

# **JOINT INDEPENDENT AUDIT COMMITTEE**

**MONDAY, 22 JULY 2019, 14:00**

**MEETING TO BE HELD IN TRAINING ROOM 2  
NEWCASTLE CITY CENTRE POLICE STATION  
FORTH BANKS**

## **AGENDA**

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

- 1. INTRODUCTION**
- 2. DECLARATION OF INTEREST**
- 3. MINUTES OF JOINT INDEPENDENT AUDIT COMMITTEE 13 MAY 2019**
- 4. MATTERS ARISING**
- 5. JIAC ANNUAL REPORT**  
Report of JIAC Chair  
(*Paper attached*)
- 6. ANNUAL GOVERNANCE STATEMENTS 2018/19 (PCC & CC)**  
Reports of Head of Finance  
(*Paper attached*)
- 7. STATEMENTS OF ACCOUNT**  
Report of Head of Finance  
(*Paper attached*)
- 8. EXTERNAL AUDIT – MAZARS AUDIT COMPLETION REPORTS (PCC & CC)**  
Report of External Auditor  
(*Paper attached*)
- 9. SUMMARY OF RECENT EXTERNAL INSPECTION REPORTS**  
Head of Corporate Development  
(*Paper attached*)
- 10. JOINT STRATEGIC RISK REPORT JULY 2019**  
Head of Corporate Development  
(*Paper attached*)
- 11. TREASURY MANAGEMENT ANNUAL REPORT 2018/19**  
Head of Finance  
(*Paper attached*)

**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.

<b>Agenda item number</b>	<b>Paragraph of Schedule 12A to the Local Government Act 1972</b>
13	7
14	7
15	7
16	7



**VERA BAIRD**  
POLICE & CRIME COMMISSIONER



**NORTHUMBRIA  
POLICE**

**NORTHUMBRIA POLICE MINUTES**

<b>Title</b>	<b>Meeting Number</b>
Joint Independent Audit Committee (JIAC)	02/2019

<b>Date</b>	<b>Location</b>	<b>Duration</b>
13 May 2019	Meeting Room 2 Forth Banks	14:15-16:00

**Present:**

<b>Committee Members:</b>	N Mundy P Angier J Guy P Wood	Chair
<b>Officers:</b>	D Best M Tait P Godden K Laing	Deputy Chief Constable Joint Chief Finance Officer Head of Corporate Development Department Head of Finance Department
<b>Invitees:</b>	R Bowmaker C Waddell R Rooney	Internal Audit, Gateshead Council Partner, Mazars Governance and Planning Coordinator (Secretary)
<b>Apologies:</b>	K Amlani J Dafter R Durham	Committee Member Senior Manager, Mazars OPCC Chief of Staff and Monitoring Officer

**I. INTRODUCTION**

The Chair opened the meeting, and provided apologies for absentees. Congratulations were given to A Buckingham on the birth of her daughter. N Mundy highlighted recent news concerning the Police and Crime Commissioner (PCC) for Northumbria stepping down from her role; D Best advised the implications of this are not yet known, however will be worked through once a clearer picture is available.

**2. DECLARATION OF INTEREST**

J Guy highlighted she is a member of the Police and Crime Panel, querying whether the declaration is required at each meeting. N Mundy advised it may be prudent to create a current declaration of interest pro-forma for completion by members.

**Agreed:**

- **To facilitate creation, and sharing of a declaration of interest document ahead of the July JIAC.**

**Action: M Tait**

**3. MINUTES OF PREVIOUS MEETING HELD ON 25 FEBRUARY 2019**

Minutes were agreed as a true and accurate record.

**4. MATTERS ARISING**

**I/2019 Minute 9**

P Godden advised the risk referenced within the action has now been removed from the Joint Strategic Risk Register following annual review.

**Update noted.**

**5. ANNUAL GOVERNANCE STATEMENT (AGS) 2018/19**

**a. Senior Managers' Assurance Statements**

The Senior Managers' Assurance Statements were presented. J Guy queried partial assurance provided from a manager in relation to improving performance monitoring and management. P Godden explained this is relevant to one particular area of business. R Bowmaker shared the process for collating findings for the assurance statements. N Mundy gave praise to the Force position identified through the Senior Manager Assurance Assessments.

**Update noted.**

**b. Review of the Effectiveness of Internal Audit**

R Bowmaker presented the report, highlighting the next Public Sector Internal Audit Standard (PSIAS) external assessment is due to commence in October. C Waddell noted the assessment process focusses on the standards of internal audit, identifying whether Gateshead Council adheres to said standards. This will be reported to Gateshead Audit Committee in 2020; C Waddell recommended a copy of the report should be made available to Northumbria Police. N Mundy highlighted the good result of the review.

**Agreed:**

- *To arrange receipt of PSIAS external assessment report upon completion.*

**Action: M Tait**

**c. Internal Audit Annual Report 2018/19**

R Bowmaker provided an outline of the Internal Audit Annual Report, highlighting of the 27 planned audits, final reports have been issued for 24 of these, with one further at draft report stage; of these 24, two resulted in two final reports being issued. As such, a total of 26 final reports have been issued. R Bowmaker confirmed two IT audits will be carried forward into the current year; these have been factored appropriately into scheduling. N Mundy commented on the improved level of assurance provided by internal audit, and passed on thanks to those involved in the completion of audits.

**Update noted.**

**d. Corporate Risk Management – Annual Report**

P Godden provided an overview of the management of strategic risk. He highlighted in the last 12 months to March 2019, five new risks have been added to the register, and one has been removed.

**Update noted.**

**e. Performance and Data Quality Assurance – Annual Report**

P Godden provided an overview of the arrangements in place for performance management and data quality. He advised since previous reporting, there have been no substantial changes required to which members should be made aware.

N Mundy queried to what extent Northumbria Police participates in big data, to which P Godden stated big data forms part of the work carried out by the Force Transformation Programme. N Mundy additionally queried the use of Artificial Intelligence (AI) within Force; D Best confirmed whilst certain Northumbria Police processes use algorithms, the use of AI will be considered when appropriate.

**Update noted.**

**f. Legal and Regulatory Assurance**

M Tait presented the report, noting direct assurance had been taken from Legal Services during its completion. N Mundy thanked M Tait for the suite of assurances provided.

**Update noted.**

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

M Tait outlined the report, confirming there continues to be no ethical or professional reasons why he cannot remain in the role of Joint CFO. J Guy queried how many other police forces have a Joint CFO and the process for identifying any possible conflicts of interest. M Tait advised CIPFA guidance contains a code of ethics to which the Force must abide.

**Update noted.**

**h. Other Assurance**

K Laing presented the report, noting other assurance work completed to support the review of the AGS. P Angier thanked K Laing for the appendix highlighting the Force governance and decision making structure, corroborated by N Mundy who noted the structure chart is a useful tool to identify how decision making fits together.

P Angier queried the role of the Ethics Advisory Group within the structure. D Best provided an overview of the Ethics Advisory Group, explaining it is a by-product of the Confidence and Standards Board where the ethics of particular situations are discussed and advice provided to the initial enquirer. He stated work is ongoing to ensure the Group is used effectively, but informed members that ethical issues are highlighted via a variety of innovative platforms to officers and staff.

J Guy requested further clarity concerning the internal audit of partnership arrangements. K Laing confirmed all partnership arrangements are subject to a S22a agreement.

**Update noted.**

**6. EXTERNAL AUDIT – MAZARS AUDIT PROGRESS REPORT**

C Waddell presented the audit progress report, advising work is on track, with no exceptional reporting to provide to the JIAC at this time. N Mundy advised he intends to attend the Local Audit Quality Forum meeting.

**Update noted.**

**7. SUMMARY OF RECENT EXTERNAL INSPECTION REPORTS**

P Godden provided members with details of recent external inspection reports in the previous quarter, and an overview of all action plans in response to the findings of Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

Concerning Living in fear – the Police and Crown Prosecution Service (CPS) response to harassment and stalking, J Guy queried if progress updates to Scrutiny would take into consideration any relevant findings from the Alice Ruggles Domestic Homicide Review (DHR). D Best confirmed findings from additional reports are added to the master stalking and harassment action plan where appropriate.

P Wood sought clarity on the Force response to fraud following the Fraud: Time to Choose report. D Best provided assurance Northumbria Police operations Operation Signature which aims to provide a better response to vulnerable victims of fraud.

N Mundy queried progress made against the National Child Protection Inspection. P Godden confirmed good progress was made by Safeguarding Department in the interim between the initial inspection and the post-inspection review; HMICFRS identified a number of steps taken to address recommendations. D Best advised a number of outstanding actions rely on fixes to IT systems in order to be completed, but a positive trajectory is reported.

**Update noted.**

**8. JOINT STRATEGIC RISK REPORT MAY 2019**

P Godden presented the Joint Strategic Risk Register (JSRR) advising it is the product of a recent annual review; this review resulted in the removal of a treasury management risk, the consolidation of a number of risks, and the removal of six risks. P Godden confirmed all existing risks were reviewed as part of this process.

Members discussed discrepancies between ICT issues identified as a risk, and the narrative provided within the Senior Managers Assurance Statement which states there is unanimous agreement amongst senior managers that effective controls are in place concerning ICT systems used by area commands and departments with no identified area for improvement.

M Tait stated Northumbria Police currently operate a number of legacy systems not best placed to maximise emerging technologies; contracts are in place to replace these systems over the next 18 months. D Best commented there is internal awareness of the ongoing work concerning updates to systems; as such, senior managers may be less likely to note ineffective systems within assurance statements. N Mundy advised the Annual Governance Statement (AGS) ought to provide commentary of ongoing ICT work.

D Best provided further clarity concerning ICT related risks, noting Emergency Service Network (ESN) risks are national issues, however there is necessity to acknowledge these at a local level.

J Guy queried the impact rating assigned to risk number 3; failure to provide an effective police response to a critical incident and/or deliver continuity of service. She suggested this should be revised from medium to high impact. Additionally, N Mundy suggested including an interim risk concerning governance as a result of the PCC stepping down from her role.

Concerning Brexit, D Best provided N Mundy with assurance that the Force has a good understanding of its potential impact.

**Agreed:**

- ***To ensure both future Senior Manager Assurance Statements and the current draft AGS make reference to the updating of legacy systems.***
- ***To consider amending risk 3 from medium to high impact.***
- ***To consider the inclusion of a short term risk relating to the PCC and governance arrangements.***

**Action: M Tait / P Godden**

**9. EXCLUSION OF THE PRESS AND PUBLIC – EXEMPT BUSINESS**

The press and public were excluded from the meeting.





**AGENDA ITEM 4**

<b>SOURCE</b> Meeting / date / minute ref.	<b>ACTION</b>	<b>ASSIGNED TO</b>	<b>UPDATE</b> Cleared or update
<b>2/2019</b> <b>Minute 2</b>	To facilitate creation, and sharing of a declaration of interest document ahead of the July JIAC.	M Tait	<b>Complete.</b>
<b>2/2019</b> <b>Minute 8</b>	To ensure both future Senior Manager Assurance Statements and the current draft AGS make reference to the updating of legacy systems.	M Tait	<b>Complete.</b>
<b>2/2019</b> <b>Minute 10</b>	To reference the sample size audited in future reporting.	R Bowmaker	<b>Complete.</b>



<b>Joint Independent Audit Committee</b>	<b>22 July 2019</b>
<b>JIAC Annual Report 2018 - 2019</b>	
<b>Report of: Neil Mundy , Chairman of Joint Independent Audit Committee</b>	

## **1. Introduction**

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

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

This report provides the PCC and CC with a summary of the Committee's activities in the financial year 2018/19. It also seeks to provide assurance that the Committee has fulfilled its terms of reference, and added value to the overall governance arrangements that were in place for both the PCC and the CC.

I wish to express profound thanks on behalf of the Committee to John Cooke who retired from his role as Chairman on 23<sup>rd</sup> July 2018. We all greatly appreciate his outstanding work as Chairman of the JIAC since its inception, and offer him our very best wishes for the future.

The Committee wishes to record its gratitude to all of the Officers of the PCC and CC who have attended JIAC throughout the year. The Finance and Corporate Development teams have supported the work of the Committee so well during the year, and along with the Internal Audit, External Audit have assisted the Committee to fulfil its role.

Thank you to fellow JIAC members for their wise advice and invaluable support throughout this year.

## **2. Committee Membership and Attendance.**

The members of the Committee during the year were as detailed in the table over the page, along with their attendance record.

		No of Meetings	% Attendance
Chairman	John Cooke MBE (To 23 <sup>rd</sup> July 2018)	2	100
	Neil Mundy (From 19 <sup>th</sup> Nov. 2018)	2	100
Vice Chairman	Neil Mundy (To 19 <sup>th</sup> Nov. 2018)	2	100
Members	Kushil Amiani	3	75
	Philip Angier	3	75

## **AGENDA ITEM 5**

	Janet Guy (From 25 <sup>th</sup> Feb. 2019)	2	100
	Peter Wood	4	100

### **3. Meetings**

The Committee met on 4 occasions during the financial year with the meeting on 13<sup>th</sup> May 2019 to review financial, audit and governance performance for 2018/19. Meetings are open to the press and public with minutes being published on the PCC website.

During the year, there were appropriate informal meetings with officers of the PCC and CC, Internal and External Auditors to ensure that their work programmes met agreed deadlines, and to provide an opportunity to comment and raise any issues of concern.

### **4. Risk Management.**

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

- Escalation and de-escalation of identified strategic risks.
- Additional strategic risks arising during the year and the likely effect to the organisation.
- Deletions of risks, which are deemed no longer to have a strategic relevance.
- In each case, a full explanation is provided for any change of risk status.

The Strategic Risk Register is aligned with the corporate Proud to Protect agenda.

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

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspections, and internal audit reports on areas such as business continuity; cyber security; financial and treasury management have provided further assurance. The assurances of the Executive, together with triangulation of the risk register, with both internal and external audit reports, has provided reasonable assurance to the JIAC that strategic risks are managed effectively.

### **5. External Audit**

By the date of the meeting, Mazars LLP will have completed the external audit for 2018/19 for both the PCC and CC.

The Audit Completion Reports for the financial year 2018/19 will be presented to the Committee on 22 July 2019, setting out the audit outcomes. The proposed reports show there were no specific matters which Mazars felt should be brought to the attention of the Committee, and provide an unqualified audit opinion on the Financial Statements for both the PCC and the CC.

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

The audit was completed by the required date without compromising the quality or integrity of the audit. The Committee congratulates all involved in meeting ever more challenging time scales.

## **6. Internal Audit**

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

The Annual Internal Audit Plan is determined after an assessment of the risks associated with the various activities of the PCC and CC. The Committee agrees the audit plan supporting the risk management process. This ensures that internal audit activity supports and provides appropriate assurance to Mazars.

During the year the Committee has monitored progress against the Annual Internal Audit Plan receiving summaries of all completed internal audit reports setting out the findings, recommendations and updates on actions taken by management where necessary. The Committee has challenged in some reports the sample size and scope within individual audits. The Committee has received in those cases assurances on their efficacy or has prompted a review.

### **Audit Plan 2018/19**

Audits Planned	Audits Completed	Audits deferred to following year	Audit Reports Issued *	Operating Well	Satisfactory	Requires Improvement
27 (25)	25 (25)	2 (0)	27 (25)	23 (17)	4 (8)	0 (0)

Note: \* For 2 of the planned audits, 2 separate reports were issued relating to individual business areas.

( ) Relates to 2017/18 audit outcomes.

The Committee noted that:

- There was a significant improvement in the percentage of those areas operating well in comparison to previous years.
- There were no in-year investigations.
- The Committee was satisfied with the reports it received.

## **7. Corporate Governance**

In reviewing the draft Annual Governance Statements which accompany the Financial Statements the Committee takes into consideration the following:

- **Senior Managers' Assurance Statements**  
Report of the Internal Audit Manager

- **Review of the Effectiveness of Internal Audit**  
Report of the Internal Audit Manager
- **Internal Audit Annual Report**  
Report and opinion of the Internal Audit Manager
- **External Audit Report**  
Report and opinion of the External Auditor
- **Corporate Risk Management - Annual Report**  
Report of the Head of Corporate Development
- **Performance and Data Quality Assurance - Annual Report**  
Report of the Head of Corporate Development
- **Self-assessment of the Chief Finance Officer**  
Report of the Joint Chief Finance Officer
- **Legal and Regulatory Assurance**  
Report of the Chief of Staff and Joint Chief Finance Officer

Recommendations for additions in the draft statements are made, and have been accepted, to enable the Committee to recommend adoption.

## **8. Treasury Management**

The Committee is required to monitor and approve Treasury Management policies and strategy. With effect from January 2018 Treasury Management was taken in-house.

Link Asset Services (formerly: Capita Treasury Management) are retained as treasury service advisers.

The Treasury Management Strategy is agreed annually and reviewed during the year. Challenge is provided on borrowing and the timing of redemptions to ensure that the best use of reserves is made. The Committee has monitored progress throughout the year and are pleased to report that Treasury Management is operating well and within the agreed limits.

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

A self-assessment of the Committee's competencies was carried out in May 2019 and the following were highlighted:

- The Committee were operating well and fully meet the terms of reference. They demonstrate the necessary skills, knowledge and experience to perform their function.
- Where additional knowledge is required, both the PCC and CC representatives are able and willing to provide the necessary briefing/training.
- Support for the work of the Committee comes from the Joint Chief Finance Officer and his Team, Chief of Staff to the PCC, and the Deputy Chief Constable, which has greatly assisted the Committee in its work.

**10. JIAC Membership and Development**

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

The Committee welcomed Janet Guy as a new member to the Committee, appropriate training and briefings are being arranged to ensure she is fully able to contribute to discussions.

**11. Recommendation**

The Committee is recommended to consider, comment on and note the above report and agree it as an appropriate summary of the activities of the Committee for financial year 2018/19. The report will be amended to include any changes arising from the meeting of the Committee on 22 July 2019.

Neil Mundy

**Chairman of Joint Independent Audit Committee**





# 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 2018/19 financial year covers the period from 1 April 2018 to 31 March 2019 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. 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 Police and Crime Commissioner has published a Police and Crime Plan for the period 2017 to 2021. The plan was developed following extensive consultation with local people about their views of policing and community safety, and sets out the police and crime priorities for the area.

Delivery of the Police and Crime Plan is the responsibility of the Chief Constable. Northumbria Police has a governance and decision-making structure which supports leadership, at all levels, in the effective and efficient conduct of business. It enables the Force to deliver the Police and Crime Plan, maintaining high levels of performance and service delivery at a time of continuing financial challenge. The Force's Strategic Management Board (SMB), chaired by the Deputy Chief Constable, is the Force's primary meeting to drive and manage performance and delivery of the Police and Crime Plan. This Board is underpinned by a number of Operational Delivery Groups (ODGs) and other boards. Performance is considered in a number of ways: compared to previous years; against 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. 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.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services carry out an annual PEEL (Police Effectiveness, Efficiency, Legitimacy and Leadership) Assessment of Police Forces in England and Wales. Forces are assessed on their effectiveness, efficiency and legitimacy based on inspection findings, analysis and Her Majesty's Inspectors' (HMIs) professional judgment across the year. The findings for Northumbria Police for 2018 are expected to be published in autumn 2019.

## **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 Chief Constable; 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 operate a Joint Business Meeting, which meets regularly, 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. 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 Office of the Police and Crime Commissioner is responsible for handling complaints and conduct matters in relation to the Chief Constable as well as scrutinising the force's approach to the investigation of all other complaints and conduct matters.

The Professional Standards Department (PSD) within Northumbria Police reports directly to the Deputy Chief Constable. It is the purpose of PSD to promote public confidence through upholding high standards, deterring misconduct and influencing individual and organisational behaviour. Governance around the performance of PSD, trends in complaints or conduct matters and lessons learned is provided by the Confidence and Standards Board. The board is chaired by the Deputy Chief Constable and ensures that the provision of services is based on insight and engagement and considers aspects of legitimacy concerned with the use of police powers and decision making.

The Independent Office for Police Conduct (IOPC) scrutinise the performance of PSD with regards the quality and timeliness of decisions and investigations. Performance meetings are held between PSD, the Regional Director of the IOPC and Oversight Liaison (IOPC North East) on a quarterly basis.

Northumbria Police also has an Ethics Advisory Group comprising internal and external members, with links to the Regional Ethics Group. The Advisory Group ensures that the way Northumbria Police applies its working practices is ethical and legitimate. It also considers any highlighted ethical dilemmas, contributing as appropriate to the revision of force policies and procedures.

## **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. Through regular meeting the Chief Constable is subject to the oversight and scrutiny of the Police and Crime Commissioner.

The Police and Crime Commissioner and Chief Constable have established a Joint Independent Audit Committee (JIAC). 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 challenge 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. Each strategic risk is assigned to a Chief Officer/Director 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 reported at the Force's Executive Board and managed by 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 increased to 87% in both 2018 and 2019. 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 has restructured the people services function to enable a more coherent 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 Police and Crime Commissioner 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 Police and Crime Commissioner and Chief Constable, based on the work undertaken by the Internal Audit Service throughout 2018/19.

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 the Force manages Finance, Human Resources, 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.

- In line with the Prudential Code and Financial Management Code of Practice the Chief Constable and Police and Crime Commissioner produce annually a Treasury Management Strategy, Capital Strategy and an Annual Reserves Strategy Statement. These are reviewed throughout the year and inform monitoring and future planning.
- 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 a responsibility to ensure, at least annually, that an evaluation of the effectiveness of the governance framework, including the system of internal audit and system of internal control is undertaken. 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 2018/19, 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.

From the review of effectiveness no issues were identified as governance issues, which required disclosure within this Annual Governance Statement. For the senior manager's assurance statements, each area of responsibility was assessed using a standard governance questionnaire. All areas returned compliant to each of the questions, with one exception relating to data quality and performance management processes,



this related to the adequacy of the current ICT system. It was noted that plans existed to enhance the ICT system and existing controls were assessed as effective.

### **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 2018/19, 27 internal audit reports were issued. Of those issued, 23 audits concluded that systems and procedures were operating well and 4 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 2018/19, 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 2018/19 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 2017/18 Statement**

There were no actions identified in the 2017/18 Annual Governance Statement.

### **2018/19 Governance Issues**

The review has identified no issues that need to be included within the 2018/19 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, the undersigned 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



# 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 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 (the '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 Commissioner. Both the 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.

This statement covers the Commissioner's own office and the group position of the Commissioner and the Chief Constable. The Commissioner 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 Commissioner'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 Commissioner 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 Commissioner 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 Commissioner 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 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 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 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 Commissioner, 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 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 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 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 Annual Governance Statement 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 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. There are no issues of conflict to report.

### **The Governance Framework**

The governance framework in place throughout the 2018/19 financial year covers the period from 1 April 2018 to 31 March 2019 and any issues which arise up to the date of approval of the annual Statement of Accounts.

The framework is known as the Police and Crime Commissioner’s Scheme of Governance and it comprises the systems, processes, culture and values by which the Commissioner operates. It enables the Commissioner 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 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 Office of the Police and Crime Commissioner’s 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 Commissioner is required to hold the post holder to account for the exercise of those functions. The Commissioner must therefore satisfy herself 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 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 Commissioner's six principles of good governance are:

1. Focusing on the purpose of the Commissioner, on the outcomes for the community and creating and implementing a vision for the local area.
2. Ensuring the Commissioner, officers of the Commissioner 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 Commissioner and officers to the Commissioner 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 Police and Crime Commissioner has published a Police and Crime Plan for the period 2017 to 2021. The plan was developed following extensive consultation with local people about their views of policing and community safety, and sets out the police and crime priorities for the area:

- Reducing anti-social behaviour.
- Putting victims first.
- Effective criminal justice system.
- Domestic and sexual abuse.
- 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 Commissioner and Chief of Staff scrutinise progress, along with performance, and hold the Chief Constable and his team to account at a monthly Scrutiny meeting.

Regular Joint Business Meetings manage progress on specific business issues. At these meetings the Commissioner and Chief Constable 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 supports delivery of the plan and is refreshed annually to ensure it focuses on emerging priority area needs and, in particular, the needs of victims of crime and the vulnerable within our communities. Performance thresholds support this monitoring and scrutiny process.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services carry out an annual PEEL (Police Effectiveness, Efficiency, Legitimacy and Leadership) Assessment of Police Forces in England and Wales. Forces are assessed on their effectiveness, efficiency and legitimacy based on inspection findings, analysis and Her Majesty's Inspectors' (HMIs) professional judgment across the year. The findings for Northumbria Police for 2018 are expected to be published in autumn 2019.

The Commissioner and the Chief Constable will ensure that the resources available to Northumbria Police are used in the most effective manner that meet the needs of local communities. Funding remains a pressure, the Commissioner and Chief Constable continue to lobby the Government to ensure a fair and appropriate funding formula. Every effort is made to access additional funding to support service delivery; this includes specific grants made available by the Home Office and Ministry of Justice.

### **Ensuring the Police 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 Commissioner; they are clearly defined and demonstrate how they work together to ensure effective governance and internal control.

The Commissioner works closely with all six local authorities in the Force area, and understands the policing needs in each area from our city centres to the 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 children's and adult safeguarding boards that work to ensure the safety and wellbeing of vulnerable children and adults in the Force area.

The Commissioner is now the Chair of the Local Criminal Justice Board, working with partners to deliver an effective and efficient local criminal justice system. Providing the best support possible for victims and witnesses, and bringing offenders to justice and addressing the causes of their offending.

A Service Level Agreement between the Commissioner and the Chief Constable 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 Commissioner 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 Office of the Police and Crime Commissioner has a comprehensive website that includes:

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

In accordance with the Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012, the Police and Crime Panel (the 'Panel') make provision regarding the Panel's powers and duties in regard to complaints made about the conduct of the Commissioner. A procedure for dealing with complaints against the Commissioner was approved by panel members in February 2013, appointing the Chief Executive (now 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 Commissioner that have been upheld.

The Commissioner is responsible for scrutinising the work of Northumbria Police in relation to complaints and conduct matters, as well as complying with the requirements of the Independent Office of Police Complaints. Professional Standards Department (PSD) provides 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 Commissioner is responsible for ensuring proper and effective investigation into complaints against the Chief Constable, while the Chief Constable is responsible for ensuring proper and effective investigation of complaints against all other officers and staff employed by Northumbria Police. Information relating to the management of complaints is included within quarterly 'Police and Crime Plan Performance Reports'; copies of these reports can be viewed at Police and Crime Commissioner's Quarterly Performance Reports.

## **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 Commissioner 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 Office of the Police and Crime Commissioner [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 which have resulted 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 Police and Crime Panel (the 'Panel') to oversee the work of, and support, the Commissioner 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 Commissioner, Chief Constable and the Panel 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 Joint Independent Audit Committee (JIAC) of the Commissioner 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 Office of the Police and Crime Commissioner 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 Commissioner 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 Office of the Police and Crime Commissioner owner, who has responsibility for the management of controls and the implementation of new controls where necessary. The register is reported at the Force's Executive Board and managed by 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 Commissioner and Chief Constable's Joint Governance Monitoring Group and the JIAC. All meetings of the JIAC are public and agendas and minutes are published on the Office of the Police and Crime Commissioner [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 Commissioner's 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 Commissioner's Police and Crime Plan, supported by the Northumbria Police Strategy 2025, 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 has restructured the people services function to enable a more coherent approach to talent identification and management, all focused on sustained improvement in a supportive environment. These form a key part of the Strategy 2025.

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

The Commissioner has operated a comprehensive engagement program during 2018/19 with local, regional and national representation and engagement via the press and through active social media channels and advisory groups that represent local communities and groups.

An annual report provides an overview of the Commissioner's activity over the year and is published on the Office of the Police and Crime Commissioner [website](#).



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

Since April 2015, the Commissioner 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 six key victims groups:

- Young Victims of Crime.
- Victims of hate crime.
- Victims with mental health needs.
- Victims with other vulnerabilities.
- Victims of domestic abuse.
- Victims of sexual assault and abuse.

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 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.

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 Police and Crime Commissioner 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 Commissioner and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2018/19.

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 Commissioner 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 Commissioner has adopted the CIPFA Code of Practice on Treasury Management requiring the Police and Crime Commissioner 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 Commissioner 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 annual revenue budget provides an estimate of the annual income and expenditure requirements for the Office of the Police and Crime Commissioner and police service, and sets out the financial implications of the Commissioner's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor the financial performance of the Commissioner.
- The Commissioner is required to present precept proposals to the Police and Crime Panel for their consideration prior to finalising the budget and precept.
- Capital expenditure is an important element in the development of the Commissioner's service since it represents major investment in new and improved assets. The Commissioner approves a four year capital programme each year with the MTFS and monitors its implementation and funding closely at management meetings.
- The Commissioner approved a balanced budget for 2018/19 with a 12.2% 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 2018/19 there was an underspend on the overall Group revenue budget. This was primarily as a result of additional income being secured by successfully claiming a one off special grant; undertaking rates reviews on specific Force buildings with the Valuation Office; and additional external funding being secured for specialised police posts.
- Financial performance reports are presented to each of the Commissioner and Chief Constable on a monthly basis. A combined Group financial monitoring report is presented to the Commissioner and Chief Constable's Joint Business Meeting on a quarterly basis, 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 Commissioner regularly.
- The Commissioner receives reports from HMICFRS and will act on recommendations as required.

### Review of Effectiveness

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

For 2018/19 the review process has been led by the Commissioner and Chief Constable's Joint 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, HMICFRS and other external inspectorates.
- The legal and regulatory framework.
- Financial controls, revenue outturn.
- Partnership arrangements and governance.
- Other sources of assurance as appropriate.

From the review of effectiveness no issues were identified as governance issues, which required disclosure within this Annual Governance Statement. For the senior manager's assurance statements, each area of responsibility was assessed using a standard governance questionnaire. All areas returned compliant to each of the questions, with one exception relating to data quality and performance management processes, this related to the adequacy of the current ICT system. It was noted that plans existed to enhance the ICT system and existing controls were assessed as effective.

### **Internal Audit Overall Assessment & Independent Opinion**

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

During 2018/19, 27 internal audit reports were issued. Of those issued, 23 audits concluded that systems and procedures were operating well and 4 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 2018/19, including advice on governance arrangements, the Commissioner and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

### **Actions from the 2017/18 Statement**

There were no actions identified in the 2017/18 Annual Governance Statement.

### **2018/19 Governance Issues**

The review has identified no issues that need to be included within the 2018/19 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, the undersigned are satisfied that the Commissioner 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

**Chief of Staff**

SIGNED

**Chief Finance Officer**

DATE

<b>Joint Independent Audit Committee</b>	<b>22 July 2019</b>
<b>Statements of Account 2018/19</b>	
<b>Report of Joint Chief Finance Officer</b>	

**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 Police and Crime Commissioner and the subsidiary.
- 3.4 The Statements of Account (SOA) for the Chief Constable and Police and Crime Commissioner 2018/19 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 2018/19 (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 In-line with the Local Audit and Accountability Act 2014, the statutory deadlines for the production of the SOA's and AGS's are as follows:
- 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.

## **AGENDA ITEM 7**

- 3.7 In accordance with the regulations the draft statements were approved by the Joint Chief Finance Officer on 31 May 2019, published on the respective websites and passed to the external auditor for review.
- 3.8 The books were also open for public scrutiny between 03 June to the 12 July 2019, 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 2019, 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 2019.
- 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 2019.
- 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 2019.
- 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 The draft accounts published on 31 May 2019, included a 'Contingent Liability' relating to the 'Transitional Provisions in the Police Pension Regulations 2015', in-line with national guidance. This related to a number of claims being lodged with the Central London Employment Tribunal in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. In December 2018, the Court of Appeal ruled that the 'Transitional Protection' offered to some members of the judicial and fire fighters' schemes as part of the reforms amounted to unlawful discrimination (known as the McCloud judgement). This therefore had potential implications for all public sector workers, including Police officers and staff. The Government sort approval from the Supreme Court to appeal this decision, on 27 June 2019 the Supreme Court denied the right to appeal, this therefore has implications for potential compensation for employees who were transferred to the new schemes. This had the impact of changing the nature of the original national guidance and requires the potential value of the additional liability to be included within the final SOA's. Revised figures were therefore requested from the respective actuaries, for both officers and staff, and the final SOA's in

agreement with the external auditors, now contain the additional pensions liabilities.

- 4.3 With the exception of the above only minor changes were made to the draft Statements of Account, primarily disclosure and narrative in nature, with no additional numeric changes identified.

## **5. CONSIDERATIONS**

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







# Audit Completion Report

Chief Constable for Northumbria

Year ending 31 March 2019



**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 auditor's report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person 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.

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Mr W Keenen  
Chief Constable, Northumbria Police  
Police Force Headquarters  
Middle Engine Lane  
Wallsend  
Tyne and Wear  
NE28 9 NT  
July 2019

Dear Mr Keenen

**Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. 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 on 25 February 2019. 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  
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](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of the Chief Constable for Northumbria (the Chief Constable) for the year ended 31 March 2019, and forms the basis for discussion at the Joint Independent Audit Committee meeting on 25 February 2019.

The detailed scope of our work as your appointed auditor for 2018/19 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 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Defined benefit liability valuation

## Status of our work

As we outline on the following page, our work is substantially complete. 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



### 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 to consider any objection made to the accounts.




# 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 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions (incl Using the work of an expert)		Work on going in relation to pensions valuations
Audit closure procedures		Includes internal consistency checks, agreeing amendments and post balance sheet events.

### Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

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 February 2019. 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 £8.510 million using a benchmark of 2% of Gross Revenue Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £8.506 million, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Chief Constable, at £0.255 million based on 3% of overall materiality.

## 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 in a follow-up letter.

## 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; 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

#### Description of the risk

#### Management override of controls

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 impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### 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	Description of the risk
Defined benefit liability valuation	<p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
	<p><b>How we addressed this risk</b></p> <p>We discussed with key contacts significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we:</p> <ul style="list-style-type: none"><li>evaluated the management controls you had in place to assess the reasonableness of the figures provided by the actuaries; and</li><li>considered the reasonableness of the actuaries outputs, referring to an expert’s report on all actuaries nationally which is commissioned annually by the National Audit Office.</li></ul>
	<p><b>Audit conclusion</b></p> <p>Work is ongoing in this area</p>

Management judgement	Description of the management judgement
Year end leave Accrual	<p>Accounting standards required that an estimate be made of the value of accumulated absences awarded but not taken as at 31 March 2019. We expect that, as in previous years, this will be a material estimate.</p> <p>As this is an area of significant management judgement we were required to regard this as an enhanced risk.</p>
	<p><b>How our audit addressed this area of management judgement</b></p> <p>We evaluated the arrangements you had in place to produce the year end leave accrual estimate.</p>
	<p><b>Audit conclusion</b></p> <p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.</p>

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Chief Constable’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 2019 and were of a good quality.

### Significant matters discussed with management

There have been significant issues this year relating to accounting for pensions. These issues are not specific to the Chief Constable, but are national issues impacting on all local government and related bodies, including police and fire. There have been three issues, but the most significant issue has been the impact of what is known as the McCloud judgement.

The nature and impact of the McCloud judgement was included as a Contingent Liability in the Chief Constable’s draft financial statements, based on best available national advice at the time. It relates to claims of discrimination in respect of protections offered to some, but not all pension scheme members as part of reforms to public sector pensions. In December 2018, the Court of Appeal ruled in a test case that this did amount to unlawful discrimination. At the time the Chief Constable was producing draft financial statements, the Government intended to appeal to the Supreme Court and the outcome was uncertain.

During the audit period, the Government has not been granted leave to appeal, meaning that some form of restitution across all public sector pension schemes seems more certain, requiring the estimated impact of this to be reflected in the pension disclosures in the financial statements, subject to materiality considerations. This issue impacts on both the Police Pension Scheme and the Local Government Pension Scheme (LGPS).

The other two issues have been:

- Guaranteed Minimum Pension (GMP) indexation and equalisation, which relate to the move to a single-tier new State Pension and equalisation of the GMP benefits between males and females, which has been accounted for to varying degrees by each actuary. Again this issue impacts on both schemes; and
- Asset values, which relates to whether the estimation of assets by the actuary using asset values at the end of December 2018/end of January 2019 was accurate, given higher than expected returns in the final quarter of 2018/19. This issue relates only to the LGPS.

For each of these issues, our approach has been to suggest that the Chief Constable engages with the actuary of each scheme, to assess the potential impact of these issues, to see whether the impact is material, and if so, to make amendments to the financial statements.

None of these issues impact on the Chief Constable in terms of a bottom-line impact on the General Fund balance, although in practice, both McCloud and GMP will place upward pressure on employers’ pension contributions reflecting an increased pension liability to recover over the life of the scheme.

### 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.



## 2. SIGNIFICANT FINDINGS (CONTINUED)

### 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 2018/19 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 2017/18.



# 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 £0.255 million.

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 2018/19 - None identified as at 10 July 2019

		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				
Total unadjusted misstatements					

# 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

## Adjusted misstatements 2018/19 - None identified as at 10 July 2019

		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

A number of minor disclosure amendments were identified and amended during the course of our audit. The main issue is reported below -

- Financial Instruments (Note 16) - The Financial Instrument Balances table was amended to reflect the revised classification of financial assets and liabilities under the new accounting standard (IFRS9).

# 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"><li>▪ A refreshed Governance Framework, covering both the Chief Constable and PCC was approved in October 2018 and is available via the respective websites.</li><li>▪ The Chief Constable meets regularly with the PCC where he is held to account for the performance of the Force's officers and staff.</li><li>▪ A Police and Crime Plan covering the period 2017 to 2021 is in place. The purpose, vision, values, priorities and strategic objectives of the PCC were developed in consultation with the Chief Constable. In turn, the Chief Constable produces the Policing Plan from the Police and Crime Plan, for which he is responsible,</li><li>▪ The Chief Constable and his team have their progress and performance scrutinised by the PCC and the Chief of Staff at the monthly scrutiny meeting.</li><li>▪ An experienced Chief Constable and PCC management team was in place for the whole of the financial year.</li></ul>	Yes

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Informed decision making (continued)	<ul style="list-style-type: none"> <li>An updated Medium Term Financial Strategy (MTFS), covering the period 2019/20 to 2022/23, and including the 2019/20 budget was approved in February 2019. The MTFS is clearly linked to the Police and Crime Plan.</li> <li>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.</li> <li>Annual Governance Statements are prepared, reviewed and challenged by JIAC before being included in the financial statements.</li> <li>Up to date risk registers and risk management arrangements are in place and regularly reported to relevant committees.</li> </ul>	Yes
Sustainable resource deployment	<ul style="list-style-type: none"> <li>Both the Chief Constable and PCC have a history of meeting financial targets with no previous budget deficits.</li> <li>An updated Medium Term Financial Strategy (MTFS), covering the period 2019/20 to 2022/23, and including the 2019/20 budget was approved in February 2019. The MTFS is clearly linked to the Police and Crime Plan. The level of general fund balances is approved annually as part of the approval of the MTFS.</li> <li>The Capital Programme, included in the 2019/20 to 2022/23 approved MTFS, sets out the Police's investment priorities. Capital schemes are appraised and prioritised to ensure they reflect key investment requirements.</li> <li>Up to date asset registers are in place.</li> <li>A Workforce Strategy is in place that includes recruitment, training and development of officers and police staff.</li> </ul>	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"><li>▪ The Force has written procedures for procuring products and services, which are within its Code of Corporate Governance.</li><li>▪ 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.</li><li>▪ Collaboration agreements to which the Chief Constable and PCC are parties to are published on the PCC's website.</li><li>▪ Areas of collaboration with other police forces and public organisations include:<ul style="list-style-type: none"><li>○ Co-locating with partners wherever possible, including fire and rescue services, councils and local community groups;</li><li>○ Continuation of the 7 force Section 22A collaboration agreement. The agreement provides an overarching framework for areas of collaboration in the region. Currently the agreement covers the following capabilities across the 7 forces: Disaster Recovery Identification and CBRN (Chemical, Biological, Radiological and Nuclear incidents; and</li><li>○ 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.</li><li>○ A number of collaboration arrangements in place with Durham Constabulary including kennel services, fingerprint enhancement services, public order training and forensic services.</li><li>○ Participation 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.</li><li>○ The North East Regional Special Operations Unit (NERSOU) collaboration between Northumbria, Durham and Cleveland forces.</li></ul></li></ul>	Yes

# 5. VALUE FOR MONEY CONCLUSION

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

Evidence	Auditor assessment
Outputs by statutory inspectorates or other regulators	<p>We considered reports issued by Her Majesty’s Inspectorate of Constabulary and Fire &amp; Rescue Services (HMICFRS) and other inspectorates during the year. All HMICFRS inspection reports and other external inspection reports are considered by the Executive Team. This included a review of the latest PEEL Effectiveness report, carried out in 2017, which judged Northumbria Police to be ‘Good’ at the way it effectively, efficiently and legitimately keep people safe and reduce crime. An updated PEEL assessment will be carried out later in 2019.</p> <p>Our review did not identify anything which might impact on our conclusion.</p>
Achievement of performance and other targets	<p>Performance is good overall, evidenced by the 2018/19 Police and Crime Plan Annual Performance Report, which is in line with our knowledge.</p> <p>Work continues to achieve continuous improvements in performance line with the requirements of the Policing Plan Priorities.</p>
Performance against budgets and other financial targets	<p>Both the Chief Constable and PCC have a strong track record of achieving financial targets.</p>

## Our overall Value for Money conclusion

Having completed our assessment of arrangements, and our ‘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

Mr Cameron Waddell  
Partner  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

Date: X July 2019

**Chief Constable for Northumbria - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of PCC and Group for the year ended 31 March 2019 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 2018/19 (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 myself 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 I am 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 me for the purpose of the audit; and
- unrestricted access to individuals within PCC and Group 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 have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority 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 them appropriate for the year.

**Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used 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.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

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 PCC 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.

PCC 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 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 PCC 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 PCC and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

**Related party transactions**

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of PCC 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.

**Charges on assets**

All PCC and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

**Future commitments**

We have no 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.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

**Going concern**

To the best of my knowledge there is nothing to indicate that PCC and Group will cease to 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.

**Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Chief Finance Officer

Date.....

# APPENDIX B

## DRAFT AUDITOR’S REPORT

**Independent auditor’s report to the members of the Chief Constable for Northumbria**  
**Report on the financial statements**

**Opinion**

We have audited the financial statements of the Chief Constable for Northumbria for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:  
give a true and fair view of the financial position of the Chief Constable for Northumbria as at 31<sup>st</sup> March 2019 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

**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 as applicable to public interest entities, 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 Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or  
the Chief Financial 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 Financial 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.



# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

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.

### Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 Financial Officer is responsible for assessing each year whether or not it is appropriate for the Chief Constable 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

### 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.

# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

We have nothing to report in these respects.

**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 2019.

**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 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to 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.

**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 for the 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 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 the Chief Constable for Northumbria’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Use of the audit report**

This report is made solely to the members of 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 44 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 members of 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 Chief Constable for Northumbria, as a body, for our audit work, for this report, or for the opinions we have formed.



# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

**Certificate**

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

Cameron Waddell  
For and on behalf of Mazars LLP  
Address  
[Insert date]

# 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.

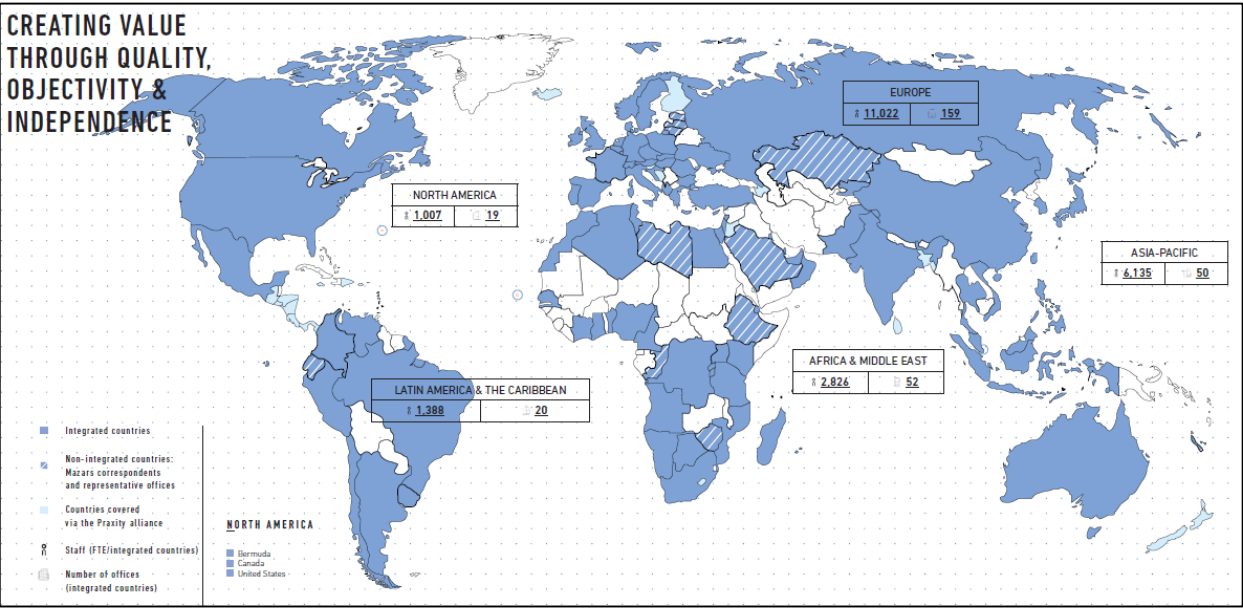


# MAZARS AT A GLANCE

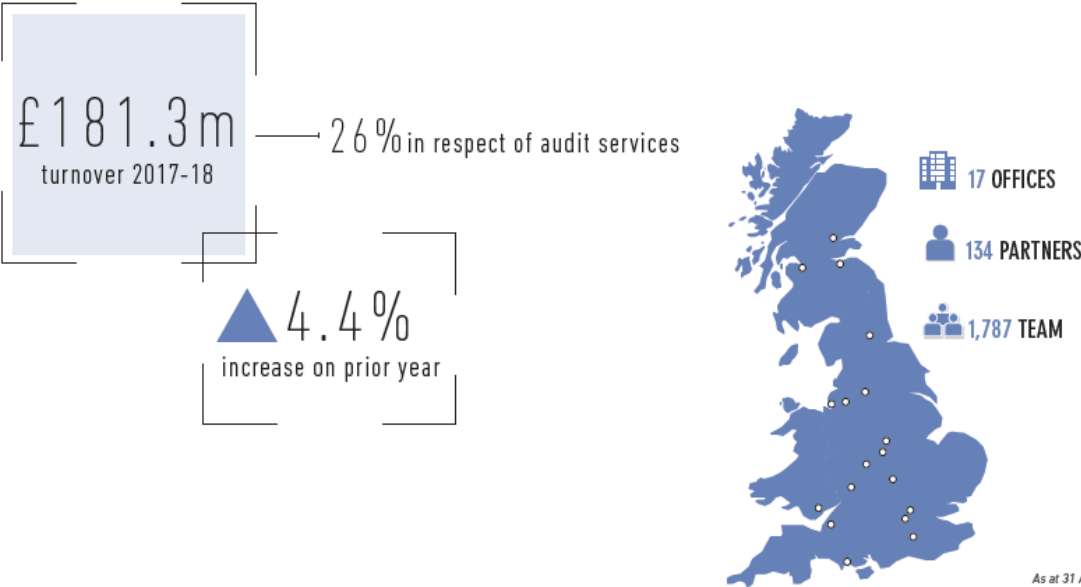
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# Audit Completion Report

Police and Crime Commissioner for Northumbria  
Year ending 31 March 2019



# 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 auditor's report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person 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.

Mazars LLP  
Salvus House  
Durham  
DH1 5TS

Police and Crime Commissioner for Northumbria

Victory House

Balliol Business Park

Newcastle upon Tyne

NE12 8EW

July 2019

Dear Police and Crime Commissioner for Northumbria

### **Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. 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 on 25 February 2019. 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  
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](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Police and Crime Commissioner for Northumbria (the PCC) for the year ended 31 March 2019, and forms the basis for discussion at the meeting on 31 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 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 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls (relevant to single entity and group accounts)
- Defined benefit liability valuation (relevant to group accounts only)
- Valuations of buildings (relevant to single entity and group accounts)

## Status of our work

As we outline on the following page, our work is substantially complete. 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 13 September 2019. 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 to consider any objection made to the accounts.






# 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 2019. At the time of preparing this report the following matters remain outstanding.

Audit area	Status	Description of outstanding matters
Pensions (incl Using the work of an expert)		Work on going in relation to pensions valuations
Audit closure procedures		Includes internal consistency checks, agreeing amendments and post balance sheet events.
Whole of Government Accounts		Work to be completed.
Group Accounts		Work to be completed

### Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

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 February 2019. 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 £5.831 million for the PCC, £8.639 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 £5.854 million for the PCC, £8.632 million for the Group, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the PCC, at £0.176 million for the PCC, £0.259 million for the Group based on 3% of overall materiality.

## 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.

## 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; 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	Description of the risk
Management override of controls (relevant to single entity and group accounts)	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.
<b>How we addressed this risk</b>	
We addressed this risk through performing audit work over:	
<ul style="list-style-type: none"><li>• Accounting estimates impacting on amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul>	
<b>Audit conclusion</b>	
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	Description of the risk
Defined benefit liability valuation (relevant to group accounts only)	<p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
	<p><b>How we addressed this risk</b></p> <p>We discussed with key contacts significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we:</p> <ul style="list-style-type: none"><li>evaluated the management controls you had in place to assess the reasonableness of the figures provided by the actuaries; and</li><li>considered the reasonableness of the actuaries outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.</li></ul>
	<p><b>Audit conclusion</b></p> <p>Work is ongoing in this area</p>

Significant risk	Description of the risk
Valuations of buildings (relevant to single entity and group accounts)	<p>The financial statements contained material entries on the Balance Sheet as well as material disclosure notes in relation to the PCC's holding of buildings.</p> <p>Although the PCC employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of buildings due to the significant judgements and number of variables involved in providing revaluations. We therefore identified the revaluation of buildings to be an area of increased risk of material misstatement.</p>
	<p><b>How we addressed this risk</b></p> <p>We considered the PCC's arrangements for ensuring that buildings values were reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the PCC's valuer. We also assessed the competence, skills and experience of the valuer.</p> <p>Where necessary we performed further audit procedures on individual assets to ensure that the basis and level of valuation is appropriate.</p>
	<p><b>Audit conclusion</b></p> <p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention</p>

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement	Description of the management judgement
Year end leave Accrual (relevant to group accounts only)	<p>Accounting standards required that an estimate be made of the value of accumulated absences awarded but not taken as at 31 March 2019. We expect that, as in previous years, this will be a material estimate.</p> <p>As this is an area of significant management judgement we were required to regard this as an enhanced risk.</p>
	<p><b>How our audit addressed this area of management judgement</b></p> <p>We evaluated the arrangements you had in place to produce the year end leave accrual estimate.</p>
	<p><b>Audit conclusion</b></p> <p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.</p>

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the PCC’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 2019 and were of a good quality.

### Significant matters discussed with management

There have been significant issues this year relating to accounting for pensions. These issues are not specific to the Police and Crime Commissioner (PCC), but are national issues impacting on all local government and related bodies, including police and fire. There have been three issues, but the most significant issue has been the impact of what is known as the McCloud judgement.

The nature and impact of the McCloud judgement was included as a Contingent Liability in the Group notes within the PCC’s draft financial statements, based on best available national advice at the time. It relates to claims of discrimination in respect of protections offered to some, but not all pension scheme members as part of reforms to public sector pensions. In December 2018, the Court of Appeal ruled in a test case that this did amount to unlawful discrimination. At the time the PCC was producing draft financial statements, the Government intended to appeal to the Supreme Court and the outcome was uncertain.

During the audit period, the Government has not been granted leave to appeal, meaning that some form of restitution across all public sector pension schemes seems more certain, requiring the estimated impact of this to be reflected in the pension disclosures in the financial statements, subject to materiality considerations. This issue impacts on both the Police Pension Scheme and the Local Government Pension Scheme (LGPS) and thus on the Group accounts produced by the PCC.

The other two issues have been:

- Guaranteed Minimum Pension (GMP) indexation and equalisation, which relate to the move to a single-tier new State Pension and equalisation of the GMP benefits between males and females, which has been accounted for to varying degrees by each actuary. Again this issue impacts on both schemes and consequently on the Group accounts; and
- Asset values, which relates to whether the estimation of assets by the actuary using asset values at the end of December 2018/end of January 2019 was accurate, given higher than expected returns in the final quarter of 2018/19. This issue relates to the LGPS only; again this impacts upon the Group accounts.

For each of these issues, our approach has been to suggest that the Chief Constable engages with the actuary of each scheme, to assess the potential impact of these issues, to see whether the impact is material, and if so, to make amendments to the single entity financial statements of the Chief Constable. These amendments would then feed through to the Group accounts produced by the PCC.

None of these issues impact on the Group accounts in terms of a bottom-line impact on the General Fund balance, although in practice, both McCloud and GMP will place upward pressure on employers’ pension contributions reflecting an increased pension liability to recover over the life of the scheme.

### 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.

# 2. SIGNIFICANT FINDINGS (CONTINUED)

## 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 2018/19 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 2017/18.



# 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 £0.176 million for the PCC and £0.259 million for the Group.

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 2018/19 - None identified as at 10 July 2019

		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				
Total unadjusted misstatements					

# 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

## Unadjusted misstatements 2018/19 - None identified as at 10 July 2019

		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

A number of disclosure amendments were identified and amended during the course of our audit. The main issues are reported below -

- Creditors (Note 20) – The creditor in respect of the Chief Constable (£8.746 million) was missing from the Note. However, the correct total was disclosed in the Balance Sheet
- Analysis of transfers To/From reserves (Note 9c) – The net movement on the deferred capital receipts reserve has been amended to disclose both the transfer to and transfer from the reserve.
- Financial Instruments (Note 22) - The Financial Instrument Balances table was amended to reflect the revised classification of financial assets and liabilities under the new accounting standard (IFRS9).
- Group Expenditure and Funding Analysis (EFA) (Group Note 2b) – The Note to the EFA, Segmental Income has been amended to disclose the segmental income figures for 2018/19.

# 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"><li>• A refreshed Governance Framework, covering both the PCC and Chief Constable was approved in October 2018 and is available via the respective websites.</li><li>• 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.</li><li>• The Police and Crime Plan covering the period 2017 to 2021 is in place. The purpose, vision, values, priorities and strategic objectives of the PCC were developed in consultation with the Chief Constable. In turn, the Chief Constable produces the Policing Plan from the Police and Crime Plan, for which he is responsible,</li><li>• The PCC and the Chief of Staff scrutinise progress, along with performance, at a monthly scrutiny meeting with the Chief Constable and his team.</li><li>• An experienced PCC and Chief Constable management team was in place for the whole of the financial year.</li></ul>	Yes



# 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Informed decision making (continued)	<ul style="list-style-type: none"><li>• An updated Medium Term Financial Strategy (MTFS), covering the period 2019/20 to 2022/23, and including the 2019/20 budget was approved in February 2019. The MTFS is clearly linked to the Police and Crime Plan.</li><li>• 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.</li><li>• Annual Governance Statements are prepared, reviewed and challenged by JIAC before being included in the financial statements.</li><li>• Up to date risk registers and risk management arrangements are in place and regularly reported to relevant committees.</li></ul>	Yes

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<ul style="list-style-type: none"> <li>Both the PCC and Chief Constable PCC have a history of meeting financial targets with no previous budget deficits.</li> <li>An updated Medium Term Financial Strategy (MTFS), covering the period 2019/20 to 2022/23, and including the 2019/20 budget was approved in February 2019. The MTFS is clearly linked to the Police and Crime Plan. The level of general fund balances is approved annually as part of the approval of the MTFS.</li> <li>The Capital Programme, included in the 2019/20 to 2022/23 approved MTFS, sets out the Police's investment priorities. Capital schemes are appraised and prioritised to ensure they reflect key investment requirements.</li> <li>Up to date asset registers are in place.</li> <li>A Workforce Strategy is in place that includes recruitment, training and development of officers and police staff.</li> </ul>	Yes
Working with partners and other third parties	<ul style="list-style-type: none"> <li>The Force has written procedures for procuring products and services, which are within its Code of Corporate Governance.</li> <li>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.</li> <li>Collaboration agreements to which the PCC and Chief Constable are parties to are published on the PCC's website.</li> <li>Areas of collaboration with other police forces and public organisations include: <ul style="list-style-type: none"> <li>Co-locating with partners wherever possible, including fire and rescue services, councils and local community groups;</li> <li>Continuation of the 7 force Section 22A collaboration agreement. The agreement provides an overarching framework for areas of collaboration in the region. Currently the agreement covers the following capabilities across the 7 forces: Disaster Recovery Identification and CBRN (Chemical, Biological, Radiological and Nuclear incidents; and</li> <li>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.</li> </ul> </li> </ul>	Yes

# 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	○ A number of collaboration arrangements in place with Durham Constabulary including kennel services, fingerprint enhancement services, public order training and forensic services.	Yes
	○ Participation 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 North East Regional Special Operations Unit (NERSOU) collaboration between Northumbria, Durham and Cleveland forces.	

## 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

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

Evidence	Auditor assessment
Outputs by statutory inspectorates or other regulators	<p>We considered reports issued by Her Majesty’s Inspectorate of Constabulary and Fire &amp; Rescue Services (HMICFRS) and other inspectorates during the year. All HMICFRS inspection reports and other external inspection reports are considered by the Executive Team. This included a review of the latest PEEL Effectiveness report, carried out in 2017, which judged Northumbria Police to be ‘Good’ at the way it effectively, efficiently and legitimately keep people safe and reduce crime. An updated PEEL assessment will be carried out later in 2019.</p> <p>Our review did not identify anything which might impact on our conclusion.</p>
Achievement of performance and other targets	<p>Performance is good overall, evidenced by the 2018/19 Police and Crime Plan Annual Performance Report, which is in line with our knowledge.</p> <p>Work continues to achieve continuous improvements in performance line with the requirements of the Policing Plan Priorities.</p>
Performance against budgets and other financial targets	Both the PCC and Chief Constable have a strong track record of achieving financial targets.

## Our overall Value for Money conclusion

Having completed our assessment of arrangements, and our ‘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

Mr Cameron Waddell  
Partner  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

Date: X July 2019

### PCC and Group - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of PCC and Group for the year ended 31 March 2019 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 2018/19 (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 myself 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 I am 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 me for the purpose of the audit; and
- unrestricted access to individuals within PCC and Group 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 have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority 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 them appropriate for the year.

#### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used 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.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

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 PCC 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.

PCC 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 PCC 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 PCC and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

**Related party transactions**

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of PCC 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.

**Charges on assets**

All PCC and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

**Future commitments**

We have no 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.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

**Going concern**

To the best of my knowledge there is nothing to indicate that PCC and Group will cease to 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.

**Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Treasurer

Date.....

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the PCC and Group

#### Report on the financial statements

#### Opinion

We have audited the financial statements of PCC and Group for the year ended 31 March 2019, which comprise the PCC and Group Movement in Reserves Statement, the PCC and Group Comprehensive Income and Expenditure Statement, the PCC and Group Balance Sheet, the PCC and Group Cash Flow Statement, and notes to the financial statements, including a 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of PCC and Group as at 31<sup>st</sup> March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### 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 PCC and Group 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 as applicable to public interest entities, 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 PCC and Group'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.





# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

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.

**Responsibilities of the Treasurer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 2018/19, 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 2018/19 and prepare the financial statements on a going concern basis, unless PCC and Group 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 PCC and Group 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 Authority’s website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

**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.

# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

### Conclusion on PCC and Group’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, PCC and Group has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### 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 PCC and Group 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 PCC and Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

#### Responsibilities of PCC and Group

PCC and Group 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 for the 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 PCC and Group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice 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 PCC and Group’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Use of the audit report

This report is made solely to the members of PCC and Group, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 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 members of PCC and Group 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 PCC and Group, as a body, for our audit work, for this report, or for the opinions we have formed.

# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the PCC and Group’s Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the PCC and Group’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

x July 2019

# 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.

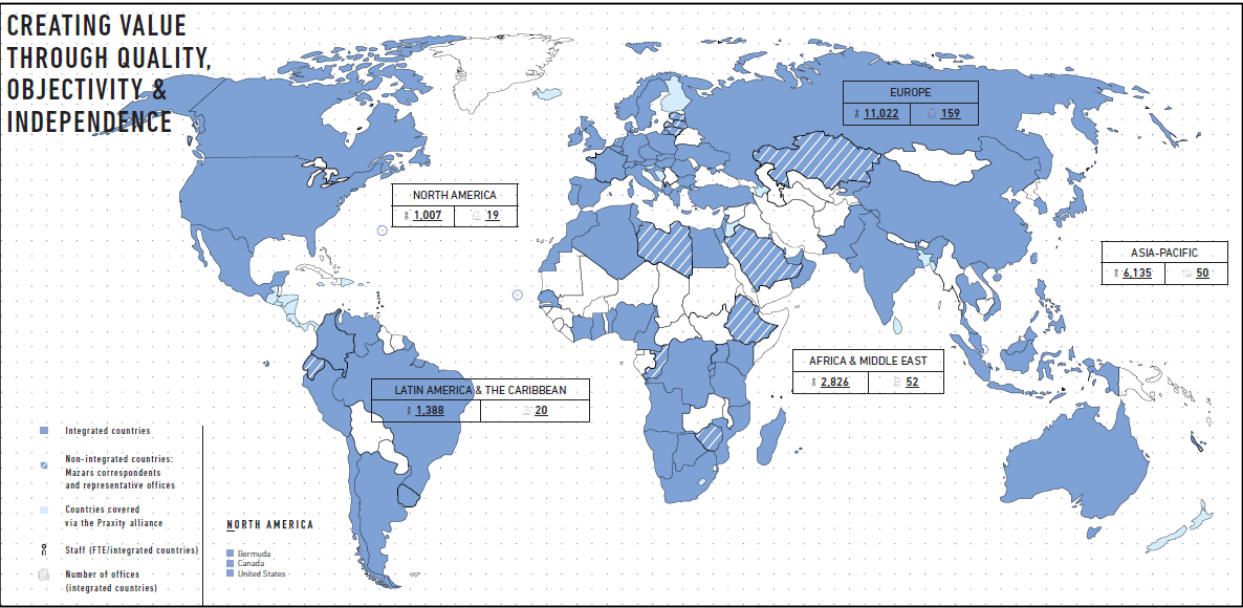
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

# MAZARS AT A GLANCE

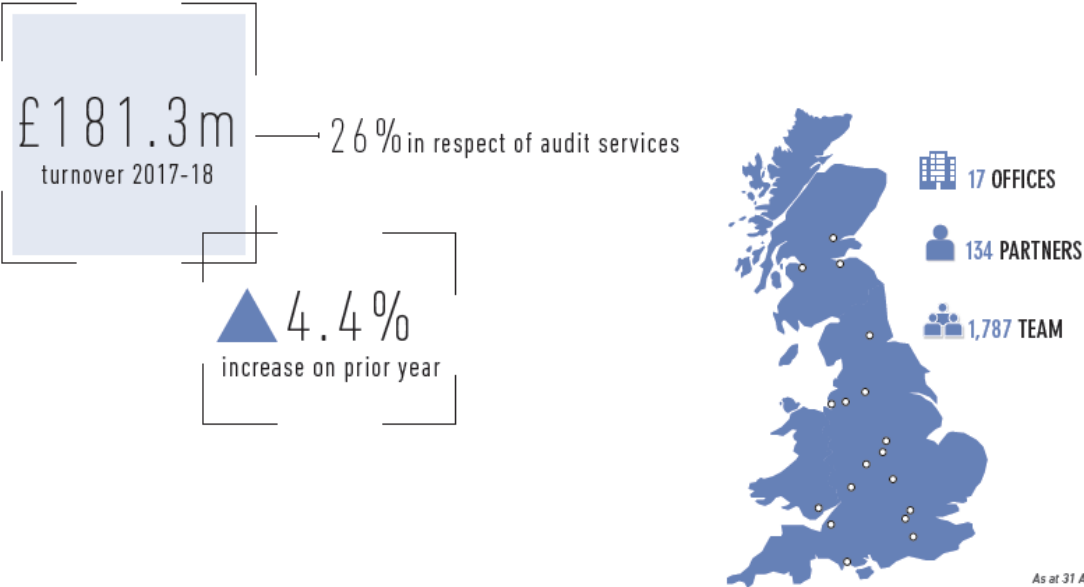
## Mazars LLP

- Fee income €1.6 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



## CONTACT

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Email: [jim.dafter@mazars.co.uk](mailto:jim.dafter@mazars.co.uk)

<b>Joint Independent Audit Committee</b>	<b>22 July 2019</b>
<b>Summary of Recent External Inspection Reports</b>	
<b>Paul Godden, Head of Corporate Development Department</b>	

## **I. PURPOSE**

- 1.1 To provide 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 has been published by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) since the last Joint Independent Audit Committee:

[PEEL spotlight report - a system under pressure](#)

- 2.2 Corporate Development Department acts as the central liaison point for all HMICFRS related matters.
- 2.3 All HMICFRS inspection reports and other external inspection reports are considered by the Executive Team. A lead is appointed to consider inspection findings and prepare an action plan in response to any recommendations and areas for improvement identified. These action plans are agreed by the Executive Team 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 Executive Team level and reported to the Scrutiny Meeting of the Office of the Police and Crime Commissioner.
- 2.5 Appendix A provides an overview of the action plans in response to HMICFRS findings, where HMICFRS was the lead inspectorate. It shows the number of recommendations or areas for improvement (AFIs) assigned to the force through local or national reviews and an indication of the number assessed as complete by the force.
- 2.6 HMICFRS independently assesses progress in response to the recommendations either through further inspection or by undertaking reality testing. Some recommendations may require a specialist inspection team to formally assess them, and as such may remain open much longer than the completion date assessed by the force. Once assessed, the HMICFRS Monitoring Portal (previously recommendations register) is updated accordingly. (The updated version of the portal is expected to be available to forces shortly, following changes to the format of the register by HMICFRS.
- 2.7 Since the last meeting, a further recommendation from the PEEL Effectiveness action plan has been assessed as complete.
- 2.8 Following publication of the post-inspection report for National Child Protection, progress against recommendations has been reviewed and the number of completed recommendations revisited; two recommendations are now assessed by the Force as complete. The action plan has been updated and further work is being undertaken in response to the findings of the revisit.

- 2.9 Actions in response to HMICFRS recommendations for domestic abuse and hate crime are assessed as complete by the force; however, plans have been produced to capture the wider associated improvement actions. These plans continue to be monitored at Scrutiny Meeting and as such dates for future meetings have been included.

**PEEL spotlight report – a system under pressure**

- 2.10 Alongside the publication of the tranche one Integrated Police Effectiveness, Efficiency and Legitimacy (PEEL) Assessments (IPA) on 2<sup>nd</sup> May 2019, HMICFRS published a spotlight report to provide an overview of the emerging themes from the first group of 2018/19 PEEL inspections.
- 2.11 Overall, HMICFRS found the forces inspected performing well. Most are keeping people safe and reducing crime, using their resources efficiently, and treating their workforces and the communities they serve fairly and with respect.
- 2.12 HMICFRS highlighted the changing demand for policing and the increasingly complex nature with greater risk. The problem is compounded by restricted resources, most notably a shortfall of detectives. Meeting this demand with constrained resources is the biggest challenge currently facing the forces inspected.
- 2.13 Despite the pressures forces were under, there were areas of improvement and innovation. Forces are identifying vulnerability more effectively and are investing in technology to better match resources to demand.
- 2.14 No recommendations were made within the report as findings relate to only 14 of the 43 forces in England and Wales; it is not yet known whether these will be replicated nationally.
- 2.15 The provisional date of publication for the PEEL 2018/19 inspection report for Northumbria Police is 26<sup>th</sup> September 2019.

**3. FINANCIAL CONSIDERATIONS**

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

**4. LEGAL CONSIDERATIONS**

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

**5. EQUALITY CONSIDERATIONS**

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

**6. RISK MANAGEMENT**

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

**7. RECOMMENDATIONS**

- 7.1 The Committee is asked to note the recent external inspection report; arrangements in place to manage the Force's response to inspection recommendations; and that there are no matters of exception to report for existing action plans in response to previous inspections.



**APPENDIX A - Action plans in response to HMICFRS reports**

Report title	Published	Reported to JIAC	Business Lead	Executive Lead	Action Plan		No. of recommendations/AFIs & number completed		Latest delivery date for recommendations	Scrutiny Last update	Scrutiny Next update*
Living in fear - the police and CPS response to harassment and stalking	05/07/2017	18/09/2017	Head of Safeguarding	ACC Bacon	Y	JBM 27/07/2017	Recommendations	4 (3)	April 2019	06/12/2018	24/09/2019
Stolen freedom: the policing response to modern slavery and human trafficking	24/10/2017	04/12/2017	Head of Safeguarding	ACC Bacon	Y	JBM 30/11/2017	Recommendations	7 (7)	N/A	06/12/2018	Action Plan complete
PEEL: police efficiency 2017 - Northumbria Police	09/11/2017	04/12/2017	Head of ICT	Mike Tait	Y	JBM 06/09/2018	Recommendations	1 (1)	N/A	N/A	Action Plan complete
					N		AFIs	1 (1)	N/A		
A progress report on the police response to domestic abuse	14/11/2017	04/12/2017	Head of Safeguarding	ACC Bacon	Y	Public facing action plan published April 2018. Updated action plan presented to JBM 15/11/2018	Recommendations	2 (2)	N/A	14/03/2019	Action Plan complete - Ongoing Monitoring 24/09/2019
PEEL: Police legitimacy 2017 - Northumbria Police	12/12/2017	19/02/2018	Multiple	DCC Best	Y	JBM 22/01/2018	Recommendations	1 (1)	N/A	18/02/2019	Action Plan complete
							AFIs	2 (2)			
PEEL: Effectiveness 2017	22/03/2018	14/05/2018	Multiple	DCC Best	Y	JBM 19/04/2018	Recommendations	4 (4)	March 2019	16/05/2019	27/08/2019
							AFIs	6 (3)			
Northumbria – National child protection inspection	28/06/2018	23/07/2018	Head of Safeguarding	ACC Bacon	Y	JBM 26/07/2018	Recommendations	7 (2)	December 2019	06/12/2018 (Item deferred 16/05/19)	27/08/2019
Understanding the difference: the initial police response to hate crime	19/07/2018	19/11/2018	Superintendent Central AC	ACC Ford	Y	JBM 10/01/2019 New action plan presented to Scrutiny in April 2019	Recommendations	6 (6)	March 2019	15/04/2019	Action Plan complete - Ongoing Monitoring 22/10/2019
Policing and Mental Health: Picking up the Pieces	27/11/2018	25/02/2019	Head of Safeguarding	ACC Bacon	Y	JBM 21/02/2019	Recommendations	4 (1)	December 2019	N/A	27/08/2019
Fraud: Time to choose	02/04/2019	13/05/2019	Head of Crime	T/ACC Felton	Y	JBM 16/05/2019 - action plan in development	Recommendations	2	TBC	N/A	22/10/2019
							AFIs	5			

\* Dates subject to review of the forward plan.



**Short Report for Information**

<b>Joint Independent Audit Committee</b>	<b>22 July 2019</b>
<b>Joint Strategic Risk Register</b>	
<b>Report of Paul Godden, Head of Corporate Development Department and Ruth Durham, Chief of Staff and Monitoring officer</b>	
<b>Author: Tanya Reade, Corporate Governance Manager, Corporate Development Department</b>	

**I. PURPOSE**

- 1.1 To present the current Joint 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. It also provides a summary of existing controls and rates risks 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 the 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 Executive Team via the relevant Operational Delivery Group or Board, and recorded on the Joint Strategic Risk Register.
- 2.4 The register is presented to the Joint Business Meeting between the PCC and the Chief Constable on a quarterly basis. The Joint Independent Audit Committee and the Joint PCC/ Chief Constable Governance Group provide additional scrutiny and governance on a quarterly basis.
- 2.5 At the Joint Independent Audit Committee 13 May 2019 it was agreed to:
- consider increasing the impact of risk 3 'Failure to provide an effective police response to a critical incident and/ or deliver continuity of service' from medium (3) to high (4).
- A review of the controls in place has been undertaken; they are assessed as sufficient to maintain the impact as medium (3).
- consider the inclusion of a short term risk relating to the OPCC and governance arrangements as a result of the PCC stepping down from her role.
- No short term risk exists: interim measures have been implemented between the OPCC and the Force.
- 2.6 The changes to the risk register from the position reported in May 2019 are minimal; due to the recent annual review completed by Chief Officers/ Directors and OPCC. The key

**Short Report for Information**

changes/ updates to the risk register are outlined below. Appendix B provides an overview of the RAG status of the risks.

- 2.7 Five existing risks are assessed as high risk. Appropriate controls are in place; however, the majority of these risks are longer term in nature. Assessment of likelihood and impact is unchanged. The current organisational learning framework aligned to the governance and decision-making structure is being reviewed to consider how best to identify and respond to organisational learning.
- Risk 2 – Failure to effectively identify and respond to organisational learning.
  - Risk 5 – Failure to deliver the Emergency Services Network (ESN) required functionality and coverage.
  - Risk 22 – Significant increase in the cost of Employers' Pension Contributions.
  - Risk 23 – Failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget.
  - Risk 26 – Limitations of current ICT systems and the impact on service delivery.
- 2.8 One new risk has been assessed as high risk (see New Risks below).
- Risk 10 – Significant delays in the provision of forensic analysis following temporary suspension of all law enforcement submissions to Eurofins following a cyber-attack.

**Existing Risks**Operational**2.9 Risk 7 – Failure to maximise investigative opportunities from historic biometrics, DNA and fingerprints from voluntary attenders.**

Processes have been implemented to capture missed appointments and to ensure future missed biometrics are kept to a minimum, and that offenders are circulated as wanted to allow the subjects to be arrested for the samples to be taken. Currently, there remain 331 historical missed appointments to process. Offenders, who have failed to attend their respective appointments, have been circulated as wanted (15).

The assessment of the risk is unchanged: likelihood is low (2) and impact high (4).

Public Confidence

Recent experience of significant cases associated with risks 15 – 'Corrupt behaviour by an officer or police staff member' and 18 - 'Force/ OPCC or an associated individual acts in a discriminatory way' has demonstrated that the impact has not been as severe as previously assessed. As a result, the assessment of impact for each of the risks has been reduced.

**2.10 Risk 15 – Corrupt Behaviour by an officer or police staff member.**

The impact of this risk has been reduced to medium (3) from high (4).

**2.11 Risk 18 – Force/ OPCC or an associated individual acts in a discriminatory way.**

The impact of this risk has been reduced to medium (3) from very high (5).

The likelihood of each risk remains low (2) and the overall RAG rating remains 'Amber', accurately reflecting their current status as medium risk.

**Short Report for Information**

**New Risks**

One new risk has been included on the register:

Operational

**2.12 Risk 10 – Significant delays in the provision of forensic analysis following temporary suspension of all law enforcement submissions to Eurofins following a cyber-attack.**

Eurofins Forensic Services suspended all forensic testing as of 5 June 2019, significantly impacting the external forensic capability available to the Force.

In addition to national contingency planning and a gold structure across the Forensic Market Place, Criminal Justice and Information Security, a Force Gold Group has been established to coordinate the local response.

Likelihood has been assessed as very high (5) and impact as high (4).

**3 CONSIDERATIONS**

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



No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
1	Strategy	Scrutiny	Failure to deliver against objectives set out in the Police and Crime Plan.	Ongoing Risk	Loss of public confidence.  Reduction in satisfaction levels.  A decline in quality and service delivery, leading to a reduction in satisfaction levels.  Adverse external inspection reports, leading to recommendations and wider escalation.	Robust Force Performance Management Framework.  Oversight and management of performance using Force Governance and Decision-making Structure (Strategic Management Board, Operational Delivery Groups and other boards, such as Confidence and Standards Board).  OPCC Scrutiny Meeting.  Police and Crime Panel.	8	Likelihood 2 Impact 4	Chief Constable	Police and Crime Commissioner
2	Strategy	Confidence and Standards Board	Failure to effectively identify and respond to organisational learning.	Limitations to IT systems impacts on the ability to effectively share organisational learning  April 2019	Loss of public confidence.  Successes not being identified and shared to embed sustainable good practice.  Potential negative impact to continuous improvement.  Possible reduction in problem solving opportunities if learning is not identified in a timely manner.	Organisational learning is a mandatory agenda item at all ODGs with a responsibility to identify lessons learned and good practice, and to record on the organisational learning log and action local learning solutions.  Quarterly update on identified organisational learning, actions and outcomes reported to Confidence and Standards Board.  Review the Organisational Learning Framework which describes local and formal responsibility, considering the establishment of a separate group/board to review the organisational learning log, and consider and action formal organisational learning.  Development of a digital platform (Knowledge Hub) to share organisational learning.	12	Likelihood 3 Impact 4	Deputy Chief Constable	Police and Crime Commissioner
3	Operational	Major Events - Operational Delivery Group	Failure to provide an effective police response to a critical incident and / or deliver continuity of service.	Societal Risks  Diseases  Natural Hazards  Major Accidents  Malicious Attacks  Ongoing Risk	Reduced staffing and service provision across some or all business areas.  Inability to deliver services as a result of reduced staffing and service provision across some or all business areas.  Accurate resources data and the ability to project resourcing to meet future demand.  Inability to contact and recall staff to duty.	Health & Well-being Programme.  Fleet services and fuel reserves are maintained.  Business Continuity Plans and testing are in place including a bespoke plan for Brexit.  Continuous process to test and exercise plans with multi agency partners, ensuring relevance of content for developing threat and to retain capacity and capability of relevant staff.  Understanding, embedding and testing across the tri-service partners to meet the requirements of the national guidance in relation to Marauding Terrorist attack (Operation Plato and Joint Operating Principles (JOPS5)).  Policies and processes agreed for multi-agency response to major incidents have been tested and function.  Ongoing support with Local Resilience Forum (LRF).  Force Co-ordination Centre based at Ponteland to manage the resourcing data on a daily basis.  Monthly Counter Terrorism Preparedness meetings.  Ability to implement a Casualty Advice Bureau for victims, using trained officers, in the event of a local or foreign force incident.  Disaster Victim Identification (DVI) process in place using trained officers.  Trained family liaison officers in place across the force who work with partners i.e. Homicide Service, Victims First Northumbria to provide welfare support and advice to affected persons. signposting victims to relevant support agencies as required.	6	Likelihood 2 Impact 3	ACC Protective Services	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
4	Operational	Investigations - 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.  Cases not being progressed or offenders prosecuted in time limits.	Alignment with the national and local protocol for LCJB.  Terms of reference and appropriate membership of the LCJB.  Bi-monthly LCJB meetings.  LCJB business plan.  Effective sub group and reporting process.  Effective performance management framework.  Contingency plan within the custody framework to accommodate remand prisoners from court in the event of disruption within the prison service.  Victims First Northumbria support the victim journey and witnesses throughout the criminal justice system.  Third party sector support for victims and witnesses.  Contingency plans with Crown Prosecution Service, HM Courts and Tribunals Service and Probation regarding breakup of services and in line with Brexit plans.  Brexit contingency plans are in place with key stakeholders and form part of a national structure.	6	Likelihood 2 Impact 3	ACC Citizen Focus	Police and Crime Commissioner

5	Operational (also reflected in Financial risk 23)	Strategic Management Board	Failure to deliver the Emergency Services Network (ESN) required functionality and coverage.	The national programme have reviewed and made changes to the delivery of the Emergency Services Network.  April 2019	<p>The force may no longer be aligned with the Three Emergency Services National Programme and not be in a position to transition to ESN service when required.</p> <p>ESN solution fails to supply adequate coverage or capacity to support operational policing in Northumbria Police.</p> <p>The force may be asked to transition to the ESN service prior to full ESN coverage being delivered.</p>	<p>Operational Communications in Policing (OCiP) have set up a Gold, Silver and Bronze structure to manage the ESN programme. Northumbria Police are represented at Gold level by a regional Senior Responsible Officer (SRO) and force SROs are in place. Northumbria Police are represented at Silver level by the Regional ESN Project Manager and subject matter experts represent the force at bronze level meetings.</p> <p>Oversight of the ESN programme is carried out by the National Chief Constables' Reference Group. Final approval to transition to ESN sits with the Executive Team.</p> <p>A National Risk Register is maintained by OCiP to monitor the risks associated with the delivery of ESN.</p> <p>Coverage testing and assurance will be undertaken to identify the actual coverage delivered to Northumbria Police &amp; bordering force areas, as soon as devices and coverage are available.</p> <p>Challenge the ESN programme where coverage has not been delivered as per the contract.</p> <p>To reduce the impact to operational policing, the force is currently investigating alternative solutions such as vehicle gateways to provide additional coverage.</p> <p>The force has identified a number of critical locations where coverage is required before the force would transition to the ESN service. There is also an agreed national acceptance criteria which must be met before forces will transition to the ESN service.</p> <p>The current understanding from initial predictions is there are no critical areas of no vehicle coverage within the force. As testing takes place, Chief Officers will be kept informed and the Programme will also be pushed to resolve areas of no coverage to reduce the risk impact to the force. Further hand held and in building coverage will also be tested.</p>	16	Likelihood 4 Impact 4	ACC Citizen Focus	Police and Crime Commissioner and Chief of Staff
6	Operational	Investigations - Operational Delivery Group	Recovery of service failures with the previous regional contract for the provision of Interpreting Services.	Significant impact on large scale investigations.  June 2018	<p>Increase in complaints.</p> <p>Shortage of suitably qualified interpreters.</p> <p>Inadequate interpreting service for victims and witnesses.</p> <p>Reputational impact on confidence in Northumbria Police.</p> <p>Reduction in performance.</p>	<p>A small number of cases, where interpreters under the previous contract were used, are tracked and monitored by Criminal Justice Department through the criminal justice system to court.</p>	4	Likelihood 1 Impact 4	ACC Citizen Focus	Police and Crime Commissioner
7	Operational	Investigations - Operational Delivery Group	Failure to maximise investigative opportunities from historic biometrics, DNA and fingerprints from voluntary attenders.	Ongoing Risk	<p>Potential missed opportunities for further detections.</p> <p>Reduction in public confidence.</p> <p>Reputational impact on confidence in Northumbria Police.</p>	<p>Full review of the current Voluntary Attender system completed.</p> <p>Implementation of new forcewide policy, processes, documentation and guidance.</p> <p>Forcewide training has been delivered to all Inspectors and Sergeants as part of the Raising Investigative Standards (RIS) programme. This has been supplemented with RIS1-4 magazines.</p> <p>Systems and a performance framework in place.</p> <p>Oversight and scrutiny at Strategic Management Board.</p> <p>Reporting to Investigations Operational Delivery Group.</p> <p>End of year review completed (June 2019); benchmarking confirms mechanisms used are in line with other Most Similar Forces.</p>	8	Likelihood 2 Impact 4	ACC Citizen Focus	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
8	Operational	Executive Board / Joint Business Meeting	Financial and operational risks affecting policing as a result of exit from the European Union	Continued financial and operational uncertainty as a result of exit from the European Union.  April 2018	<p>Loss of the key European law enforcement statutory instruments.</p> <p>Movement / volatility in interest rates causing an increase in borrowing costs or a reduction in investment income.</p> <p>Credit: uncertainty to UK banks – fewer counterparties to invest with, if ratings fall below the limits approved in the Commissioners TM Policy and Strategy Statement.</p> <p>CSR impact if grant funding reduced if UK economy underperforms.</p> <p>Performance / yield impacted by lower bond rates, increasing pension fund deficit and required contribution rates.</p> <p>Inflation: weaker Pound, higher import costs, tariff / export charges.</p> <p>Demand pressures as a result of impact on external stakeholders / partner agencies – loss of direct EU funding, reduction in government funding or business rates income, supply chain issues, workforce or contract issues.</p> <p>Supply chain: change to procurement law restricting the supply market, delays within the supply chain (e.g. uniform).</p>	<p>International Crime Co-ordination Centre (ICCC) in place to manages risks associated with the loss of EU policing tools, supported by a national media campaign.</p> <p>Force, regional and national communication and meeting structure to discuss the loss of EU tools, wider implications of Brexit, share best practice and learning and offer peer support.</p> <p>Additional resources appointed to support the Northern forces and identified to provide advice to frontline and senior officers on international policing topics and policy change.</p> <p>A review of all records held on Europol systems (Schengen) with a view to conversion to alternative systems.</p> <p>Review significant policies relevant to the management of these risks (e.g. investment policy) to ensure they are fit for purpose in the new environment. An IPCC 24/7 helpline will be available post Brexit to offer support to forces.</p> <p>TI/ACC Protective Services is deputy for force LRF to maintain effective operational and communication link with partners, key stakeholders and / or contractors to understand how Brexit affects their risks and any shared risks.</p> <p>Assess the impact of the risk assessment on the assumptions used to generate the Medium Term Financial Strategy.</p> <p>Treasury Management Policy and Strategy Statement reviewed and updated for 2019/20.</p> <p>Reporting to the Joint Independent Audit Committee and OPCC Business Meeting.</p> <p>Strategic and operational plans are updated as decisions are made.</p> <p>An impact assessment has been carried out on all key contracts and work is ongoing with suppliers to mitigate risks.</p> <p>Fair, transparent and competitive procurement processes to continue to deliver value for money. Procurement will continue to assess the supply market and advise appropriate stakeholders if risk increases.</p> <p>Supplier lead times are built into stock holding strategies. Procurement will work with Suppliers and include alternative supply contingency plans into contract agreements to cover extended deliveries.</p>	9	Likelihood 3 Impact 3	ACC Protective Services	Police and Crime Commissioner and Chief of Staff and Monitoring Officer



9	Operational	Investigations - Operational Delivery Group	Failure to achieve DFU Service Level Agreements	Risks associated with devices awaiting examination  April 2019	<p>Risk to the force's effectiveness to safeguard vulnerable victims and conduct investigations.</p> <p>Failure to bring offenders to justice in a timely manner will increase risk to vulnerable victims</p> <p>Negative impact on investigations, victim care and safeguarding.</p> <p>Negative impact on criminal justice system and outcomes.</p> <p>Risks associated with devices currently awaiting examination are not assessed or understood.</p> <p>Lack of reputation and credibility.</p> <p>Public confidence.</p> <p>Negative impact on the workforce welfare due to demand outweighing capacity.</p> <p>Forensic Regulator intervention and consequences for non compliance with SLAs, action will be taken to address or suspend activity.</p>	<p>Implementation of weekly performance meetings and monthly governance and oversight.</p> <p>Increase in DFU resources to meet demands of ISO and maintain accreditation. Effective resource management to ensure DFU resources are not abstracted to meet ISO demands.</p> <p>Internal review to assess areas of demand, capability, capacity, identify process efficiencies and opportunities for automation and utilising emerging technology.</p> <p>Introduction of POLIT triage service to reduce demand submitted to the laboratory.</p> <p>Research into at scene triage tools and equipment to increase officer effectiveness and reduce demand.</p> <p>Digital Evidence Suites enabling kiosk examination of mobile phones to decrease low level demand.</p> <p>Use of triage using SPEKTOR in early investigation of Indecent Image cases.</p> <p>Presentations to CPS Lawyers and the Judiciary to improve efficiencies within the CJS around digital evidence requests.</p> <p>Raising officer awareness of other available outcomes i.e. use of bail conditions, effective partnership liaison, Sexual Risk Orders, UCOL tactics and targeting through Neighbourhood teams.</p>	8	Likelihood 2 Impact 4	ACC Protective Services	N/A
10	Operational	Investigations - Operational Delivery Group	Significant delays in the provision of forensic analysis following temporary suspension of all law enforcement submissions to Eurofins following a cyber-attack	Significant impact on: investigations in the Criminal Justice System, any new forensic submissions; and Information Security resulting in reduction in public confidence  June 2019	<p>Shortage of capacity for forensic analysis.</p> <p>Reduction in service for victims.</p> <p>Potential of increases in dangerous offenders released from prison due to custody time limits.</p> <p>Reputational impact on confidence in Northumbria Police.</p> <p>Reduction in performance.</p> <p>Increase in dissatisfaction and complaints.</p>	<p>National contingency plans in place, which will see urgent submissions and priority work diverted to alternative suppliers.</p> <p>National Gold structure implemented across the three areas (Forensic Market Place, Criminal Justice and Information Security)</p> <p>Regional lead (Temp ACC WYP) appointed.</p> <p>Force Gold group structure implemented to support and coordinate communication and support to the force and officers</p>	20	Likelihood 5 Impact 4	T/ACC Crime and Communications	Police and Crime Commissioner
11	Workforce	Strategic Resourcing Board	Insufficient resources, in terms of capacity and capability, to meet current or future policing demands.	Ongoing Risk	<p>Reduction in service quality/ delivery leading to reduced public trust and confidence.</p>	<p>A comprehensive recruitment plan is in place to meet forecasted resourcing and talent requirements whilst ensuring affordability against the Medium Term Financial Strategy (MTFS)</p> <p>Alternative routes into policing are utilised to enrich the workforce mix and maximise benefit of national schemes (e.g. apprenticeships, Police Now, use of volunteers / students)</p> <p>Regular review of Training Profiles, monitoring and ensuring compliance with training programmes (SRB).</p> <p>Prioritised Force Training Plan produced in consultation FRU and agreed via Area Commanders and Confidence and Standards</p> <p>Development and implementation of Police Staff Investigators role with key areas of the force e.g. Crime, PSD and Safeguarding</p> <p>Workforce wellbeing programme / Health and Safety Management System in place to maximise use of available resource, and reduce loss through accident, injury and ill-health.</p>	8	Likelihood 2 Impact 4	Director of People and Development	Police and Crime Commissioner

12	Public Confidence	Confidence and Standards Board	Litigation, legal action and/or prosecution of the Force and/or individuals by former officers or staff members.	Ongoing Risk	<p>Litigation, legal action and/ or prosecution of the Force and / or individual staff.</p> <p>Reputational consequences, in addition to associated costs of dealing with litigation.</p> <p>Negative impact on the workforce.</p>	<p>Health and Safety Management system utilising 'Plan, Do, Check, Act' model to ensure compliance with legislation.</p> <p>Access to competent Health and Safety advice.</p> <p>Health and Safety training profile applied and in place to support supervision in effectively managing risk.</p> <p>Health and Safety investigations and the review of critical incidents ensures lessons learned are identified and embedded (Confidence and Standards Board).</p> <p>8 point plan in place for investigative approach (assaults against staff) agreed by Chief Constable and Northumbria Police Federation.</p> <p>A clear reporting mechanism is now in place for use of powers (use of force, stop and search).</p> <p>Risk management approach in place whereby review of all civil claims received (DCC and PCC).</p> <p>Adverse trends and lessons learned reported (Confidence and Standards Board).</p> <p>Effective internal and external engagement.</p>	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
13	Public Confidence	Confidence and Standards Board	Death in custody/death or serious injury following police contact.	Ongoing Risk	<p>Litigation, legal action and/or prosecution against the Force and/or individual officers.</p> <p>Negative impact on the workforce.</p> <p>Reputational impact on confidence in Northumbria Police.</p>	<p>Family liaison support provided by Custody or from within the force.</p> <p>Trauma Risk Management (TRIM) / Post Incident Manager (PIM) processes in place to support officers and staff.</p> <p>Effective internal and external engagement.</p> <p>Adoption of the 'Expectations of Police Custody' into all on-going Continuous Professional Development (CPD) training and within the Custody Action Plan.</p> <p>Inspector attachments to Professional Standards Department (PSD) on a rolling basis.</p> <p>Role specific training.</p> <p>Investigations Operational Delivery Group provides oversight for Custody related matters.</p> <p>Ongoing implementation of HMICFRS Custody Inspection recommendations.</p> <p>Analytical support to inform key trends/themes.</p> <p>Incident Review Process ensures lessons learned are identified and embedded.</p> <p>Lessons learned are shared via Custody Matters along with the dissemination of updates by functional leads and awareness development sessions.</p> <p>Health and Safety Management system.</p> <p>Electronic Custody records are in place.</p> <p>Continual Risk Assessments whilst in custody</p> <p>Pre-release risk assessment design with Newcastle University.</p> <p>Safety checks.</p> <p>Healthcare provision provided by an external organisation.</p> <p>Custody audit process.</p> <p>Digital wipe boards utilised in custody suites.</p>	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner
14	Public Confidence	Confidence and Standards Board	Other adverse or critical incident, as a result of police action or omission.	Ongoing Risk	<p>Litigation, legal action and/or prosecution against the Force and/or individual officers.</p> <p>Negative impact on the workforce.</p>	<p>Health and Safety Management system.</p> <p>Risk Assessments.</p> <p>National Decision Making model.</p> <p>Role specific training.</p> <p>Clear awareness and understanding of IOPC referral criteria.</p> <p>Critical Incident debrief process ensures lessons learned are identified and embedded through Operational Delivery Groups/Boards.</p> <p>Risk management approach in place whereby review of all civil claims received (DCC and PCC).</p> <p>Adverse trends and lessons learned reported (Confidence and Standards Board).</p> <p>Investment in technology (increased access to and use of BWV).</p> <p>Supporting measures to proactively manage negative impact on staff. OHU &amp; TRIM referral processes, instigation of PIM process, workforce liaison officers, staff association and Federation support network.</p>	9	Likelihood 3 Impact 3	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

15	Public Confidence	Confidence and Standards Board	Corrupt behaviour by an officer or police staff member.	Ongoing Risk	Abuse of authority for financial or sexual purpose, fraud or theft.	<p>Counter Corruption Strategic Assessment, Control Strategy, Intelligence Requirement and Intelligence Collection Plan.</p> <p>Abuse of Authority problem profile.</p> <p>Dedicated Counter Corruption Unit with capacity and capability to deliver full range of covert tactics. Resourced analytical hub to support delivery.</p> <p>Force Audit Tool (ATA).</p> <p>Range of internal communication methods including Corruption awareness inputs, ethical dilemma videos, PSD drop in's, Understanding the Boundaries campaign, Functional Lead meetings and dissemination of organisational learning.</p> <p>Vetting procedures at point of entry and in accordance with National Code of Practice.</p> <p>Integrity Health Check in place as part of the Professional Development System (PDS) process.</p> <p>Effective external engagement including creation of a virtual PSD Partnership Joint Engagement Group, redesign of the Northumbria internet site, increased awareness and understanding regarding how to make a complaint.</p> <p>Effective disciplinary process.</p> <p>Development of an internal and external confidential reporting line.</p>	6	Likelihood 2 Impact 3	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
16	Public Confidence	Confidence and Standards Board	Ineffective response to complaints or service recovery.	Ongoing Risk	<p>Reduced level of public confidence</p> <p>Inability to learn from lessons and improve service delivery</p>	<p>Complaints and service recovery monitored at the Confidence and Standards Board.</p> <p>OPCC Scrutiny Meeting.</p> <p>Monthly analysis of complaints, addressing any emerging issues with Area Commands/ Departments.</p> <p>Complaints Triage, based at the OPCC, ensuring all complaints are administered, monitored and managed by the appropriate staff and in a timely manner.</p> <p>Sub group of Confidence and Standards to successfully manage the new legislation.</p> <p>First point of contact and early intervention dealt with at the Customer Service Centre / Triage Team.</p> <p>Review of organisational learning / lessons learned in line with new legislation.</p>	4	Likelihood 1 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
17	Regulation and Standards	Confidence and Standards Board	Failure to achieve and maintain ISO/IEC 17025 accreditation in line with the Forensic Science Regulator Codes of Practice and Conduct.	Requirement to achieve ISO/IEM accreditation April 2019	<p>Reputational impact on confidence and credibility in Northumbria Police.</p> <p>Potential service suspension.</p> <p>Potential to impact on victims.</p> <p>Inability to meet the requirements of vulnerable victims in terms of timeliness and quality.</p>	<p>Quality Management System to identify and mitigate risk to prevent suspension of the accreditation.</p> <p>ISO oversight Governance Meeting chaired by Head of Crime.</p> <p>Resource requirements for Quality Management have been reviewed.</p> <p>Achieved accreditation in digital forensics for a proportion of the work undertaken which will be built on to maintain and improve the scope to include the majority of work undertaken.</p>	9	Likelihood 3 Impact 3	ACC Protective Services	N/A
18	Regulation and Standards	Confidence and Standards Board	Force/ OPCC or an associated individual acts in a discriminatory way.	Ongoing Risk	<p>Litigation, legal action against the Force/ OPCC.</p> <p>Inequality of service delivery across discriminated groups.</p> <p>Loss of trust and confidence.</p>	<p>Agreement and delivery of Joint Equality Objectives (OPCC and Force).</p> <p>Governance Structure - Gold and Silver Groups.</p> <p>Monitoring and analysis of protected characteristic data (employee lifecycle).</p> <p>Equality Impact Assessments (EIA) in place.</p> <p>OPCC Advisory Group Meetings.</p> <p>Forcewide Training in diversity and inclusion.</p> <p>External organisational staff surveys (Stonewall Workplace Equality Index).</p> <p>Staff Survey.</p> <p>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)).</p> <p>Equality Action Plan.</p>	6	Likelihood 2 Impact 3	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer



19	Regulation and Standards	Information Management Board	Ineffective management of information and poor data quality affecting business and operational decision-making.	Ongoing risk	<p>Limited operational and poor business intelligence data to inform decision-making.</p> <p>Inaccurate data returns to the Home Office and other bodies, such as HMICFRS.</p> <p>Reduction in force performance and delivery.</p> <p>Findings made by the ICO are publicised, the Force would be subject to reputational damage and financial penalties if members of the community believed that they were not handling personal and sensitive personal data in accordance with the Regulations.</p>	<p>Information Management Board.</p> <p>Delivery of ICT Strategy.</p> <p>Crime validation and audit processes, as part of the Crime Data Integrity Audit Plan.</p> <p>Migration strategy as part of the Operational Platform Implementation Programme (OPiP) will greatly enhance data, quality, accuracy of data and compliance with GDPR.</p> <p>Force Data Protection Officer (DPO) in place.</p> <p>Data held across the organisation has been identified and information asset registers produced.</p> <p>Existing procedures in respect of Data Breaches ensure required actions set out in the Regulations are met.</p>	8	Likelihood 2 Impact 4	Director of Finance and IT	Chief of Staff and Monitoring Officer
20	Financial	Joint Business Meeting	Further cuts to police funding.	Ongoing Risk	<p>Reduction in available finances impacting on the ability to provide frontline services.</p> <p>Impact on service provision, with less flexibility to innovate.</p> <p>Public confidence.</p> <p>Reductions in National Funding or changes in the Funding Formula will reduce the resources available to the PCC for Policing.</p>	<p>Annual MTFS process to review and revise spending plans to match available resources.</p> <p>Flexibilities to increase precept are considered annually based on spending plans and demand.</p> <p>Reserves will be optimised to assist with the phasing of the delivery of savings, but not fall below as a minimum 3% of Net Revenue Expenditure.</p> <p>Actively participate in national discussions on Police Funding through PACCTS and NPCC.</p> <p>Wherever possible, lobby the Home Office and politicians on funding for Northumbria, including multi-year settlements to enable effective budget planning.</p> <p>Effective internal and external engagement and communication plan.</p>	10	Likelihood 2 Impact 5	Director of Finance and IT	Chief of Staff and Monitoring Officer and Chief Finance Officer
21	Financial	Strategic Resourcing Board	Failure to manage annual budget.	Ongoing Risk	<p>Impact on service provision, with less flexibility to innovate and provide front-line services.</p>	<p>Effective financial strategies, including: MTFS, Capital Strategy, Treasury Management, Value for Money profiles and Police Objective Analysis.</p> <p>Regular financial monitoring through Executive Board, OPCC Business Meeting and Joint Business Meeting.</p> <p>Internal Audit and OPCC scrutiny, plus part of External Audit annual Value for Money assessment.</p>	4	Likelihood 1 Impact 4	Director of Finance and IT	Chief of Staff and Monitoring Officer and Chief Finance Officer
22	Financial	Joint Business Meeting	Significant increase in the cost of Employers' Pension Contributions.	<p>Uncertainty re financial implications post 2019/20 and next CSR period.</p> <p>Uncertainty on the level of support / action to be taken by Treasury HO and HMT post 2019/20.</p> <p>Ongoing</p>	<p>Requirement to deliver a significant level of further budget savings if a permanent funding solution is not included within the next CSR and post 2019/20 funding settlements.</p> <p>Impact on Reserves resulting in reduced financial resilience.</p> <p>Impact on ability to deliver workforce plans, frontline services and Force Operating Model.</p> <p>Impact on service provision, with less flexibility to innovate.</p> <p>Public confidence.</p>	<p>National level focus and engagement with Home Office and HMT on behalf of policing by APCC and NPCC.</p> <p>Annual MTFS process to review and revise spending plans to match available resources.</p> <p>MTFS includes a 'Pensions Reserve' equal to the pension special grant received for 2019/20. Thereby providing two years of investment certainly until the outcome of the CSR is known, allowing time to implement any resulting plans following on from the CSR announcement.</p> <p>Reserves will be optimised to help with the phasing of the delivery of savings.</p> <p>Effective internal and external engagement and communication plan.</p>	20	Likelihood 4 Impact 5	Director of Finance and IT	Chief of Staff and Monitoring Officer and Chief Finance Officer
23	Financial (also reflected in Operational risk 5)	Executive Board	Failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget.	<p>Further delays anticipated with delivery of national Emergency Services Network resulting in the national Airwave contract being extended to December 2022.</p> <p>December 2016</p>	<p>Late delivery of ESN critical voice system to support operational policing.</p> <p>Current Airwave service is kept running longer and may require more management &amp; support.</p> <p>Current force overt and covert equipment, nearing end of life, may need to be replaced.</p> <p>Increase in forecast revenue budget as predicted savings will not be made when expected.</p> <p>Future funding details still to be provided by the Home Office as some payment and funding decisions are still to be finalised.</p>	<p>Any further extension to the national Airwave contract will be continually assessed by the Home Office and Operational Communications in Policing (OCiP) and communicated directly to the force.</p> <p>The force will retain teams to manage and support the Airwave service until transition to ESN.</p> <p>A contingency plan for the support of Airwave vehicle terminals is in place. The necessary budgetary provision to replace covert equipment and replace handheld equipment before the introduction of ESN service is closely monitored.</p> <p>A national framework for the purchase of Airwave devices and accessories has now been put in place by the Police ICT Company and can be used by the force.</p> <p>Close liaison with Home Office to receive early indication of further programme slippage.</p> <p>Ongoing discussions with the Home Office regarding allocation of funding for future years.</p> <p>Best estimates based on current plans have been included within the force MTFS. In addition, an ESN contingency reserve is being created as part of 2018/19 year-end accounts to provide mitigation against potential increases in cost and programme slippage.</p>	15	Likelihood 5 Impact 3	ACC Citizen Focus	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

24	Infrastructure and Assets	Strategic Resourcing Board	Disruption to estates and facilities to deliver effective policing services.	Ongoing Risk	<p>Reduced services across some or all business areas.</p> <p>Injury to building users.</p> <p>Litigation and civil claims.</p> <p>Negative impact on the workforce.</p> <p>Closure of buildings leading to major disruption and business continuity issues.</p>	<p>Business Continuity Plans and Estates Strategies.</p> <p>'Uninterrupted Power Supply' is fitted at key sites to protect ICT equipment from damage.</p> <p>All operational orders and business continuity plans are assessed and allocated a RAG status. This is an on-going process to ensure all plans are up-to-date.</p> <p>Policies and procedures in place.</p> <p>Fire risk assessments are in place for all properties occupied by OPCC.</p> <p>OPCC commissioned an in-depth independent survey of fire risk. The risk rating for all properties has been assessed as either 'trivial' or 'tolerable'. Implementation of Action Plan recommendations will ensure the Chief Constable continues to meet obligations in respect of the Regulatory Reform Fire Safety Order 2005.</p> <p>Regular maintenance of fire alarms and emergency lighting is undertaken in accordance with BS5839 and BS5266.</p> <p>Regular evacuation tests and policing of 'housekeeping issues'.</p> <p>Periodic inspection and test in accordance with Electricity at Work Act 1980 and BS7671 with remediation of priority 1, 2 and 3 defects.</p> <p>Water Hygiene risk assessment in accordance with ACOP L8 with resultant hygiene maintenance.</p> <p>Asbestos management survey undertaken which is updated annually by re-inspection. A risk assessed asbestos management plan is updated annually and any remedial works required to reduce risks are undertaken.</p> <p>Regular maintenance of gas equipment in accordance with manufacturers instructions.</p> <p>Health and Safety management.</p>	6	Likelihood 2 Impact 3	ACC Protective Services and Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
25	Infrastructure and Assets	Information Management Board	The loss or inappropriate disclosure of sensitive data or information.	<p>Series of recent incidents of inappropriate disclosure or loss of sensitive information or data.</p> <p>Ongoing Risk</p>	<p>Breach of the Data Protection Act 2018.</p> <p>Breach of GDPR.</p> <p>Litigation, legal action against the Force/OPCC leading to prosecution and monetary penalty.</p> <p>Places individuals at risk, making them more vulnerable.</p> <p>Corruption or loss of Force systems.</p> <p>Public confidence.</p> <p>Failure to identify risk of vulnerability, officer, public safety.</p>	<p>Compliance with National Policing Code of Connection.</p> <p>Implementation of the Information Security Review recommendations.</p> <p>Post incident Senior Information Risk Officer (SIRO) review and response.</p> <p>Internal Audit programme.</p> <p>Staff training including internal training programme for all supervisors.</p> <p>Creation of new Information Management Unit and Information Management action plan and strategy</p> <p>Information Management Board</p> <p>Maintenance of an effective ICT Audit capability.</p> <p>A specific Information Security Risk Register is reviewed and maintained at monthly SIRO meetings and considered quarterly at Information Management Board.</p> <p>Effective internal and external engagement.</p>	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
26	Information Technology	Digital Enabler Board	Limitations of current ICT systems and the impact on service delivery.	<p>Current ICT system is unable to provide all of the functionality required</p> <p>April 2019</p>	<p>Ineffective IT system to support the entire business process.</p> <p>Inefficiency, relying on a poor process/tool.</p> <p>Impact on police effectiveness and delivery of the Police and Crime Plan.</p>	<p>Rigorous project level risk management process to identify and mitigate project risks.</p> <p>Effective internal and external engagement and communication plan.</p> <p>ICT system issues are considered through the ODGs and prioritised by the Digital Enabler Board.</p> <p>Financial implications of changes are considered at the monthly ICT/Finance review meetings and as part of the MTFS process.</p> <p>ICT attendance at User Groups to understand the future roadmap of systems.</p> <p>Effective supplier management process to ensure suppliers are aware of issues impacting on the use of the system and the opportunities and costs to change the system.</p> <p>Opportunity to consider if current systems can be enhanced or changed prior to renewal time.</p> <p>Opportunity to review business processes to match the "out of box" system functionality.</p> <p>ICT ensure the latest versions of systems, with the additional security and functional changes are available to users.</p> <p>Plans are in place to implement new Operational Platform Implementation Programme (OPIP) systems, HR solution and a review of the duties management system.</p>	16	Likelihood 4 Impact 4	Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

27	Information Technology	Strategic Resourcing Board	Loss of Critical ICT Services	<p>Significant impact on the ability to effectively deliver service and record and access information required to make effective operational decisions.</p> <p>March 2018</p>	<p>Inability to deliver specific services and operational priorities.</p> <p>Impact on police effectiveness.</p> <p>Loss of telephony or Airwave services will impact on the ability to communicate with the public and/or officers.</p> <p>Potential risk of harm to the public and staff.</p> <p>System availability may become more critical at different times - 999 service 24/7/365 and custody system critical at peak times.</p>	<p>Major Disaster Recovery Plan (MDRP) document that identifies roles and responsibilities to bring critical services back into place in the event of a significant loss of critical ICT services including:</p> <ul style="list-style-type: none"> <li>- Uninterrupted Power Supply' is fitted at key sites to protect ICT equipment from damage</li> <li>- Availability of remote access devices.</li> <li>- Remote access to IT systems.</li> <li>- Dual control site to undertake all functionality and provide resilience.</li> <li>- The Force has three machine rooms, two of which can be used to deliver critical ICT services.</li> <li>- BT review of telephony service has been completed.</li> <li>- ICT server, hardware and software upgrades.</li> </ul> <p>Levels of resilience and data backup to ensure systems can be maintained in service and where loss of service is experienced the system can be reinstated quickly with no/little loss of data.</p> <p>A list of critical systems is included in the MDRP document and regularly reviewed to ensure all systems have been appropriately assessed and level of criticality agreed between operational and support teams.</p> <p>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.</p> <p>Estates Strategies includes the refresh of infrastructure critical to the delivery of ICT services.</p> <p>Support and maintenance contracts are in place along with callout rotas to provide 24/7 support for critical systems.</p> <p>Regular refresh activity is planned and the refresh schemes included in the MTFS plan for the next 5 years.</p> <p>User acceptance testing on a project basis to ensure new systems are fit for purpose prior to the Force being dependent upon them for service.</p> <p>Systems are patched and updated regularly to minimise the likelihood or impact of loss of system access due to a cyber attack.</p>	9	Likelihood 3 Impact 3	Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
28	Information Technology	Strategic Resourcing Board	Significant IT Transformation	<p>Significant changes to critical systems and business processes will potentially impact on the Force's ability to provide continuity of service.</p> <p>April 2019</p>	<p>Changes to ICT systems are either incorrect, not fully considered, not explained in full to staff, delayed or cause a significant loss of service as a result of poor implementation.</p>	<p>Effective Procurement Process to ensure the purchase of robust and effective technical solutions.</p> <p>Appropriate business lead involvement through the delivery of technology change projects.</p> <p>Effective Supplier Management Process.</p> <p>Robust definition of the scope of the transformation and the purpose of the new/changed system.</p> <p>Rigorous User Acceptance Testing against the defined system requirements prior to system go live.</p> <p>Appropriate funding for ICT services included in the Capital Programme.</p> <p>Robust governance and project management processes to assure non-impactive technology change programmes.</p> <p>ICT Strategy includes a programme of technology refresh, updating and replacing older equipment.</p> <p>Robust project risk and issue management process is followed for all change projects.</p> <p>Liaison with users and key departments to ensure appropriate policy , procedure and user training is in place prior to system implementation.</p> <p>Management of IT change projects using professionally trained and force experienced ICT change Project Managers.</p>	8	Likelihood 2 Impact 4	ACC Local Policing	Police and Crime Commissioner and Chief of Staff
29	Information Technology	Information Management Board	A malicious intent to compromise information systems or access information or data.	Ongoing Risk	<p>Corruption or loss of Force systems.</p> <p>Disclosure of sensitive information.</p> <p>Public confidence in Northumbria Police.</p>	<p>A number of technologies are in place to protect data from external attack (e.g. fire walls).</p> <p>Intrusion Detection Systems and Intrusion Protection Systems allow unusual activity directed towards the Force to be identified and logged for analysis.</p> <p>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.</p> <p>Patching processes have been updated to reflect the frequency of patches being issued by Microsoft and other critical system suppliers.</p> <p>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.</p> <p>Effective media management and communication plan.</p>	8	Likelihood 2 Impact 4	Director of Finance and IT	N/A



30	Collaboration and Partnership	Executive Board	Failure of significant contracts and/ or collaborative agreements.	Potential impact of contract failures  April 2019	<p>Inefficient / ineffective service provision and ability to meet service level agreements.</p> <p>Pressure on force to deliver services.</p> <p>Ineffective relationships with collaborative partners.</p> <p>Inability to deliver value for money services.</p>	<p>Section 22 Collaboration Agreements - Protected by Terms and Conditions of contracts.</p> <p>Effective contract monitoring and management within each interdisciplinary:</p> <ul style="list-style-type: none"> <li>- Deliverables and KPIs monitored within Business Intelligence;</li> <li>- Financial reporting within Finance;</li> <li>- Legal Agreements (such as Section 22a's) within Legal Department;</li> <li>- Procurement exercises within Procurement Department.</li> </ul> <p>Scheduled contract performance meetings with contractors and business users.</p> <p>Performance indicators are included in some major operational contracts which are discussed at contract performance meetings.</p> <p>Ability to terminate contract and seek alternative source of supply.</p> <p>Effective contract monitoring in place between Business Leads and providers for local contracts i.e. Fleet, ICT.</p> <p>Contract performance meeting held 6 monthly with Director of Finance and ICT, strategic risks to the force are escalated to Executive Team.</p> <p>Agreement of the newly formed Partnerships and Collaboration Force Improvement workstream to be absorbed into the Transformation Board.</p> <p>Large scale central contract coordination is based within Force Improvement.</p>	3	Likelihood 1 Impact 3	Director of Finance and IT /ACC Local Policing	Police and Crime Commissioner
31	Collaboration and Partnership	Transformation 2025 / Strategic Management Board	Future sustainability of force operating model and the efficiency of our future plans to operate including, the potential impact of a reduction in partnership services due to financial constraints and/or lack of integrated planning.	Ongoing risk	<p>Inability to deliver the Police and Crime Plan.</p> <p>Reduced ability to deliver strategic objectives.</p> <p>Reduction in opportunities to improve service quality and cost effectiveness.</p> <p>Failure to comply with legislation, namely; Police Reform and Social Responsibility Act 2011 &amp; Policing and Crime Act 2017.</p>	<p>Effective management through the force Transformation 2025 Board.</p> <p>Effective partnership governance arrangements and joint partnership plans based on Threat, Harm and Risk, through Community Safety Partnerships (CSPs), Children &amp; Adult Safeguarding Boards &amp; Local Multi Agency Problem Solving (LMAPS) groups are in place, which include clear roles and responsibilities.</p> <p>Strategic understanding of the current position in respect of relationships and interdependencies, through annual Partnership and Collaboration benchmarking to map current and future gaps, to best meet demand</p> <p>Sharing best practice and problem solving knowledge through events with partners at a local level, regionally via the North East Transformation Innovation Collaboration (NETIC), and nationally via the National Police Chiefs Council (NPCC) and Police Reform and Transformation Board (PRTB).</p>	8	Likelihood 2 Impact 4	ACC Local Policing	Police and Crime Commissioner and Chief of Staff and Monitoring Officer





**Overview of Joint Strategic Risk Register**

1	Failure to deliver against objectives set out in the Police and Crime Plan.	
2	Failure to effectively identify and respond to organisational learning.	
3	Failure to provide an effective police response to a critical incident and / or deliver continuity of service.	
4	An ineffective Criminal Justice System within the region.	
5	Failure to deliver the Emergency Services Network (ESN) required functionality and coverage. (Also reflected in Financial risk 23).	
6	Recovery of service failures with the previous regional contract for the provision of Interpreting Services.	
7	Failure to maximise investigative opportunities from historic biometrics, DNA and fingerprints from voluntary attenders.	
8	Financial and operational risks affecting policing as a result of exit from the European Union.	
9	Failure to achieve DFU Service Level Agreements.	
10	Significant delays in the provision of forensic analysis following temporary suspension of all law enforcement submissions to Eurofins following a cyber-attack.	
11	Insufficient resources, in terms of capacity and capability to meet current or future policing demands.	
12	Litigation, legal action and/or prosecution of the Force and/ or individuals by former officers or staff members.	
13	Death in custody/death or serious injury following police contact.	
14	Other adverse or critical incident, as a result of police action or omission.	
15	Corrupt behaviour by an officer or police staff member.	
16	Ineffective response to complaints or service recovery.	
17	Failure to achieve and maintain ISO/IEC 17025 accreditation in line with the Forensic Science Regulator Codes of Practice and Conduct.	
18	Force/ OPCC or an associated individual acts in a discriminatory way.	
19	Ineffective management of information and poor data quality affecting business and operational decision-making.	
20	Further cuts to police funding.	

**AGENDA ITEM 10**  
**APPENDIX B**

21	Failure to manage annual budget.	
22	Significant increase in the cost of Employers' Pension Contributions.	
23	Failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget. (Also reflected in Operational risk 5).	
24	Disruption to estates and facilities to deliver effective policing services.	
25	The loss or inappropriate disclosure of sensitive data or information.	
26	Limitations of current ICT systems and the impact on service delivery.	
27	Loss of Critical ICT Services.	
28	Significant ICT Transformation.	
29	A malicious intent to compromise information systems or access information or data.	
30	Failure of significant contracts and/ or collaborative agreements.	
31	Future sustainability of force operating model and the efficiency of our future plans to operate including, the potential impact of a reduction in partnership services due to financial constraints and/or lack of integrated planning.	

Likelihood

VERY HIGH (5)		23	10	
HIGH (4)			5 26	22
MEDIUM (3)		8 14 17 27	2	
LOW (2)		3 4 15 18 23	1 7 9 11 12	13 19 25 28 29
VERY LOW (1)		30	6 16 21	
VERY LOW (1)	LOW (2)	MEDIUM (3)	HIGH (4)	VERY HIGH (5)

Impact



<b>Joint Independent Audit Committee</b>	<b>22 JULY 2019</b>
<b>Treasury Management Annual Report 2018/19</b>	
<b>Report of Joint Chief Finance Officer</b>	

**1. Purpose of the Report**

- 1.1 The report asks the Joint Independent Audit Committee (the Committee) to review the Treasury Management Annual Report 2018/19 as attached at Appendix A and approve it for presentation to the Police and Crime Commissioner (the Commissioner).

**2. Recommendation**

- 2.1 The Committee is asked to review the Treasury Management Annual Report 2018/19 and approve it for presentation to the Commissioner.

**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 2018/19.

- 3.2 This report covers the period 1 April 2018 to 31 March 2019.

**4 Summary**

- 4.1 The Treasury Management Annual Report 2018/19 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, the use of internal cash resources and new long-term borrowing being deferred to later in the financial year on advice from external treasury advisers Link Asset Services.
- Investment income received was higher than budget, reflecting the increase in base rate in August 2018 increasing returns on investments and an increase in average investment balances due to underspends on revenue and capital budgets.
- We have complied with our financial regulations and all prudential indicators were within the limits set for the year.

**5. CONSIDERATIONS**

<b>Freedom of Information</b>	<i>Non-exempt</i>
<b>Consultation</b>	Yes
<b>Resource</b>	No
There are no additional financial considerations arising from this report.	
<b>Equality</b>	No
There are no equality implications arising from the content of this report.	

**AGENDA ITEM 11**

<b>Legal</b>	No
There are no legal considerations arising from the content of this report.	
<b>Risk</b>	No
There are no additional risk management implications directly arising from this report.	
<b>Communication</b>	Yes
To be reported to the PCC in line with The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the Code) by 30 September each year.	
<b>Evaluation</b>	No

**Treasury Management Annual Report 2018/19****The Strategy for 2018/19**

1. The 2018/19 Treasury Management Policy Statement and Strategy was approved by the Joint Independent Audit Committee on 25 February 2018 for presentation to the Police and Crime Commissioner (PCC). The key decision was approved by the PCC on 08 March 2018.
2. The formulation of the 2018/19 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 2018/19 anticipated the Bank Rate increasing three times to reach 1.25% by 2020. Tentative increases of 0.25% were forecast in quarter 3 of both 2018/19 and 2019/20. A further increase of 0.25% was forecast in quarter 2 of 2020/21 bringing the Bank Rate to 1.25% by September 2020. The Strategy noted that interest rate forecasting remained difficult with so many external influences weighing on the UK, particularly with the level of uncertainty over the final terms of Brexit.
6. The Treasury Management Strategy was to adopt caution in the management of the 2018/19 treasury operations. The interest rate market was monitored to allow the Chief Finance Officer (CFO) to adopt a pragmatic approach to any changing circumstances, having delegated powers to invest and manage the funds and monies of the Commissioner.

**Borrowing Strategy**

7. The borrowing strategy for 2018/19 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 the refinancing risk associated with an increase in interest rates against any potential short-term savings.
8. The early repayment of debt was not considered to present value for money during 2018/19, 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**

9. 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 2018 gave the opinion that it was 'Operating Well'.

### **Outturn 2018/19 – Performance Measurement**

10. 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 I.

### **External Advisers**

11. Link 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**

12. Performance must be considered in conjunction with actual rate movements over the financial year which were as follows:
- **Shorter-term interest rates**  
Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75% in quarter 3. At the start of 2018-19, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the MPC would raise Bank Rate in August. This duly happened at the MPC meeting on 2 August 2018. It was not expected that the MPC would raise Bank Rate again during 2018-19 in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019.
  - **Longer-term interest rates**  
Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2018/19 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Since PWLB rates peaked during October 2018, most PWLB rates have been on a general downward trend, though longer term rates did spike upwards again during December, and, (apart from the 1 year rate), reached lows for the year at the end of March. There was a significant level of correlation between movements in US Treasury yields and UK gilt yields -which determine PWLB rates. The Fed in America increased the Fed Rate four times in 2018, making a total of nine increases during this cycle, to reach 2.25% – 2.50% in December. However, it had been giving forward guidance that



rates could go up to nearly 3.50%. These rate increases and guidance caused Treasury yields to also move up. However financial markets considered by December 2018, that the Fed had gone too far, and discounted its expectations of further increases. Since then, the Fed has also come round to the view that there are probably going to be no more increases in this cycle. The issue now is how many cuts in the Fed Rate there will be and how soon, in order to support economic growth in the US. But weak growth now also looks to be the outlook for China and the EU so this will mean that world growth as a whole will be weak. Treasury yields have therefore fallen sharply during 2019 and gilt yields / PWLB rates have also fallen.

### **Investment Performance**

13. The main focus for treasury management in 2018/19 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 lower credit risk as the investment portfolio is reduced.
14. 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.
15. A summary of the year's activity is shown at Appendix 2. The total interest earned in the year, was £0.114m (2017/18 £0.048m) with an average interest rate of 0.65% (2017/18 0.31%). The investment interest earned was an increase of £0.041m against the original budget of £0.073m. The increase in Bank Rate from 0.50% to 0.75% on 2 August 2018 helped boost investment returns in the last 7 months of the financial year.
16. The overall return on investments of 0.65% exceeds the accepted benchmark rate (the 7-day London Interbank Bid Rate (LIBID)) of 0.51%. 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**

17. 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.
18. As at 31 March 2019, total dividends of £5.194m (98.00p in the £) have been received, reflecting no further dividend in 2018/19. The balance of the investment sum outstanding is therefore still £0.044m.
19. The most recent update from the administrators, Ernst and Young, in March 2019, 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 2019/20.

### **Borrowing Performance**

20. The total borrowing at 31 March 2019 was £102.969m, which was within the operational borrowing limit of £145.000m. This is a net decrease of £3.916m from the opening balance of £106.885m, represented by £84.000m new borrowing and repayments of £87.916m. The new borrowing was taken as set out in the following table:

Date	Term	Amount	Interest Rate	Sources
03/04/2018	94 days	£1.000m	0.85%	Market Loans
03/04/2018	94 days	£2.000m	0.85%	Market Loans
20/04/2018	18 days	£10.000m	0.45%	Market Loans
24/05/2018	14 days	£14.000m	0.50%	Market Loans
21/06/2018	14 days	£15.000m	0.48%	Market Loans
31/07/2018	7 days	£5.000m	0.43%	Market Loans
03/01/2019	32 days	£5.000m	0.75%	Market Loans
31/01/2019	154 days	£6.000m	0.95%	Market Loans
31/01/2019	154 days	£5.000m	0.95%	Market Loans
31/01/2019	154 days	£3.000m	0.95%	Market Loans
31/01/2019	154 days	£2.000m	0.95%	Market Loans
02/11/2018	9.5 years	£2.000m	2.18%	PWLB
02/11/2018	50.0 years	£2.000m	2.55%	PWLB
12/12/2018	9.5 years	£3.500m	1.98%	PWLB
12/12/2018	45.0 years	£3.500m	2.43%	PWLB
26/03/2019	10.0 years	£5.000m	1.86%	PWLB
Total		£84.000m		

21. The use of reserve and General Fund balances to limit the requirement for new borrowing has continued to deliver savings in 2018/19, reducing investment balances rather than increasing external borrowing in order to minimise interest costs.
22. The average borrowing interest rate at 31 March 2019 was 3.25% compared to 3.29% at 31 March 2018. This slight reduction reflects the repayment of PWLB loans at higher interest rates and new PWLB borrowing secured at lower rates that was only partly offset by increases in short term borrowing rates.
23. 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.
24. At 31 March 2019, £86.969m of the total borrowing was from the PWLB with the remaining £16.000m taken from market loans.
25. The overall revenue cost of borrowing in 2018/19 was £2.783m. This was £0.237m less than the budget. Forecast new PWLB borrowing was secured at rates lower than budget, and despite the increase in the Bank Rate in August 2018 average short term rates have remained within the budget set at 0.80% to December 2018 and 1.05% onwards

#### **Debt Restructuring and Repayment**

26. 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 2018/19**

27. Investment income was £0.041m over budget reflecting the increased rates, particularly after the Bank Rate increase in August 2018, increasing the return on investments.
28. Borrowing costs were £0.237m less than the budget. Despite the increase in the Bank of England base rate in August 2018, average short term temporary borrowing rates have remained within the budget set. 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.
29. Overall Treasury Management performance against budget for 2018/19 generated a saving of £0.278m as summarised in the following table:

	<b>2018/19 Budget £m</b>	<b>2018/19 Actual £m</b>	<b>2018/19 Saving £m</b>
Cost of Borrowing	3.020	2.783	(0.237)
Investment Income	(0.073)	(0.114)	(0.041)
<b>Net Position</b>	<b>2.947</b>	<b>2.669</b>	<b>(0.278)</b>

**Prudential Indicators 2018/19**

<b>Authorised Limit for External Debt</b>		
	<b>2018/19 Reported Indicator £m</b>	<b>2018/19 Maximum YTD £m</b>
Borrowing	170.000	124.885
Other Long Term Liabilities	0.000	0.000
<b>Total</b>	<b>170.000</b>	<b>124.885</b>

<b>Operational Boundary for External Debt</b>		
	<b>2018/19 Reported Indicator £m</b>	<b>2018/19 Maximum YTD £m</b>
Borrowing	145.000	124.885
Other Long Term Liabilities	0.000	0.000
<b>Total</b>	<b>145.000</b>	<b>124.885</b>

<b>Upper Limit on amounts invested beyond 364 days</b>			
	<b>2018/19 Reported Indicator £m</b>	<b>2018/19 Outturn £m</b>	<b>2018/19 Maximum YTD £m</b>
<b>Investments</b>	<b>15.000</b>	<b>0</b>	<b>0</b>

**Gross Debt and Capital Financing Requirement (CFR)**

<b>Gross Debt and CFR</b>	<b>2018/19 Estimate £m</b>	<b>2018/19 Outturn £m</b>
Borrowing as at 31 March	94.446	102.969
Capital Financing Requirement as at 31 March	103.189	106.959
<b>Amount of Borrowing (over) / under CFR</b>	<b>8.743</b>	<b>3.990</b>

Actual borrowing as at 31 March 2019 is below CFR by £3.990m. The actual borrowing position is closer to the CFR than estimated at the start of the year, by £4.753m. This can be attributed to additional PWLB borrowing secured in March 2019 when interest rates reached lows for the year.

In light of the forecast rising CFR over the Medium Term Financial Strategy (MTFS) period, this new borrowing was brought forward to 2018/19 to take advantage of the low interest rate on advice from external advisers Link Asset Services.

**Investment Activity**

<b>Investments maturing during the year</b>		
	<b>2017/18</b>	<b>2018/19</b>
Number of investments made in the previous year, maturing in the reporting year	0	0
Number of investments made in the reporting year, maturing in the reporting year	643	762
Total number of investments maturing in the reporting year	643	762
<b>Number of investments made in reporting year, maturing in the following year</b>	<b>0</b>	<b>0</b>

<b>Average duration of investments</b>		
	<b>2017/18</b>	<b>2018/19</b>
Average duration of investments (including overnight)	1 day	1 day
Average duration of investments (excluding overnight)	51 days	33 days

<b>Summary of non-specified investments</b>		
	<b>2017/18</b>	<b>2018/19</b>
<b>Non-specified investments:</b>		
Rated non-high		
Approved limit	75%	75%
Maximum level invested	44%	37%
Not Rated		
Approved limit	0%	0%
Maximum level invested*	29%	1%
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 in 2017/18 represented 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. In 2018/19 the minimum level of investment balances was higher so the relative value to total investment was much lower.

