

# JOINT INDEPENDENT AUDIT COMMITTEE

MONDAY, 22 JUNE 2020, 14:00

## AGENDA

### OPEN SESSION

1. **INTRODUCTION**
2. **DECLARATION OF INTEREST**
3. **MINUTES OF THE OPEN SESSION OF THE JOINT INDEPENDENT AUDIT COMMITTEE 24 FEBRUARY 2020**  
*(Attached)*
4. **MATTERS ARISING**  
*(Action list attached)*
5. **SUMMARY OF RECENT EXTERNAL INSPECTION REPORTS**  
Head of Corporate Development  
*(Paper attached)*
6. **JOINT STRATEGIC RISK REGISTER**  
Head of Corporate Development  
*(Paper attached)*
7. **TREASURY MANAGEMENT ANNUAL REPORT 2019/20**  
Report of Head of Finance  
*(Paper attached)*
8. **AUDIT PROGRESS REPORT**  
Report of External Audit Manager  
*(Paper attached)*
9. **DATE AND TIME OF NEXT MEETING**  
Monday 24 August 2020, 2pm, Venue TBC.
10. **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>
11	7
12	7
13	7
14	7
15	7
16	7
17	7
18	7



**NORTHUMBRIA POLICE MINUTES**

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<b>Title</b> Joint Independent Audit Committee (JIAC)	<b>Meeting number</b> 01/2020
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<b>Date</b> 24 February 2020	<b>Location</b> Stephenson Room Middle Engine Lane	<b>Duration</b> 14:00 – 16:10
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**Present:**

<b>Committee Members</b>	N Mundy K Amlani P Angier P Wood J Guy	Chair
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<b>Officers:</b>	R Durham D Ford M Tait P Godden K Laing	OPCC Chief of Staff and Monitoring Officer Deputy Chief Constable Joint Chief Finance Officer Head of Corporate Development Department Head of Finance Department
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<b>Invitees:</b>	R Bowmaker C Waddell J Greener S Bulman	Internal Audit, Gateshead Council Partners, Mazars Senior Manager, Mazars Payments and Revenue Officer ( <i>Secretary</i> )
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**1. INTRODUCTION**

N Mundy welcomed all to the meeting.

**2. DECLARATION OF INTEREST**

Committee members provided updates against the previously circulated Declaration of Interest pro-forma.

Update *noted*.

**3. MINUTES OF PREVIOUS MEETING HELD ON 18 NOVEMBER 2019**

The minutes were agreed as a true and accurate record.

**4. MATTERS ARISING**

**03/2019 Minute 10 – Joint Strategic Risk Register Report July 2019**

M Tait provided an update on the facilitation of an ICT meeting with committee members.

Mason Advisory has been in Force and engaged with ICT, and has now presented their findings to the Chief Constable and the Executive Team. They have successfully advised on recommended areas of change and development, and in the coming weeks the Executive Team will be considering that report.

### **AGENDA ITEM 3**

M Tait advised that for investment going forward into 2020, ICT is a priority for development and planning will go ahead for the areas most in need of change.

Rather than scheduling a session now, M Tait advised that by the next meeting there should be a full update available on the findings from the Mason Advisory report. This will allow for a chance to better explain the implementations completed and to come, with a full timescale of when to expect completion.

N Mundy requested a separate session to explore the ICT issues arising from Mason Advisory's findings in more depth, relating specifically to what is risk related. D Ford was strongly in agreement. N Mundy advised this session should take no more than half a day.

#### **10/2019 Minute 10 - JIAC Forward Plan**

N Mundy advised that the JIAC annual report will be presented in July 2020.

R Durham updated a meeting with the Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Liaison Lead has been rescheduled for sometime within the next couple of months.

#### **5. EXTERNAL AUDIT STRATEGY MEMORANDUM (CHIEF CONSTABLE & POLICE AND CRIME COMMISSIONER)**

C Waddell gave an overview of the External Audit Strategy Memorandum for the year ending 31 March 2020.

##### **Chief Constable (CC) for Northumbria**

Currently there have been no changes within responsibility and audit timeline.

There is now one enhanced risk which is Accumulated Absences, which will require more work in evaluating the arrangements currently in place to produce the year end leave accrual estimate.

There is now a recognised risk in relation to Value for Money (VFM), specifically that the wrong VFM conclusion is given. This follows on from the most recent HMICFRS inspection.

The board should be aware that this is the fifth and potentially final year of C Waddell being the External Audit Partner for Northumbria Police due to Public Sector Audit Appointment (PSAA) regulations.

Update *noted*.

##### **Police and Crime Commissioner (PCC) for Northumbria**

Accumulated Absences are an enhanced risk.

There was a slight fee increase in 2018/19 due to the need to audit the Whole of Government Accounts Assurance Statement; however this has decreased for the year 2019/20.

Update *noted*.

#### **6. TREASURY MANAGEMENT POLICY STATEMENT AND STRATEGY**

K Laing gave a thorough overview of the report previously circulated to the board.

### **AGENDA ITEM 3**

In October 2019, Treasury amended the rules of Public Works Loan Board (PWLB); 1% was added to all interest rates which could be a positive factor in future borrowing, compared with other external loans. N Mundy queried whether this has had an impact on Public Sector borrowing. K Laing confirmed that this has not affected Northumbria Police; however, it has had a large impact on Local Authorities looking to expand their portfolios.

In relation to Treasury management, K Laing advised that Northumbria Police has projected forward based on the Bank of England's expected changes in interest rates, which are not expected to rise until June 2021.

K Laing advised that Mark Carney will be stepping down as Governor of the Bank of England, and Andrew Bailey will be taking his place as of April 2020.

P Wood queried the Commissioner's investments with other Local Authorities on an ad hoc basis and questioned whether this was based on investigation and/or recommendations by Link. K Laing explained that there has been an increase in the grant we will receive for this year, and based on the current Treasury Management Policy there may not be enough areas to invest the money in; therefore, with the consideration from Link, Northumbria Police could look to lend money to other Local Authorities if the list of investment areas is exhausted, and this would be done to a brokerage arrangement.

Regarding the Treasury Strategy, J Guy queried if there is a formal process of how all uncertainties such as repayment of loans/debt rescheduling and so forth are constantly reviewed; K Laing assured that there are Treasury Management Processes(TMP) and audits on an annual basis to ensure they are fit for purpose.

K Laing advised that Treasury Management sessions should be available for members in due course.

N Mundy thanked K Laing for a detailed report.

***Agreed: To recommend the adoption by the Commissioner of the attached four year 2020/21 to 2023/24 Treasury Policy Statement and Strategy.***

### **7. ANNUAL GOVERNANCE REVIEW – ASSURANCE FRAMEORK**

K Laing presented the report to review the effectiveness of the systems of internal control, and the preparation of Annual Governance Statements (AGS).

Additional thematic reviews are included within the list of sources of assurance; these include Business Planning resource assurance in relation to people, Information Systems and Wellbeing. These will be considered by the Joint Governance Group who will review the information collated from the areas of assurance, and then draft the AGS's. Those documents will come back to the Board in May 2020 before recommendation to the CC and the PCC.

R Bowmaker confirmed that he is satisfied with this process.

***Agreed: The approach and assurance framework for the production of an Annual Governance Statement for each of the PCC and CC for 2019/20.***

### **8. SUMMARY OF RECENT EXTERNAL INSPECTIONS REPORT**

P Godden provided a summary of recent external inspection reports and an overview of the process in place to manage the Force's response to inspection recommendations and findings.

N Mundy queried those recommendations not actioned. A thorough discussion then took place between members.

In relation to organisational learning, D Ford acknowledged that the organisation and learning structure hasn't fully been in place; this has been previously identified by HMICFRS. This sits with D Ford within the Confidence and Standards Board; the March Confidence and Standards Board will bring an update regarding how organisational learning has now been embedded within the Force. D Ford advised that this process has started again to ensure compliance and this can be brought back to the Board at a later date to provide assurance.

J Guy expressed concerns regarding previous processes not producing outcomes. D Ford was in agreement, and believed better governance was now in place to ensure this will be rectified in the future. D Ford also queried the wording of recommendations; clarity will be sought to ensure future issues are correctly identified and acted upon.

Update *noted*.

## **9. JOINT STRATEGIC RISK REGISTER (JSRR)**

P Godden provided an update on the JSRR, confirming that there are currently 28 risks; however, a review is due in the summer of 2020. Five risks remain assessed as high risk.

M Tait gave an update on a high risk relating to Employers' Pension Contributions; no formal review has taken place yet, however it is acknowledged that the risk in the increased cost of contributions has now happened. M Tait queried whether the narrative of the risk is truly reflective, as the risk relates to whether the grant would be continued on a long-term basis, rather than the rise in contributions. If the Medium Term Financial Strategy (MTFS) is altered in relation to the grant, the risk will also require a review. This risk will change regardless by the next meeting.

P Godden advised the risk in relation to the delay in provision of Forensic Analysis has now been removed, following assurances from Eurofins regarding the cyberattack on systems.

J Guy queried a risk in relation to effectively identifying and responding to organisational learning; this does not equate to the rationale, which highlights sharing organisation learning. D Ford confirmed this would be reviewed in line with the work to be completed around organisational learning as previously discussed.

Update *noted*.

## **10. INTERNAL AUDIT CHARTER, STRATEGY STATEMENT 2020 – 2023 AND ANNUAL AUDIT PLAN 2020/21**

R Bowmaker gave an overview of the Internal Audit Charter, the Internal Audit Strategy Statement 2020/21 – 2022/23, and the annual Audit Plan 2020/21 for the CC and PCC. One change to note relates to the Creditors and Procurement Audit, which have now been combined into one audit.

Once the Board has a firmer grasp on the results from the Mason Advisory report, N Mundy suggested it would be interesting to review this alongside R Bowmaker, and potentially regard this as a risk area.

N Mundy queried whether the time allocation for audits was appropriate; R Bowmaker advised that the frequency of the audits was based on a 13 point process, taking various elements into account. This process is reviewed annually, and the outcome concludes whether audits take place annually or biennially.

***Agreed: The Internal Audit Charter, the Internal Audit Strategy Statement 2020/21 – 2022/23 and the annual Audit Plan 2020/21 for the PCC Commissioner and CC.***

**II. FORWARD PLAN**

The Open Forward Plan for 2020 was presented.

Update ***noted.***



**AGENDA ITEM 4**

<b>SOURCE</b> Meeting / date / minute ref.	<b>ACTION</b>	<b>ASSIGNED TO</b>	<b>UPDATE</b> Cleared or update
<b>03/2019</b> <b>Minute 10</b>	<b><u>Joint Strategic Risk Register Report July 2019</u></b> To facilitate an ICT session with committee members.	M Tait	Further update to be provided. Delays in facilitating session as a result of COVID-19.
<b>04/2019</b> <b>Minute 9</b>	<b><u>Emergent Internal Audit Plan 2020/21-2022/23</u></b> To confirm where ICT Change Management is featured within the audit plan.	R Bowmaker	Confirmation provided ICT Change Management was a onetime audit. <b>Cleared.</b>
<b>04/2019</b> <b>Minute 10</b>	<b><u>JIAC Forward Plan</u></b> To present the JIAC Annual Report in August 2020	N Mundy	Added to forward plan for August 2020.



<b>Joint Independent Audit Committee</b>	<b>22 June 2020</b>
<b>Summary of Recent External Inspection Reports</b>	
<b>Paul Godden, Head of Corporate Development Department</b>	

## **1. 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 reports have been published by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) or other relevant inspection bodies since the last Joint Independent Audit Committee:

[The multi-agency response to child sexual abuse in the family environment](#)

[PEEL spotlight report: Diverging under pressure – Overview of themes from PEEL inspections 2018/19](#)

[National Child Protection Inspections: 2019 thematic report](#)

[A joint thematic inspection of Integrated Offender Management](#)

[Counter-terrorism policing - An inspection of the police's contribution to the government's Prevent programme](#)

- 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 identify actions in response to any recommendations and areas for improvement. The Force position is reported to the Police and Crime Commissioner at the Joint Business Meeting to inform a statutory response to the reports within 56 days.
- 2.4. All activity is regularly reviewed by the respective owners. Delivery is overseen at Executive Team level through the Force's governance and decision making structure (attached at Appendix B for reference) and reported to the Scrutiny Meeting of the Office of the Police and Crime Commissioner (OPCC). No significant risks that would impact on achievement of outstanding recommendations or AFIs have been identified.
- 2.5. The HMICFRS Monitoring Portal includes causes of concern and recommendations made to police forces by HMICFRS since January 2013 and more recently (since September 2019) areas for improvement.
- 2.6. Appendix A provides an overview of the outstanding recommendations and AFIs assigned to Northumbria Police by HMICFRS on the monitoring portal. It includes the number closed by HMICFRS alongside the number assessed as complete by the Force, which have been reviewed at the Scrutiny Meeting and are awaiting review/ closure by HMICFRS.
- 2.7. Since the last meeting of the Joint Independent Audit Committee (JIAC), eleven of the twelve recommendations highlighted in the previous report as awaiting closure by HMICFRS have been closed on the portal, the twelfth relating to Fraud is awaited.

- 2.8. The number of open recommendations and AFIs on the portal has increased as a result of the Force's custody inspection (two recommendations and 19 AFIs) and the publication of four thematic reports: evidence led domestic abuse (five recommendations); child protection thematic (three recommendations); Integrated Offender Management (four recommendations); and counter-terrorism (one recommendation).
- 2.9. Of the 50 open recommendations, 17 relate to an inspection of undercover policing published in 2014 and are on hold awaiting the outcome of a national inquiry.
- 2.10. The National Child Protection Inspection recommendations for Northumbria Police were published in June 2018. Four recommendations remain outstanding. Progress against these recommendations has been reviewed by a Northumbria officer who has recently returned to force from undertaking child protection inspections with HMICFRS. Findings from this review were positive and provide an assured position. An update against these recommendations is due to be reported to the Scrutiny Meeting in August 2020.
- 2.11. There is one outstanding recommendation regarding stop and search following the PEEL Legitimacy 2017 inspection published in December 2017. Training delivery has been significantly disrupted due to COVID-19. This has impacted a number of areas including the planned face to face delivery of unconscious bias training in response to 'Legitimacy 2017' and 'PEEL 2018/19'. New digital training options are being developed in response.
- 2.12. Progress for some recommendations is impacted by a lack of national guidance, for example the national definition of an older person for 'The Poor Relation'.
- 2.13. HMICFRS independently assesses the recommendations and AFIs either through further inspection or by undertaking reality testing.
- 2.14. Since the last reported position, two further recommendations and four AFIs are assessed as complete by the Force and have been presented to the Scrutiny Meeting. These relate to PEEL 2018/19 (three AFIs); fraud (one recommendation); and cyber-dependent crime (one AFI). Formal review by HMICFRS is awaited.
- 2.15. Following review through Force governance boards, further recommendations and AFIs assessed as complete in relation to child protection; poor relation; abuse of position for a sexual purpose; custody; integrated offender management; and counter terrorism are scheduled for presentation at Scrutiny Meeting in the next four months in line with determined quarterly or six-monthly reporting arrangements. The next reporting dates are provided in Appendix A, ahead of reporting at the following JJAC.
- 2.16. HMICFRS has suspended all inspection activity in response to COVID-19 and most publications until further notice. On a case-by-case basis, they may still publish reports of inspections led by other inspectorates or HMICFRS inspections of non-Home Office forces.
- 2.17. The following is an overview of the HMICFRS reports published since the last meeting:  
  
**The multi-agency response to child sexual abuse in the family environment (published 4<sup>th</sup> February 2020)**
- 2.18. The report summarised the findings from six joint targeted area inspections (JTAs) carried out between September 2018 and May 2019 by Ofsted, the Care Quality Commission (CQC), HMICFRS and HMI Probation which included a deep dive into the experiences of children and young people who are at risk of, or subject to, child sexual abuse in the family environment.

- 2.19. Some good examples were seen of children being effectively supported through good-quality police investigations when these were carried out by experienced and well-trained police officers. However, in too many cases delays were seen alongside insufficient focus on the child. The report suggested that police need to have a greater focus on: ensuring that investigations are timely; all children who are potential victims or at risk; effective action being taken to put the necessary safeguards in place; and working together with other agencies.
- 2.20. There were no recommendations; however, the report concluded that child sexual abuse in the family environment needed to be a priority across government departments and local areas and everyone needed to play their part in identifying, preventing and tackling it.

**PEEL spotlight report: Diverging under pressure – Overview of themes from PEEL inspections 2018/19 (published 7<sup>th</sup> February 2020)**

- 2.21. Following publication of the third group of 2018/19 PEEL inspection reports, HMICFRS published an overview reflecting on their complete integrated PEEL assessment 2018/19 findings.
- 2.22. Overall, policing across England and Wales is largely good, with services being provided under the joint pressures of rising demand and falling resources. However, some noticeable differences were found between police forces and the service they provide. HMICFRS stated that this inconsistency needed to be addressed.
- 2.23. The variation between forces has many causes including the increase in the number and complexity of crimes recorded and fewer officers and staff available to investigate. These changes have not fallen equally across all forces but some forces have risen to the challenge better than others.
- 2.24. The planned recruitment of an additional 20,000 police officers will have the most positive effect in forces that understand their demand and know what skills and capabilities they require. More officers will mask poorer performance if long-standing problems are not solved. In the next round of inspections, HMICFRS will be examining the efficiency of the main services each force provides, as well as assessing the force's overall efficiency.
- 2.25. No recommendations were made.

**National Child Protection Inspections: 2019 thematic report (published 27<sup>th</sup> February 2020)**

- 2.26. HMICFRS last published a report on how the police service protects children nationally in 2015. Since this report, HMICFRS has continued to inspect how individual police forces in England and Wales protect vulnerable children. These, along with the Joint Targeted Area Inspections (JTAs) carried out by HMICFRS along with Ofsted, the CQC and HMI Probation provide a detailed picture of the child protection arrangements in each force area. This thematic report draws conclusions based on individual force inspections, which show where the police service as a whole has made progress and where it needs to improve.
- 2.27. Inspectors report that: police forces have: improved their understanding of the risks around vulnerable children; protecting vulnerable children is a priority for policing leaders, but it requires further resourcing at a time of decreasing officer numbers and budget cuts; the approach of the police and partners is not proactive enough in identifying children that could be at risk of abuse; and the current system is unsustainable. More resourcing needs to be given, not just in policing, to help support and protect vulnerable children.
- 2.28. The report highlights a picture of dedicated professionals working across police forces and partner agencies to protect vulnerable children. However, inspections continue to find many of the same problems challenging forces and their partners. This is, in large part, because the approach of the police and their partners continues to be reactive with decisions based on the most recent incident.

Too little emphasis is placed on identifying underlying issues or the cumulative impact on a child of multiple repeated instances of trauma.

- 2.29. Six recommendations were made including three for chief constables regarding reducing the unnecessary criminalisation of children; reviewing performance management and quality assurance approaches; and implementing the identified good practice from other inspections.

**A joint thematic inspection of Integrated Offender Management (published 28<sup>th</sup> February 2020)**

- 2.30. HMI Probation and HMICFRS last studied the IOM programme in 2014. At that time, inspectors found “promising” performance with the right offenders being targeted, some excellent information sharing between agencies and good rehabilitation work.
- 2.31. The findings of the 2019 inspection were disappointing with scant development of IOM since 2015. In many areas it was determined that IOM had lost its way and had a much lower profile than previously. The broadening of the scope of many schemes to cover high risk of harm as well as prolific offender cases has reduced the clarity of focus and has not been accompanied by the necessary upskilling of staff.
- 2.32. Eleven new recommendations have been made; four for chief constables. These include the defining of their IOM operating model; improving the quality and accuracy of recording; analysis and provision of training needs; and keeping service users informed of the benefits of IOM.

**Counter-terrorism policing - An inspection of the police's contribution to the government's Prevent programme (published 9<sup>th</sup> March 2020)**

- 2.33. The inspection sought to answer the question ‘How effective is the police contribution to Prevent?’
- 2.34. Inspectors found that forces in general were: meeting their Prevent duty; working effectively with other organisations; and using policies and effective processes designed to protect people from being radicalised. Although there is some inconsistency in the way forces operate, there were examples of innovative and effective working, such as single points of contact and mapping hate crime with location-based extremist intelligence.
- 2.35. Since the inspection, the College of Policing now includes a module on vulnerability to radicalisation in its national safeguarding training programme. This will help improve consistency between forces in how they train their officers and staff in these important areas.
- 2.36. Nine recommendations were made; one was force specific regarding the review of force attendance at Channel panels so that police are correctly represented by decision makers who can contribute to managing risk.

**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 Activity in response to HMICFRS findings 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 To note the recent external inspection reports and that there are no matters of exception to report in response to previous inspections.



APPENDIX A - Response to HMICFRS reports

Monitoring Portal (as at 28/05/2020)	Open	Closed	Total
Recommendations	50	184	234
AFIs	38	0	38

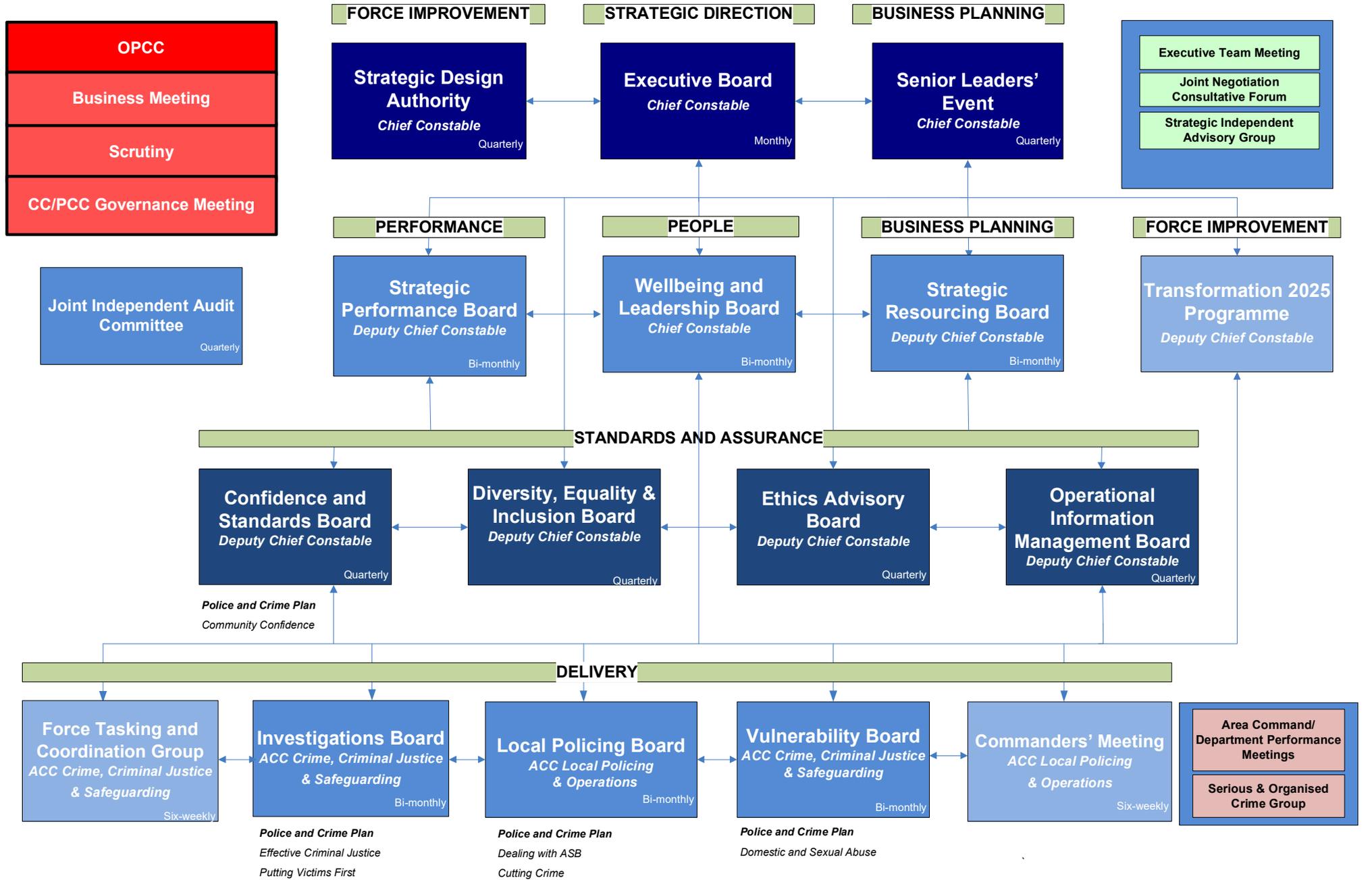
Of the 50 open recommendations:

- 17 relate to an inspection of undercover policing in England & Wales and are awaiting the outcome of the independent Undercover Policing Inquiry.

Report Title	Published	Reported to JIAC	Business Lead	Executive Lead	Reported to Joint Business Meeting	Recommendation/ Area for Improvement (AFI)	Number of recommendations/ AFIs		Context	Last reported to Scrutiny Meeting	Next report to Scrutiny Meeting
							(& number closed on the HMICFRS Monitoring Portal)	(& number considered complete by the Force and awaiting review)			
PEEL: Police legitimacy 2017	12/12/2017	19/02/2018	Stop and Search Lead/ Head of People Services	DCC Ford	22/01/2018	Recommendations	1 (0)	1 (0)	National recommendation regarding the use of stop and search. HMICFRS acknowledged that the Force had complied with most of this recommendation; however, the 2018/19 PEEL inspection could not evidence sufficient understanding of unconscious bias and analysis of find rates for drug supply and possession. Unconscious bias has been raised as an AFI within the 2018/19 PEEL inspection below.	17/12/2019	17/06/2020
PEEL: Police effectiveness, efficiency and legitimacy 2018/19 - Northumbria Police	27/09/2019	18/11/2019	Multiple	DCC Ford	14/11/2019	Recommendations	4 (0)	4 (0)	Effectiveness - two recommendations regarding response to incidents. Legitimacy - two recommendations regarding understanding, analysis and scrutiny of use of force.	14/05/2020	18/08/2020
						AFIs	18 (0)	18 (3)	Effectiveness - six AFIs regarding: the process for commissioning and analysis of problem profiles; understanding and use of problem solving; consistency of engagement approach; understanding of the nature and scale of vulnerability; evaluation and sharing of effective practice; and review of the domestic abuse risk assessment grading policy. Efficiency - nine AFIs regarding understanding of current and future demand including analysis of data from partners; making best use of resources to meet the needs of the public; and understanding the capacity and capability of the workforce. Legitimacy - three AFIs regarding: training and understanding of unconscious bias; proactive approach to counter corruption; and confidential reporting mechanisms.  Three AFIs are now considered complete: Two relating to efficiency: the awareness of officer and staff workload when allocating and deploying resource; and the alignment of strategic plans with financial planning. One relating to legitimacy: the capability and capacity to be effective in a proactive approach to counter corruption.		
Northumbria – National child protection inspection (and Post-inspection Review)	28/06/2018 Post-inspection review 11/04/2019	23/07/2018 Post-inspection review 13/05/2019	Head of Safeguarding	ACC Bacon	26/07/18 Post-inspection review 02/05/2019	Recommendations	7(3)	4 (0)	Four remaining recommendations regarding: the investigation of child sexual exploitation; detention of children in custody; recording of information where there are concerns about the welfare of children; and practices in relation to missing children.	25/02/2020	18/08/2020
Fraud: Time to choose	02/04/2019	13/05/2019	Head of Crime	ACC Bacon	16/05/2019	Recommendations	2 (0)	2 (2)	National recommendations regarding the publication of Force policy for responding to and investigating allegations of fraud and the reporting of fraud outcomes to the National Fraud Intelligence Bureau.  Both of these recommendations are considered complete. One is awaiting update on the portal and the other is awaiting HMICFRS review.	14/05/2020	-
The poor relation: the police and Crown Prosecution Service's response to crimes against older people	17/07/2019	18/11/2019	Head of Safeguarding & Head of Prosecution & Victim Services	ACC Bacon	22/08/2019	Recommendations	4 (0)	4 (0)	National recommendations regarding adult safeguarding; victim support services; victim needs assessments; referrals; and the analysis of current and future demand.	25/02/2020	18/08/2020

Report Title	Published	Reported to JIAC	Business Lead	Executive Lead	Reported to Joint Business Meeting	Recommendation/ Area for Improvement (AFI)	Number of recommendations/ AFIs		Context	Last reported to Scrutiny Meeting	Next report to Scrutiny Meeting
							(& number closed on the HMICFRS Monitoring Portal)	(& number considered complete by the Force and awaiting review)			
Shining a light on betrayal: Abuse of position for a sexual purpose	27/09/2019	18/11/2019	Head of Professional Standards Department	DCC Ford	14/11/2019	Recommendations	3 (0)	3 (0)	National recommendations regarding: abuse of authority; counter corruption; and vetting.	24/03/2020	17/06/2020
Cyber: Keep the light on - An inspection of the police response to cyber-dependent crime	24/10/2019	18/11/2019	Head of Crime	ACC Bacon	12/12/2019	AFI	1(0)	1(1)	National AFI regarding an assessment of the use of cyber specials and volunteers. The force was inspected as part of this thematic inspection and feedback was positive on the Force's use of cyber volunteers. This AFI is considered complete and is awaiting HMICFRS review.	14/05/2020	-
Evidence led domestic abuse (DA) prosecutions	23/01/2020	24/02/2020	Head of Safeguarding	ACC Bacon	24/03/2020	Recommendations	5(0)	5(0)	National recommendations regarding a review of training plans for DA; use of DA champions; clear guidance that evidence led investigations should be afforded the same quality of investigations as other investigations; and that decisions to take no further action in DA cases receive the same robustness of supervisory oversight as other DA cases.	-	29/10/2020
Northumbria Police - Joint inspection of police custody	23/01/2020	24/02/2020	Head of Custody	ACC Bacon	20/02/2020	Recommendations	3(1)	2(0)	Two remaining recommendations regarding the consistent application of legislation and guidance and the full and accurate recording of information on custody records.	-	14/07/2020
						AFIs	19(0)	19(0)	Nineteen AFIs in relation to performance information and quality assurance; full and accurate recording of information on records; use of force; approach to the dignity and meeting the individual and diverse needs of detainees; notices highlighting CCTV in operation; adherence to legal requirements for fire regulations; the provision of a wider diet, nicotine replacement products and better blankets; and strengthening work with local authority partners to monitor children entering custody and the provision of appropriate adults.		
National Child Protection Inspections: 2019 thematic report	27/02/2020	22/06/2020	Head of Safeguarding	ACC Bacon	16/04/2020	Recommendations	3(0)	3(0)	National recommendations to reduce the unnecessary criminalisation of children; to review performance management and quality assurance approaches; and for forces not yet inspected by the NCPI or JTAI to take steps to identify and implement good practice and the learning highlighted from these programmes.	-	18/08/2020
A joint thematic inspection of Integrated Offender Management (IOM)	28/02/2020	22/06/2020	Head of Communications Department	ACC McMillan	16/04/2020	Recommendations	4(0)	4(0)	National recommendations regarding defining the IOM operating models; improving the quality and accuracy of recording in IOM cases; analysis of training needs; and to ensure that service users are kept informed, as much as possible, about the benefits of inclusion in IOM.	-	18/08/2020
Counter-terrorism policing - An inspection of the police's contribution to the government's Prevent programme	09/03/2020	22/06/2020	Head of Crime	ACC Bacon	16/04/2020	Recommendation	1(0)	1(0)	A national recommendation to review the attendance of force representatives at Channel panels so that police are correctly represented by decision makers who can contribute to managing risk.	-	18/08/2020

**Governance and Decision Making Structure**





**Short Report for Information**

<b>Joint Independent Audit Committee</b>	<b>22 June 2020</b>
<b>Joint Strategic Risk Register</b>	
<b>Report of Deputy Chief Constable Debbie Ford</b>	
<b>Author: Tanya Reade, Corporate Governance Manager, Corporate Development Department</b>	

**1. 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 (JSRR). Each strategic risk is assigned an Executive and 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 JSRR 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. Appendix A provides an overview of the current RAG status of the risks.
- 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 OPCC from achieving objectives. Recommendations and areas for improvement following external inspections are considered to ensure they are adequately reflected in current risks. These risks are escalated to the PCC and Executive Team via the relevant Boards in line with the governance and decision making structures, and recorded on the JSRR.
- 2.4 The JSRR is presented to the Business Meeting between the PCC and the Chief Constable on a quarterly basis. The Joint PCC/ Chief Constable Governance Group and Joint Independent Audit Committee (JIAC) provide additional scrutiny and governance on a quarterly basis.

**Annual Review of Risk Register**

- 2.5 The JSRR is reviewed on an annual basis; however, this year's event, which was due to take place mid-April, was delayed until early June to ensure resources were directed to the policing response to COVID-19.
- 2.6 The proposed new register is now drafted and is still subject of further consultation by Executive Leads and OPCC and progression through the usual governance and decision making structures. It will be presented to the next meeting of the JIAC alongside the Strategic Risk Management – Annual Report, which forms part of the Annual Government Statement.

**Short Report for Information**

- 2.7 The new register builds upon the thematic risk areas already used in the current register, capturing ten strategic risks and providing relevant context for each area. Potential consequences and summary of controls continue to support an assessment of the likelihood and impact of each risk faced.
- 2.8 As a result and in order to ensure continuity in reporting, only those existing risks on the previous register where the RAG assessment has changed during the period, or where the risk has been removed from the register are reported below. New strategic risks identified during the Response to COVID-19, which will be reflected in the new register are also noted.

**Risk Removed**

- 2.9 The risk of a **Significant increase in the cost of Employers' Pension Contributions** has been removed from the register and merged with **Risk 20 – Further cuts to police funding**. This now better reflects where the risk lies.
- 2.10 Potential consequences of the risk have been updated to reflect the police pension special grant will not be resolved within the next Comprehensive Spending Review (CSR). The MTFS now includes a specific 'Pensions Reserve' equal to the pension special grant received for 2020/ 21. This will provide a minimum of two years of investment, allowing time to implement any resourcing plans, should the Pensions Grant not be reflected in the future funding announcements following on from the next CSR.

**Risks Reassessed**

**Risk 2 – Failure to effectively identify and respond to organisational learning**

- 2.11 The organisational learning framework, aligned to the governance and decision-making structure, and implementation of new procedures to manage learning at a local and force wide are now embedded.
- 2.12 The likelihood is now low (2) from medium (3); impact remains medium (4). Red (high) to Amber (medium).

**Risk 17 – Failure to achieve and maintain ISO/ IEC 17025 accreditation in line with the Forensic Science Regulator Codes of Practice and Conduct**

- 2.13 A surveillance visit took place in April 2020, which resulted in the removal of the suspension to apply for extension of scope for mobile phones. This was as a result of the reduction in the backlog in examination of devices highlighted as a concern in previous inspections.
- 2.14 Likelihood is assessed as low (2) from medium (3); impact low (2) from medium (3). Amber (medium) to Green (low).

**Risk 26 – Loss of Critical ICT Services**

- 2.15 Critical systems are to be reconfirmed with the business, along with current resilience levels. Currently the time required to invoke a new instance of the system exacerbates the impact of the loss of a critical system.
- 2.16 The new non-NPICCs systems will provide a greater level of resilience in future.
- 2.17 The likelihood remains medium (3) and impact reassessed as high (4) from medium (3). Amber (medium) to Red (high).

**Short Report for Information****Risk 28 – A malicious intent to compromise information systems or access information or data.**

- 2.18 A risk based patching process is maintained by ICT ensuring that cyber-attack prevention measures are in place on user devices, network connections to the outside world and internally. However, an increased level of activity is required to maintain the server and application patch management process to ensure appropriate security of all systems.
- 2.19 The likelihood has been reassessed as high (4) from low (2) and impact reassessed as very high (5) from high (4). Amber (medium) to Red (high).
- 2.20 As previously reported, ICT is a key priority and area for investment. Development and planning is managed as a programme of work within the Force's Transformation 2025 programme.

**COVID-19****Risk 4 – An ineffective criminal justice system within the region**

- 2.21 In response to COVID-19, HMCTS is focusing on priority cases in Crown and Magistrates' courts; a significant number of other cases are currently suspended.
- 2.22 A Force Silver group for Criminal Justice, Custody and Investigations is in place and there is a proactive daily multi-agency dial-in with criminal justice partners. Support is being provided to victims and witnesses affected.
- 2.23 The likelihood has been reassessed as high (4) from low (2); impact remains as medium (3) as a result of controls in place. Amber (medium) to Red (high).

**Risk 9 – Insufficient resources, in terms of capacity and capability, to meet current or future policing demands.**

- 2.24 At present, COVID-19 is not having a significant impact on resourcing and service delivery (Force remains status Green). National data confirms this is the case in all Forces, with none yet progressing beyond the green phase.
- 2.25 Additional controls to mitigate the risk include:
- A Silver Resilience structure chaired by Director of People and Development to consider six key strands; Demand; Resourcing; People Support; Wellbeing; Assets and Logistics and Communications & Engagement
  - Development of predictive demand modelling based on a range of resourcing scenarios/ abstraction levels
  - COVID-19 testing for officers and staff who meet the testing criteria. A wellbeing wrap around package is being developed to support those who have tested positive (along with family members).
- 2.26 Likelihood has been re-assessed as medium (3) from low (2) and impact reassessed very high (5) from high (4). Amber (medium) to Red (high).

**Short Report for Information**

**Risk 29 – Failure of significant contracts and/ or collaborative agreements.**

- 2.27 Northumbria Police has implemented a Response Plan to COVID-19 and controls have been updated to reflect this, including a Silver Resilience Group, which maintains services and supplies.
- 2.28 The likelihood has been reassessed as low (2) from very low (1) and impact reassessed as high (4) from medium (3). Green (low) to amber (medium).

**New Risks**

- 2.29 Three new strategic risks have been identified as a result of COVID-19:

**Risk 8 – Inability to protect vulnerable people during times of isolation.**

- 2.30 In times of isolation there is likely to be an increase in domestic abuse and abuse against children and other vulnerable individuals where they will be isolated at home with potential offenders.
- 2.31 Despite the increased risk, reporting may decrease as children are not in view of teachers and wider professionals who are well placed to identify abuse or neglect. Likewise, domestic abuse victims and other vulnerable people may well feel unable to reach out and seek support.
- 2.32 There is a risk that our ability to safeguard vulnerable victims and robustly manage offenders could be affected by capacity or operational constraints within our organisation and within partner agencies and the voluntary sector. Court trials have been suspended; there is an associated delay to Criminal Justice outcomes and an increased risk of victim attrition.
- 2.33 Likelihood has been assessed as medium (3) and impact as high (4). High (red).

**Risk 10 – Limited availability of Personal Protective Equipment.**

- 2.34 Limitations in the availability of personal protective equipment (PPE), due to COVID-19, can impact on the safety and wellbeing of officers and staff.
- 2.35 New controls have been put in place to mitigate the risk including maximising the availability of PPE to those in public-facing core-policing roles where social distancing is not always possible and the implementation of new working practices for non public-facing core roles until PPE stocks are replenished.
- 2.36 Extensive work with existing and new supply chains has resulted in an improved position to ensure continuity of supply.
- 2.37 Likelihood has been assessed as low (2) and impact as very high (5). Amber (medium).

**Risk 11 – Failure to meet the uplift requirement.**

- 2.38 The Government's guidance on COVID-19 and social distancing has an impact on the recruitment and deployment of new officers including recruitment events, training, pre-employment checks, uniform provision and independent patrol.
- 2.39 To mitigate the risk, People Services are implementing other recruitment solutions and progressing alternative methods of training.

**Short Report for Information**

2.40 Likelihood has been assessed as medium (3) and impact very high (5). Red (high).

**3. CONSIDERATIONS**

<b>Government Security Classification</b>	Official
<b>Report Exemption</b>	Non-Exempt
<b>Consultation</b>	Yes
<b>Resources</b>	No
There are no additional financial considerations arising from this report.	
<b>Code of Ethics</b>	No
There are no ethical implications arising from the content of this report.	
<b>Equality</b>	No
There are no equality implications arising from the content of this report.	
<b>Legal</b>	No
There are no legal considerations arising from the content of this report.	
<b>Risk</b>	No
There are no additional risk management implications directly arising from this report.	
<b>Communication</b>	No
<b>Evaluation</b>	No



Appendix A – Overview of the RAG status of Strategic Risk

Likelihood	VERY HIGH (5)		22	25	
	HIGH (4)		4 ↑	5	28 ↑
	MEDIUM (3)		6 14	8 NEW 26 ↑	9 ↑ 11 NEW
	LOW (2)	17 ↓	15 18 23	1 2 ↓ 7 12 13 19 24 27	29 ↑ 3 10 NEW 20
	VERY LOW (1)			16 21	
	VERY LOW (1)	LOW (2)	MEDIUM (3)	HIGH (4)	VERY HIGH (5)



No change in assessment



Reassessed – Improvement ↓ / Escalation ↑ / New

Impact



**AGENDA ITEM 6**

No.	Strategic Risk	RAG	Likelihood (1-5) Impact (1-5)
1	Failure to deliver against objectives set out in the Police and Crime Plan.	8	Likelihood 2 Impact 4
2	Failure to effectively identify and respond to organisational learning.	8	Likelihood 2 Impact 4
3	Failure to provide an effective police response to a critical incident and/ or deliver continuity of service.	10	Likelihood 2 Impact 5
4	An ineffective Criminal Justice System within the region.	12	Likelihood 4 Impact 3
5	Failure to deliver the Emergency Services Network (ESN) required functionality and coverage.	16	Likelihood 4 Impact 4
6	Financial and operational risks affecting policing as a result of exit from the European Union	9	Likelihood 3 Impact 3
7	Failure to achieve DFU Service Level Agreements	8	Likelihood 2 Impact 4
8	Inability to protect vulnerable people during times of isolation	12	Likelihood 3 Impact 4
9	Insufficient resources, in terms of capacity and capability, to meet current or future policing demands.	15	Likelihood 3 Impact 5
10	Limited availability of Personal Protective Equipment	10	Likelihood 2 Impact 5
11	Failure to meet the uplift requirement	15	Likelihood 3 Impact 5
12	Litigation, legal action and/or prosecution of the Force and/ or individuals by former officers or staff members.	8	Likelihood 2 Impact 4
13	Death in custody/death or serious injury following police contact.	8	Likelihood 2 Impact 4
14	Other adverse or critical incident, as a result of police action or omission.	9	Likelihood 3 Impact 3
15	Corrupt behaviour by an officer or police staff member.	6	Likelihood 2 Impact 3
16	Ineffective response to complaints or service recovery.	4	Likelihood 1 Impact 4
17	Failure to achieve and maintain ISO/IEC 17025 accreditation in line with the Forensic Science Regulator Codes of Practice and Conduct.	4	Likelihood 2 Impact 2
18	Force/ OPCC or an associated individual acts in a discriminatory way.	6	Likelihood 2 Impact 3
19	Ineffective management of information and poor data quality affecting business and operational decision-making.	8	Likelihood 2 Impact 4
20	Further cuts to police funding.	10	Likelihood 2 Impact 5
21	Failure to manage annual budget.	4	Likelihood 1 Impact 4
22	Failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget.	15	Likelihood 5 Impact 3
23	Disruption to estates and facilities to deliver effective policing services.	6	Likelihood 2 Impact 3
24	The loss or inappropriate disclosure of sensitive data or information.	8	Likelihood 2 Impact 4
25	Limitations of current ICT systems and the impact on service delivery.	20	Likelihood 5 Impact 4
26	Loss of Critical ICT Services	12	Likelihood 3 Impact 4

**AGENDA ITEM 6**

27	Significant IT Transformation	8	Likelihood 2 Impact 4
28	A malicious intent to compromise information systems or access information or data.	20	Likelihood 4 Impact 5
29	Failure of significant contracts and/ or collaborative agreements.	8	Likelihood 2 Impact 4
30	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.	8	Likelihood 2 Impact 4

<b>Joint Independent Audit Committee</b>	<b>22 June 2020</b>
<b>Treasury Management Annual Report 2019/20</b>	
<b>Report of the 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 2019/20 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 2019/20 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 2019/20.

3.2 This report covers the period 01 April 2019 to 31 March 2020.

**4 Summary**

4.1 The Treasury Management Annual Report 2019/20 is attached at Appendix A. The key highlights are as follows:

- Borrowing costs were under budget due to new long-term borrowing being taken at lower interest rates than estimated and deferred to later in the financial year. In addition, the base rate increase expected in 2019/20, at the time of setting the budget, has not taken place and as a result; the cost of temporary borrowing is lower than estimated.
- Investment income received was higher than budget due to an increase in average balances available to invest, attributed to a number of reserve balances being higher than expected at budget setting time, grant funding received earlier in the year than anticipated and the profile of capital spending.
- All Financial Regulations have been complied with and all Prudential Indicators were within the limits set for the year within the Treasury Management Strategy

**5. CONSIDERATIONS**

<b>Government Security Classification</b>	Official
<b>Freedom of Information</b>	Non-exempt
<b>Consultation</b>	Yes
<b>Resources</b>	No
There are no additional financial considerations arising from this report.	
<b>Code of Ethics</b>	No
There are no code of ethics implications arising from the content of this report.	
<b>Equality</b>	No
There are no equality implications arising from the content of this report.	
<b>Legal</b>	No
There are no legal considerations arising from the content of this report.	
<b>Risk</b>	No
There are no additional risk management implications directly arising from this report.	
<b>Communication</b>	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

Full Report for Decision

## Treasury Management Annual Report 2019/20

### The Strategy for 2019/20

1. The 2019/20 Treasury Management Policy Statement and Strategy was approved by the Joint Independent Audit Committee (JIAC) on 25 February 2019 for presentation to the Police and Crime Commissioner (PCC). The key decision was approved by the PCC on 28 February 2019.
2. The formulation of the 2019/20 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 2019/20 anticipated the Bank Rate increasing twice to reach 1.25% by March 2020. Tentative increases of 0.25% were forecast in May 2019 and February 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 2019/20 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 2019/20 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.

- Consider the use of 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 2019/20, 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 October 2019 gave the opinion that it was 'Operating Well'.

### Outturn 2019/20 – Performance Measurement

8. 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

10. 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.

### Interest Rates

11. 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 2019/20. The expectation for interest rates within the Treasury Management Strategy for 2019/20 anticipated the Bank Rate increasing twice to reach 1.25% by March 2020. Tentative increases of 0.25% were forecast in May 2019 and February 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.

The Bank Rate remained at 0.75% during 2019/20 until two emergency cuts by the Monetary Policy Committee (MPC) on 09 March and 19 March 2020, an attempt to help offset the economic impact from the Coronavirus pandemic. The Bank Rate at 31 March 2020 was 0.1%, a historic low.

Shorter-term investment interest rates were therefore fairly flat during most of the year, until the two cuts in bank rate in March 2020 which caused investment rates to fall sharply.

- **Longer-term interest rates**

Interest rate forecasts expected only gradual rises in medium and longer-term fixed borrowing rates during 2019/20, and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

The PCC relies mainly on the Public Works Loans Board (PWLB) for medium to long-term borrowing. PWLB rates are based on gilt yields (UK Government bonds) and set by HM Treasury determining a specified margin to add to gilt yields. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for this included a number of conditions which were conducive to very low bond yields:

- Heightened expectations that the US could have been heading for a recession in 2020.
- A general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China.
- Inflation generally at low levels in most countries, and expected to remain subdued.

Gilt yields were on a generally falling trend during the year up until the Coronavirus pandemic hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors have panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds.

However, during 2019/20 HM Treasury imposed a change in the margins applied over gilt yields for PWLB rates effectively adding a further 1% to all PWLB rates going forward. This unexpected increase in the cost of long-term borrowing is further explained below.

### **Increase in the cost of borrowing from the PWLB**

12. On 09 October 2019, Her Majesty's Treasury (HMT) and the PWLB announced an increase in the margin over gilt yields of 100bps on top of the current margin of 80 bps which the PCC has paid prior to this date for new borrowing from the PWLB. This effectively adds a further 1% to all PWLB interest rates going forward. There was no prior warning that this would happen.
13. Whilst the government states that it supports the investment of capital by Local Authorities (and PCC's) in their communities in part by offering low cost loans through the PWLB, in recent years a minority of councils have used this cheap finance to buy significant amounts of commercial property for rental income, which reduces the availability of PWLB finance for core local authority activities.
14. To address this, HM Treasury have already clearly taken steps to increase the cost of PWLB finance, and are currently consulting on further changes to cut interest rates for investment in social housing and making available discounted loans for local infrastructure projects.
15. Whereas the PCC has previously relied on the PWLB as its main source of long term funding, consideration will need to be made taking account of other sources of borrowing going forward. At the current time this is a developmental area, as this was an unexpected event for the financial services industry. It is expected that various financial institutions will enter the market or make products available to PCC's and Local Authorities as an alternative to PWLB borrowing. The PCC will be updated by treasury advisers Link Asset Services as this area evolves.

16. This increase in PWLB rates did not impact on the PCC's cost of borrowing in 2019/20 as all planned PWLB borrowing for the financial year was completed prior to this change. Looking forward over the medium term the two PWLB maturities which will be replaced with new borrowing are not anticipated to have an increase on borrowing costs overall. The expectation is that these can still be replaced with similar medium to long-term borrowing at lower rates.
17. Advice from Link Asset Services is that there is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the Coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

### Investment Performance

18. The main focus for treasury management in 2019/20 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 continued savings on the cost of borrowing and lower credit risk as the investment portfolio is reduced.
19. 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.
20. A summary of the year's activity is shown at Appendix 2. The total interest earned in the year was £0.284m (2018/19 £0.114m) with an average interest rate of 0.85% (2018/19 0.65%). The investment interest earned was an increase of £0.129m against the original budget of £0.155m. The Bank Rate remained at 0.75% during 2019/20 until two emergency cuts on 09 March and 19 March 2020; in an attempt to help offset the economic impact from the Coronavirus pandemic. The Base rate at 31 March 2020 was 0.1%, a historic low.
21. The overall return on investments of 0.85% exceeds the accepted benchmark rate (the 7-day London Interbank Bid Rate (LIBID)) of 0.54%. 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. During 2019/20 the additional investment income earned over the budget is attributed to average investment balances being significantly higher than budgeted which has also provided the opportunity to place funds for longer periods, achieving higher interest rates than the overnight rates in Money Market Funds. The increase in funds available is attributed to a number of reserve balances being higher than expected at budget setting time, grant funding received earlier in the year than anticipated and under spends on the capital programme, both within the 2018/19 outturn and during the 2019/20 financial year

## Borrowing Performance

22. The total borrowing at 31 March 2020 was £90.969m, which was within the operational borrowing limit of £150.000m. This is a net decrease of £12.000m from the opening balance of £102.969m, represented by £56.000m new borrowing and repayments of £68.000m. The new borrowing was taken as set out in the following table:

Date	Term	Amount	Interest Rate	Sources
01/05/2019	64 days	£1.000m	0.85%	Market Loans
01/05/2019	64 days	£3.000m	0.85%	Market Loans
21/05/2019	44 days	£7.000m	0.45%	Market Loans
04/07/2019	1 days	£20.000m	0.50%	Market Loans
04/07/2019	1 days	£6.000m	0.48%	Market Loans
02/12/2019	7 days	£2.000m	0.43%	Market Loans
11/12/2019	92 days	£4.000m	0.75%	Market Loans
20/12/2019	200 days	£2.000m	0.95%	Market Loans
12/12/2019	208 days	£2.000m	0.95%	Market Loans
03/02/2020	4 days	£4.000m	0.95%	Market Loans
01/10/2019	8 years	£5.000m	1.17%	PWLB
	<b>Total</b>	<b>£56.000m</b>		

23. The use of reserve and General Fund balances to limit the requirement for new borrowing has continued to deliver savings in 2019/20, reducing investment balances rather than increasing external borrowing in order to minimise interest costs.
24. The average borrowing interest rate at 31 March 2020 was 3.08% compared to 3.09% at 31 March 2019. This slight reduction reflects the repayment of PWLB loans at higher interest rates and new PWLB borrowing secured at lower rates.
25. At 31 March 2020, £81.969m of the total borrowing was from the PWLB with the remaining £9.000m taken from market loans.
26. The overall revenue cost of borrowing in 2019/20 was £2.871m. This was £0.399m less than the budget. This reflects the reduced requirement following the 2018/19 capital outturn underspend and the revised profile of capital expenditure over the medium term. It also relates to PWLB borrowing taken later in the year than budgeted and secured at a significantly lower than the budgeted rate. The base rate increase expected in 2019/20 at the time of setting the budget did not take place and indeed the base rate has had two emergency cuts on the 9 and 19 March 2020 in an attempt to help offset the economic fallout from the Coronavirus pandemic.

## Debt Restructuring and Repayment

27. 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 2019/20**

28. Investment income was £0.129m over the budget set for the year. Average investment balances have been significantly higher than budgeted which has provided the opportunity to place funds for longer periods, achieving higher interest rates than the overnight rates in Money Market Funds. The increase in funds available is attributed to a number of reserve balances being higher than expected at budget setting time, grant funding received earlier in the year than anticipated and under spends on the capital programme, both within the 2018/19 outturn and during the 2019/20 financial year.
29. Borrowing costs were £0.399m less than budget reflecting the reduced borrowing requirement following an underspend on capital expenditure for 2018/19 and the revised profile of capital expenditure for 2019/20. Long-term PWLB borrowing for 2019/20 was taken later in the year than planned and secured at 1.17%, which is significantly lower than the budgeted rate of 2.90%. The base rate increase expected in 2019/20 at the time of setting the budget did not take place and indeed the base rate has had two emergency cuts on 9 March and 19 March 2020, an attempt to help offset the economic impact expected from the Coronavirus pandemic. As a result, short-term temporary borrowing has remained low throughout the 2019/20 financial year.
30. The Commissioner has continued to take advantage of low cost temporary borrowing rates and to maximise the use of internal borrowing available through reserve balances and capital receipts.
31. Overall Treasury Management performance against budget for 2019/20 generated a saving of £0.528m as summarised in the following table:

	<b>2019/20 Budget £m</b>	<b>2019/20 Actual £m</b>	<b>2019/20 Saving £m</b>
Cost of Borrowing	3.270	2.871	(0.399)
Investment Income	(0.155)	(0.284)	(0.129)
<b>Net Position</b>	<b>3.115</b>	<b>2.587</b>	<b>(0.528)</b>

**Prudential Indicators 2019/20**

<b>Authorised Limit for External Debt</b>		
	<b>2019/20 Reported Indicator £m</b>	<b>2019/20 Maximum YTD £m</b>
Borrowing	175.000	108.969
Other Long Term Liabilities	0.000	0.000
<b>Total</b>	<b>175.000</b>	<b>108.969</b>

<b>Operational Boundary for External Debt</b>		
	<b>2019/20 Reported Indicator £m</b>	<b>2019/20 Maximum YTD £m</b>
Borrowing	150.000	108.969
Other Long Term Liabilities	0.000	0.000
<b>Total</b>	<b>150.000</b>	<b>108.969</b>

<b>Upper Limit on amounts invested beyond 364 days</b>			
	<b>2019/20 Reported Indicator £m</b>	<b>2019/20 Outturn £m</b>	<b>2019/20 Maximum YTD £m</b>
<b>Investments</b>	<b>15.000</b>	<b>0</b>	<b>0</b>

## Investment Activity

<b>Investments maturing during the year</b>		
	<b>2018/19</b>	<b>2019/20</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	762	658
Total number of investments maturing in the reporting year	762	657
<b>Number of investments made in reporting year, maturing in the following year</b>	0	1

<b>Average duration of investments</b>		
	<b>2018/19</b>	<b>2019/20</b>
Average duration of investments (including overnight)	1 day	2 days
Average duration of investments (excluding overnight)	33 days	162 days

<b>Summary of non-specified investments</b>		
	<b>2018/19</b>	<b>2019/20</b>
<b>Non-specified investments:</b>		
Rated non-high		
Approved limit	75%	75%
Maximum level invested	37%	29%
Not Rated		
Approved limit	0%	0%
Maximum level invested*	1%	1.9%
Investments over 364 days		
Approved limit	20%	20%
Maximum level invested	0%	0%

\*The *Not Rated* investment relates to a small impaired balance remaining with Heritable Bank. The balance has not changed over the 2 year period shown, however its value relative to total investments can vary on a particular day.

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

<b>Gross Debt and CFR</b>	<b>2019/20 Estimate £m</b>	<b>2019/20 Outturn £m</b>
Borrowing as at 31 March	93.713	90.969
Capital Financing Requirement as at 31 March	108.744	110.043
<b>Amount of Borrowing (over) / under CFR</b>	<b>15.031</b>	<b>19,074</b>

The actual £19.074m under borrowing reflects an increase in reserve balances and the positive impact on the working capital position as at the year-end.

# Audit Progress Report

Office of the Police and Crime  
Commissioner for Northumbria and  
the Chief Constable for Northumbria

June 2020





## CONTENTS

1. Audit progress
2. National publications
3. Contact details

This document is to be regarded as confidential to Northumbria Police. It has been prepared for the sole use of the Office of the Police and Crime Commissioner for Northumbria and the Chief Constable for Northumbria as 'those charged with governance'. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

# 1. AUDIT PROGRESS

## Purpose of this report

This report provides the Joint Independent Audit Committee with an update on progress in delivering our responsibilities as your external auditor and also summarising key national publications that may be of interest to Members.

## Changes in accounts and audit timetable

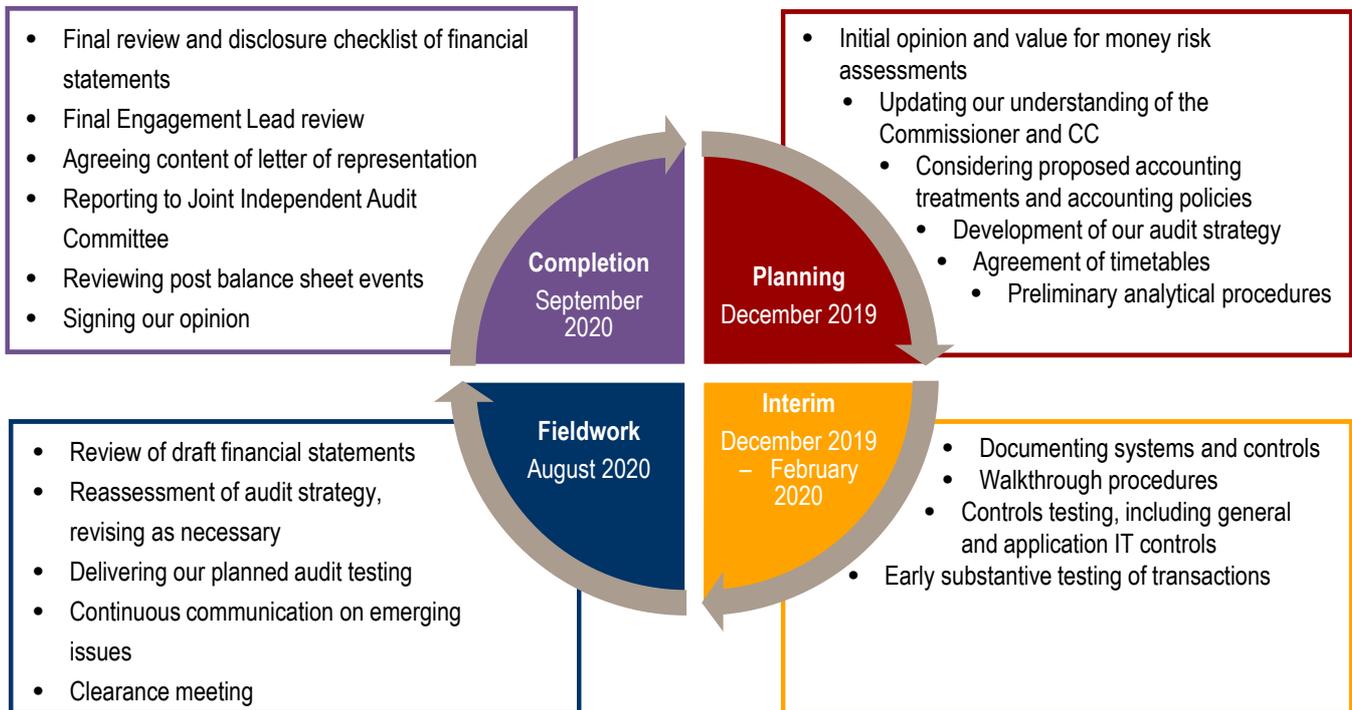
In April 2020 The Ministry of Housing, Communities and Local Government (MHLCG) confirmed that a statutory instrument (SI) amending the Accounts and Audit Regulations had been laid and came into force on 30 April 2020. The new effects of the amendments to the regulations are to change the dates that local authorities, and police and fire bodies, are required to publish draft and final accounts, and to remove the 'common' period during which local electors can inspect and object to local authority accounts.

The key changes for publication of draft and final accounts are as follows:

- The deadline for authorities to publish draft financial statements moves from 31 May to **31 August 2020**.
- The deadline for publication of final (audited) financial statements moves from 31 July to **30 November 2020**.

The requirement for a 'common' inspection period has been removed. The requirement to hold a 30-working-day inspection period remains, but for 2019-20 authorities, including police bodies, can commence the inspection period at any time, except it must commence **no later than 1 September 2020**. This will allow authorities to produce their draft accounts and commence their inspection periods as soon as they are able.

The impact of the changes on the audit timetable are detailed in the following table (these are proposed timings based on our understanding as at June 2020). It is our current plan that we will present our Audit Completion Report to the Joint Independent Audit Committee on 21 September 2020, and that the audit opinion, VFM conclusion and certificate will be issued as soon as possible thereafter.



# 1. AUDIT PROGRESS

## Mazars response to the COVID-19 pandemic

During the ongoing coronavirus situation, Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us.

### Ensuring resilience and maintaining the level and quality of client service

- Beyond protecting the welfare of our clients and people, Mazars' first priority is to continue to deliver on our business commitments. As part of our existing contingency planning, we have implemented systems and procedures to ensure continuity and to minimise any disruption.
- Our teams have full access to remote working technology with secure access to their applications, tools and data, wherever they are, and agile working processes are well-established across the firm.
- In a shifting environment, we will continue to adapt our approach to best navigate the uncertain situation while keeping our people and our clients front of mind.
- All partners and staff are working remotely, and our teams are making full use of virtual meetings and agile working technology to stay connected with each other and our clients, deliver on our commitments, and provide continuity and support at the time it's most needed.

Mazars' external website contains further details of its response to the emerging situation, along with regular economic briefings.

<https://www.mazars.co.uk/>

### Responding to changes – working with Northumbria Police

All Mazars' staff moved to remote working from the 16<sup>th</sup> March 2020. We are committed to supporting the Police and Crime Commissioner and Chief Constable as best we can, recognising first and foremost, the need to be flexible as the current environment changes and also potential pressures on the accountancy and finance teams of the PCC and CC. We have maintained open communication throughout this period and will continue to do so.

We are able to carry out the audit remotely and will put in place arrangements to allow this; for example, regular video conference calls, a shared site for secure transfer of data and keeping a queries log. The key difference is we will not, subject to any changes, have a physical on-site presence. We will maintain communication via e-mail, and regular telephone and video conferencing calls.

## 2. SUMMARY OF NATIONAL PUBLICATIONS

This section of our report contains national publications which may be of interest to Members, including recent publications in respect of Covid-19.

There have been many different briefings across different sectors, in respect of the emerging crisis and more are being published on an on-going basis. This summary does not intend to provide an exhaustive list of all recent publications, but to provide an overview of key areas.

Within Mazars, we liaise with the regulators for your sector on a regular basis and this will continue during the coming periods, so that we ensure we are up-to-date with emerging issues; we feed back any messages as part of on-going two-way communications.

	Publication/update	Key points
<b>Financial Reporting Council and other regulators</b>		
1.	<b>Statement in respect of current situation</b>	Highlights the impact for auditors and organisations and also the likelihood of an increase in modified opinions.
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>		
2.	<b>CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, 30 April 2020</b>	This is technical guidance for those preparing financial statements.
<b>National Audit Office (NAO)</b>		
3.	<b>Overview of the UK government's response to the COVID-19 pandemic, 21 May 2020</b>	NAO's first publication considering the Government response to COVID-19.
4.	<b>Code of Audit Practice</b>	New Code governing work of auditors, applying from 1 April 2020 for 2020/21 audit year and beyond.
<b>Public Sector Audit Appointments (PSAA)</b>		
5.	<b>PSAA Publishes Findings of Audit Survey, 7 May 2020</b>	PSAA client survey. We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.
6.	<b>Independent analysis of the outcomes of electors' objections, 15 April 2020</b>	Analysis of objections.
7.	<b>News release: Q&amp;As, 9 April 2020</b>	PSAA seeks to answer questions raised in the 2020/21 scale fee process.
8.	<b>2020/21 audit fee scale, 31 March 2020</b>	Scale fees set for 2020/21 at same level as 2019/20, but PSAA indicates likely upward pressure on audit fees for both years.
9.	<b>Independent review of the sustainability of the local government audit market, 4 March 2020</b>	PSAA publishes an independent review.
<b>Local Government Association (LGA)</b>		
10.	<b>Key questions and issues for finance portfolio holders during the COVID-19 pandemic, 14 May 2020</b>	Although this paper is directed at local authorities, the considerations around the financial impact of COVID-19 are equally relevant to police bodies.

## 2. SUMMARY OF NATIONAL PUBLICATIONS

	Publication/update	Key points
Home Office		
11.	<b>Government urges public to make a difference and join the police, 19 May 2020</b>	Government plans to increase police numbers are on target despite the pandemic.
12.	<b>Home Secretary's statement on coronavirus (COVID-19), 25 April 2020</b>	Includes an update on the impact of the pandemic on law enforcement.
13.	<b>Police given new powers and support to respond to coronavirus, 26 March 2020</b>	Police powers and support in relation to coronavirus.
14.	<b>Policing gets biggest funding boost in decade to put more bobbies on the beat, 22 January 2020</b>	Government funding commitment to increase police numbers by 20,000 over time.

1. Audit progress

2. National publications

## 2. NATIONAL PUBLICATIONS

### 1. Statement on Covid-19, Financial Reporting Council and other Regulators, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

*“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.*

*Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”*

This statement highlights:

- highlights likelihood of more modified opinions (where difficulties in obtaining evidence or other issues);
- going concern assumption considerations and uncertainties; and
- guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>

### 2. CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, Chartered Institute of Public Finance and Accountancy, 30 April 2020

This is technical guidance for those preparing financial statements. It covers emerging or urgent accounting issues. The bulletin for the 2019/20 financial statements includes guidance on accounting for issues relating to the COVID-19 pandemic.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements>

### 3. Overview of the UK government’s response to the COVID-19 pandemic, National Audit Office, 21 May 2020

Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government’s response is unprecedented in recent history.

This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government’s response to COVID-19.

<https://www.nao.org.uk/report/summary-of-uk-governments-response-to-the-covid-19-pandemic/>

## 2. NATIONAL PUBLICATIONS

### 4. Code of Audit Practice, *National Audit Office*, March 2020

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies. Schedule 6 of the Act extends this requirement to include NHS Foundation Trusts.

Local auditors must comply with the Code of Audit Practice. The Code must be reviewed at least every five years, so the Code that applies will depend on the financial year being audited.

The final draft of the latest Code has now been approved by Parliament and will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards. The NAO is now developing the detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code. The most significant changes will be made to the guidance on auditor's work on arrangements to secure value for money (AGN 03) and auditor reporting (AGN 07). NAO plan to engage with stakeholders to develop this guidance over the coming months and will consult publicly in the summer/autumn of 2020.

We will brief the Committee on changes as more guidance emerges over the year. Key messages from the new Code are summarised below:

#### **Audit of the financial statements**

Auditors must still comply with underlying auditing standards.

#### **Value for money arrangements**

- Removal of 'except for' and 'adverse' conclusions.
- Work based around 3 reporting criteria:
  - Financial sustainability
  - Governance
  - Improving the 3Es – economy, efficiency and effectiveness
- Auditors must report when they are not satisfied that arrangements are in place. Where weaknesses are identified, recommendations are expected at any time of the audit.

#### **Auditor reporting**

- Auditor's Annual Report introduced:
  - Replaces Annual Audit Letter
  - Includes enhanced commentary against each of the specified VFM reporting criteria
  - To be issued in line with the audit report on the financial statements

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

## 2. NATIONAL PUBLICATIONS

### 5. PSAA Publishes Findings of Audit Survey, *Public Sector Audit Appointments*, 7 May 2020

PSAA has published the findings of a survey of audited bodies' feedback on their audits of 2018/19 accounts.

In the past, surveys have been undertaken by the audit firms themselves and have sought the responses of client Chief Finance Officers (CFOs) to a relatively small number of high level questions.

This year, coinciding with the first audits under Appointing Person arrangements, PSAA has introduced a new approach which incorporates a number of important changes.

To assure independence and confidentiality, it has commissioned the LGA's Research & Information team to administer the survey centrally. The views of both CFOs and Audit Committee Chairs have been sought recognising the importance of the auditor's relationships with both Management and Those Charged With Governance. A longer list of survey questions has also been developed to probe more deeply into respondents' experience of different aspects of the audit and the auditor's performance.

PSAA hopes that audited bodies will find the survey results interesting and helpful in terms of stimulating discussion about their audit, identifying areas in which it went well or might have been improved. PSAA is encouraged by the volume of data which its new survey has generated and the opportunity it provides to identify good practice and/or discuss specific areas for improvement with individual audit firms.

We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.

<https://www.psaa.co.uk/2020/05/psaa-publishes-findings-of-audit-survey/>

### 6. Independent analysis of the outcomes of electors' objections, *Public Sector Audit Appointments*, 15 April 2020

A unique element of the local government accountability framework is the long-held rights of local electors to inspect accounts and related documents, and to object to auditors about issues of concern. In recent times electors have been able to access far more data and information than when the right to object was originally enacted, because of developments such as transparency reporting and the Freedom of Information Act.

Publicly available information about objections and their outcomes is limited. The work on them is often mainly confidential correspondence between the auditor, the objector and the local body with the outcome reported to the local body. Although the auditor's decision and detailed statement of reasons is sometimes reported in the public domain, this is not always the case. To help address that gap PSAA has commissioned an independent analysis of the outcomes of objections.

It is noted that there did not appear to be any objections in the police sector in the period reviewed.

<https://www.psaa.co.uk/2020/04/news-item-independent-analysis-of-the-outcomes-of-electors-objections/>

### 7. News release: Q&As, *Public Sector Audit Appointments*, 9 April 2020

PSAA consulted on the 2020/21 scale fees earlier this year and published the 2020/21 scale fees on 31 March 2020. Not surprisingly in these turbulent times for audit the consultation responses contained many questions. Today PSAA have published a 'Q&A', setting out our answers to them.

<https://www.psaa.co.uk/2020/04/news-release-qas/>

## 2. NATIONAL PUBLICATIONS

### 8. 2020/21 audit fee scale, *Public Sector Audit Appointments*, 31 March 2020

The consultation set out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at bodies that have opted into PSAA's national auditor appointment scheme. Setting the fee scale for audits of 2020/21 financial statements is challenging. It requires consideration and assessment of the impact of a range of factors, many of which are difficult to quantify at this stage. They include:

- issues which have given rise to additional audit work in relation to the 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years;
- new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews being undertaken and referred to in this progress report (see item 7 above); and
- the introduction of the new NAO Code of Audit Practice and related AGNs, the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.

In PSAA's view, discussions about the impact of the factors outlined needs to take place at local body level between the appointed auditor and an authorised representative of the audited body, such as the chief finance officer. This is the level at which each factor or variable can be considered in the distinctive context of the particular body, having regard to any implications for audit risk and the extent of any additional audit work which may be required to enable an appropriate level of assurance.

The expectation is that such discussions should take place as soon as possible as part of planning discussions for 2019/20 audits, with a specific aim also to look ahead to identify any implications for 2020/21. In some cases it may not be possible to quantify the implications for audit work at this stage or perhaps even until the work is done. Nevertheless early discussions will help to align expectations and mitigate the risk of audited bodies being unaware of the prospect of charges for additional work until very late in the audit process.

Link to the PSAA consultation is set out below:

<https://www.psaa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/>

PSAA published its scale fees for 2020/21 on 31 March 2021, and concluded that:

"In current circumstances we do not have sufficient reliable information that would enable us to adjust the scale of fees for 2020/21, and so have maintained the scale fee at the level set for 2019/20 before audit work had started. In practice we recognise that in the event, with so much turbulence and change in the environment, additional fees variations are likely to arise for many bodies."

<https://www.psaa.co.uk/audit-fees/2020-21-audit-fee-scale/>

### 9. Independent review of the sustainability of the local government audit market, *Public Sector Audit Appointments*, 4 March 2020

PSAA has recently commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard (TR).

The TR report draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31st July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams.

<https://www.psaa.co.uk/2020/03/news-item-independent-review-of-the-sustainability-of-the-local-government-audit-market/>

## 2. NATIONAL PUBLICATIONS

### 10. Key questions and issues for finance portfolio holders during the COVID-19 pandemic, *Local Government Association*, 14 May 2020

The ongoing COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. This paper seeks to outline and discuss key strategic issues that elected members, particularly those in finance and wider leadership positions, should consider.

Although this paper is directed at local authorities, the financial considerations are just as relevant to police bodies.

<https://www.local.gov.uk/key-questions-and-issues-finance-portfolio-holders-during-covid-19-pandemic>

### 11. Government urges public to make a difference and join the police, *Home Office*, 19 May 2020

The government's campaign to recruit an additional 20,000 police officers enters a new phase today with a clear message: make your difference.

More than 3,000 additional officers joined the police's ranks from the beginning of the campaign to the end of March 2020, putting the government on track to meet its target of 6,000 by March 2021.

Since then police forces have been reporting an increase in applications amid the coronavirus pandemic.

<https://www.gov.uk/government/news/government-urges-public-to-make-a-difference-and-join-the-police>

### 12. Home Secretary's statement on coronavirus (COVID-19), *Home Office*, 25 April 2020

Home Secretary Priti Patel provided an update on the government and law enforcement response to coronavirus.

<https://www.gov.uk/government/speeches/home-secretary-delivers-daily-coronavirus-update-25-april-2020>

### 13. Police given new powers and support to respond to coronavirus, *Home Office*, 26 March 2020

The government made new public health regulations strengthening police enforcement powers in England, to reduce the spread of coronavirus, protect the NHS and save lives.

<https://www.gov.uk/government/news/police-given-new-powers-and-support-to-respond-to-coronavirus>

### 14. Policing gets biggest funding boost in decade to put more bobbies on the beat, *Home Office*, 22 January 2020

The government has announced that funding for policing for 2020-21 will increase by more than £1.1 billion to a total of £15.2 billion, if Police and Crime Commissioners (PCCs) take full advantage of the flexibility to set police precept. The government has indicated that the increase represents almost 10% on the 2019-20 core funding figures for the forces and means that:

- PCCs will have access to £8.7 billion in government grants, representing £667 million more than in 2019-20;
- PCCs will have flexibility to increase local funding in England by setting the council tax referendum limit to £10 per year for a typical (Band D) property; and
- if all PCCs in England maximise the flexibility, this would generate around £248 million in additional funding for forces in England.

<https://www.gov.uk/government/news/policing-gets-biggest-funding-boost-in-decade-to-put-more-bobbies-on-the-beat>

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