost of Employers Pension Contributions**

- 2.37 Public sector pension directions received from the Home Office are advising Forces to plan for the increase in the cost of employers pension contributions.
- 2.38 There is a requirement on forces to deliver a significant level of budget savings; the impact of this will cost the Force £11 million over the next two years.
- 2.39 Northumbria Police has an annual Medium Term Financial Strategy (MTFS) process to review and revise spending plans to match resources.
- 2.40 Likelihood has been assessed as high (4) and impact very high (5).

**3. CONSIDERATIONS**

<b>Report Exemption</b>	Non-exempt
<b>Consultation</b>	Yes
<b>Resource</b>	No
There are no resource implications arising from the content of this report.	
<b>Equality</b>	No
There are no equality implications arising from the content of this report.	
<b>Legal</b>	No
There are no legal considerations arising from the content of this report.	
<b>Risk</b>	No
There are no additional risk management implications directly arising from this report.	
<b>Communication</b>	No
<b>Evaluation</b>	No

No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
1	Strategy	Strategic Management Board	Failure to deliver against objectives set out in the Police and Crime Plan.	Ongoing Risk	Government intervention. Loss of public confidence. Failure to target resources towards changing performance and crime trends.	Force Performance Management Framework. Force Governance and Decision-making Structure. (Strategic Management Board, Operational Delivery Groups and other boards, such as Confidence and Standards Board). Joint Business Meeting and OPCC Scrutiny Meeting.	8	Likelihood 2 Impact 4	Chief Constable	Police and Crime Commissioner
2	Operational	Major Events - Operational Delivery Group	Inability to deliver continuity of service.	Prolonged industrial action by key members of staff. Pandemic outbreak. Prolonged fuel shortages. Adverse weather. Ongoing Risk	Reduced staffing and service provision across some or all business areas.	Uninterrupted Power Supply' is fitted at key sites to protect ICT equipment from damage. Health & Well-Being Programme. Force fuel reserves are maintained. Availability of remote access devices. Remote access to IT systems. The Force has three machine rooms, two of which can be used to deliver critical ICT services. Business Continuity Plans.	2	Likelihood 1 Impact 2	ACC Protective Services	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
3	Operational	Major Events - Operational Delivery Group	Critical incident or other external incident that has a sustained and significant demand on policing resources.	Terrorist incident. Prolonged industrial action by key external organisations. Ongoing Risk	Inability to deliver services as a result of reduced staffing and service provision across some or all business areas.	Contingency planning and testing of plans in partnership with key agencies. Ongoing support with Local Resilience Forum (LRF). BT review of 999 services.	6	Likelihood 2 Impact 3	ACC Protective Services	N/A
4	Operational	Investigation - Operational Delivery Group	An ineffective Criminal Justice System within the region.	Significant impact on the delivery of the Police and Crime Plan and public confidence. Ongoing Risk	Uncoordinated criminal justice activity. Inability to work effectively in partnership with other criminal justice agencies to provide services to victims and witnesses.	Alignment with the national protocol for LCJB. Terms of reference and appropriate membership. LCJB business plan. Effective sub group and reporting process. Performance management framework.	6	Likelihood 2 Impact 3	ACC Citizen Focus	Police and Crime Commissioner
5	Operational	Prevention and Deterrence - Operational Delivery Group	Reduction in partnership services due to financial constraints and/or lack of integrated planning.	Ongoing Risk	Gaps in the Force's ability to reduce and prevent crime and anti-social behaviour (ASB). Reduced ability to identify and respond to local priorities. Fewer crime prevention schemes.	'Effective partnership governance arrangements and joint partnership plans based on Threat, Harm and Risk, through Community Safety Partnerships (CSPs), Children & Adult Safeguarding Boards & Local Multi Agency Problem Solving (LMAPS) groups are in place, which include clear roles and responsibilities. A revised Neighbourhood Policing model has been agreed following a review by Force Improvement Team which will be introduced in conjunction with changes to the Force Operating Model following completion of the Force Management Statement. Strategic understanding of the current position in respect of relationships and interdependencies. Sharing best practice and problem solving knowledge through events with partners.	6	Likelihood 2 Impact 3	ACC Citizen Focus / ACC Local Policing	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
6	Operational	Digital Oversight Board	Failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget.	National delays anticipated with delivery of Emergency Services Network.  December 2016	Late delivery of ESN radio system to support operational policing.  Increase in forecast revenue budget as predicted savings will not be made as planned.  ESN solution fails to supply adequate coverage or capacity to support operational policing in Northumbria Police.  No formal confirmation of future years funding has been provided by Home Office as some payment and funding decisions are still to be finalised. Often will only be made on an annual basis just ahead of the financial year in question and subject to final confirmation as part of the normal funding allocation / notification processes.	The Home Office will negotiate with Airwave Solutions Limited about the extension of the National Airwave contract.  Northumbria has a contingency plan for the support of user and vehicle Airwave terminals.  Worst case forecast to be reflected in the Force MTFS.  Ensure close liaison with Home Office to receive early indication of programme slippage.  Undertake early review of predicted coverage and test actual coverage as soon as devices and coverage are available.  Investigate alternative solutions to provide additional coverage or capacity.  Liaise with Home Office regarding allocation of funding for future years.	15	Likelihood 5 Impact 3	ACC Citizen Focus	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
7	Operational	Protecting Vulnerable People Operational Delivery Group	Service failures with the regional contract for the provision of Interpreting Services.	Significant impact on large scale investigations.  June 2018	Increase in complaints.  Shortage of suitably qualified interpreters.  Inadequate interpreting service for victims and witnesses.  Reputational impact on confidence in Northumbria Police.  Reduction in Force performance.	Scheduled meetings with representatives from Durham and Cleveland Constabularies.  Consultation with the CPS and national working group.  Tracking of cases where interpreting services were utilised.  Risk based approach to determine cases where an evaluation of interpreting standards is required.  Live cases which have utilised interpreting services are being monitored by Criminal Justice and CPS.  Full audit of the qualifications held by registered interpreters.  Suspension of some aspects of the current contract.  Use of the National Register of Public Service Interpreters in large scale operations or serious crime.  Complete procurement of new contract for the provision of interpreting services in Autumn 2018.	8	Likelihood 2 Impact 4	ACC Citizen Focus	Police and Crime Commissioner
8	Operational	Investigations Operational Delivery Group	NEW - Historic biometrics, DNA and fingerprints from voluntary attenders.	Ongoing Risk	Missed opportunities for further detections.  Offenders who have escaped punishment or arrest.  Further crimes which are undetected but would have been detected if samples were taken.  Reduction in public confidence.	Review of the current system.  Systems and a performance framework.  Media strategy under development in liaison with Legal.  Reporting to Strategic Management Board.  Reporting to Investigations Operational Delivery Group.  Control strategy under development.	12	Likelihood 3 Impact 4	ACC Protective Services	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
9	Operational	Investigations Operational Delivery Group	NEW – Operational/ law enforcement risks arising as a result of exit from European Union.	Continued operational uncertainty as a result of exit from the European Union.	Loss of the key European law enforcement statutory instruments.	A national meeting process is in place with Northumbria's Head of Intelligence representing the Force at such. Transition process being agreed. Europol systems and processes being reviewed.	9	Likelihood 3 Impact 3	ACC Protective Services	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
10	Workforce	Strategic Resourcing Board	Insufficient resources, in terms of capacity and capability (skills), to meet current or future policing demands.	Ongoing Risk	Reduction in service quality/ delivery leading to reduced public trust and confidence.	<p>A comprehensive recruitment plan has been put in place to meet forecast resourcing and talent requirements whilst ensuring affordability against the Medium Term Financial Strategy (MTFS).</p> <p>Alternative routes into policing being explored to enrich the workforce mix and maximise benefit of national schemes (e.g. apprenticeships, Police Now, use of volunteers / students).</p> <p>Periodic review of Training Profiles, monitoring and ensuring compliance with training programmes (SRB).</p> <p>Workforce wellbeing programme / Health and Safety Management System in place to maximise use of available resource, and reduce loss through accident, injury and ill-health.</p> <p>Equality Board Action Plan.</p>	8	Likelihood 2 Impact 4	Director of People and Development	Police and Crime Commissioner
11	Workforce	Strategic Resourcing Board	Insufficient resources, in terms of capacity and capability (health and wellbeing), to meet current or future policing demands.	Ongoing Risk	Reduction in service quality/ delivery leading to reduced public trust and confidence.	<p>Workforce wellbeing programme / Health and Safety Management System in place to maximise use of available resource, and reduce loss through accident, injury and ill-health.</p> <p>Attendance management and monitoring of adverse sickness absence trends.</p> <p>Monitoring of ill-health dismissals (Force Health Management Group / SRB).</p>	8	Likelihood 2 Impact 4	Director of People and Development	Police and Crime Commissioner
12	Public Confidence	Confidence and Standards Board	Litigation, legal action and/or prosecution of the Force and/ or individuals by former officers or staff members.	Ongoing Risk	<p>Litigation, legal action and/ or prosecution of the Force and / or individual staff.</p> <p>Reputational consequences, in addition to associated costs of dealing with litigation.</p> <p>Negative impact on workforce.</p>	<p>Health and Safety Management system utilising 'Plan, Do, Check, Act' model to ensure compliance with legislation.</p> <p>Access to competent Health and Safety advice.</p> <p>Health and Safety training profile applied in place to support supervision in effectively managing risk.</p> <p>Health and Safety investigations and the review of critical incidents ensures lessons learned are identified and embedded (Confidence and Standards Board).</p> <p>7 point plan in place for investigative approach (assaults against staff) agreed by Chief Constable and Northumbria Police Federation.</p> <p>Clear reporting mechanism is now in place for use of force.</p> <p>Risk management approach in place whereby review of all civil claims received (DCC and PCC). Adverse trends reported (Confidence and Standards Board).</p> <p>Effective media management.</p>	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
13	Public Confidence	Confidence and Standards Board	Death in custody/death or serious injury following police contact.	Ongoing Risk	<p>Litigation, legal action and/or prosecution against the Force and/or individual officers.</p> <p>Negative impact on employees.</p> <p>Reputational impact on confidence in Northumbria Police.</p>	<p>Health and Safety Management system.</p> <p>Risk Assessments.</p> <p>Safety checks.</p> <p>Role specific training.</p> <p>Critical Incident Review Process ensures lessons learned are identified and embedded.</p> <p>Healthcare provision.</p> <p>Lessons learned are shared, along with the dissemination of updates by functional leads, and awareness development sessions. Inspectors have also carried out attachments to Professional Standards Department (PSD) on a rolling basis.</p> <p>Electronic Custody records are in place.</p> <p>Digital wipe boards utilised in custody suites.</p> <p>The Investigation - Operational Delivery Group provides oversight for Custody related matters.</p> <p>Ongoing implementation of HMIC Custody Inspection recommendations.</p> <p>Adoption of the 'National Strategy for Police Custody' into all on-going Continuous Professional Development (CPD) training and within the Custody Action Plan.</p> <p>Effective media management.</p> <p>Family liaison support.</p>	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner

No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
14	Public Confidence	Confidence and Standards Board	Other adverse or critical incident, as a result of police action or omission.	Ongoing Risk	Litigation, legal action and/or prosecution against the Force and/or individual officers. Negative impact on employees.	Health and Safety Management system. Risk Assessments. National Decision Making model. Role specific training. Critical Incident Review Process ensures lessons learned are identified and embedded. Lessons learned are shared at the relevant Operational Delivery Group.	9	Likelihood 3 Impact 3	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
15	Public Confidence	Confidence and Standards Board	Corrupt behaviour by an officer or police staff member.	Ongoing Risk	Abuse of authority for financial or sexual purpose, fraud or theft.	Counter Corruption Strategy. Training in relation to Professional Standards of Behaviour and Code of Ethics. Vetting procedures at point of entry and in accordance with National Code of Practice. Integrity Health Check in place as part of the Professional Development System (PDS) process. Effective media and communication management.	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
16	Public Confidence	Confidence and Standards Board	Ineffective response to complaints or service recovery.	Ongoing Risk	- Resulting in poor levels of service and increased public dissatisfaction	Complaints and service recovery monitored at the Confidence and Standards Board. OPCC Scrutiny Meeting. DCC/ HR/ PSD/ Legal monthly meeting . Monthly analysis of complaints, addressing any emerging issues with Area Commands/ Departments. Complaints Triage, based at the OPCC, ensuring all complaints are administered, monitored and managed by the appropriate staff and in a timely manner. Monitoring of the Code of Ethics for all police officers.	4	Likelihood 1 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
17	Regulation and Standards	Investigations Operational Delivery Group	Failure to achieve ISO/IEC 17025 accreditation for digital device examination and impact on digital forensic examinations.	Requirement to achieve ISO/IEM accreditation. February 2017	Lack of reputation and credibility. Negative impact on criminal justice system. Internal inefficiency. Provision of evidence is undermined. Forensic Regulator intervention and consequences including the possible cessation of E-Forensics. Risks associated with devices currently awaiting examination are not assessed or understood. Negative impact on investigations, victim care and safeguarding. Negative impact on criminal justice system. Public confidence.	Implementation of monthly governance and scrutiny oversight. Appointment of an Information Security Officer (ISO) manager. ISO work plan being devised. Digital Forensics Unit (DFU) infrastructure. The Force has received its first Grant of Accreditation from UKAS. The next stages for extension to scope are underway. Validation and assessment by UKAS in further areas in Digital Forensics (still to be fully documented) including: • Specialist evaluation and interpretation of digital data from hard disk drives, solid state drives, Memory Cards and USB Flash Drives. • Logical extraction and processing of mobile phones centrally provided and centrally controlled kiosks. • Physical extraction and processing of mobile phones. • Specialist processing and enhancement of CCTV. Due to be assessed by UKAS in April/May 2019. Full connection of the Force with the NPCC lead to ensure progress/mitigation of risk.	9	Likelihood 3 Impact 3	ACC Protective Services	N/A

No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
18	Regulation and Standards	Confidence and Standards Board	Force/ OPCC or an associated individual acts in a discriminatory way.	Ongoing Risk	Litigation, legal action against the Force/ OPCC. Inequality of service delivery across discriminated groups. Loss of trust and confidence.	Agreement and delivery of Joint Equality Objectives (OPCC and Force). Governance Structure - Gold and Silver Boards. Monitoring and analysis of protected characteristic data (employee lifecycle). Equality Impact Assessments (EIA) in place. OPCC Advisory Group Meetings. Forcewide Training in diversity and inclusion. External organisational staff surveys (Stonewall Workplace Equality Index) Annual Staff Survey (Durham University model). IOPC Discrimination Guidance in place, and has been rolled out to PSD staff, area command officers / staff and external partners (to assist in the effective handling of allegations of discrimination (based on race, sexual orientation, religious belief, age, or disability). Equality action plan.	10	Likelihood 2 Impact 5	ACC Citizen Focus	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
19	Regulation and Standards	Information Management Board	Failure to comply with the requirements of the General Data Protection Regulation in respect of the management and storage of documentation.	To deliver the requirements to ensure compliance with GDPR regulations. October 2018.	Findings made by the ICO are publicised and so the Force would be subject to reputational damage if members of the community believed that they were not handling personal and sensitive personal data in accordance with the Regulations.	A Project Plan emulating the ICO's "12 Steps to Readiness" has been implemented. Actions include: 1. Appointment of a Force Data Protection Officer (DPO). 2. Data held across the organisation has been identified and information asset registers produced. Work remains ongoing to review all collated data and to develop strategies for the future management and storage of such documentation. This work has oversight provided at Information Management Board. 3. Existing procedures in respect of Data Breaches have been reviewed to ensure required actions set out in the Regulations are met.	8	Likelihood 2 Impact 4	Director of Finance and IT	Chief of Staff and Monitoring Officer
20	Financial	Joint Business Meeting	Further cuts to Home Office Police Grant Funding.	Ongoing Risk	Reduction in available finances impacting on the ability to provide frontline services. Impact on service provision, with less flexibility to innovate. Public confidence.	Annual MTFS process to review and revise spending plans to match available resources. Flexibilities to increase precept are considered annually. The Home Office have indicated this flexibility will continue for a further 12 months into 2019/20 subject to meeting transparency and efficiency targets Reserves will be optimised to help with the phasing of the delivery of savings. Effective media plan.	10	Likelihood 2 Impact 5	Director of Finance and IT	Chief of Staff and Monitoring Officer and Chief Finance Officer
21	Financial	Strategic Resourcing Board	Failure to manage annual budget.	Ongoing Risk	Impact on service provision, with less flexibility to innovate and provide front-line services.	Financial strategies, including MTFS, Value for Money profiles and Police Objective Analysis Profiles. Regular financial monitoring through Executive Board, OPCC Business Meeting and Joint Business Meeting. Internal Audit and OPCC scrutiny, plus part of External Audit annual Value for Money assessment.	4	Likelihood 1 Impact 4	Director of Finance and IT	Chief of Staff and Monitoring Officer and Chief Finance Officer
22	Financial	OPCC Business Meeting	Reduced effectiveness of Treasury Management.	Transfer of Treasury Management to the Northumbria Police. December 2017	Non achievement of the Treasury Management Strategy, Investment Policy deliverables, and 2018/19 Treasury Management budget targets.	Establishment of robust monthly monitoring reports. Tight controls and reporting of Prudential Indicators. Quarterly meetings with Treasury Management external advisers.	3	Likelihood 1 Impact 3	Director of Finance and IT	Chief Finance Officer



No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
23	Financial	Strategic Resourcing Board	Financial Risks arising as a result of exit from European Union	Continued financial uncertainty as a result of planned exit from the European Union  October 2018	<p>Treasury Management Risks:</p> <ul style="list-style-type: none"> <li>Volatility on PWLB and market borrowing rates due to uncertainty.</li> <li>Potential credit risk / uncertainty to UK Banks - fewer counterparties to invest with, if ratings fall below the limits approved in the Commissioners TM Policy and Strategy Statement.</li> <li>Lower interest rates and lower return on deposits.</li> <li>Possibility of bank rate reduction by MPC to counteract financial / market volatility, associated risk to investment returns.</li> </ul> <p>Financial Risks:</p> <ul style="list-style-type: none"> <li>Government Grant Funding reduced if UK economy underperforms.</li> <li>Sale of Assets – Delays on sale of assets due to increased uncertainty in the markets, or a reduction in valuations.</li> <li>Pension Fund / Pension Costs – Lower bonds rates could impact on actual and expected yield, increasing the pension deficit and required contribution rates.</li> <li>Inflation – the weaker Pound increases the possibility of higher inflation / costs from suppliers due to higher import costs for raw materials.</li> </ul> <p>Demand Pressures arising from cutbacks by other local authorities, public services and partner agencies as a result of reduced income:</p> <ul style="list-style-type: none"> <li>Loss of direct EU grant funding to Local Authorities, charities and other agencies.</li> <li>Reduction in business rates income.</li> </ul> <p>Procurement and Contract risks:</p> <ul style="list-style-type: none"> <li>Change to procurement law potentially restricting the supply market.</li> <li>Goods and Services are more expensive through Suppliers increasing their prices because we are not part of EU and possible tariff/ export charges.</li> <li>Delays within the supply chain, leading to delivery delays within the Force (i.e. uniform).</li> <li>Loss of staff and/or the inability to recruit skilled staff from outside the UK on key contracts.</li> </ul>	<p>Engage with partners and / or contractors to understand how Brexit affects their risks and any shared risks.</p> <p>Review significant policies relevant to the management of these risks (e.g. investment policy) to ensure they are fit for purpose in the new environment.</p> <p>Assess any impact of the risk assessment on the assumptions used to generate the Medium Term Financial Strategy.</p> <p>Report the economic picture to the Joint Independent Audit Committee and OPCC Business Meeting as part of the Treasury Management reporting arrangements.</p> <p>Update strategic and operational plans as decisions are made.</p> <p>Continue to undertake fair, transparent and competitive procurement process in order to demonstrate value for money . Procurement will continue to assess the supply market and advise appropriate stakeholders if risk increases . May need to challenge the need for new requirements in order to make efficiencies .</p> <p>Supplier lead times are built into stock holding strategies. Procurement will work with Suppliers and include alternative supply contingency plans into contract agreements to cover extended deliveries.</p>	9	Likelihood 3 Impact 3	Director of Finance and ICT	Chief of Staff and Monitoring Officer and Chief Finance Officer
24	Financial	OPCC Business Meeting	Reductions in Grant Funding.	Ongoing Risk	Reductions in National Funding or changes in the Funding Formula will reduce the resources available to the PCC for Policing.	<p>Actively participate in National discussions on Police Funding through PACCTS and NPCC.</p> <p>Wherever possible lobby the Home Office and politicians on funding for Northumbria, including multi-year settlements to enable effective budget planning.</p>	6	Likelihood 2 Impact 3	Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
25	Financial	Joint Business Meeting	NEW - Significant increase in the cost of Employers Pension Contributions.	Immediate risk of financial impact identified for 2019/20 and the next CSR period. Uncertainty on the level of support / action to be taken by Treasury (HMT).	<p>Requirement to deliver a significant level of further budget savings.</p> <p>Impact on Reserves resulting in reduced financial resilience.</p> <p>Impact on ability to deliver workforce plans, frontline services and Force Operating Model.</p> <p>Impact on service provision, with less flexibility to innovate.</p> <p>Public confidence.</p>	<p>National level focus and written submissions to the Home Office and HMT on behalf of policing by APCC and NPCC.</p> <p>Annual MTFS process to review and revise spending plans to match available resources.</p> <p>Flexibilities to increase precept are considered annually. The Home Office have indicated this flexibility will continue for a further 12 months into 2019/20 subject to meeting transparency and efficiency targets</p> <p>Reserves will be optimised to help with the phasing of the delivery of savings.</p> <p>Effective media plan.</p>	20	Likelihood 4 Impact 5	Director of Finance and ICT	Chief of Staff and Monitoring Officer and Chief Finance Officer
26	Infrastructure and Assets	Strategic Resourcing Board	Ineffective delivery of the Force Estates Strategy.	Ongoing Risk	<p>Unnecessary refurbishment of existing freehold properties where alternative options exist.</p> <p>Potential impact on MTFS capital and revenue budgets.</p> <p>Failure to deliver Estates improvement programme in a timely manner results in failure of building components and closure of buildings leading to major disruption and business continuity issues</p>	<p>Business Case to be prepared prior to refurbishment of each property to be agreed by OPCC.</p> <p>Estates delivery programme monitored by Strategic Resourcing Board.</p>	3	Likelihood 1 Impact 3	Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
27	Infrastructure and Assets	Strategic Resourcing Board	Major disruption to use of key buildings, facilities or other assets and resources.	Ongoing Risk	Reduced services across some or all business areas	<p>Business Continuity Plans.</p> <p>Contingency planning and testing of plans in partnership with key agencies.</p> <p>Estates Strategies.</p> <p>ICT Strategy.</p> <p>BT review of 999 services.</p> <p>Uninterrupted Power Supply' is fitted at key sites to protect ICT equipment from damage.</p> <p>Availability of remote access devices.</p> <p>Most ICT services can now be undertaken remotely. The Force has three machine rooms, two of which can be used to deliver critical ICT services.</p> <p>All operational orders and business continuity plans are assessed and allocated a RAG status. This is an on-going process to ensure all plans are up-to-date.</p>	6	Likelihood 2 Impact 3	ACC Protective Services and Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
28	Infrastructure and Assets	Strategic Resourcing Board	Estate risks around electrical and gas safety, water hygiene, asbestos containing materials and fire safety.	Ongoing Risk	<p>Injury to building users.</p> <p>Litigation and civil claims.</p> <p>Negative impact on employees.</p> <p>Closure of buildings leading to major disruption and business continuity issues.</p>	<p>Policies and procedures in place.</p> <p>Fire risk assessments are in place for all properties occupied by OPCC.</p> <p>OPCC commissioned an in-depth independent survey of fire risk. The risk rating for all properties has been assessed as either 'trivial' or 'tolerable'. Implementation of Action Plan recommendations will ensure that the Chief Constable continues to meet obligations in respect of the Regulatory Reform Fire Safety Order 2005.</p> <p>Regular maintenance of fire alarms and emergency lighting is undertaken in accordance with BS5839 and BS5266. Regular evacuation tests and policing of 'housekeeping issues'.</p> <p>Periodic inspection and test in accordance with Electricity at Work Act 1980 and BS7671 with remediation of priority 1, 2 and 3 defects.</p> <p>Water Hygiene risk assessment in accordance with ACOP L8 with resultant hygiene maintenance.</p> <p>Asbestos management survey undertaken which is updated annually by re-inspection. A risk assessed asbestos management plan is updated annually and any remedial works required to reduce risks are undertaken.</p> <p>Regular maintenance of gas equipment in accordance with manufacturers instructions.</p> <p>Health and Safety management.</p>	8	Likelihood 2 Impact 4	Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
29	Infrastructure and Assets	Information Management Board	The loss or inappropriate disclosure of sensitive data or information.	Series of recent incidents of inappropriate disclosure or loss of sensitive information or data. Ongoing Risk	Breach of the Data Protection Act. Breach of GDPR. Litigation, legal action against the Force/OPCC leading to prosecution. Places individuals at risk, making them more vulnerable. Corruption or loss of Force systems. Public confidence. External intervention and/or financial penalties. Failure to identify risk of vulnerability, officer, public safety.	Compliance with National Policing Code of Connection. Implementation of the Information Security Review recommendations. Information Management Board. Post incident Senior Information Risk Officer (SIRO) review and response. Internal Audit programme. Staff training including internal training programme for all supervisors. Creation of new Information Management Unit and Information Management action plan. Improved vetting processes and procedures. Information Management Working Group. Maintenance of an effective ICT Audit capability. A specific Information Security Risk Register is reviewed and maintained at monthly SIRO meetings and considered quarterly at Information Management Board. Effective media management.	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
30	Information Technology	Strategic Resourcing Board	Ageing IT infrastructure and implementation of future strategy.	Timescales for implementation of IT strategy and impact of existing systems on the force's efficiency and effectiveness. March 2018	Potential for temporary loss of key services (Police National Database (PND), 999, operational systems).	Contingency planning and testing of plans in partnership with key agencies. All operational orders and business continuity plans are assessed and allocated a RAG status. This is an ongoing process to ensure all plans are up-to-date. Estates Strategies includes the refresh of Infrastructure critical to the delivery of ICT services. ICT Strategy includes a programme of technology refresh, updating and replacing older equipment. Capital Programme - appropriate funding for ICT services. Support and maintenance contracts are in place along with callout rotas to provide 24x7 support for systems. SLAs for support are generally 4-5 hours. Effective media management and communication plan.	9	Likelihood 3 Impact 3	Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
31	Information Technology	Information Management Board	A malicious intent to compromise information systems or access information or data.	Ongoing Risk	Corruption or loss of Force systems. Disclosure of sensitive information. Public confidence in Northumbria Police.	A number of technologies are in place to protect data from external attack (e.g. fire walls). Intrusion Detection Systems and Intrusion Protection Systems allow unusual activity directed towards the Force to be identified and logged for analysis. Penetration tests, undertaken each year, demonstrate the Force's capability to withstand attacks and safeguard its data and systems, with potential vulnerabilities identified and appropriate patches and fixes put in place to remove the threat. Patching processes have been updated to reflect the frequency of patches being issued by Microsoft and other critical system suppliers. Technology refresh programme in place to replace older and less secure equipment. Identification of key roles within the Force and the introduction of appropriate vetting processes. Effective media management and communication plan.	8	Likelihood 2 Impact 4	Director of Finance and IT	N/A

No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
32	Collaboration and Partnership	Strategic Management Board	Inability to maximise the opportunities from collaboration.	Current collaboration is limited. March 2018	Reduced ability to deliver strategic objectives. Reduction in opportunities to improve service quality and cost effectiveness. Failure to comply with legislation, namely; Police Reform and Social Responsibility Act 2011 & Policing and Crime Act 2017.	<p><b>Community Safety.</b> Northumbria Police, Tyne and Wear Fire &amp; Rescue Service &amp; Northumberland Fire &amp; Rescue Service have signed a Joint Strategic Intent document.</p> <p>Northumbria Police, Durham Constabulary, Cleveland Police &amp; North East Ambulance Service have an agreed Joint Standard Operating Procedure for response and attendance at ambulance related incidents.</p> <p>Joint Collaboration Strategic Board and Joint Collaboration Delivery Group with membership from Police, OPCC, Fire, NEAS, Fire Authority.</p> <p>Effective partnership agreements including robust governance, financial controls in place and monitored via Community Safety Partnerships and OPCC Scrutiny.</p> <p><b>Safeguarding</b> Safeguarding Department continue to develop multi-agency collaborative working with partners including the formation of Multi- Agency Safeguarding Hubs.</p> <p><b>Specialist Policing Services</b> Section 22A agreement in place to form the basis of collaborative working with the seven regional forces.(NETIC). Section 22A agreement in place with Durham Constabulary for collaborative working within Forensic arena. Collaborative work continues with Durham Constabulary and Cleveland Police in the form of North East Regional Specialist Operations Unit (NERSOU).</p>	8	Likelihood 2 Impact 4	ACC Local Policing	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
33	Information and Evidence	Information Management Board	Data quality affecting business and operational decision making and compliance with national standards.	Data quality recorded within existing Information Systems is variable. June 2016	Reduced quality of information and intelligence available to officers and staff. Limited operational and business intelligence to inform decision-making. Inaccurate data returns to the Home Office and other bodies, such as HMICFRS. Reduction in force performance and delivery.	<p>Information Management Board.</p> <p>Delivery of ICT Strategy.</p> <p>Crime validation and audit processes, as part of the Crime Data Integrity Audit Plan.</p>	6	Likelihood 2 Impact 3	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer



## Appendix B – Overview of Joint Strategic Risk Register

1	Failure to deliver against objectives set out in the Police and Crime Plan.
2	Inability to deliver continuity of service.
3	Critical incident or other external incident that has a sustained and significant demand on policing resources.
4	An ineffective Criminal Justice System with the region.
5	Reduction in partnership services due to financial constraints <b>and/or</b> lack of integrated planning.
6	Failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget.
7	Service failures with the regional contract for the provision of Interpreting Services.
8	NEW – Historic biometrics, DNA and fingerprints from voluntary attenders.
9	NEW – Operational/ law enforcement risks arising as a result of exit from European Union
10	Insufficient resources, in terms of capacity and capability (skills), to meet current or future policing demands.
11	Insufficient resources, in terms of capacity and capability (health and wellbeing), to meet current or future policing demands.
12	Litigation, legal action and/or prosecution of the Force and/ or individuals by former officers or staff members.
13	Death in custody/death or serious injury following police contact.
14	Other adverse or critical incident, as a result of police action or omission.
15	Corrupt behaviour by an officer or police staff member.
16	Ineffective response to complaints or service recovery.
17	Failure to achieve ISO/IEC 17025 accreditation for digital device examination and impact on digital forensic examinations.
18	Force/ OPCC or an associated individual acts in a discriminatory way.
19	Failure to comply with the requirements of the General Data Protection Regulations in respect of the management and storage of documentation.
20	Further cuts to Home Office Police Grant Funding.

21	Failure to manage annual budget.
22	Reduced effectiveness of Treasury Management.
23	Financial Risks arising as a result of exit from European Union.
24	Reductions in Grant Funding.
25	NEW - Significant increase in the cost of Employers Pension Contributions.
26	Ineffective delivery of the Force Estates Strategy.
27	Major disruption to use of key buildings, facilities or other assets and resources.
28	Estate risks around electrical and gas safety, water hygiene, asbestos containing materials and fire safety.
29	The loss or inappropriate disclosure of sensitive data or information.
30	Ageing IT infrastructure and implementation of future strategy.
31	A malicious intent to compromise information systems or access information or data.
32	Inability to maximise the opportunities from collaboration.
33	Data quality affecting business and operational decision making and compliance with national standards.

Summary of changes since last report

<b>Likelihood</b>	<b>VERY HIGH (5)</b>		6		
	<b>HIGH (4)</b>				25
	<b>MEDIUM (3)</b>		9, 14, 17, 23, 30	8	
	<b>LOW (2)</b>		3, 4, 5, 24, 27, 33	1, 7, 10, 11, 12, 13, 15, 19, 28, 29, 31, 32	18, 20
	<b>VERY LOW (1)</b>	2	22, 26	16, 21	
	<b>VERY LOW (1)</b>	<b>LOW (2)</b>	<b>MEDIUM (3)</b>	<b>HIGH (4)</b>	<b>VERY HIGH (5)</b>

*Impact*





<b>JOINT INDEPENDENT AUDIT COMMITTEE</b>	<b>19 NOVEMBER 2018</b>
<b>TREASURY MANAGEMENT MID-YEAR REPORT 2018/19</b>	
<b>REPORT OF THE JOINT CHIEF FINANCE OFFICER</b>	

**1. Purpose of the Report**

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management recommends that those charged with governance and scrutiny receive regular updates on Treasury Management activities.
- 1.2 The following report presents the performance up to and including 30 September 2018 for scrutiny.

**2. Recommendation**

- 2.1 The Committee is asked to review the Treasury Management Mid-Year Report and approve for presentation to the Police and Crime Commissioner (PCC).

**3. Background**

- 3.1 The mid-year performance of Treasury Management is reported in-line with CIPFA's Code of Practice on Treasury Management and the Treasury Policy Statement and Strategy.

**4. Summary**

- 4.1 The Treasury Management mid-year report is attached at Appendix A. Key highlights are as follows:
- Forecast borrowing costs are under budget due to a lower borrowing requirement in relation to the capital programme, new PWLB borrowing being deferred to later in the year on advice from Link Asset Services, and preferential interest rates achieved in the first half of the financial year.
  - Forecast investment income received is greater than the budget estimate, reflecting higher interest rates achieved in the first half of the financial year, partly as a result of earlier than anticipated increase in the Bank Rate.
  - We have complied with our financial regulations and all prudential indicators have been within the limits set for the year.

**5. Considerations**

- 5.1 The following have been considered in compiling this report:

<b>Freedom of Information</b>	<i>Non-exempt</i>
<b>Consultation</b>	Yes

**AGENDA ITEM 11**

Link Asset Services (Treasury Management Advisers)	
<b>Resource</b>	No
There are no additional financial considerations arising from this report.	
<b>Equality</b>	No
There are no equality implications arising from the content of this report.	
<b>Legal</b>	No
There are no legal considerations arising from the content of this report.	
<b>Risk</b>	No
There are no additional risk management implications directly arising from this report.	
<b>Communication</b>	Yes
To be reported to the PCC in line with The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the Code).	
<b>Evaluation</b>	No

## **Treasury Management Performance to 30 September 2018**

### **I Purpose of the Report**

- 1.1 The purpose of this report is to summarise Treasury Management performance for the six months to 30 September 2018.

### **2 Background**

- 2.1 The mid-year performance of the Treasury Management team is reported in-line with CIPFA's Code of Practice on Treasury Management and the Treasury Policy Statement and Strategy 2018/19 to 2021/22.
- 2.2 The PCC operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the Treasury Management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 2.3 The second main function of the Treasury Management function is the funding of the PCC's capital plans. These capital plans provide a guide to the borrowing requirements of the PCC, essentially the longer term cash flow planning to ensure the PCC can meet its capital spending operations.
- 2.4 Accordingly, Treasury Management is defined as:

*"The management of the PCC's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

### **3 Borrowing**

- 3.1 The total borrowing as at 30 September 2018 was £70.969m, which was within the operational borrowing limit of £145.000m. This borrowing is made up of £65.969m PWLB long term loans and a £5.000m long term market loan. Loan details are shown in Appendix I.
- 3.2 During the first quarter of the financial year the Commissioner entered into £47.000m short term borrowing which was fully repaid when the Pension top up grant of £65.897m was received from the Home Office in July. Temporary borrowing of £30.000m carried over from 2017/18 has also been fully repaid. To date this financial year there has been no new long term borrowing taken. However, there are plans to take £11.000m new PWLB borrowing to replace PWLB maturities of £5.916m during the year and to support the Capital Financing Requirement for 2018/19.
- 3.3 As at 30 September 2018 Treasury Management budgets for borrowing costs are forecast to underspend by £0.095m. This underspend is primarily due to a lower borrowing requirement in relation to the capital programme, new PWLB borrowing being deferred till later in the year on advice from Link Asset Services and preferential interest rates achieved on temporary borrowing during the first half of the year.

## **4 Investment Performance**

- 4.1 The latest projection of investment income for 2018/19, based on interest earned to 30 September 2018 and expected interest to March 2019, is £0.095m. This represents additional income of £0.022m when compared to the budget of £0.073m, attributable to preferential interest rates achieved in the first-half of the financial year and an increase in Bank Rate earlier than anticipated.
- 4.2 The average rate of return is monitored for each investment type that the Commissioner enters into and these are used to calculate an average rate of return for the year-to-date. The average rate of return achieved to date is 0.5570%, which is an overachievement against the budget estimate of 0.5000%. Forecast investment income for the year is £0.095m representing additional income of £0.022m against the budget estimate of £0.073m.
- 4.3 As a means of benchmarking, the average rate of return for the month and year-to-date is compared to the equivalent 7 day London Interbank Bid Rate (LIBID), which is the rate that banks are willing to borrow money from each other. The monthly return for September 2018 of 0.0556% exceeds the LIBID 7 day rate equivalent of 0.0483%. The Commissioner's average rate of return of 0.5570% is in excess of the equivalent LIBID 7 day rate of 0.4360%.
- 4.4 Link Asset Services produces a quarterly Investment Benchmarking report that assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across other similar organisations in this sector. In the most recent report that covers the position as at 30 September 2018, the Commissioner achieved a weighted average rate of return of 0.7000% on investments. This exceeds the risk adjusted expectations as defined in the benchmarking report of between 0.5400% and 0.6400%.
- 4.5 It continues to be a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in-line with the Bank Rate. Link Asset Services indicates in its forecast that there is no further expectation of a Bank Rate rise until August 2019 with the Monetary Policy Committee (MPC) emphasising that future Bank Rate increases would be gradual. Given this scenario investment returns are likely to remain relatively unchanged for the remainder of the year.
- 4.6 Details of Link Asset Services, the PCC's treasury adviser's, latest interest rate forecast as of 03 October 2018 can be seen in Appendix 2.

## **5 Heritable Bank**

- 5.1 When Heritable Bank entered administration in October 2008 the former Police Authority had £5.238m invested which was due to mature with interest by the end of 2008/09. The majority of the investment has now been recovered; the current balance outstanding is £0.044m. The most recent update from the administrators, Ernst and Young, in August 2018, confirmed the detail of all dividends received to date and advised that no further dividend is expected until the administrators conclude their work. They also advised of a further extension of the Administration for a year.

**6 Summary of Mid-year Performance**

6.1 The projected net impact of investment and borrowing activity to the PCC in 2018/19 is an underspend of £0.117m against the budget.

	Estimate £m	Projected Outturn £m	Variance £m
<b>Investments</b>	(0.073)	(0.095)	(0.022)
<b>Borrowing</b>	3.020	2.925	(0.095)
<b>Net Position</b>	<b>2.947</b>	<b>2.830</b>	<b>(0.117)</b>

6.2 The net underspend identified for the year is a result of a lower borrowing requirement in relation to the capital programme, new PWLB borrowing being deferred to later in the year on advice from Link Asset Services and preferential interest rates achieved in the first half of the financial year.

6.3 The approach of maximising internal borrowing provides benefits in terms of reduced credit risk, as the PCC has less cash invested than if it had gone to the markets and borrowed externally. This means that cash balances and investment returns are lower resulting in reduced levels of income, but this is significantly outweighed by the savings achieved from avoiding external borrowing. Internal borrowing does have an element of interest rate risk on the overall treasury management position i.e. if interest rates were suddenly to rise it may make external borrowing in the longer term more expensive. This is regularly monitored in considering potential borrowing options with our treasury management advisers, Link Asset Services.

6.4 Prudential indicators are set annually to ensure that borrowing is prudent, sustainable and affordable. Performance is monitored against these indicators throughout the year and reported in the quarterly capital monitoring reports. The review of performance against prudential indicators at 30 September 2018 confirms that all indicators were operating within agreed limits with no breaches throughout in the year to date. For completeness a copy of the prudential indicators is attached as Appendix 3.

**Borrowing – Loan Details**

**PWLB Loans**

PWLB Ref.	Principal £	Start Date	Maturity Date	Rate %	Years to Maturity
479387	3,663,710.14	21/05/1997	21/05/2057	7.125	38.67
479687	3,663,710.14	17/07/1997	05/07/2057	7.000	38.79
479976	454,300.06	06/10/1997	05/09/2057	6.625	38.96
479977	696,104.92	06/10/1997	05/09/2057	6.625	38.96
480186	659,467.82	22/10/1997	05/09/2057	6.500	38.96
480880	1,831,855.07	23/04/1998	23/04/2058	5.625	39.59
496086	5,000,000.00	13/10/2009	05/09/2024	3.910	5.94
497288	5,000,000.00	25/05/2010	23/04/2060	4.290	41.59
499079	5,000,000.00	31/10/2011	31/10/2022	3.730	4.09
510249	5,000,000.00	14/05/2012	14/11/2019	2.440	1.12
502361	5,000,000.00	02/05/2013	02/05/2023	2.520	4.59
503622	5,000,000.00	09/01/2015	09/01/2050	3.160	31.30
503623	5,000,000.00	09/01/2015	09/01/2030	2.790	11.29
505904	5,000,000.00	22/03/2017	22/03/2067	2.460	48.51
505920	5,000,000.00	27/03/2017	27/03/2066	2.370	47.52
506307	5,000,000.00	31/08/2017	31/08/2065	2.300	46.95
507097	5,000,000.00	22/03/2018	22/09/2064	2.330	46.01
<b>Total</b>	<b>65,969,148.15</b>				

**Market Loans**

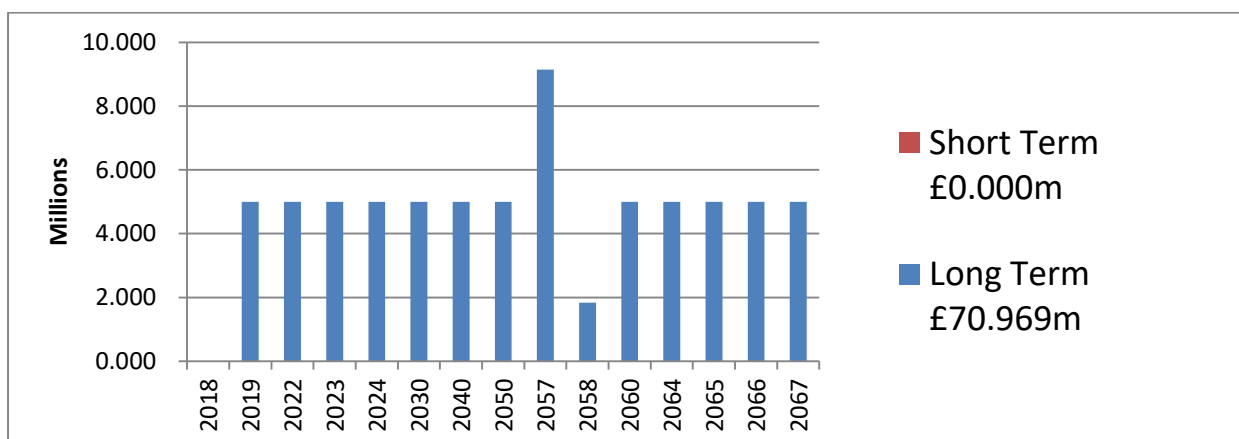
Lender	Principal £	Start Date	Maturity Date	Rate %	Years to Maturity
Barclays	5,000,000.00	01/06/2010	01/06/2040	3.520	21.68
<b>Total</b>	<b>5,000,000.00</b>				

**Total Borrowing**

Lender	Principal £
PWLB	65,969,148.15
Market	5,000,000.00
<b>Total</b>	<b>70,969,148.15</b>

**Maturity Structure of Borrowing**

The following chart shows how the PCC is managing exposure to interest rate risk by spreading the maturity of borrowing over future years.



**Link Asset Services Interest Rate Forecast**

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank rate	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
5yr PWLB rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

*These PWLB rates are discounted by 0.20% for Northumbria Police and Crime Commissioner (PWLB Certainty Rate).*

On 2 August 2018 the MPC came to a decision to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual, rising to an equilibrium rate much lower than before the crash, providing a figure of around 2.5% in ten years’ time. The MPC declined to give a medium-term forecast.

On 3 October 2018, Link Asset Services issued guidance in respect of the Treasury Management mid-year review which includes its latest review of interest rate forecasts as set out in the table above.

The latest forecasts assume that the MPC will not increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase of 0.25% is expected to take place in August 2019 rather than immediately after the Brexit deadline in May. Future increases of 0.25% are forecast for May and November 2020 to take Bank Rate up to 1.50%.

**Balance of risks to the UK**

The overall balance of risks to economic growth in the UK is assessed by Link Asset Services as neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are also considered even, and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside and how quickly the Brexit negotiations move forward positively.

**Downside risks to current forecasts – UK gilt yields and PWLB rates**

- Bank of England monetary policy raises Bank Rate too quickly over the next 3 years and causes UK economic growth and inflation to be weaker than anticipated.
- A resurgence of the Eurozone sovereign debt crisis (possibly Italy – high level of government debt, low economic growth, vulnerable banking system, new government making anti-austerity noise. This is likely to lead to friction with the EU when setting the target for the fiscal deficit in the national budget. Investors have taken a dim view and Italian bond yields have been rising.)
- The challenges from political developments in Europe could put considerable pressure on the cohesion of the EU and could impact the euro, EU financial policy and financial markets. Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc. Italy has elected a strongly anti-immigration government this year, the Swedish general election has left an anti-immigration party potentially holding the balance of power in forming a coalition government, and in Germany the CDU party is in a vulnerable minority position as a result of the rise of the anti-immigration AfD party.



- Imposition of trade tariffs by President Trump could negatively impact world growth. Specific actions against Turkey pose a risk to its economy which could negatively impact Spanish and French banks, having significant exposures to loans to Turkey.
- Weak capitalisation of some European banks.
- Rising interest rates in the US causing investor flight to safe havens e.g. UK gilts.
- Geopolitical risks, especially North Korea, but also Europe and the Middle East could lead to increasing safe haven flows.

### Upside risks to current forecasts – UK gilt yields and PWLB rates

- President Trump's fiscal plans to stimulate economic expansion.
- The Fed (US) causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Federal Fund Rate, and in the pace and strength of reversal of QE. This could lead to a fundamental reassessment by investors and flight from bonds to equities, increasing bond yields in the US, which could impact on bond yields around the world.
- The Bank of England is too slow in its pace and strength of Bank Rate increases, allowing inflation pressures to build up too strongly within the UK economy. Risk of necessity for a later rapid series of Bank Rate increases, faster than currently anticipated.
- UK inflation, whether domestically generated or imported, returning to sustained significant higher levels causing an increase in the inflation premium inherent to gilt yields.

**Prudential Indicators**

<b>Authorised Limit for External Debt</b>			
	2018/19 Reported Indicator £000	2018/19 Position at 30 Sep £000	2018/19 Max YTD £000
Borrowing	170,000	70,969	124,885
Other Long Term Liabilities	0	0	0
<b>Total</b>	<b>170,000</b>	<b>70,969</b>	<b>124,885</b>
<b>No breach of the Authorised Limit</b>			

<b>Operational Boundary for External Debt</b>			
	2018/19 Reported Indicator £000	2018/19 Position at 30 Sep £000	2018/19 Max YTD £000
Borrowing	145,000	70,969	124,885
Other Long Term Liabilities	0	0	0
<b>Total</b>	<b>145,000</b>	<b>70,969</b>	<b>124,885</b>
<b>No breach of the Operational Boundary</b>			

<b>Upper / Lower Limits for Maturity Structure of Fixed Rate Borrowing</b>				
Maturity	2018/19 Reported Indicator		2018/19 Position at 30 Sep 2018	
	Upper Limit	Lower Limit	Actual Percentage	Maximum YTD
< 1 year	70.00%	0.00%	0.00%	43.17%
1 - 2 years	60.00%	0.00%	7.05%	7.05%
2 - 5 years	60.00%	0.00%	14.09%	14.09%
5 - 10 years	65.00%	0.00%	7.05%	9.36%
> 10 years	90.00%	0.00%	71.81%	71.81%
<b>All borrowing is within the limits set for the year</b>				

<b>Upper Limit on principal amounts invested beyond 365 days</b>			
	<b>2018/19 Reported Indicator £000</b>	<b>2018/19 Position at 31 Aug £000</b>	<b>2018/19 Maximum YTD £000</b>
Investments	15,000	0	0

<b>Gross Debt and CFR</b>		
	<b>2018/19 £000 Reported Indicator</b>	<b>2018/19 £000 Forecast Position</b>
Forecast Borrowing as at 31 March	94,446	100,733
Capital Financing Requirement at 31 March	103,189	98,988
Amount of borrowing (over)/under CFR	8,743	(1,745)

The year-end borrowing position is forecast at £100.733m which is higher than the CFR by £1.745m. Forecast borrowing at the year-end is within the CFR estimates projected for the next two years in line with the Code of Practice. Additional borrowing above the CFR reflects the latest estimate of temporary borrowing expected to be taken at the year end to cover the cash flow position and anticipated working capital deficit.

**NORTHUMBRIA POLICE**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**19 NOVEMBER 2018**

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**EMERGENT AUDIT PLAN 2019/20–2021/22**

**REPORT OF INTERNAL AUDIT MANAGER**

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**1 Purpose of the Report**

- 1.1 The purpose of this report is to present to Committee the emergent Audit Plan 2019/20-2021/22 to allow sufficient time for consultation prior to the presentation of the proposed Audit Plan 2019/20-2021/22 to Committee in February 2019.

**2 Background**

- 2.1 Public Sector Internal Audit Standards (PSIAS) outline that the Internal Audit Manager must establish a risk-based plan, consistent with the organisation's goals, taking into account the organisation's risk management framework, input from senior management and the Committee. The plan should remain flexible in both content and timing to respond to changes in the organisation's business, risks, operations, programs, systems and controls.
- 2.2 The risk-based plan must take into account the requirement to produce an annual audit opinion on the assurance framework. It must be linked to a strategic statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisation's objectives and priorities outlined in the Police and Crime Plan.

**3 Approach**

- 3.1 A three year rolling Audit Plan was agreed by Committee on 19 February 2018. This forms the basis of the annual review with the Audit Plan being rolled forward for an additional year and will be assessed against the following factors by the Internal Audit Manager:
- Objectives of the Police and Crime Plan
  - The risks documented in the strategic risk register
  - Findings and outcomes from audits carried out during 2018/19
  - The outcomes of external inspections and other combined assurance e.g. External Audit or Professional Standards
  - Any relevant changes in legislation or regulatory requirements
  - Time elapsed since previous audits

## **AGENDA ITEM 12**

- 3.2 To support the annual review the Internal Audit Manager also consults with Chief Officers and the Committee to ensure all significant changes or risks to the organisation have been identified and included within the scope of the Audit Plan.
- 3.3 As with previous years, to strengthen the annual review of the audit plan, the emergent plan is shared with the Committee prior to discussions taking place with senior managers.
- 3.4 The emergent Audit Plan 2019/20-2021/22 is attached at Appendix A for review and comment.

### **4 Equal Opportunities implications**

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

### **5 Human Rights implications**

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

### **6 Risk Management implications**

- 6.1 There are no additional risk management implications arising directly from this report. The emergent audit plan supports the adequate and appropriate use of resources.

### **7 Financial implications**

- 7.1 There are no financial implications directly arising from this report

### **8 Recommendations**

- 8.1 The Committee is asked to:
  - Review and comment on the emergent Audit Plan 2019/20-2021/22.

**AGENDA ITEM 12**  
**APPENDIX A**

**Emergent Internal Audit Plan 2019/20 - 2021/22**

<b>Risk</b>	<b>Frequency</b>	<b>Audit Area</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
		<b>Police &amp; Crime Commissioner</b>			
Medium	Annual	Grant Distribution	50	50	50
High	Annual	Treasury Management	80	80	80
		<b>Chief Constable</b>			
		<b>IT &amp; Departmental</b>			
High	Annual	IT Audit: ICT Security	60	60	60
Medium	Biennial	IT Audit: Change Management		60	
Medium	Biennial	IT Audit: Programme/Project Management		60	
Medium	Biennial	IT Audit: Disaster Recovery & Continuity	60		60
Medium	Biennial	IT Audit: Patch Management	60		60
Medium	Biennial	IT Audit: Asset & Device Management		60	
Medium	Biennial	IT Audit: ICT Strategy	60		60
Medium	Biennial	Asset Management	120		120
Medium	Biennial	Fleet Management		110	
Medium	Biennial	Human Resources & Training	80		80
Medium	Biennial	Legal & Insurance Arrangements	90		90
Medium	Biennial	Custody		50	
Medium	Biennial	Firearms Licensing	80		80
Medium	Biennial	Police Operational Support Functions	100		100
Low	Annual	Police Charities Funds	40	40	40
High	Annual	Procurement	100	100	100
High	Annual	Information Management	50	50	50
Medium	Biennial	Counter Fraud Arrangements		60	
		<b>Theme Based Audits</b>			
High	Annual	Property	180	180	180
High	Annual	Cash & Miscellaneous Income	150	150	150
		<b>Combined Areas</b>			
		<b>Financial Systems</b>			
High	Annual	Creditors	100	100	100
High	Annual	Debtors	70	70	70
High	Annual	Payroll & Pensions	130	130	130
High	Annual	Main Accounting System	80	80	80
High	Annual	Budgetary Control	60	60	60
High	Annual	Employee Claims	80	80	80
		<b>Other Combined Areas</b>			
Medium	Biennial	Risk Management and Business Continuity Arrangements	100		100
Low	Triennial	Equality & Diversity	50		
Medium	Biennial	Joint Working Arrangements	60		60
High	Annual	Governance	50	50	50
Medium	Biennial	Health & Safety		60	
Medium	Biennial	Information Governance & Data Security		80	
Medium	Biennial	Performance Management & Data Quality		60	
Medium	Biennial	VAT	60		60
Medium	Biennial	Complaints		100	
High	Annual	Annual Governance Statement - Review of Managers' Assurance	100	100	100
		<b>Other</b>			
		Follow Up and Contingency	70	70	70
		General Advice, Consultancy and Systems Review	150	150	150
		Joint Independent Audit Committee - Preparation & Support	120	120	120
		<b>Hours</b>	<b>2,640</b>	<b>2,420</b>	<b>2,590</b>
		NERSOU	50	50	50
		<b>Total Hours</b>	<b>2,690</b>	<b>2,470</b>	<b>2,640</b>