

**Joint Independent Audit Committee
Agenda**

Monday 23 July 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 14.05.18**
(Attached)
- 4. Matters Arising**
(Action list attached)
- 5. Update on Revised Practical Guidance for Local Authority and Police Audit Committee's**
Head of Finance
(Verbal update)
- 6. Annual Governance Statements**
Reports of Head of Finance
 - a. Chief Constable for Northumbria**
(Paper attached)
 - b. Police and Crime Commissioner for Northumbria**
(Paper attached)
- 7. Statements of Accounts**
Report of Head of Finance
(Paper attached)
- 8. Audit Completion Reports (PCC & CC)**
Reports of External Auditor, Mazars
 - a. Chief Constable for Northumbria**
(Paper attached)
 - b. Police and Crime Commissioner for Northumbria**
(Paper attached)
- 9. Summary of Recent External Inspection Reports**
Report of Head of Corporate Development
(Paper attached)



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10. Joint Strategic Risk Register

Report of Head of Corporate Development
(Paper and appendices A-B attached)

11. Treasury Management Annual Report 2017/18

Report of Head of Finance
(Paper and appendix A attached)

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12. 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.

| Agenda item number | Paragraph of Schedule 12A to the Local Government Act 1972 |
|--------------------|--|
| 13 | 7 |
| 14 | 7 |



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| | |
|-----------------------------------|-----------------------|
| Title | Meeting Number |
| Joint Independent Audit Committee | 02/2018 |

| | | |
|-------------|-------------------------------|-----------------|
| Date | Location | Duration |
| 14 May 2018 | Meeting Room 2 Forth Banks | 14:07 –16:11 |

Present:

| | | |
|---------------------------|---|--|
| Committee Members: | J Cooke K Amlani N Mundy P Wood | Chair |
| Officers: | D Best R Durham M Tait | T/Deputy Chief Constable OPCC Interim Chief of Staff Director of Finance and IT |
| Invitees: | A Buckingham J Dafter P Godden K Laing H Morrison | Internal Audit Manager, Gateshead Council Senior Manager, Mazars Head of Corporate Development Head of Finance Information Management Unit Manager |
| | R Rooney | Governance and Planning Coordinator (Secretary) |
| Apologies: | P Angier | Committee Member |

1. INTRODUCTION

J Cooke opened the meeting and apologised for the delayed start time. N Mundy noted that there had been an issue in accessing the meeting room, and suggested it may be helpful to have a named contact in order to gain access in a timely manner. M Tait confirmed provision would be made moving forward to ensure a member of staff could greet committee members at the front desk and escort them to the meeting room in future.

Agreed:

- ***Provision to be made for future meetings to ensure committee members are able to access the meeting room at an appropriate time.***

2. DECLARATION OF INTEREST

Nothing to declare from members.



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3. MINUTES OF JOINT INDEPENDENT AUDIT COMMITTEE

Agreed as a true and accurate record.

4. ACTION LIST FOR FUTURE MEETINGS

J Cooke confirmed that the action list had been completed.

5. GENERAL DATA PROTECTION REGULATIONS (GDPR) UPDATE

H Morrison delivered a presentation providing information on GDPR, and consequent key changes which will affect Northumbria Police when it comes in to effect on 25 May 2018.

She noted that the new legislation means there are a number of changes to Subject Access Requests (SARs), notably that applications can now be made verbally therefore an increase in applications is anticipated. J Cooke queried whether verbal applications will be recorded. H Morrison confirmed that at this time, they are not, and outlined the process for making a verbal application. N Mundy queried if call recording is a worthwhile consideration in order to safeguard colleagues in the event of a dispute. H Morrison stated that call recording is something which may be considered in future. J Cooke queried if any work surrounding data processing is outsourced. H Morrison confirmed that a small amount of work with Victims First Northumbria and Your Northumbria is, but a majority of data processing is in house.

H Morrison discussed Northumbria Police's 12 step action plan used to prepare for GDPR, noting that all data held by Northumbria Police has been assessed ensuring that there is an awareness of: what data is stored; if there are any gaps; and where information is stored both within and outside of the organisation. J Cooke asked if any data is held outside of the European Union (EU). H Morrison confirmed that there is no data processed outside of the EU, but for prevention and detection of crime, some specific data is held. She assured members this data is GDPR compliant.

H Morrison provided members with a copy of the 12 step action plan, noting that Northumbria Police is now listed as a competent authority in terms of preparedness for GDPR. N Mundy queried why GDPR was listed as high risk within the strategic risk register. M Tait stated that the 12 step plan is a more recent document than the version of the risk register presented to JIAC. He confirmed that for governance purposes, GDPR is reported through the Information Management Board (IMB).

Discussion ensued surrounding timescales for the retention of data. P Wood queried if data was ever kept longer than necessary. H Morrison stated that data is retained in compliance with Management of Police Information (MOPI) guidance which informs the Force Records Management Policy, noting that the specific retention period is dependent on the nature of the data, and provided information on instances whereby data may be legitimately retained for longer than MOPI guidance advises. She confirmed that officers and staff will be made aware of GDPR and its implications for Northumbria Police from 21May and a national training package will be available from 25 May.

Update *noted*.

6. ANNUAL GOVERNANCE STATEMENT 2017/18

i. Senior Managers' Assurance Statements

A Buckingham presented the Senior Managers' Assurance Statements to members. She noted that the assurance framework remains unchanged from 2016/17, and that the statement



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identifies that effective controls are in place, noting that there were exceptions on the rating of effectiveness in certain areas.

N Mundy suggested it would be helpful for committee members to have a supporting document which would provide information regarding what the exceptions are; how lower levels of assurance are being addressed; and when an update would be provided. M Tait confirmed that further work was being carried out to ensure clarity was provided at the July meeting.

Members were asked to note the report.

Agreed:

- **Further clarity regarding assurance exceptions to be provided at the July JIAC.**

Action: A Buckingham

Update *noted*.

ii. Review of the Effectiveness of Internal Audit 2017/18

A Buckingham presented members with the review of the effectiveness of internal audit 2017/18. Members were asked to note the Police and Crime Commissioner's (PCC) and Chief Constable's system for internal audit.

J Cooke queried whether the review was a public document. K Laing explained that the document is public because of the capability for it to be discussed during the open session of the JIAC, however noted it is not published in the public domain.

N Mundy queried if there were any issues raised in terms of self-assessment that the JIAC could learn from. K Laing stated he is currently waiting for new external guidance on the roles and responsibilities of audit committees, and that he intended to provide a discussion paper at the JIAC based on an internal review of the self-assessment document and the external guidance, addressing any gaps between the two. N Mundy suggested holding a developmental session outside of the formal committee process to identify learning opportunities after this process had taken place.

Update *noted*.

iii. Internal Audit Annual Report 2017/18

A Buckingham presented members with the Internal Audit Annual Report. Members were asked to note the report.

Update *noted*.

iv. Corporate Risk Management – Annual Report

P Godden presented members with the report, and explained the process for managing risk within Force. He noted that in the last 12 months, five risks had been added to the register and two removed. Members were asked to note the report.

Update *noted*.

v. Performance and Data Quality Assurance – Annual Report



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P Godden presented the Performance and Data Quality Assurance Annual Report and informed members that there was a new performance management approach within Force. He noted that a significant amount of work had taken place to improve standards of crime recording and crime data integrity, including a drive to record crime as soon as practicably possible. J Cooke and N Mundy congratulated the Force on the improvement.

J Cooke queried whether the report could detail the national average for National Crime Recording Standards (NCRS) compliance in order to compare this against Northumbria Police performance. P Godden stated that this data was unavailable, but performance thresholds were being developed to measure Force performance. He confirmed that in the following year, information would be added to the report in order to measure improvement based on agreed performance thresholds.

K Amlani queried how many cases were audited for compliance. P Godden stated that 100% of rape cases are audited, and generally 20-30% of all total crimes are audited. N Mundy commented on the rise of mobile application usage for managing information and recording crime. He queried whether auditors are competent in looking at mobile technology. K Laing stated the applications used by Northumbria Police serve as a route to information which exists within back office systems supported by internal IT systems. He confirmed information is never held solely within an application format.

Members were asked to note the report.

Update noted.

vi. Self-Assessment of the Chief Finance Officer (CFO)

M Tait presented the report. He noted that the joint CFO role, as noted in Section 4 and held by M Tait and R Durham, was still working effectively. J Cooke asked for clarity on the Northumbria Police Personal Development Review (PDR) process, which M Tait provided.

On J Cooke's request, M Tait confirmed the areas of Northumbria Police business within his portfolio of work. J Cooke queried whether that conflicted him to fulfil his role as CFO. R Durham stated that due to M Tait's overarching view of large financial implication areas, it added value to the role. D Best corroborated the views of R Durham. J Cooke expressed satisfaction with the continuation of M Tait as Joint CFO.

Members were asked to note the report.

Update **noted.**

vii. Legal and Regulatory Assurance

M Tait presented the report. He informed members that there were no governance issues arising during 2017/18 in relation to Legal and Regulatory services.

Update **noted.**

viii. Other Assurance

M Tait presented the report asking members to note other assurance work completed to support the review of the Annual Governance Statement.

Update **noted.**



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7. SUMMARY OF RECENT EXTERNAL INSPECTION REPORTS

P Godden presented an overview of external inspections which took place in the previous period. He shared the overall 'good' rating assigned by Her Majesty's Inspectorate Constabulary Fire Rescue Service (HMICFRS) following the Police Effectiveness, Efficiency and Legitimacy (PEEL) Police Effectiveness Report, however expressed disappointment in the 'requires improvement' grading assigned to the strand of vulnerability, stating that this did not reflect the recent work which had been carried out regarding vulnerability.

J Cooke shared P Godden's disappointment, and queried why Force governance statements do not reflect the 'requires improvement' rating. K Laing commented that the annual governance statement addresses outstanding items for concern, noting that the areas for improvement flagged within the PEEL Police Effectiveness Report have already been addressed. P Godden confirmed he was confident that the Force could defend the choice to not reference this within the governance statement, as the overall rating for effectiveness was 'good'. R Durham corroborated this statement.

N Mundy and J Cooke requested clarity on Counter Terrorism (CT) response processes following the Counter Terrorism Policing – An Inspection of Police Counter Terrorism Commanders Report, noting the lack of a Counter Terrorism Commander within Northumbria Police. D Best made members aware of the process of becoming a CT Commander, and reassured members that despite the lack of a Force CT Commander, should an incident occur, a CT Commander would be deployed from a national team.

With reference to the PEEL Police Leadership Report, P Wood queried what action was being taken to address the issue surrounding improving personal and development review processes. P Godden stated there has been vast improvement in this area, with a significant increase in compliance levels for completion of annual personal development reviews. He noted that focus has now shifted to improving the quality of personal development reviews.

Update *noted*.

8. JOINT STRATEGIC RISK REPORT MAY 2018

P Godden presented the report which provided members with an update on the risk register. He noted that since it was previously presented, it had been subject to an annual review, leading to the restructuring and refining of risks.

Members were informed that there are currently 29 risks, and no significant changes have taken place since the previous quarter. P Godden made members aware of the new risk management process, whereby risks are reported via Operational Delivery Groups (ODG).

N Mundy queried if GDPR would be reflected in the next version of the register. P Godden confirmed that it would. Conversation ensued surrounding the risk concerning ageing IT infrastructure and the implementation of future strategy. P Wood asked if the Force was confident in the implementation of a new system. M Tait noted that a decision had been made regarding the replacement of the current network and confirmed that a Digital Oversight Board had been set up in order to assist with the process.

Update *noted*.



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9. EXTERNAL AUDIT – MAZARS AUDIT PROGRESS REPORT

J Dafter presented a report, and confirmed that Mazars were on schedule for completion. He confirmed that it was the plan to include the Audit Completion Report to the JIAC on 23 July before presenting to the PCC and Chief Constable for approval on 26 July.

Update *noted*.

10. EXCLUSION OF THE PRESS AND PUBLIC – EXEMPT BUSINESS

The Committee was asked to pass a resolution to exclude the press and public from the meeting during consideration of the following items on the grounds indicated. The press and public were excluded from the meeting during the consideration of the remaining business in accordance of Paragraph 7 of Schedule 12A to the Local Government Act 1972.

Update *noted*.

11. DATE AND TIME OF NEXT MEETING

23 July 2018, 14:00, Forth Banks, Training Room 2



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AGENDA ITEM 4

| SOURCE Meeting / date / minute ref. | ACTION | ASSIGNED TO | UPDATE Cleared or update |
|--|---|--------------------|------------------------------------|
| 2/2018 Minute 6i | Further clarity regarding assurance exceptions to be provided at the July JIAC. | A Buckingham | Included within Agenda item 12 |



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Chief Constable of Northumbria Police

Annual Governance Statement

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

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

Scope of Responsibility

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

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

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

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

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

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

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

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

As part of the AGS assurance review an annual assessment to the latest CIPFA Statement (2014) is carried out by the joint CFO and has been reviewed by the Joint Independent Audit Committee. It confirms that the role is complying with the requirements of the Statement. The Police and Crime Commissioner and the Chief Constable are also satisfied that the role is working efficiently, that the responsibilities set out in the Scheme of Governance are being completed effectively and that potential conflicts are subject to continuous review. To date no conflicts have been identified.

The Governance Framework

The governance framework in place throughout the 2017/18 financial year covers the period from 1 April 2017 to 31 March 2018 and any issues which arise up to the date of approval of the annual Statement of Accounts.

This framework comprises the systems, processes, culture and values by which the Chief Constable operates in support of the Police and Crime Commissioner's Governance Framework. Through the application of the Police and Crime Commissioner's framework and Force governance arrangements the Chief Constable is able to both monitor and deliver the objectives of the Police and Crime Plan and the Force 2025 Strategy. Consequently, the Chief Constable is able to provide assurance to the Police and Crime Commissioner that these objectives are leading to the delivery of appropriate and cost-effective policing services which provide value for money, a duty under the Local Government Act 1999.

The system of internal-control is a significant part of the framework and is designed to manage risk to a reasonable and foreseeable level. It cannot, however, eliminate all risk of failure to achieve aims and objectives and therefore only provides

reasonable and not absolute assurance of effectiveness. The system of internal-control is an on-going process designed to identify and prioritise the risks to achieving the Police and Crime Commissioner's and Chief Constable's aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

A copy of the Governance Framework is available on the Police and Crime Commissioner website at [Governance Framework](#) (This is a shortened URL that will take you to the document on the Police and Crime Commissioner website).

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

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the Police and Crime Commissioner's Governance Framework. It is informed by internal assurances on the achievement of the principles set out in the CIPFA/SOLACE Framework (Delivering Good Governance in Local Government - Guidance Notes for Police Authorities 2016 Edition), for those areas where the Chief Constable has responsibility. It is also informed by on-going internal and external audit and inspection opinions.

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

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

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

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

Delivery of the Police and Crime Plan is the responsibility of the Chief Constable. The Strategic Management Board (SMB) is the Force's primary meeting to drive and manage performance and delivery of the Police and Crime Plan, underpinned by a number of Operational Delivery Groups (ODGs), and other boards. The Deputy Chief Constable chairs the Strategic Management Board. Performance is considered in a number of ways: compared to previous years; performance agreed service standards or thresholds and peers (most similar family of forces or nationally); and direction of travel.

Other areas of business are also regularly reported to ODGs, SMB and other boards, in-line with the new Force governance structure, agreed in December 2017. This includes the Strategic Policing Requirement, community consultation and engagement, progress against action plans in response to recommendations and areas for improvement resulting from inspections by Her Majesty's Inspectorate of Constabulary Fire and Rescue Services for England and Wales (HMICFRS) and risk management.

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

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

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

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

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

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

The Chief Constable launched the Northumbria Police 2025 Strategy in March 2018, which clearly outlines our strategic priorities and key enablers. The Northumbria Police vision, mission and values remain unchanged.

Underpinning the Force Strategy is the revised governance structure; this will ensure we have a business framework to help us understand how we are performing and allow us shape what we do.

Further work is currently on-going driven by the Force Improvement Programme (FIP), which aims to ensure we deliver an outstanding service to our communities (especially the vulnerable), both now and in the future. We are reviewing all aspects of our service delivery to look at ways we can work differently, more effectively and more efficiently.

The HMICFRS has issued its fourth PEEL (Police Effectiveness, Efficiency, Legitimacy and Leadership) assessment of the Force. The report can be found here: [PEEL 2017](#).

In summary:

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

Although the 2017 PEEL assessment classified all overall areas with a good assessment, there were identified areas for improvement; however, there were no causes of concern in the reports specific to Northumbria Police.

The Police and Crime Commissioner is responsible for handling complaints and conduct matters in relation to the Chief Constable as well as complying with the requirements of the Independent Office of Police Conduct.

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

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

All strategic decision-making is carried out in accordance with the Police and Crime Commissioner's Governance Framework.

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

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

The Police and Crime Commissioner and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk, whilst reducing the bureaucracy associated with historic practices. Each strategic risk is assigned to a Chief Officer and / or Office of the Police and Crime Commissioner (OPCC) owner, who have responsibility for the management of controls and the implementation of new controls where necessary. The register is

managed at the Chief Constable's Executive Board and presented to the Joint Business Meeting on a quarterly basis. The Joint Independent Audit Committee and the Joint Police and Crime Commissioner / Chief Constable Governance Meeting provide additional scrutiny and governance on a quarterly basis.

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

The Force operates a Performance Development Review (PDR) process. Through the PDR process the Force is able to ensure that the corporate values are reinforced and promoted and that each member of staff has individual objectives which underpin and support the performance of the local policing area or department in which they work as well as their own personal development. In July 2017, the percentage of officers and staff with a live PDR was 47% and this has been increased to 87%. Further work to increase professional development conversations will support the Force in moving towards a learning organisation with a culture of sustained improvement.

A learning and development structure is in place in recognition of the importance of developing the capacity and capability of the workforce. A range of internal training resources, and where appropriate external training events, are provided to continue to build a skilled and resilient workforce. The Force has embedded leadership and development programmes and is in the early stages of developing an approach to talent identification and management all focused on sustained improvement in a supportive environment. This is a key part of the Strategy 2025.

The Northumbria Competency and Values framework was launched in 2017/18. This framework has been designed to incorporate the National Competency and Values framework for policing which sets the standards across all roles in policing as devised by the College of Policing.

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

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Chief Constable's and Police and Crime Commissioner's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of those assets and resources over which the Chief Constable has delegated control.

The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the PCC and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC on a quarterly basis. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the PCC and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2017/18.

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

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

Review of Effectiveness

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

For 2017/18 the review process has been led by the Joint Police and Crime Commissioner/Chief Constable Governance Monitoring Group and considered by the JIAC and has taken account of:

- Governance arrangements.
- An assessment of the role of the CFO in accordance with best practice.
- Senior manager's assurance statements.
- The system of internal audit.
- Risk management arrangements.
- Performance management and data quality.
- Views of the external auditor, HMIC and other external inspectorates.
- The legal and regulatory framework.
- Financial controls, revenue outturn.
- Partnership arrangements and governance.
- Other sources of assurance as appropriate.

Internal Audit Overall Assessment & Independent Opinion

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

During 2017/18, 25 internal audits were completed. Of those completed 18 audits concluded that systems and procedures in place were operating well and seven audits concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness.

Based on the evidence arising from internal audit activity during 2017/18, including advice on governance arrangements, the Police and Crime Commissioner and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

As part of the 2017/2018 audit plan, approved by the Joint Independent Audit Committee, the audit of governance was completed. The audit found systems and controls are operating well and no findings were raised.

Actions from the 2016/17 Statement

There were no actions identified in the 2016/17 Annual Governance Statement.

2017/18 Governance Issues

The review has identified no issues that need to be included within the 2017/18 Annual Governance Statement as actions.

Conclusion

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

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

SIGNED
Chief Constable

SIGNED
Deputy Chief Constable

SIGNED
Director of Finance and IT

Date:

Police and Crime Commissioner for Northumbria

Annual Governance Statement

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

This statement is prepared in accordance with the CIPFA/SOLACE '*Good Governance: Framework*' and explains how the Police and Crime Commissioner for Northumbria's (PCC) has complied with this framework and meets the statutory requirements of regulations.

Scope of Responsibility

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

This statement covers the PCC's own office and the group position of the PCC and the Chief Constable. The PCC and Chief Constable share most core systems of control including: the finance systems, internal policies and processes, the Chief Finance Officer (CFO), internal audit and a Joint Independent Audit Committee (JIAC). Under the PCC's Governance Framework, most of the staff, officers and systems deployed in the systems of internal control are under the direction and control of the Chief Constable. The PCC has oversight and scrutiny of the Chief Constable's delivery including governance, risk management and systems of internal control.

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

The PCC therefore places reliance and requirement on the Chief Constable to deliver and support the governance and risk management processes and the framework described in this statement.

The Chief Constable is also responsible for putting-in-place proper arrangements for the governance of the Force and ensuring that these arrangements comply with the PCC's Governance Framework. In so doing the Chief Constable is ensuring a sound

system of internal control is maintained throughout the year and that appropriate arrangements are in place for the management of risk.

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

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

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

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

As part of the AGS assurance review an annual assessment to the latest CIPFA Statement (2014) is carried out by the joint CFO and has been reviewed by the Joint Independent Audit Committee. It confirms that the role is complying with the requirements of the Statement. The PCC and the Chief Constable are also satisfied that the role is working efficiently, that the responsibilities set out in the Scheme of Governance are being completed effectively and that potential conflicts are subject to continuous review. There are no issues of conflict to report.

The Governance Framework

The governance framework in place throughout the 2017/18 financial year covers the period from 1 April 2017 to 31 March 2018 and any issues which arise up to the date of approval of the annual Statement of Accounts.

The framework is known as the PCC's Scheme of Governance and it comprises the systems, processes, culture and values by which the PCC operates. It enables the PCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services which provide value for money which is a duty under the Local Government Act 1999.

The system of internal-control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot, however, eliminate

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

A copy of the Governance Framework is available on the PCC website at [Governance Framework](#) (This is a shortened URL that will take you to the document on our website).

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

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the PCC's Governance Framework. It is informed by internal assurances on the achievements of the principles set out in the CIPFA/SOLACE Framework (Delivering Good Governance in Local Government - Guidance Notes for Police Authorities 2016 Edition), for those areas where the Chief Constable has responsibility. It is also informed by on-going internal and external audit and inspection opinions.

The PCC's six principles of good governance are:

1. Focusing on the purpose of the PCC, on the outcomes for the community and creating and implementing a vision for the local area.
2. Ensuring the PCC, officers of the PCC and partners work together to achieve a common purpose with clearly defined functions and roles.
3. Good conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management.
5. Developing the capacity and capability of the PCC and officers to the PCC to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

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

The purpose, vision, values, priorities and strategic objectives of the PCC are developed in consultation with the Chief Constable. These are set out in the PCC's Police and Crime Plan 2017-21. This is set around the six local police and crime objectives of:

- Domestic and sexual abuse.
- Putting victims first.
- Effective criminal justice system.

- Reducing anti-social behaviour.
- Cutting Crime.
- Community Confidence.

The Plan also aims to support national policing priorities as set out in the Strategic Policing Requirement.

Delivery of the Police and Crime Plan is the responsibility of the Chief Constable. Performance is monitored at the Strategic Management Board (SMB), underpinned by a number of Operational Delivery Groups (ODGs), and other boards. The PCC and interim Chief of Staff scrutinise progress, along with performance, at a monthly Scrutiny meeting with the Chief Constable and his team.

Fortnightly Joint Business Meetings manage progress on specific issues. At these meetings the PCC and CC challenge performance where there are concerns, seek further information and analysis to understand where changes should be made, and / or direction given, to improve service delivery. A quarterly update on the financial position is presented by the CFO.

The performance management framework, whilst supporting delivery of the plan is refreshed annually to ensure that it focuses on emerging priority area needs and in particular the needs of victims of crime and the vulnerable within our communities.

In April, Northumbria received Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) PEEL inspections findings and these can be accessed at [PEEL 2017](#). All categories received a 'good' assessment rating. In Northumbria, we want to keep raising the bar, making improvements and developing the talent to provide outstanding services to the public.

HMICFRS identified that Northumbria Police has made improvements to its investigations and to how it reduces reoffending since the 2016 inspection, and has a good understanding of the demand it faces and matches its resources to those demands.

The PCC and the CC will ensure that the resources available to Northumbria Police are used in the most effective manner and that the funding settlement from the government meets the needs of local communities. The PCC lobbied the government who were reviewing the funding formula to ensure Northumbria Police funding levels reflect the needs of our communities and will continue to do so in the future.

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

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

The PCC works closely with all six local authorities, in the Force area, and understands the needs in each area from our city centres to the policing needs in rural communities. Northumbria Police work with a range of partners and are represented on partnerships that focus on policing and crime including community

safety partnerships. They are also members of local safeguarding children's boards that work to ensure the safety and wellbeing of children in the area.

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

Collaboration between Forces and other partners is a growing area of business. Governance arrangements are set out in formal collaboration agreements and these are published on the Office of the Police and Crime Commissioner (OPCC) website. Section 22a of the Police Act 1996 (which itself comes from section 5 the Policing and Crime Act 2009) places on the Police and Crime Commissioner and the Chief Constable a duty to publish copies of collaboration agreements to which they are party.

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

The PCC has a comprehensive website that includes:

- Information about the PCC and her office as required by the Specified information Order 2011.
- A Code of Conduct based on the Seven Principles of Public Life published by the Nolan Committee, signed by the PCC.
- The PCC's disclosure of interest document which is updated annually.
- An '*Ethical Checklist*' signed by the PCC committing to standards required by the Committee for Standards in Public in Life.
- A register of the PCC's and the OPCC gifts and hospitality and business expenses.

In accordance with the Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012, the Police and Crime Panel (PCP) make provision regarding the Panel's powers and duties in regard to complaints made about the conduct of the PCC. A procedure for dealing with complaints against the PCC was approved by panel members in February 2013, appointing the Chief Executive (now interim Chief of Staff), of the Office of the Police and Crime Commissioner as the Monitoring Officer. A quarterly report is provided to the Panel by the Monitoring Officer, since November 2012 there have been no complaints against the PCC that have been upheld.

The PCC is responsible for scrutinising the work of Northumbria Police in relation to complaints and conduct matters as well complying with the requirements of the Independent Police Complaints Commission. Professional Standards Department (PSD), provide a report to the Scrutiny Meeting on a quarterly basis outlining information including the volume and nature of complaints, appeal rates and other current issues.

The PCC is responsible for ensuring proper and effective investigation into complaints against the Chief Constable, the Chief Constable is responsible for ensuring proper and effective investigation of complaints against all other officers and staff employed by Northumbria Police.

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

The core purpose of good governance in public services is to ensure public bodies take informed, transparent decisions and manage risk, the PCC has a [Decision Making and Recording Policy](#) that supports these principles. All key decisions that have significant public interest regarding policing, crime and community safety in Northumbria are published on the OPCC website. This ensures trust and confidence in Northumbria Police. To ensure that this fair and effective decision making is carried out in a timely manner decisions are discussed at weekly management meetings.

Over the last few years a number of significant decisions have been made regarding the estate of Northumbria Police. An example of this is the decisions made around the police estate resulting in significant savings. Each decision is subject to formal agreement by the Police and Crime Commissioner based on an options appraisal and taking into account value for money considerations.

The Police Reform & Social Responsibility Act 2011 led to the formation of the PCP to oversee the work of, and support, the PCC in the effective exercise of functions. The Panel is comprised of twelve local authority councillors, two from each of the six authorities in the Northumbria policing area, and two independent members. A relationship protocol between the PCC, Chief Constable and the PCP is in place and this sets out the mutual expectations and responsibilities needed to promote and enhance local policing through effective working relationships of all parties.

The JIAC of the PCC and Chief Constable was established during 2012/13 in line with the requirements of the Home Office's Financial Management Code of Practice and monitors internal control, risk and governance issues relating to both the PCC and Force. This JIAC receives reports of both the internal and external auditors, as well as any other reports required to be referred to it under its established Terms of Reference.

The PCC and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk. Each strategic risk is assigned to a Chief Officer and OPCC owner, who has responsibility for the management of controls and the implementation of new controls where necessary. The register is managed at the Executive Board and presented to the Joint Business Meeting on a quarterly basis.

The JIAC are a major contributor to the Strategic Risk Register and the register is monitored quarterly at both the joint PCC and CC Governance Monitoring Group and the JIAC. All meetings of the JIAC are public and agendas and minutes are published on the PCC website. Independent Members of the Board are volunteers from the local community.

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

There is a Performance Development Review (PDR) process and through this process corporate values are reinforced and promoted. The Chief Constable and members of the PCC staff have objectives which underpin and support the performance of the local policing area, their work and their own personal development.

Objectives are aligned to the Commissioners Police and Crime Plan, supported by the Force 2025 Strategy, which in turn is supported by the Force mission, vision and values.

In particular for police officers, the Northumbria Competency and Values framework was launched in 2017/18. This framework has been designed to incorporate the National Competency and Values framework for police officers and sets the standards across all roles in policing as devised by the College of Policing.

The Force has embedded leadership and development programmes, and is in the early stages of developing an approach to talent identification and management all focused on sustained improvement in a supportive environment. These form a key part of the 2025 Strategy.

Engaging with local people and other stakeholders to ensure robust public accountability

The PCC has operated a comprehensive engagement program during 2017/18 with local, regional and national representation and engagement via the press and through active social media channels and numerous meetings with community groups.

An annual report provides an overview of the Commissioners activity over the year and is available on the OPCC website www.northumbria-pcc.gov.uk.

Through these engagement channels with local communities, the PCC can ensure that the service provided reflects the changing needs of local communities.

Since April 2015, the PCC has been responsible for commissioning services for victims of crime in Northumbria. To do this a core referral and assessment service has been commissioned from [Victims First Northumbria](#) providing emotional and practical support to all victims of crime. In addition, an assessment of the needs of victims of crime identified the predominant profile of vulnerable victims in Northumbria and those most likely to have specialist additional needs to cope and recover, these are categorised into four key victims groups:

- Victims of domestic abuse
- Victims under 18.
- Victims of hate crime.
- Victims with mental health needs and those who are vulnerable due to risk of abuse or repeat victimisation.

Additional services have been commissioned across Northumbria to support these victims of crime.

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

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Chief Constable's and PCC's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of those assets and resources.

The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the PCC and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC on a quarterly basis. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the PCC and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2017/18.

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

- Financial Regulations establish the principles of financial control. They are designed to ensure that the PCC conducts its financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set-out the rules to be followed in respect of contracts for the supply of goods and services.
- Responsibility and accountability for resources rest with managers who are responsible for service provision.
- The PCC has adopted the CIPFA Code of Practice on Treasury Management requiring the PCC to consider, approve and publish an annual treasury management strategy including an annual investment strategy.
- In accordance with the Prudential Code and proper accounting practice the Chief Constable and PCC produce a four year Medium Term Financial Strategy (MTFS), capital programme and prudential indicators. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget, use of reserves and capital programme.
- The MTFS includes provision for inflation, known commitments and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities.
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the PCC and police service and sets out the financial implications of the PCC's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor the financial performance of the PCC.

- The PCC is required to present precept proposals to the PCP for their consideration prior to finalising the budget and precept.
- Capital expenditure is an important element in the development of the PCC's service since it represents major investment in new and improved assets. The PCC approves a four year capital programme each year with the MTFs and monitors its implementation and funding closely at management meetings.
- The PCC approved a balanced budget for 2017/18 with a 5.36% increase in the Council Tax precept. Further savings have been identified along with the use of reserves to balance the budget for the next four years. For 2017/18 there was an overspend on the revenue budget approved for the Chief Constable, primarily as a result of pay awards and unbudgeted costs associated with periods where the national threat level was increased. These consequently increased the call on reserves, reducing the ability to use reserves in future years to support the MTFs. The revised MTFs reflects the change in the forecast reserves position.
- Monthly financial performance reports and quarterly group budget monitoring reports are presented to the Chief Constable's and PCC's Joint Business Meeting and published for wider scrutiny of financial performance by the public. The quarterly reports are '*key decisions*'.
- Performance reports are presented and discussed with the PCC regularly.
- The PCC receives reports from HMIC and will act on recommendations as required.

Review of Effectiveness

The PCC has a responsibility for conducting, at least annually, an evaluation of the effectiveness of the governance framework, including the system of internal audit and system of internal control. This is informed by the internal audit assurance, information gathered from PCC and Chief Constable's senior management, external audit opinions and reviews conducted by other agencies and inspectorates.

For 2017/18 the review process has been led by the Joint PCC/CC Governance Monitoring Group and considered by the JIAC and has taken account of:

- Governance arrangements.
- An assessment of the role of the CFO in accordance with best practice.
- Senior manager's assurance statements.
- The system of internal audit.
- Risk management arrangements.
- Performance management and data quality.
- Views of the external auditor, HMIC and other external inspectorates.
- The legal and regulatory framework.
- Financial controls, revenue outturn.
- Partnership arrangements and governance.
- Other sources of assurance as appropriate.

Internal Audit Overall Assessment & Independent Opinion

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

During 2017/18, 25 internal audits were completed. Of those completed 18 audits concluded that systems and procedures in place were operating well and seven audits concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness.

Based on the evidence arising from internal audit activity during 2017/18, including advice on governance arrangements, the PCC and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

Actions from the 2016/17 Statement

There were no actions identified in the 2016/17 Annual Governance Statement.

2017/18 Governance Issues

The review has identified no issues that need to be included within the 2017/18 Annual Governance Statement as actions.

Conclusion

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

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

SIGNED
Police and Crime Commissioner

SIGNED
Interim Chief of Staff

SIGNED
Chief Finance Officer

Date:

| | |
|--|---------------------|
| JOINT INDEPENDENT AUDIT COMMITTEE | 23 JULY 2018 |
| STATEMENTS OF ACCOUNTS 2017/18 | |
| REPORT OF THE JOINT CHIEF FINANCE OFFICER | |

1. PURPOSE

1.1 This report explains:

- How the regulations to publish the Statements of Account and Annual Governance Statements, subject to audit, have been complied with;
- That the books of account were opened for public inspection as required; and
- The next steps for the authorisation of the Statements.

2. RECOMMENDATION

2.1 The Committee is asked to note the report.

3. BACKGROUND

- 3.1 Under the Police Reform and Social Responsibility Act 2011 (the Act) the Commissioner and Chief Constable are created as two separate corporations sole.
- 3.2 For financial reporting purposes, the Chief Constable is a subsidiary of the Commissioner by virtue of the powers the Commissioner has to govern the financial and operating policies of the Chief Constable.
- 3.3 Two sets of accounts are therefore prepared and published. One set for the Chief Constable and another of the consolidated group position of the Commissioner and her subsidiary.
- 3.4 The Statements of Account (SOA) for the Chief Constable and Police and Crime Commissioner 2017/18 have been prepared in accordance with the Accounts and Audit Regulations 2015 (The Regulations), and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (The Code), issued by CIPFA.
- 3.5 The Statements also include the Annual Governance Statement (AGS) for each corporation sole; an annual assessment of governance arrangements and their effectiveness.
- 3.6 The Local Audit and Accountability Act 2014 implemented changes to the timeframe for the production of the SOA and AGS with effect from 01 April 2017. In summary, these changes required:

- Draft SOA and AGS to be signed and published by 31 May each year; and
 - Final SOA, AGS and the audit opinion to be signed and published by 31 July each year.
- 3.7 In accordance with the revised regulations the draft statements were approved by the Joint Chief Finance Officer on 31 May 2018, published on the respective websites and passed to the external auditor for review.
- 3.8 The books were also open for public scrutiny between 01 June to the 12 July 2018, when interested persons could ask questions, review and take copies of many types of financial records that support the statements. In accordance with the Regulations an advert for the ‘*open book*’ period was published on the websites on 31 May 2018, and must contain the first 10 working days of the month of June. No enquiries were received during the period.
- 3.9 The external audit will be substantially completed before the Joint Independent Audit Committee (JIAC). The draft audit opinion, including the draft Value for Money opinion, will be presented to enable the Committee to bring any issues to the attention of the Police and Crime Commissioner and/or the Chief Constable prior to their authorisation by 31 July 2018.
- 3.10 JIAC will review the Audit Completion Reports elsewhere on the agenda and that will enable them to bring any issues to the attention of the Police and Crime Commissioner and/or the Chief Constable prior to their authorisation by 31 July 2018.
- 3.11 The audited statements, including the external auditors report, will then be re-certified by the Chief Finance Officer and authorised by the Police and Crime Commissioner and Chief Constable on or before 31 July 2018.
- 3.12 The signed Statements will then be published on the websites together with any certificate, opinion, or report issued, given or made by the auditor. A report will also be brought to the next Police and Crime Panel reporting on the conclusion of the audit and the opinion issued.

4. SUMMARY OF CHANGES TO THE STATEMENTS OF ACCOUNT

- 4.1 The findings of the external auditor are provided elsewhere on the agenda within the Audit Completion Reports for both the Chief Constable and the Police and Crime Commissioner.
- 4.2 Only minor changes were made to the draft Statements of Account, primarily disclosure and narrative in nature, with no numeric changes identified.

5. CONSIDERATIONS

| | |
|--|-------------------|
| Freedom of Information | <i>Non-exempt</i> |
| Consultation | Yes |
| Resource | No |
| There are no additional financial considerations arising from this report. | |

AGENDA ITEM 7

| | |
|---|-----|
| Equality | No |
| There are no equality implications arising from the content of this report. | |
| Legal | No |
| There are no legal considerations arising from the content of this report. | |
| Risk | No |
| There are no additional risk management implications directly arising from this report. | |
| Communication | Yes |
| Evaluation | No |



Audit Completion Report

Chief Constable for Northumbria

Year ending 31 March 2018



NORTHUMBRIA
POLICE
Proud to Protect



CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft audit report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Chief Constable are prepared for the sole use of the Chief Constable 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.

Mr W Keenen
Chief Constable, Northumbria Police
Police Force Headquarters
North Road, Ponteland
Newcastle upon Tyne
NE20 0BL

26 July 2018

Dear Mr Keenen

Audit Completion Report – Year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Joint Independent Audit Committee on 19 February 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Signed: {{_es_:signer1:signature}}

Cameron Waddell
Partner
For and on behalf of Mazars LLP

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of the Chief Constable for Northumbria for the year ended 31 March 2018, and forms the basis for discussion at the meeting on 26 July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Chief Constable for Northumbria's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Chief Constable for Northumbria had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 31 August 2018. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Chief Constable for Northumbria and consider any objection made to the accounts. To date we have not received any questions or objections.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Chief Constable for Northumbria in a follow-up letter.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2018. At the time of preparing this report

| Audit area | Description of outstanding matters |
|---------------------------|--|
| Fraud and related parties | Work to examine disclosure of Related parties information currently ongoing, no issues found so far. |
| Pensions | Accuracy of disclosures in main statements has been verified to actuary reports with no issues. Disclosure notes still to be checked for typographical errors and omissions. Further work will be done to ensure the work done by the actuary is reasonable. |
| Audit closure procedures | This includes internal consistency checks, agreeing amendments and post balance sheet events. |

We will provide the Chief Constable with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2018. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £6.101 million using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is [Xm], using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Chief Constable), at £193k based on 3% of overall materiality.



2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit;

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Chief Constable's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Management override of controls

Description of the risk

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.

How we addressed this risk

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.

Audit conclusion

Work is ongoing in this area as at 13 July 2018

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Defined benefit liability valuation

Description of the risk

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.

How we addressed this risk

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:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; and
- 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.

Audit conclusion

Work is ongoing in this area as at 13 July 2018

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the Chief Constable's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Chief Constable's circumstances.

Draft accounts were received from the Chief Constable on 31 May 2018 and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2017/18 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

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.



4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £183k.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2017/18 – None identified as at 13 July 2018

| | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|--------------------------------------|---|------------|---------------|------------|
| | | Dr (£'000) | Cr (£'000) | Dr (£'000) | Cr (£'000) |
| 1 | Dr: Cr: Insert explanation | | | | |
| 2 | Dr: Cr: Insert explanation | | | | |
| 3 | Dr: Cr: Insert explanation | | | | |
| 4 | Dr: Cr: Insert explanation | | | | |

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2017/18 – None identified as at 13 July 2018

| | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|-------|--------------------------------------|--|------------|---------------|------------|
| | | Dr (£'000) | Cr (£'000) | Dr (£'000) | Cr (£'000) |
| 1 | Dr: Cr: Insert explanation | | | | |
| <hr/> | | | | | |
| 2 | Dr: Cr: Insert explanation | | | | |
| <hr/> | | | | | |
| 3 | Dr: Cr: Insert explanation | | | | |
| <hr/> | | | | | |
| 4 | Dr: Cr: Insert explanation | | | | |

Disclosure amendments as at 13 July 2018

The following disclosure amendments were identified and amended during the course of our audit -

- Annual Governance Statement – A disclosure has been added to outline that the Internal Audit service was provided by Gateshead Council. This is now consistent with the disclosure in the PCC's Annual Governance Statement.
- Exit Packages – Note 11 has been updated to accurately reflect the number of departures within each banding.

5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion as to whether the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in his 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.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

| Sub-criteria | Commentary | Arrangements in place? |
|--------------------------|---|------------------------|
| Informed decision making | <ul style="list-style-type: none"> • There is an up-to-date Governance Framework available on the website covering both the Chief Constable and PCC. • 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. • An experienced Chief Constable and PCC management team is in place. • There is regular reporting to the Chief Constable and PCC of both performance and financial information. • 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. | Yes |



5. VALUE FOR MONEY CONCLUSION

| Sub-criteria | Commentary | Arrangements in place? |
|--------------------------------------|---|------------------------|
| Informed decision making (continued) | <ul style="list-style-type: none"> <li data-bbox="355 312 1058 416">• An Annual Governance Statement is prepared, reviewed and challenged by JIAC before being included in the financial statements. <li data-bbox="355 457 1058 520">• An up to date risk register and risk management arrangements are in place and regularly reported to relevant committees. <li data-bbox="355 561 1058 737">• There is a Police and Crime Plan in place for the period 2017 to 2021. The purpose, vision, values, priorities and strategic objectives of the PCC are developed in consultation with the Chief Constable. In turn, the Chief Constable produces the Policing Plan, for which he is responsible, from the Police and Crime Plan. <li data-bbox="355 779 1058 841">• Performance is monitored through a robust framework based around the Chief Constable's Delivery Plan. <li data-bbox="355 882 1058 1017">• An updated Medium Term Financial Strategy (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. <li data-bbox="355 1058 1058 1197">• Alongside the annual budget and MTFS is the comprehensive workforce strategy that includes the recruitment, training and development of officers and police staff whilst continuing to manage necessary change through the prudent use of reserves. | Yes |

5. VALUE FOR MONEY CONCLUSION

| Sub-criteria | Commentary | Arrangements in place? |
|---|---|------------------------|
| Sustainable resource deployment | <ul style="list-style-type: none"> 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. 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. An up to date asset register is in place. 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. A Workforce Strategy is in place that includes recruitment, training and development of officers and police staff. | Yes |
| Working with partners and other third parties | <ul style="list-style-type: none"> Collaboration agreements to which the Chief Constable and PCC are parties to are published on the PCC's website. 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. Areas of collaboration with other police forces and public organisations include: <ul style="list-style-type: none"> Co-locating with partners wherever possible, including fire and rescue services, councils and local community groups; 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); and A collaborative working agreement between the legal teams of Northumbria Police and North Tyneside Council in order to provide advice, support and resilience to one another. The North East Regional Special Operations Unit (NERSOU) collaboration between Northumbria, Durham and Cleveland forces. | Yes |

5. VALUE FOR MONEY CONCLUSION

| Sub-criteria | Commentary | Arrangements in place? |
|---|---|------------------------|
| Working with partners and other third parties | <ul style="list-style-type: none"> ○ The force has a number of collaboration arrangements in place with Durham Constabulary including kennel services, fingerprint enhancement services, public order training and forensic services. ○ Northumbria participates in National Procurement Frameworks which are delivering significant savings on an on-going basis, particularly in areas such as vehicle purchase, ICT contracts and uniform. ○ The force has written procedures for procuring products and services, which are within its Code of Corporate Governance. | Yes |

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.

Overall assessment ('reality check')

Having gathered evidence in each area we have conducted a final 'reality check', which included consideration of our cumulative knowledge of the Chief Constable and, in particular:

- reports by statutory inspectorates, other regulators and external advisors;
- achievement of performance and other targets; and
- Performance against budgets and other financial targets.

We do this to identify anything that would make us reconsider our conclusion.



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Evidence

Auditor assessment

Outputs by statutory inspectorates or other regulators

We considered reports issued by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and other inspectorates during the year which might impact on our conclusion.

This included a review of the 2017 PEEL Effectiveness report which judged Northumbria Police to be 'Good' at the way it effectively, efficiently and legitimately keep people safe and reduce crime.

We also reviewed the 2017 value for money profiles. Based on this review, there were no indicators which would suggest weaknesses in the Chief Constable's arrangements, or any information contrary to our knowledge of the Chief Constable.

Achievement of performance and other targets

Performance is good overall and the 2017 value for money profiles are in line with our knowledge.

However the Chief Constable is working to achieve performance improvements in line with the requirements of the Police and Crime Priorities.

Performance against budgets and other financial targets

Both the Chief Constable and PCC have a history of achieving financial targets.

Our overall Value for Money conclusion

Having completed our assessment, and having carried out a 'reality check', we have concluded that our initial risk assessment remains appropriate and we remain confident in our conclusion that the Chief Constable has adequate arrangements in place for each criterion.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

The Chief Constable for Northumbria - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for the Chief Constable for Northumbria (‘the Chief Constable’) for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Chief Constable’s office you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Chief Constable and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Chief Constable’s financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Chief Constable in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Chief Constable have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Chief Constable has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Chief Constable involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Chief Constable's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Chief Constable's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Chief Constable will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Mike Tait
Chief Finance Officer
Date.....



APPENDIX B

DRAFT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORTHUMBRIA

Opinion on the financial statements

We have audited the financial statements of the Chief Constable for Northumbria for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Northumbria as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Chief Constable for Northumbria is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Conclusion on the Chief Constable for Northumbria's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the Chief Constable for Northumbria has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Chief Constable for Northumbria had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Chief Constable for Northumbria put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable for Northumbria had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Chief Constable for Northumbria

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

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable for Northumbria has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable for Northumbria's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

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

Certificate

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

Cameron Waddell, Partner
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham, DH1 5TS

[Date]

Date

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

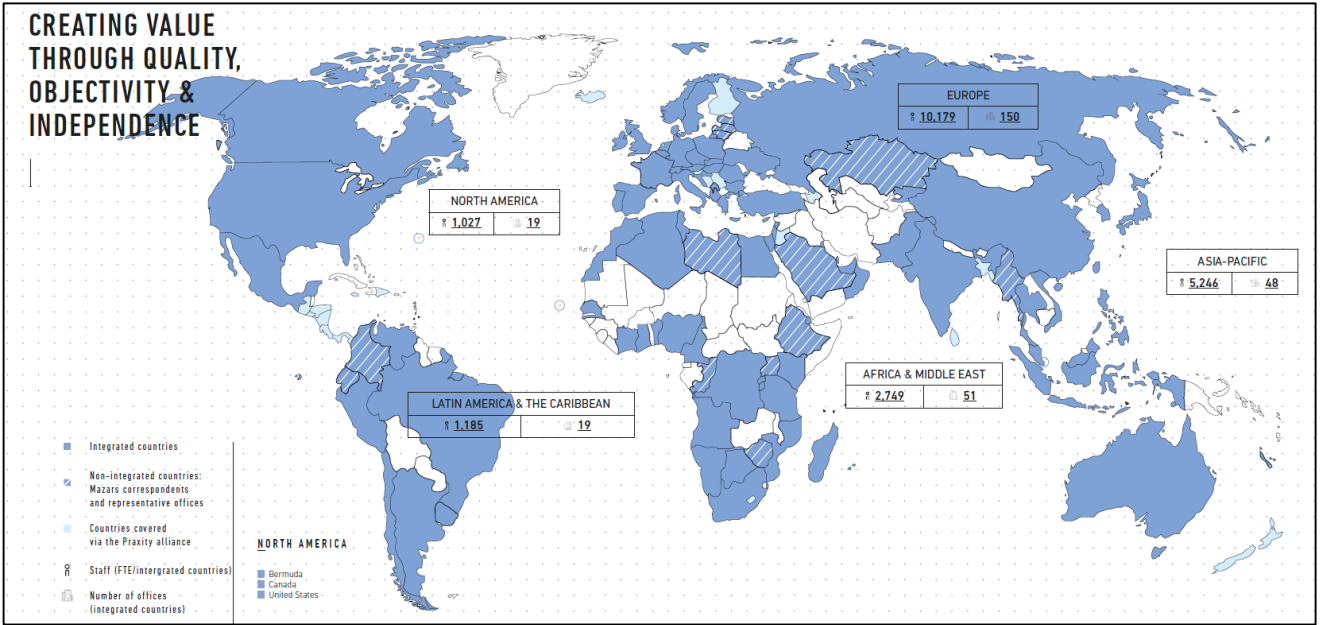
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

MAZARS AT A GLANCE

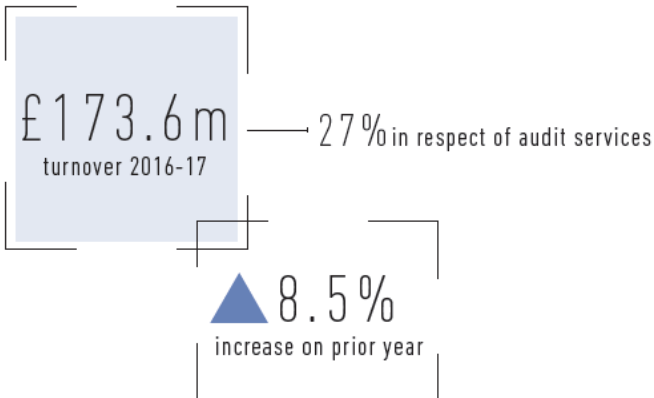
Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
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- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally



Mazars in the UK



As at 31 August 2017

CONTACT

Engagement lead name

Partner

Phone:

Mobile:

Email:

Engagement manager name

Manager / Senior Manager

Phone:

Mobile:

Email:



Audit Completion Report

Police and Crime Commissioner for Northumbria
Year ending 31 March 2018

CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft audit report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Police and Crime Commissioner for Northumbria 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.

Mrs V Baird
Police and Crime Commissioner for Northumbria
Victory House
Balliol Business Park
Newcastle upon Tyne
NE12 8EW

26 July 2018

Dear Mrs Baird

Audit Completion Report – Year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Joint Independent Audit Committee on 19 February 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Signed: {{_es_:signer1:signature}}

Cameron Waddell
Partner
For and on behalf of Mazars LLP

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of the Police and Crime Commissioner for Northumbria ('the PCC') for the year ended 31 March 2018, and forms the basis for discussion at the meeting on 26 July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the PCC's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the PCC had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 31 August 2018. We anticipate reporting that the WGA submission is consistent with the audited financial statements .

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the PCC and consider any objection made to the accounts. To date we have not received any questions or objections.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the PCC in a follow-up letter.

1. EXECUTIVE SUMMARY

Status of our audit work

At the time of preparing this report, the following matters remain outstanding:

| Audit area | Description of outstanding matters |
|------------------------------|--|
| Fraud and related parties | Work to examine disclosure of Related parties information currently ongoing, no issues found so far. |
| Whole of Government Accounts | Completion of the required testing |
| Group reporting | Work required to ensure group statements are consistent with those of the single entity accounts for PCC and CC. |
| Audit closure procedures | This includes internal consistency checks, agreeing amendments and post balance sheet events. |

We will provide the PCC with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2018. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £5.771 million for the PCC, £6.161 million for the Group, using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is [Xm], using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the PCC), at £173k for the PCC, £195k for the Group, based on 3% of overall materiality.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 8 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the PCC's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Management override of controls (relevant to single entity and group accounts)

Description of the risk

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.

How we addressed this risk

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.

Audit conclusion

Work ongoing in this area as at 13 July 2018



2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Revenue recognition (relevant to single entity and group accounts)

Description of the risk

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. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk..

How we addressed this risk

We tested cut off to assess whether transactions were included in the appropriate year. We also carried out analytical review procedures.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Significant risk

Treasury Management (relevant to single entity and group accounts)

Description of the risk

The PCC took a decision to bring the Treasury Management function in-house from January 2018. This change brought with it the potential for a material misstatement in the 2017/18 financial statements. Given the complexity and large volume of significant material cash transactions involved and potential issues, we identified this as a significant risk.

How we addressed this risk

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

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Defined benefit liability valuation (relevant to group accounts only)

Description of the risk

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.

How we addressed this risk

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:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; and
- 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.

Audit conclusion

Work ongoing in this area as at 13 July 2018

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the PCC's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the PCC's circumstances.

Draft accounts were received from the PCC on 31 May 2018 and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2017/18 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

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.



4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £195k.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2017/18 – None identified as at 13 July 2018

| | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|--------------------------------------|--|------------|---------------|------------|
| | | Dr (£'000) | Cr (£'000) | Dr (£'000) | Cr (£'000) |
| 1 | Dr: Cr: Insert explanation | | | | |
| 2 | Dr: Cr: Insert explanation | | | | |
| 3 | Dr: Cr: Insert explanation | | | | |
| 4 | Dr: Cr: Insert explanation | | | | |

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2017/18 - None identified as at 13 July 2018

Comprehensive Income and Expenditure Statement

Balance Sheet

Dr (£'000)

Cr (£'000)

Dr (£'000)

Cr (£'000)

1 Dr:
Cr:

Insert explanation

2 Dr:
Cr:

Insert explanation

3 Dr:
Cr:

Insert explanation

4 Dr:
Cr:

Insert explanation

Disclosure amendments as at 13 July 2018

The following disclosure amendment was identified and amended during the course of our audit -

- Exit Packages (Group only) - Note 6 of the Group Financial Statements has been updated to accurately reflect the number of departures within each banding.

5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion as to whether the PCC has made proper arrangements for securing economy, efficiency and effectiveness in his 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 PCC 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.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

| Sub-criteria | Commentary | Arrangements in place? |
|--------------------------|---|------------------------|
| Informed decision making | <ul style="list-style-type: none"> • There is an up-to-date Governance Framework available on the website covering both the PCC and Chief Constable. • 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. • An experienced PCC and Chief Constable management team is in place. • There is regular reporting to the PCC and Chief Constable of both performance and financial information. • The Police and Crime Panel (hosted by Gateshead Council and independent of both the PCC and Chief Constable) meet 6 times per year and hold the PCC to account. | Yes |

5. VALUE FOR MONEY CONCLUSION

| Sub-criteria | Commentary | Arrangements in place? |
|--------------------------------------|---|------------------------|
| Informed decision making (continued) | <ul style="list-style-type: none"> <li data-bbox="355 312 1058 416">• An Annual Governance Statement is prepared, reviewed and challenged by JIAC before being included in the financial statements. <li data-bbox="355 457 1058 520">• An up to date risk register and risk management arrangements are in place and regularly reported to relevant committees. <li data-bbox="355 561 1058 737">• There is a Police and Crime Plan in place for the period 2017 to 2021. The purpose, vision, values, priorities and strategic objectives of the PCC are developed in consultation with the Chief Constable. In turn, the Chief Constable produces the Policing Plan, for which he is responsible, from the Police and Crime Plan. <li data-bbox="355 779 1058 841">• Performance is monitored through a robust framework based around the Chief Constable's Delivery Plan. <li data-bbox="355 882 1058 1017">• An updated Medium Term Financial Strategy (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. <li data-bbox="355 1058 1058 1197">• Alongside the annual budget and MTFS is the comprehensive workforce strategy that includes the recruitment, training and development of officers and police staff whilst continuing to manage necessary change through the prudent use of reserves. | Yes |

5. VALUE FOR MONEY CONCLUSION

| Sub-criteria | Commentary | Arrangements in place? |
|---|---|------------------------|
| Sustainable resource deployment | <ul style="list-style-type: none"> 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. Both the PCC and Chief Constable 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. An up to date asset register is in place. 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. A Workforce Strategy is in place that includes recruitment, training and development of officers and police staff. | Yes |
| Working with partners and other third parties | <ul style="list-style-type: none"> Collaboration agreements to which the PCC and Chief Constable are parties to are published on the PCC's website. Both the PCC and Chief Constable are aware of the importance of collaboration. This is evidenced in the Collaboration and Partnership Strategy, updated May 2016. Areas of collaboration with other police forces and public organisations include: <ul style="list-style-type: none"> Co-locating with partners wherever possible, including fire and rescue services, councils and local community groups; 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); and A collaborative working agreement between the legal teams of Northumbria Police and North Tyneside Council in order to provide advice, support and resilience to one another. The North East Regional Special Operations Unit (NERSOU) collaboration between Northumbria, Durham and Cleveland forces. | Yes |

5. VALUE FOR MONEY CONCLUSION

| Sub-criteria | Commentary | Arrangements in place? |
|---|---|------------------------|
| Working with partners and other third parties | <ul style="list-style-type: none"> ○ The force has a number of collaboration arrangements in place with Durham Constabulary including kennel services, fingerprint enhancement services, public order training and forensic services. ○ Northumbria participates in National Procurement Frameworks which are delivering significant savings on an on-going basis, particularly in areas such as vehicle purchase, ICT contracts and uniform. ○ The force has written procedures for procuring products and services, which are within its Code of Corporate Governance. | Yes |

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 PCC being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant Value for Money risks.

Overall assessment ('reality check')

Having gathered evidence in each area we have conducted a final 'reality check', which included consideration of our cumulative knowledge of the PCC and, in particular:

- reports by statutory inspectorates, other regulators and external advisors;
- achievement of performance and other targets; and
- Performance against budgets and other financial targets.

We do this to identify anything that would make us reconsider our conclusion.



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Evidence

Auditor assessment

Outputs by statutory inspectorates or other regulators

We considered reports issued by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)) and other inspectorates during the year which might impact on our conclusion.

This included a review of the 2017 PEEL Effectiveness report which judged Northumbria Police to be 'Good' at the way it effectively, efficiently and legitimately keep people safe and reduce crime.

We also reviewed the 2017 value for money profiles. Based on this review, there were no indicators which would suggest weaknesses in the PCC's arrangements, or any information contrary to our knowledge of the PCC.

Achievement of performance and other targets

Performance is good overall and the 2017 value for money profiles are in line with our knowledge.

However the PCC is working to achieve performance improvements in line with the requirements of the Police and Crime Priorities.

Performance against budgets and other financial targets

Both the PCC and Chief Constable have a history of achieving financial targets.

Our overall Value for Money conclusion

Having completed our assessment, and having carried out a 'reality check', we have concluded that our initial risk assessment remains appropriate and we remain confident in our conclusion that the PCC has adequate arrangements in place for each criterion.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Police and Crime Commissioner for Northumbria - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for Police and Crime Commissioner for Northumbria ('the Commissioner) and Group for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Commissioner's office you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Treasurer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all relevant meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Commissioner and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Commissioner and Group in making accounting estimates, including those measured at fair value, are reasonable.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Commissioner and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Commissioner and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Treasurer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Commissioner and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Commissioner and Group's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Commissioner and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Commissioner and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Mike Tait
Treasurer
Date.....



APPENDIX B

DRAFT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR NORTHUMBRIA and Group

Opinion on the financial statements

We have audited the financial statements of the Police and Crime Commissioner for Northumbria (PCC) and Group for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the PCC and Group Movement in Reserves Statements, the PCC and Group Comprehensive Income and Expenditure Statements, the PCC and Group Balance Sheets, the PCC and Group Cash Flow Statements, the Group Pension Fund Accounts and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Northumbria as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Executive summary

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money conclusion

Appendices

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of the Treasurer Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Police and Crime Commissioner for Northumbria is informed of the intention for dissolution without transfer of services or function to another entity. The Treasurer is responsible for assessing each year whether or not it is appropriate for the Police and Crime Commissioner for Northumbria to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Conclusion on the Police and Crime Commissioner for Northumbria's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Northumbria has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Police and Crime Commissioner for Northumbria had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Police and Crime Commissioner for Northumbria put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner for Northumbria had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Police and Crime Commissioner for Northumbria

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

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner for Northumbria has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner for Northumbria's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

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

Certificate

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

Cameron Waddell, Partner
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham, DH1 5TS

Date

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

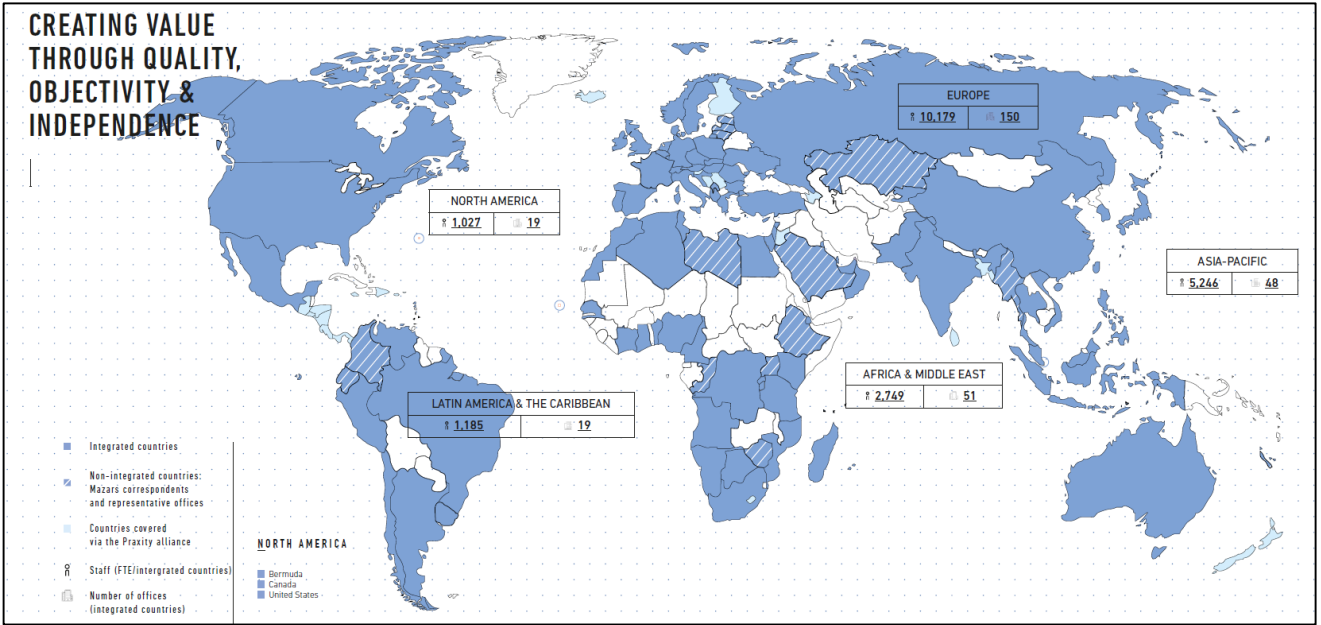


MAZARS AT A GLANCE

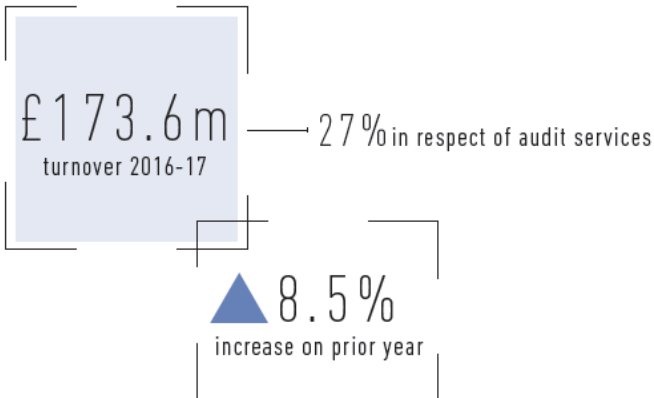
Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally



Mazars in the UK



As at 31 August 2017

CONTACT

Engagement lead name

Partner

Phone:

Mobile:

Email:

Engagement manager name

Manager / Senior Manager

Phone:

Mobile:

Email:

| | |
|--|---------------------|
| Joint Independent Audit Committee | 23 July 2018 |
| Summary of Recent External Inspection Reports | |
| Paul Godden, Head of Corporate Development Department | |

1. 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 report was published by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) on the 28th June 2018:

[National Child Protection Inspections – Northumbria Police](#)

- 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 project 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 There are no matters of exception for the current reporting period for existing action plans in response to previous inspections.

National Child Protection Inspections – Northumbria Police

- 2.6 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.
- 2.7 HMICFRS found a clear commitment to protecting children and good engagement with partner safeguarding agencies from across the six local authorities. Progress in implementing multi-agency safeguarding approaches across the force area, to improve the quality and consistency of the referral and assessment process was recognised.
- 2.8 There were also examples of good work by individual frontline officers, responding effectively to incidents of concern involving children. Specialist officers and staff responsible for managing child abuse investigations were found to be knowledgeable, committed and motivated.

- 2.9 However, there were inconsistencies in the quality of information recorded on police systems such as investigation details, safeguarding measures, and onward planning, and the use of multiple systems for recording was considered inefficient and not supportive for the development of effective protective plans.
- 2.10 Seven recommendations have been made including an immediate review of how information is shared and the development of joint protective plans; and the recording on police systems of decisions reached at meetings, to provide officers and staff with the awareness of all relevant developments.
- 2.11 Other recommendations relate to improving practices in: cases of children who go missing from home; child sexual exploitation investigations; recording of information; provision of the registered intermediary services for children; and the timeliness of adequate appropriate adult support for children who are arrested.
- 2.12 No grading is applied to the inspection.
- 2.13 Within six weeks of the publication of the report, an update must be provided to HMICFRS of the steps taken by the force in acting upon the immediate recommendation made. In addition, an action plan must be provided to specify how the force intends to respond to the other recommendations made in the report.
- 2.14 Subject to the updates and action plan, HMICFRS will revisit the force no later than six months after the publication of the report to assess how it is managing the implementation of all the recommendations.
- 2.15 An action plan and updates in response to the recommendations will be presented to the Joint Business Meeting of the Chief Constable and PCC on 26th July 2018 prior to submission.

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 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.
- 6.2 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.

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.

| | |
|--|---------------------|
| Joint Independent Audit Committee | 23 July 2018 |
| Joint Strategic Risk Register | |
| Report of Paul Godden, Head of Corporate Development Department | |
| Author: Jill Coleman, Corporate Development Department | |

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 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 (JBM) between the PCC and the Chief Constable on a quarterly basis. The Joint Independent Audit Committee (JIAC) and the Joint PCC/ Chief Constable Governance Group provide additional scrutiny and governance on a quarterly basis. A formal annual review, as part of the business planning cycle, will be conducted again during January to March 2019.
- 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 Register

- 2.6 The key business 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

- 2.8 One risk has been updated in terms of 'Summary of Controls'.

Risk 15 – Failure to achieve ISO/IEC 17025 accreditation for digital device examination and impact on digital forensic examinations

2.9 The Digital Forensics Unit (DFU) infrastructure is in place. Work continues towards the first stage of ISO 17025 accreditation for digital forensics. Initial assessment in the Imaging of Computer and Removable Media conducted by the United Kingdom Accreditation Service (UKAS), confirmed "Recommended for Grant of Accreditation."

2.10 Further areas in Digital Forensics still to be fully documented include:

- 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.

2.11 These areas require validating and assessment by UKAS; it is planned that these areas will be included within the 2018 UKAS visit.

2.12 The Force is fully connected with the NPCC lead and is making satisfactory progress/ mitigating risk.

2.13 Likelihood remains as medium (3) and impact as medium (3).

New Risks

2.14 Additional risks have been added in relation to:

Risk 7 – Service failures with the regional contract for the provision of Interpreting Services

2.15 Service failures with the regional contract for the provision of Interpreting Services have been identified. An initial assessment of the likelihood and impact highlighted this as a significant risk; likelihood assessed as medium (3) and impact high (4).

2.16 Controls including scheduled meetings with representatives from Durham and Cleveland Constabularies, consultation with the Crown Prosecution Service (CPS) and national working group, case tracking and a full audit of qualifications held by registered interpreters are now in place.

2.17 Procurement of a new contract is expected to complete Autumn 2018.

2.18 The likelihood of the risk is now assessed as low (2), and impact as high (4) resulting in an overall medium risk assessment.

Risk 23 – Reductions in Grant Funding

2.16 Reductions in national funding or changes in the Funding Formula will reduce the resources available to the PCC for Policing.

2.17 Controls include actively participating in national discussions and, where possible, lobbying the Home Office and politicians.

2.18 Likelihood has been assessed as low (2) and impact medium (3).

3. CONSIDERATIONS

| | |
|---|------------|
| Report Exemption | Non-exempt |
| Consultation | Yes |
| Consultation was undertaken with risk owners within the Force and with the Office of Police and Crime Commissioner. | |
| Resource | No |
| There are no resource implications arising from this report. | |
| Equality | No |
| There are no equality implications arising from this report. | |
| Legal | No |
| There are no legal implications arising from this report. | |
| Risk | Yes |
| A risk management process and procedure is in place to effectively manage risks which have the potential to adversely affect the delivery of the Police and Crime Plan and strategic objectives of the Force. | |
| Communication | No |
| There are no communication requirements arising from this report | |
| Evaluation | No |
| There are no evaluation requirements arising from this report. | |

| 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 Interim Chief of Staff |
| 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 | |
| 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 a 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 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. | 6 | Likelihood 2 Impact 3 | ACC Citizen Focus / ACC Local Policing | Police and Crime Commissioner and Interim Chief of Staff |

| 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 | Responding to the Public - Operational Delivery Group | 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. | 10 | Likelihood 5 Impact 2 | ACC Citizen Focus | Police and Crime Commissioner and Interim Chief of Staff |
| 7 | Operational | Protecting Vulnerable People Operational Delivery Group | NEW - 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 | 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. | 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). 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). Periodic review of Training Profiles, monitoring and ensuring compliance with training programmes (SRB). 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. Equality Board Action Plan. | 8 | Likelihood 2 Impact 4 | Director of People and Development | 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 |
|-----|-------------------|--------------------------------|---|--------------|---|--|-----|----------------------------------|------------------------------------|--|
| 9 | 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. | 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. Attendance management and monitoring of adverse sickness absence trends. Monitoring of ill-health dismissals (Force Health Management Group / SRB). | 8 | Likelihood 2 Impact 4 | Director of People and Development | Police and Crime Commissioner |
| 10 | 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 | Litigation, legal action and/ or prosecution of the Force and / or individual staff. Reputational consequences, in addition to associated costs of dealing with litigation. Negative impact on workforce. | Health and Safety Management system utilising 'Plan, Do, Check, Act' model to ensure compliance with legislation. Access to competent Health and Safety advice. Health and Safety training profile applied in place to support supervision in effectively managing risk. Health and Safety investigations and the review of critical incidents ensures lessons learned are identified and embedded (Confidence and Standards Board). 7 point plan in place for investigative approach (assaults against staff) agreed by Chief Constable and Northumbria Police Federation. Clear reporting mechanism is now in place for use of force. Risk management approach in place whereby review of all civil claims received (DCC and PCC). Adverse trends reported (Confidence and Standards Board). Effective media management. | 8 | Likelihood 2 Impact 4 | Deputy Chief Constable | Police and Crime Commissioner and Interim Chief of Staff |
| 11 | Public Confidence | Confidence and Standards Board | Death in custody/death or serious injury following police contact. | Ongoing Risk | Litigation, legal action and/or prosecution against the Force and/or individual officers. Negative impact on employees. Reputational impact on confidence in Northumbria Police. | Health and Safety Management system. Risk Assessments. Safety checks. Role specific training. Critical Incident Review Process ensures lessons learned are identified and embedded. Healthcare provision. 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. Electronic Custody records are in place. Digital wipe boards utilised in custody suites. The Investigation - Operational Delivery Group provides oversight for Custody related matters. Ongoing implementation of HMIC Custody Inspection recommendations. Adoption of the 'National Strategy for Police Custody' into all on-going Continuous Professional Development (CPD) training and within the Custody Action Plan. Effective media management. Family liaison support. | 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 |
|-----|--------------------------|---|--|--|--|--|-----|----------------------------------|-------------------------|--|
| 12 | 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 Interim Chief of Staff |
| 13 | 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 Interim Chief of Staff |
| 14 | 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 Interim Chief of Staff |
| 15 | 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. Continued work towards the first stage of ISO 17025 accreditation for digital forensics. Confirmation of "Recommended for Grant of Accreditation" following assessment in the Imaging of Computer and Removable Media conducted by the United Kingdom accreditation Service (UKAS). 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. Further 2018 UKAS visit: 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 |
|-----|--------------------------|------------------------------|---|--|--|--|-----|----------------------------------|----------------------------|--|
| 16 | Regulation and Standards | Confidence and Standards | 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 Interim Chief of Staff |
| 17 | Regulation and Standards | Information Management Board | Failure to comply with the requirements of the General Data Protection Regulation | OPCC and Force preparedness for the General Data Protection Regulation. February 2018 | Failure to comply with all aspects of the regulations may result in regulatory action being taken by the Information Commissioner's Office (ICO) which could result in a substantial monetary penalty. 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 GDPR Working Group has been established to ensure readiness and compliance with regards to the regulations. A Project Plan emulating the ICO's "12 Steps to Readiness" has been implemented and is being followed with key timescales identified. Actions include: 1. Appointment of a Force Data Protection Officer (DPO). 2. Identification of data held across the organisation in order to formulate a centralised data asset register. 3. Privacy Impact Notices are to be formalised with a governance process implemented to ensure on-going compliance. 4. Processes that require consent are being identified, reviewed and where necessary data amended or deleted. 5. Individual rights in terms of consent and right to prevent processing are being reviewed with formal governance being implemented. 6. Existing procedures in respect of Data Breaches is being reviewed to ensure required actions set out in the Regulations are met. 7. The working group is working with the NPCC to ensure that formal training is made available to all staff and officers. 8. Oversight provided at Information Management Board. 8. Governance in respect of logging data, international transfers and the processing of extremely sensitive data is being implemented. | 12 | Likelihood 3 Impact 4 | Director of Finance and IT | Interim Chief of Staff |
| 18 | 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 | Interim Chief of Staff and 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 |
|-----|-----------|----------------------------|---|--|--|---|-----|----------------------------------|----------------------------|--|
| 19 | 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 | Interim Chief of Staff and Chief Finance Officer |
| 20 | 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 |
| 21 | Financial | Strategic Resourcing Board | Financial Risks arising as a result of exit from European Union | Continued Financial uncertainty as a result of exit from the European Union. April 2018 | Investments and Borrowing – fewer counterparties to invest with if creditworthiness falls below standards, lower interest rates and lower return on deposits. Offset by potentially lower borrowing costs for refinanced debt. Pension Fund – Lower bonds rates could impact on pension deficit and increase contribution requirements. Demand Pressures – arising from cut backs by other local authorities or partners impacted by reduced income e.g. business rates. Inflation – the weaker Pound could create inflationary pressures on goods, services and wages. Sale of Assets – Delays to the sale or reduction in valuations. Government Grant Funding reduced if UK economy underperforms. | Engage with partners and/or contractors to understand how Brexit affects their risks and any shared risks. 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. Assess any impact of the risk assessment on the assumptions used to generate the Medium Term Financial Strategy. Report the economic picture to the Joint Independent Audit Committee and OPCC Business Meeting as part of Treasury Management reporting arrangements. Update strategic and operational plans as decisions are made. | 9 | Likelihood 3 Impact 3 | Director of Finance and IT | Interim Chief of Staff and Chief Finance Officer |
| 22 | Financial | OPCC Business Meeting | Failure to dispose of the former HQ site as valued within the MTFS. | Extending period to dispose of HQ site and other estate assets. Ongoing Risk | Unnecessary maintenance, security or loss, or damage to property / physical assets leading to increased costs. Loss of capital receipt. Potential significant impact on the MTFS capital and revenue budgets that could result in: 1. A shortfall of funding and overspend beyond the MTFS period. 2. Requirement to borrow to fund the capital programme. 3. Requirement to borrow to meet funding shortfall. 4. Possible breach of agreed borrowing limits. | Estates Strategy regularly refreshed. OPCC and Joint Business Meetings regularly updated. Monthly monitoring of the sale process and review of valuations. Regular forecasting and monitoring of the Prudential Code authorised borrowing limits and of the impact on timing of receipt of capital receipts. With regard to disposal of the HQ site, a completion plan is now in place supported by a full financial appraisal which takes account of completion before or after 31 March 2018. | 8 | Likelihood 2 Impact 4 | Director of Finance and IT | Police and Crime Commissioner and Interim Chief of Staff |
| 23 | Financial | OPCC Business Meeting | NEW - 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. | Actively participate in National discussions on Police Funding through PACCTS and NPCC. Wherever possible lobby the Home Office and politicians on funding for Northumbria, including multi-year settlements to enable effective budget planning. | 6 | Likelihood 2 Impact 3 | Director of Finance and IT | Police and Crime Commissioner and Interim Chief of Staff |

| 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 |
|-----|---------------------------|----------------------------|--|--------------|--|---|-----|----------------------------------|--|--|
| 24 | Infrastructure and Assets | Strategic Resourcing Board | Ineffective delivery of the Force Estates Strategy. | Ongoing Risk | Unnecessary refurbishment of existing freehold properties where alternative options exist. Potential impact on MTFS capital and revenue budgets. 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 | Business Case to be prepared prior to refurbishment of each property to be agreed by OPCC. Estates delivery programme monitored by Strategic Resourcing Board. | 3 | Likelihood 1 Impact 3 | Director of Finance and IT | Police and Crime Commissioner and Interim Chief of Staff |
| 25 | 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 | Business Continuity Plans. Contingency planning and testing of plans in partnership with key agencies. Estates Strategies. ICT Strategy. BT review of 999 services. Uninterrupted Power Supply' is fitted at key sites to protect ICT equipment from damage. Availability of remote access devices. 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. 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. | 6 | Likelihood 2 Impact 3 | ACC Protective Services and Director of Finance and IT | Police and Crime Commissioner and Interim Chief of Staff |
| 26 | Infrastructure and Assets | Strategic Resourcing Board | Estate risks around electrical and gas safety, water hygiene, asbestos containing materials and fire safety. | Ongoing Risk | Injury to building users. Litigation and civil claims. Negative impact on employees. Closure of buildings leading to major disruption and business continuity issues. | Policies and procedures in place. Fire risk assessments are in place for all properties occupied by OPCC. 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. Regular maintenance of fire alarms and emergency lighting is undertaken in accordance with BS5839 and BS5266. Regular evacuation tests and policing of 'housekeeping issues'. Periodic inspection and test in accordance with Electricity at Work Act 1980 and BS7671 with remediation of priority 1, 2 and 3 defects. Water Hygiene risk assessment in accordance with ACOP L8 with resultant hygiene maintenance. 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. Regular maintenance of gas equipment in accordance with manufacturers instructions. Health and Safety management. | 8 | Likelihood 2 Impact 4 | Director of Finance and IT | Police and Crime Commissioner and Interim Chief of Staff |

| 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 | 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 Interim Chief of Staff |
| 28 | 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 Interim Chief of Staff |

| 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 | 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 |
| 30 | 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. | Community Safety. Northumbria Police, Tyne and Wear Fire & Rescue Service & Northumberland Fire & Rescue Service have signed a Joint Strategic Intent document. Northumbria Police, Durham Constabulary, Cleveland Police & North East Ambulance Service have an agreed Joint Standard Operating Procedure for response and attendance at ambulance related incidents. Joint Collaboration Strategic Board and Joint Collaboration Delivery Group with membership from Police, OPCC, Fire, NEAS, Fire Authority. Effective partnership agreements including robust governance, financial controls in place and monitored via Community Safety Partnerships and OPCC Scrutiny. Safeguarding Safeguarding Department continue to develop multi-agency collaborative working with partners including the formation of Multi- Agency Safeguarding Hubs. Specialist Policing Services 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). | 8 | Likelihood 2 Impact 4 | ACC Local Policing | Police and Crime Commissioner and Interim Chief of Staff |
| 31 | 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. | Information Management Board. Delivery of ICT Strategy. Crime validation and audit processes, as part of the Crime Data Integrity Audit Plan. | 6 | Likelihood 2 Impact 3 | Deputy Chief Constable | Police and Crime Commissioner and Interim Chief of Staff |

Overview of Joint Strategic Risk Register

| | |
|---------------------------------|---|
| Strategy | |
| 1. | Failure to deliver against objectives set out in the Police and Crime Plan. |
| Operational | |
| 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 and a lack of integrated planning. |
| 6. | Failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget. |
| 7. | NEW – Service failures with the regional contract for the provision of Interpreting Services |
| Workforce | |
| 8. | Insufficient resources, in terms of capacity and capability (skills), to meet current or future policing demands. |
| 9. | Insufficient resources, in terms of capacity and capability (health and wellbeing), to meet current or future policing demands. |
| Public Confidence | |
| 10. | Litigation, legal action and/or prosecution of the Force and/ or individuals by former officers or staff members. |
| 11. | Death in custody/death or serious injury following police contact. |
| 12. | Other adverse or critical incident, as a result of police action or omission. |
| 13. | Corrupt behaviour by an officer or police staff member. |
| 14. | Ineffective response to complaints or service recovery. |
| Regulation and Standards | |
| 15. | Failure to achieve ISO/IEC 17025 accreditation for digital device examination and impact on digital forensic examinations. |

| | |
|--------------------------------------|--|
| 16. | Force/ OPCC or an associated individual acts in a discriminatory way. |
| 17. | Failure to comply with the requirements of the General Data Protection Regulation. |
| Financial | |
| 18. | Further cuts to Home Office Police Grant Funding. |
| 19. | Failure to manage annual budget. |
| 20. | Reduced effectiveness of Treasury Management. |
| 21. | Financial Risks arising as a result of exit from European Union. |
| 22. | Failure to dispose of the former HQ site as valued within the MTFS. |
| 23. | NEW - Reductions in Grant Funding |
| Infrastructure and Assets | |
| 24. | Ineffective delivery of the Force Estates Strategy. |
| 25. | Major disruption to use of key buildings, facilities or other assets and resources. |
| 26. | Estate risks around electrical and gas safety, water hygiene, asbestos containing materials and fire safety. |
| 27. | The loss or inappropriate disclosure of sensitive data or information. |
| Information Technology | |
| 28. | Ageing IT infrastructure and implementation of future strategy. |
| 29. | A malicious intent to compromise information systems or access information or data. |
| Collabortaion and Partnership | |
| 30. | Inability to maximise the opportunities from collaboration. |
| Information and Evidence | |
| 31. | Data quality affecting business and operational decision making and compliance with national standards. |

| | | | | | | | | | | |
|---------------------|----------------------|----------------|-------------------|-----------------|----------------------|----|----|----|---|----|
| Likelihood | VERY HIGH (5) | | 6 | | | | | | | |
| | HIGH (4) | | | | | | | | | |
| | MEDIUM (3) | | | 12 | 15 | 21 | 17 | | | |
| | | | | 28 | | | | | | |
| | LOW (2) | | | 3 | 4 | 5 | 1 | 7 | 8 | 16 |
| | | | 23 | 25 | 31 | 9 | 10 | 11 | | |
| | | | | | | 13 | 22 | 26 | | |
| | | | | | | 27 | 29 | 30 | | |
| VERY LOW (1) | | 2 | | 20 | 24 | 14 | 19 | | | |
| | VERY LOW (1) | LOW (2) | MEDIUM (3) | HIGH (4) | VERY HIGH (5) | | | | | |

Impact

| | |
|--|---------------------|
| JOINT INDEPENDENT AUDIT COMMITTEE | 23 JULY 2018 |
| TREASURY MANAGEMENT ANNUAL REPORT 2017/18 | |
| REPORT OF THE JOINT CHIEF FINANCE OFFICER | |

1. Purpose of the Report

- 1.1 The report asks the Committee to review the Treasury Management Annual Report 2017/18 as attached at Appendix A and approve it for presentation to the Police and Crime Commissioner (PCC).

2. Recommendation

- 2.1 The Committee is asked to review the Treasury Management Annual Report 2017/18 and approve it for presentation to the PCC.

3. Background

- 3.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the Code) requires the Commissioner to receive a Treasury Management Annual Report on borrowing and investment activity by 30 September each year. This report meets this requirement and informs the Commissioner of Treasury Management activity during 2017/18.
- 3.2 During the year responsibility for Treasury Management was transferred from Gateshead Council to Northumbria Police Finance Department. The transfer took place on 3 January 2018 and therefore this report covers the period 1 April 2017 to 2 January 2018 under Gateshead Council, and 3 January 2018 to 31 March 2018 under Northumbria Police.

4 Summary

- 4.1 The Treasury Management Annual Report 2017/18 is attached at Appendix A. The key highlights are as follows:
- Borrowing costs were under budget due to borrowing being taken at lower interest rates than estimated and the deference in external borrowing being taken by using existing internal cash resources.
 - Investment income received was higher than budget, reflecting the increase in base rate in November 2017 increasing returns on investments.
 - We have complied with our financial regulations and all prudential indicators were within the limits set for the year.

5. CONSIDERATIONS

| | |
|--|-------------------|
| Freedom of Information | <i>Non-exempt</i> |
| Consultation | Yes |
| Resource | No |
| There are no additional financial considerations arising from this report. | |
| Equality | No |
| There are no equality implications arising from the content of this report. | |
| Legal | No |
| There are no legal considerations arising from the content of this report. | |
| Risk | No |
| There are no additional risk management implications directly arising from this report. | |
| Communication | 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) by 30 September each year. | |
| Evaluation | No |

Treasury Management Annual Report 2017/18

The Strategy for 2017/18

1. The 2017/18 Treasury Management Policy Statement and Strategy was approved by the Joint Independent Audit Committee on 27 February 2017 for presentation to the Police and Crime Commissioner (PCC). The key decision was approved by the PCC on 09 March 2017.
2. The formulation of the 2017/18 Treasury Management Strategy involved determining the appropriate borrowing and investment decisions with the prime objective of safeguarding assets and secondary objectives of managing liquidity, obtaining a reasonable rate of return on investments and minimising the costs of borrowing.
3. The Treasury Management Strategy fully complied with the requirements of The Chartered Institute of Public Finance and Accountancy Code of Practice on Treasury Management and covered the following:
 - Prospects for interest rates.
 - Treasury limits set for prudential indicators.
 - The borrowing strategy.
 - The investment strategy.

Investment Strategy

4. Investments are managed in-house using counterparties listed in an approved lending list consistent with the agreed Treasury Management Strategy. Investments are placed over a range of periods and are dependent on the assessed security of the counterparty, the liquidity requirements of the cash flow, actual interest rates and expectations of movements in interest rates.
5. The expectation for interest rates within the Treasury Management Strategy for 2017/18 anticipated the Bank Rate being maintained at 0.25% during the 2-year period to March 2019, during which time the UK would be negotiating terms for withdrawal from the EU. Tentative increases of 0.25% were forecast in both quarter 2 and quarter 3 for 2019/20 bringing forecast the Bank Rate to 0.75% by December 2019. The Strategy noted the potential for the pace and timing of increases in Bank Rate to be brought forward, particularly if domestically generated inflation (e.g. from UK wage increases), were to emerge.
6. The Treasury Management Strategy was to adopt caution in the management of the 2017/18 treasury operations. The interest rate market was monitored to allow the CFO to adopt a pragmatic approach to any changing circumstances, having delegated powers to invest and manage the funds and monies of the Commissioner.

7. During 2017/18, longer term PWLB rates were volatile but with little overall direction, whereas shorter term PWLB rates were on a rising trend during the second half of the year.

Borrowing Strategy

8. The borrowing strategy for 2017/18 was:
 - Consider the use of short term borrowing as a bridge until capital receipts are received.
 - Consider the use of market loans which are at least 20 basis points below the PWLB target rate, where they become available.
 - Consider the use of PWLB loans where rates fall below Link Asset Services trigger rates, where required, with preference given to terms which ensure a balanced profile of debt maturity.
 - Utilise reserve and General Fund balances to limit the requirement for new borrowing, reducing investment balances rather than increasing external borrowing in order to minimise interest costs.
 - Maintain a flexible strategy in order to allow decisions on borrowing to be taken which balance cost savings with the mitigation of refinancing risks.
9. The early repayment of debt was not considered to present value for money during 2017/18, as the cost of premiums payable on the early repayment of debt continue to outweigh any potential savings on refinancing.

Treasury Management Compliance with Risk Strategy

10. The primary objective is to ensure the security of funds and minimise risks, including counterparty and interest rate risks. An Internal Audit review of the treasury management function in November 2017 gave the opinion that it was 'Operating Well'.

Outturn 2017/18 – Performance Measurement

11. 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 to the Joint Business Meeting (JBM). The outturn against the prudential indicators confirms that all indicators were operating within agreed limits with no breaches throughout the year. For completeness a copy of the prudential indicators is attached at Appendix 1.
12. There was one occasion of the exceedance of the combined Money Market Fund (MMF) investment limit of £25.000m in January 2018. Whilst individual fund balances were within limits set by individual counterparty, the total across the 5 MMFs was above the combined limit set out in the Investment Strategy Statement. The largest daily MMF investment across that period was £27.910m. The issue arose due to surplus funds being available as a result of additional borrowing taken at the start of the month to provide financial resilience during the first month of the in-house service provision. An additional process was added to the daily banking assessment to show all

individual and group counterparty balances and highlight any potential exceedance before investment transfers are authorised.

External Advisers

13. Link Asset Services (previously Capita Asset Services) have continued to be used as external treasury management advisers to assist in achieving the objectives set out in the Treasury Policy Statement and Strategy and provide access to specialist skills and resources.

Market Interest Rates

14. Performance must be considered in conjunction with actual rate movements over the financial year which were as follows:

- **Shorter-term interest rates**

On 2 November 2017 the Bank Rate was raised from 0.25% to 0.50% and stayed at that level for the remainder of the year. Market expectations for increases in Bank Rate shifted considerably during the second half of 2017-18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.

- **Longer-term interest rates**

During the 2017 calendar year there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. Market expectations that the MPC would be heading in the direction of imminently raising Bank Rate rose significantly in the autumn, following modest UK economic growth during the second half of 2017. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%.

The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected.

PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. The 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4.

Investment Performance

15. The main focus for treasury management in 2017/18 has continued to be ensuring the security of investments whilst generating a reasonable rate of return. Due to the difference between the cost of borrowing and investment interest, cash balances have continued to be used to temporarily fund the capital programme. This has resulted in savings on the cost of borrowing and reduced credit risk as the investment portfolio has reduced.
16. A continued use has been made of a range of investment instruments in order to maintain flexibility, spread risk, maximise liquidity and obtain attractive

interest rates. The use of money market funds and notice reserve accounts, with high rated banks, has maintained the security of funds and enhanced the rate of return on investments.

17. A summary of the year's activity is shown at Appendix 2. The total interest earned in the year, was £0.048m (2016/17 £0.078m) with an average interest rate of 0.31% (2016/17 0.43%). The investment interest earned was an increase of £0.019m against the original budget of £0.029m. The increase in Bank Rate from 0.25% to 0.50% on 2 November 2017 helped boost investment returns in the last 5 months of the financial year.
18. The overall return on investments of 0.31% exceeds the accepted benchmark rate (the 7-day London Interbank Bid Rate (LIBID)) of 0.18%. The LIBID is used as a benchmark as it is linked to the base rate and provides a publically available national comparator. By actively managing our temporary investments, seeking the best rates and utilising spare capacity in certain accounts we have maximised the interest earned whilst operating within the constraints of the approved Treasury Management Policy.

Heritable Bank

19. The former Police Authority had a deposit of £5.238m invested in Heritable Bank, a wholly owned subsidiary of Icelandic Bank, Landsbanki, when it entered administration in October 2008. The full deposit in Heritable was due to mature by the end of 2008/09 with interest.
20. As at 31 March 2018, total dividends of £5.194m (98.00p in the £) have been received, reflecting no further dividend in 2017/18. The balance of the investment sum outstanding is therefore £0.044m.
21. The most recent update from the administrators, Ernst and Young, in March 2018, confirmed the detail of all dividends received to date and advised that no further dividend is expected until the administrators conclude their work. Ernst and Young intend to report further on this matter during 2018/19.

Borrowing Performance

22. The total borrowing at 31 March 2018 was £106.885m, which was within the operational borrowing limit of £145.000m. This is a net increase of £7.420m from the opening balance of £99.465m, represented by £82.000m new borrowing and repayments of £74.580m. The new borrowing was taken as follows:

| Date | Term | Amount | Interest Rate | Source |
|------------|---------|---------|---------------|-------------|
| 03/04/2017 | 24 days | £4.000m | 0.50% | Market Loan |
| 13/04/2017 | 85 days | £5.000m | 0.35% | Market Loan |
| 21/04/2017 | 77 days | £5.000m | 0.35% | Market Loan |
| 24/04/2017 | 74 days | £5.000m | 0.30% | Market Loan |
| 02/05/2017 | 66 days | £4.000m | 0.30% | Market Loan |
| 02/05/2017 | 66 days | £1.500m | 0.30% | Market Loan |

| | | | | |
|------------|------------|--------------|-----------------|-------------|
| 02/05/2017 | 66 days | £1.500m | 0.30% | Market Loan |
| 01/06/2017 | 34 days | £3.000m | 0.20% | Market Loan |
| 03/07/2017 | 7 days | £1.000m | 0.17% | Market Loan |
| 22/11/2017 | 226 days | £6.000m | 0.58% | Market Loan |
| 22/11/2017 | 226 days | £2.000m | 0.58% | Market Loan |
| 22/11/2017 | 226 days | £2.000m | 0.58% | Market Loan |
| 22/12/2017 | 196 days | £10.000m | 0.62% | Market Loan |
| 03/01/2018 | 184 days | £10.000m | 0.62% | Market Loan |
| 31/01/2018 | 8 days | £6.000m | 0.40% | Market Loan |
| 28/02/2018 | 7 days | £3.000m | 0.50% | Market Loan |
| 28/02/2018 | 16 days | £3.000m | 0.55% | Market Loan |
| 31/08/2017 | 48.0 years | £5.000m | 2.30% | PWLB |
| 22/03/2018 | 46.5 years | £5.000m | 2.33% | PWLB |
| | | Total | £82.000m | |

23. The use of reserve and General Fund balances to limit the requirement for new borrowing has continued to deliver savings in 2017/18, reducing investment balances rather than increasing external borrowing in order to minimise interest costs.
24. The average borrowing interest rate at 31 March 2018 was 3.29% compared to 3.45% at 31 March 2017. This reflects the short term/low rate borrowing taken in 2017/18, the repayment of PWLB loans at higher interest rates and new PWLB borrowing secured at low rates of 2.30% / 2.33%.
25. The use of temporary short term borrowing is delivering savings in the short term but carries potential interest rate risk, if rates rise and there is a requirement to re-finance.
26. At 31 March 2018, £71.885m of the total borrowing was from the PWLB with the remaining £35.000m taken from market loans.
27. The overall revenue cost of borrowing in 2017/18 was £2.991m. This was £0.138m less than the budget. Forecast new PWLB borrowing was secured at rates lower than budget, and despite the increase in the Bank Rate in November 2017 average short term rates have remained within the budget set at 0.60%.

Debt Restructuring and Repayment

28. Due to the differential between current and historic interest rates it was anticipated that there would be little scope to restructure PWLB debt. This situation was monitored throughout the year and the cost of early repayment continues to outweigh any savings, therefore there was no early redemption or restructuring of debt.

Summary of Treasury Management performance for the year 2017/18

29. Investment income was £0.019m over budget reflecting the increase in base rate in November 2017 increasing the return on investments.
30. Borrowing costs were £0.138m less than the budget. Despite the increase in the Bank of England base rate in November 2017, average short term temporary borrowing rates have remained within the budget set at 0.60%. The Commissioner has continued to take advantage of low cost temporary borrowing rates and to maximise the use of internal borrowing available through reserve balances and capital receipts.
31. Overall Treasury Management performance against budget for 2017/18 generated a saving of £0.157m as summarised in the following table:

| | 2017/18 Budget £m | 2017/18 Actual £m | 2017/18 Saving £m |
|---------------------|----------------------------------|----------------------------------|----------------------------------|
| Cost of Borrowing | 3.129 | 2.991 | (0.138) |
| Investment Income | (0.029) | (0.048) | (0.019) |
| Net Position | 3.100 | 2.943 | (0.157) |

Prudential Indicators 2017/18

| Authorised Limit for External Debt | | |
|---|--|---------------------------------------|
| | 2017/18 Reported Indicator £m | 2017/18 Maximum YTD £m |
| Borrowing | 170.000 | 114.465 |
| Other Long Term Liabilities | 0.000 | 0.000 |
| Total | 170.000 | 114.465 |

| Operational Boundary for External Debt | | |
|---|--|---------------------------------------|
| | 2017/18 Reported Indicator £m | 2017/18 Maximum YTD £m |
| Borrowing | 145.000 | 114.465 |
| Other Long Term Liabilities | 0.000 | 0.000 |
| Total | 145.000 | 114.465 |

| Limit on Fixed and Variable Interest Rates Exposure | | | | |
|--|--|----------|-----------------------------------|--------------------------|
| | 2017/18 Reported Indicator £m | | 2017/18 Outturn £m | |
| Fixed Rate | Max | 129.465 | Actual Max | 98.020 112.070 |
| | Min | (13.561) | Min | 38.963 |
| Variable | Max | 9.446 | Actual Max | 0.000 0.000 |
| | Min | (20.000) | Min | (10.000) |
| All within agreed limits (Max and Min YTD) | | | | |

| Upper / Lower Limits for Maturity Structure of Fixed Rate Borrowing | | | | |
|--|---------------------------------------|------------------------|------------------------------|------------------------|
| | 2017/18 Reported Indicator | | 2017/18 Outturn | |
| | Upper Limit | Lower Limit | Actual Percentage | Maximum YTD |
| < 1yr | 70.00% | 0.00% | 33.60% | 41.57% |
| 1 -2 yrs | 60.00% | 0.00% | 4.68% | 7.00% |
| 2 – 5 yrs | 60.00% | 0.00% | 4.68% | 7.00% |
| 5 – 10yrs | 65.00% | 0.00% | 9.36% | 20.99% |
| 10 yrs > | 80.00% | 0.00% | 47.68% | 63.95% |
| All within agreed limits | | | | |

| Upper Limit on amounts invested beyond 364 days | | | |
|--|--|-----------------------------------|---------------------------------------|
| | 2017/18 Reported Indicator £m | 2017/18 Outturn £m | 2017/18 Maximum YTD £m |
| Investments | 15.000 | 0 | 0 |

Investment Activity

| Investments maturing during the year | | |
|---|----------------|----------------|
| | 2016/17 | 2017/18 |
| Number of investments made in the previous year, maturing in the reporting year | 1 | 0 |
| Number of investments made in the reporting year, maturing in the reporting year | 1,245 | 643 |
| Total number of investments maturing in the reporting year | 1,246 | 643 |
| Number of investments made in reporting year, maturing in the following year | 0 | 0 |

| Average duration of investments | | |
|---|----------------|----------------|
| | 2016/17 | 2017/18 |
| Average duration of investments (including overnight) | 1 day | 1 day |
| Average duration of investments (excluding overnight) | 47 days | 51 days |

| Summary of non-specified investments | | |
|---|----------------|----------------|
| | 2016/17 | 2017/18 |
| Non-specified investments: | | |
| Rated non-high | | |
| Approved limit | 75% | 75% |
| Maximum level invested | 23% | 0% |
| Not Rated | | |
| Approved limit | 0% | 0% |
| Maximum level invested* | 6% | 29% |
| Investments over 364 days | | |
| Approved limit | 20% | 20% |
| Maximum level invested | 0% | 0% |

*The *Not Rated* investment relates to the impaired balance with Heritable Bank. The balance has not changed over the 2 year period shown, however its value relative to total investments can vary on any particular day. The 29% level represents the position on 4 July 2017 when overall investment balances were only £0.152m, prior to receipt of the Home Office pension top-up grant the following day.

Gross Debt and Capital Financing Requirement (CFR)

| Gross Debt and CFR | 2017/18 Estimate £m | 2017/18 Outturn £m |
|---|---------------------------|--------------------------|
| Borrowing as at 31 March | 101.885 | 106.885 |
| Capital Financing Requirement as at 31 March | 102.244 | 101.387 |
| Amount of Borrowing (over) / under CFR | 0.359 | (5.498) |

Actual borrowing as at 31 March 2018 is above CFR by £5.498m. This relates to short term temporary borrowing taken at the year end to cover the cash flow position and anticipated working capital deficit. In addition the borrowing is within the CFR estimates projected for the next two years to 2019/20, in line with the Code of Practice.