

**OFFICE OF THE NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER  
&  
NORTHAMPTONSHIRE POLICE**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**7th March 2016 at 10.00am to 13.30pm**

**Greenwell Room, Wootton Hall, Northampton, NN4 0JQ**

**If you should have any queries in respect of this agenda, please contact Steve Dainty on 03000 111 222 Ext 347953**

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

***Further details regarding the process for asking questions or making an address to the Committee are set out at the end of this agenda notice***

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<b>AGENDA</b>			
1	Apologies for non- attendance	JB	10:00
2	Declarations of Interests	Members	10:05
3	Announcements from the Chair	JB	10:05
4	Minutes and Matters Arising from the previous meeting	JB	10:05
5	Matters Arising Action Log	JB	10:10
6	Closedown 2014-15 and 2015-16 (to follow)	NA	10:15
7	External Audit - Progress Report	KPMG	10:50
8	Internal Audit Progress Report	Mazars	11:05
9	Implementation of Audit recommendations a. Force b. OPCC	NA SD	11:15
10	Draft Internal Audit Plan	SD	11:35
11	MTFS and Budget Update	SD/NA	11:55
12	Draft Treasury Management Strategy	NA	12:05
13	Governance Review (verbal)	JN	12:20
14	Collaboration – summary report	SD	12:25
15	Finance Report 2015-16	SD	12:35
16	Force Strategic Risk Register (inc Risk Management & Procedures)	AF/RB	12:40
17	Force Risk Policy and Procedures (verbal)	AF/RB	12:50
18	Transformation & Accountability Boards	JN	13:00
19	OPCC Risk Register and Assurance Map	JN	13:10
20	Skills Audit	JB	13:15
21	People Strategy (verbal)	JN	13:20
22	HMIC Reports – see <a href="http://www.hmic.gov.uk">www.hmic.gov.uk</a>	AF	13:25
23	Items for escalation to the Commissioner and / or the Chief Constable	JB	13:30
24	Agenda Plan for the next four meetings	SD	13:30

## AGENDA

25	Date and venue of next meeting 20 <sup>th</sup> June 2016 - 10:00am – 1:30pm – Greenwell Room	SD	13:35
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26	Such other business by reason of the special circumstances to be specified, the Chair is of the opinion is of sufficient urgency to warrant consideration.  <i>(Members who wish to raise urgent business are requested to inform the Chairman beforehand).</i>	JB	13:35
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27	Resolution to exclude the public	JB	13:35
	<p>Items for which the public be excluded from the meeting:</p> <p>In respect of the following items the Chair may move the resolution set out below on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the Local Government Act 1972) would be disclosed to them:</p> <p><i>“That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A of the Act of the descriptions against each item would be disclosed to them”.</i></p>		

28	Minutes of the previous private meeting	JB	None
29	HMIC Reports	AF	None

	Private Meeting of Committee Members with the Auditors (if required)	JB	13:40
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**Continued overleaf ...**

***Further details regarding the process for asking questions or making an address to the Committee***

**i. General**

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

**ii. Notice of questions and addresses**

A question may only be asked or an address given if notice has been given by delivering it in writing or by electronic mail to the Monitoring Officer no later than noon two working days before the meeting.

**Notice of questions or an address to the Committee should be sent to:**

Steve Dainty  
Office of the Police and Crime Commissioner  
West Wing  
Police HQ  
Wootton Hall  
NORTHAMPTON  
NN4 0JQ

*or by email to:*

*stephen.dainty@northantspcc.pnn.police.uk*

***by 12 noon 2<sup>nd</sup> March 2016***

Each notice of a question must give the name and address of the questioner and must name the person to whom it is to be put, and the nature of the question to be asked. Each notice of an address must give the name and address of the persons who will address the meeting and the purpose of the address.

**iii. Scope of questions and addresses**

The Chair of the Committee may reject a question or address if it:

- Is not about a matter for which the Committee has a responsibility or which affects Northamptonshire;
- is defamatory, frivolous, offensive or vexatious;
- is substantially the same as a question which has been put or an address made by some other person at the same meeting of the Committee or at another meeting of the Committee in the past six months; or
- requires the disclosure of confidential or exempt information.

***Continued overleaf ...***

***Further details regarding the process for asking questions or making an address to the Committee (continued)***

- iv. Asking the question or making the address at the meeting**  
The Chair of the Committee will invite the questioner to put the question to the person named in the notice. Alternatively, the Chair of the Committee will invite an address to the Committee for a period not exceeding three minutes. Every question must be put and answered without discussion but the person to whom the question has been put may decline to answer it or deal with it by a written answer. Every address must be made without discussion.

- v. The Members of the Committee are:**

Mr J Beckerleg (Chair of the Committee)

Ms G Scoular

Mr M Pettitt

Mr A Knivett

**JOHN NEILSON**

**ACTING CHIEF EXECUTIVE & MONITORING OFFICER**

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**NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and  
NORTHAMPTONSHIRE CONSTABULARY**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**MINUTES OF MEETING HELD ON**

**2 December 2015**

**(Excluding Exempt Items)**

**PRESENT**

Audit Committee Members

J Beckerleg (in the Chair)  
M Pettitt  
T Knivett

Northamptonshire Police and Crime Commission

J Neilson     Acting Chief Executive  
S Dainty     Acting Chief Finance Officer and Section 151 Officer  
J Motte     Accounting Technician

Northamptonshire Police

N Alexander   Chief Accountant Corporate Services  
R Baldwin     Force Risk and Continuity Advisor

Auditors

B Welch     Mazars  
A Cardoza   KPMG  
S Lacey     KPMG

## **1. APOLOGIES FOR NON-ATTENDANCE**

Gill Scoular

Simon Lacey (delayed by traffic – arrived late)

Brian Welch (delayed by traffic – arrived late)

## **2. DECLARATIONS OF INTERESTS**

Members made the following declarations of interest:

T Knivett      Member of the Police Disciplinary Panel.

J Beckerleg    i) Worked for the Chief Fire Officers Association  
                  ii) Member of House of Lords Audit Committee

## **3. ANNOUNCEMENTS BY THE CHAIR OF THE COMMITTEE**

The Chair stated that no requests had been received from members of the public either to address the Committee or to put a question to the Committee.

The Chair thanked everyone for the timely receipt of papers.

The Chair noted it was surprising that there was no report on 2014-15 closure of accounts. This topic had been on the November workshop agenda but had been deferred to this meeting. The Chair proposed to take the first part of the External Audit Update (Agenda Item 8) followed with a discussion on the current situation with the accounts.

The Chair noted he had asked for Chief Financial Officers to be present, but was unaware of who the Force CFO was and whether they were in attendance. Nick Alexander advised that Paul Dawkins had been contacted to get him to dial in or participate through video link; however this had not happened. It later emerged (see item 8) that Gary Jones was thought to be the Chief Financial Officer (section 151 officer).

## **4. MINUTES OF THE MEETING HELD ON 9 September 2015**

The Chair enquired whether the new Force accountant had been appointed. Nick Alexander responded that an offer had been made and a response was still awaited

The Committee agreed the Minutes of the meeting held on 9 September 2015.

## **5. MATTERS ARISING ACTION LOG**

HMIC questions on governance and VFM profiles (meeting held on 3 March 2015, item 12): A document was handed to the Chair at the start of the meeting which should enable this item to be closed. However a discussion about securing value for money across the Force / OPCC was still needed.

Subject to below the Committee **noted** the report.

<b>ACTION POINTS</b>	
<b>Meeting held on 9 September 2015</b>	
<b>Steve Dainty</b>	<b>Item 6 – to circulate all collaboration (Section 22) agreements</b>
<b>Steve Dainty</b>	<b>Item 6 – to circulate a definitive list of all collaborations</b>

## **6. TREASURY MANAGEMENT UPDATE**

Nick Alexander introduced the report.

It was noted that the capital programme had slipped for the third year running causing the £455,000 underspend on net interest.

John Beckerleg asked whether there was any advantage in investing more funds with Investec which had achieved a higher rate than internally managed short term fixed deposits. Over half of the lending was in internally managed funds bearing a lower rate of interest. In response Nick Alexander stated that although Investec had earned a higher rate of return, the rates in recent years had not always been as beneficial.

John Beckerleg noted the need to ensure maximum return on investment within the accepted risk strategy.

The Committee **noted** the report.

## **7. CLOSEDOWN TIMETABLE 2015-16**

### **8. a) EXTERNAL AUDIT PROGRSS REPORT**

These 2 items were taken together.

External Audit, 2014-15 accounts:

Andrew Cardoza (KPMG) introduced the report and detailed the events and timetable leading up to the position whereby the accounts had still not been signed off and further work was necessary. It was agreed that a meeting would be arranged, including the Chair, to go through the Accounts page by page. [Post meeting note: Subsequent to the meeting this meeting was arranged for 11 December 2015.] Mr Cardoza informed the Committee that additional costs had been incurred but these should not exceed £15,000.

The Force Chief Financial Officer was not present for this discussion despite being asked to attend.



In response to a question by the Chair, Steve Dainty said that he was not happy with the position regarding the closure of the accounts and felt that these matters should have been concluded much earlier.

It was agreed that once the accounts for 2014-15 had been closed there should be an examination of the reasons for the delay. This examination would need to be used to inform future closedown timetables, which would have earlier completion deadlines, to ensure this position was not repeated.

Andy Cardoza requested clarification on the signatories to the accounts. He was informed Gary Jones should sign accounts as the CFO for the Force along with the Chief Constable and, from the OPCC, it should be the Commissioner and Steve Dainty, acting OPCC CFO.

The Committee expressed its grave concern that:

- the 2014-15 statutory accounts had not been completed (5 months after the legal deadline);
- the External Auditor had not been able to confirm the final set of figures;
- questions raised by JIAC members remained unanswered; and
- the accounts of the CC and PCC would be formally and nationally reported as late.

The Committee was unable to recommend either set of accounts for signature.

#### Appendix 1: Audit Report

Only when further work had been completed would KPMG be able to produce the annual audit letter summarising all of the audit work. .

#### Closedown timetable 2015-16

The timetable was not agreed. It would be reviewed to ensure it was practicable and achievable, taking into account the experience of the 2014-15 accounts closure and the earlier closedown deadlines, and represented to the Committee

<b>ACTION POINTS</b>	
<b>Nick Alexander</b>	<b>Arrange meeting between KPMG, Chair, Force and OPCC to review accounts</b>
<b>Nick Alexander</b>	<b>Revise 2015-16 closedown timetable to ensure it is practicable and achievable, taking into account the experience of the 2014-15 closure and the earlier closedown deadlines in the future, and represented to the Committee.</b>

## 8b APPOINTING YOUR EXTERNAL AUDITOR

Andrew Cardoza introduced the report and informed the Committee that the transition arrangements for the External Auditor appointment were under the Public Sector Audit Appointments Ltd PSAA and they had extended the current contracts for a further year.

From 2018-19 the PCC/Force would appoint their External Auditors

## 9. ITEM REMOVED

As the 2014-15 Accounts had not been signed off the agenda item for External Audit Letter was deferred to the next meeting

## 10. MTFP AND BUDGET UPDATE

Steve Dainty introduced the report.

### REVENUE

A provisional announcement on future Government funding was expected in mid-December; until then the figures were uncertain. However the latest forecasts were based on a 5% cash reduction which required a reduction of £7.54m. Of this, £4.136m had already been identified

The strategic alliance of three Forces could have material implications for the medium term financial plan if the Final Business Case was approved in March 2016.

No allowance had been made for the proposed changes to the Police Funding Formula due to be implemented from 2017-18.

### CAPITAL

The tender for the proposed Police Investigation Centre was being evaluated.

The capital investment that would be needed to fund a strategic alliance was still subject to a Final Business Case and subsequent policy decisions.

ACTION POINTS	
Steve Dainty	Further report to the March 2016 meeting of the Committee

The Committee **noted** the report

## 11. GOVERNANCE REVIEW (OPCC)

John Neilson introduced the report stating there would be a more substantive report available in March 2016 when policies, working relationships and the overall governance framework would be presented. In response to the discussion the work would take account of the revised Code of Ethics and the governance of collaborations. Where revised governance documents were presented, these would include tracked changes to highlight alterations.

John Neilson agreed to come back to the JIAC with suggestions for keeping the committee informed about Transformation progress.

<b>ACTION POINTS</b>	
<b>John Neilson</b>	<b>Further report to the workshop on 18 January 2016</b>

The Committee **noted** the report

## **12. INTERNAL AUDIT PROGRESS REPORT**

Brian Welch introduced the report.

One final report had been issued on Risk Management.

A draft report on procurement has been issued. Comments were awaited from EMSCU before the report could be finalised

A partner from Mazars business performance improvement team had been brought in to support work on governance around the transformation programme. Baker Tilly had been commissioned to undertake a piece of work on collaborations which was due to be completed by Christmas 2015.

It was noted that a number of audits had slipped in the timetable. The auditors assured the Committee that the overall programme would be delivered by the end of the financial year as planned.

The Committee **noted** the report

## **13. IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

- a. Force**
- b. OPCC**

Richard Baldwin and Steve Dainty introduced their respective reports

The Committee was concerned that some actions were overdue but not shown as red.

There is still ongoing work within the East Midlands Region in relation to internal audit recommendations. A regional collaboration risk register was

suggested but it was felt that this might be difficult to achieve; however it was expected that there would be individual risk registers for the various collaborations

<b>ACTION POINTS</b>	
<b>Richard Baldwin</b>	<b>Overdue actions to be shown as “red”</b>

The Committee **noted** the report

#### **14. JOINT MEETING WITH AUDIT COMMITTEE CHAIRS**

John Beckerleg introduced his report on the joint meeting which had been very useful. Several areas were discussed such as assurance maps, collaboration and members' allowances

The Committee **noted** the report

#### **15. FINANCE DASHBOARD**

Steve Dainty introduced the report drawing the Committee's attention to the forecast £231k underspend

The Committee **noted** the report

#### **16. FORCE STRATEGIC RISK REGISTER (incl. Risk Management and Procedures)**

Richard Baldwin introduced the report

Four risks had been closed (2 have been previously discussed) CR63 and CR74 have been closed.

There had been a change of risk with CR77 – this should be extended to cover the whole force. The timetable for NICHE to go live had been revised to March 2016.

<b>ACTION POINTS</b>	
<b>Richard Baldwin</b>	<b>Extend CR77 to cover whole force</b>

The Committee **noted** the report

#### **17. OPCC RISK REGISTER AND ASSURANCE MAP**

John Neilson introduced the report stating the format was unchanged and the content stable. A review had taken place, the outcome of which included new text on some risks but the majority remain the same.

The committee asked about the relationship between inherent risk and residual risk in the assurance map and further explanation would be provided.

The Committee **noted** the report

## **18. OPCC RISK POLICY**

John Neilson introduced the report

The Committee were asked to make recommendations on the draft report to the Commissioner prior to the Commissioner's formal approval

## **19. HMIC REPORTS**

No uniformed officers were in attendance to present this item and respond to questions. The Committee was seeking to gain assurance from the work of HMIC without duplicating work within the OPCC / Force. To do this the Committee considered that a written summary report on HMIC activity presented by a Force representative was important.

The item was deferred

## **20. ITEMS FOR ESCALATION**

Items for escalation to the Commissioner and Chief Constable:

- Accounts
- Assurance Map – concerns about collaboration but appreciate related ongoing work
- Treasury management
- Lack of uniformed officers at this meeting of the Committee
- Absence of Force Chief Financial Officer (section 151 Officer) at this meeting

## **21. AGENDA PLAN FOR THE NEXT FOUR MEETINGS**

Subject to the amendments below the report was approved

<b>ACTION POINTS</b>	
<b>Steve Dainty</b>	<b>March 2016 add: Governance Review External Audit Annual Letter Transformation &amp; Accountability Force Risk Policy and Procedures</b>

It was accepted that the Transformation Programme progress should be included on every agenda.

## **22. DATE AND VENUE OF NEXT MEETING**

10.00 am 7 March 2016 in the Greenwell Room, Force HQ, Northampton

## **23. OTHER URGENT BUSINESS**

None

## **24. RESOLUTION TO EXCLUDE THE PUBLIC FROM THE MEETING**

The Chair moved the following resolution:

*“That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A of the Act of the descriptions against each item would be disclosed to them”.*

The Committee **approved** the resolution.

[The minutes of the remaining items of business are recorded separately in another document]

**END**

**JOINT INDEPENDENT AUDIT COMMITTEE**7<sup>th</sup> March 2016**Matters Arising Log**

Minute	Action	Who	Comment	Status
<b>Meeting held on 3<sup>rd</sup> March 2015</b>				
12	To circulate the HMIC questions on Governance and VFM to the Committee.	GJ	Circulated at Committee meeting 2 <sup>nd</sup> Dec 2015	Closed
<b>Meeting held on 24<sup>th</sup> June 2015</b>				
4	Circulate the Treasury Management Policy to the members of the committee	SD	Sent by e-mail 13/07/15	Closed
6a	To consult with members on the Governance Statement during the closure of accounts for future years, commencing with 2015-16.	NA	Noted for the 2015-16 closure. Diarised for January 2016	Open
	Statement of Accounts and Governance Statements be included as part of future workshop agenda.	JN	To be included on the January workshop	Closed
7	Consider the feasibility of producing a simplified version of the Statement that the public could understand, without consuming significant resources	NA	JB offer of help to produce summary statement of accounts. Diarised for January 2016	Open
9	a) to consider the approach to Ethics b)to include regional activities in the Committee's terms of reference	JN	To be included with the review of JIAC Terms of Reference – June 2016	Open
13	To include sufficient time within the audit timetable for the committee to consider the External Audit report and provide feedback.	AG	Still on going	Open
<b>Meeting held on 9<sup>th</sup> September 2015</b>				
6	Include a report on the outcome of Baker Tilley's work (Collaborations) on a future agenda of the Committee when appropriate.	JN	Baker Tilley are still to report on work currently being undertaken on	Open

Minute	Action	Who	Comment	Status
			assurance mapping exercise on all areas of collaboration. January 16 meeting was cancelled. Will report when finalised.	
7	Completion of the letter of representation including acceptance of not making the immaterial adjustment	PCC/CC	See below	Open
	To produce the final set of accounts for audit by 18 September 2015	JN/GJ	Accounts are still awaiting sign off	Open
	CFOs to recommend the accounts for approval in consultation with the Committee's Chair.	JN/ GJ/Committee Chair	See above	Open
	Early meeting in January 2016 with the External Auditors to plan the process for 2015-16 accounts closure	JN/GJ	Meetings held Jan 16	Closed
8	To produce reports on the Change Programme and Collaboration Audits for the Committee as the planned work progresses	BW	Baker Tilley are currently undertaking assurance mapping exercise on all areas of collaboration. Discussions on the best utilisation of the audit plan time are progressing. Reports will be submitted to the JIAC as they are produced	Open
11a	To provide a written report for the December 2015 meeting which details achievements against the programme (looking back) and forecasting future actions.	NA	Item (Force AGS review) removed from Agenda at Chair's request. Will come forward to a future meeting	Open
<b>Meeting held on 2<sup>nd</sup> December 2015</b>				
5	Item 6 – to circulate all collaboration (Section 22) agreements	SD	E-mail 22 <sup>nd</sup> Dec 2015	Closed
	Item 6 – to circulate a definitive list of all collaborations	SD	E-mail 22 <sup>nd</sup> Dec 2015	Closed
7	Arrange meeting between KPMG, Chair, Force and OPCC to review	NA	Meeting held 11 <sup>th</sup> December 2016	Closed



Minute	Action	Who	Comment	Status
	accounts			
	Revise 2015-16 closedown timetable to ensure it is practicable and achievable, taking into account the experience of the 2014-15 closure and the earlier closedown deadlines in the future, and represented to the Committee.	NA		
10	Further report on the MTFP to the March 2016 meeting of the Committee	SD	On March 2016 Agenda	Closed
11	Further report on Governance to the workshop on 18 January 2016	JN	Included on January 16 workshop agenda	Closed
13	Overdue actions on Audit recommendations to be shown as "red"	RB	Actioned	Closed
16	Force Risk Register - Extend CR77 to cover whole force	RB	Actioned	Closed
21	March 2016 Agenda add: Governance Review External Audit Annual Letter Transformation & Accountability Force Risk Policy and Procedures	SD	On March 2016 Agenda	Closed

JB - John Beckerleg  
AC – Andy Cardoza

JN - John Neilson  
BW – Brian Welch

GJ - Gary Jones  
PCC – Police and Crime Commissioner

SD - Steve Dainty

NA – Nick Alexander  
CC – Chief Constable

RB- Richard Baldwin

Author:

Steve Dainty



*cutting through complexity*

AGENDA ITEM 7

# External audit progress report and technical update

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

March 2016

This report provides the Joint Internal Audit Committee (JIAC) with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

PROGRESS REPORT						
External audit progress report						2
KPMG RESOURCES						
KPMG publication titled: Value of Audit: Perspectives for Government						3
TECHNICAL UPDATE						
Financial sustainability of police forces	●	4		Accounts and Audit Regulations 2015 – Exercise of public rights	●	7
Local Government Spending Review	●	5		Consultation on 2016/17 audit work programme and scales of fees	●	8
Accounts and Audit Regulations 2015 – Narrative statements	●	6		Proposed changes to business rates and core grant	●	9
APPENDIX						
Appendix 1 – 2015/16 audit deliverables						10

This document provides the Joint Internal Audit Committee (JIAC) with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

	Commentary
<p><b>Financial statements, Value for Money and Auditor Opinion – 2014/15</b></p>	<p>We reported our progress with completion of the 2014/15 external audit to the previous meeting of the JIAC on 2 December 2015 and explained the significant difficulties encountered when trying to audit the financial statements. There were many issues still outstanding at that time that needed to be resolved, and as a result the Committee Members were not in a position to recommend the Police and Crime Commissioner (PCC) and Chief Constable (CC) 2014/15 financial statements for approval, and Committee Members resolved to delegate the approval of the accounts.</p> <p>Following the last meeting of the JIAC we met with Members, PCC S151 Officer and members of the finance team on 11 December 2015 to discuss issues arising from the version of the financial statements received on the 3 November 2015. At the meeting on the 11 December 2015 it was agreed that the finance team would prepare a further version of the financial statements and provide these to the PCC and CC S151 Officers for their review and agreement. These would then be provided to Members and ourselves for agreement by Members to issues raised and in order for us to complete our external audit work.</p> <p>We received the latest versions of the 2014/15 financial statements on the 12 February 2016. As discussed at the 2 December JIAC we have received assurance from the Section 151 Officers that these latest version of the accounts present a 'true and fair view'. We will also seek assurance from JIAC Members that the issues raised on previous versions of the 2014/15 financial statements have been resolved to their satisfaction.</p> <p>We have commenced our final audit work on the latest versions of the financial statements and at the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> <li>• Completion of final casting checks following amendments to the accounts;</li> <li>• Receipt of working papers to support amendments made to the accounts;</li> <li>• Completion of the audit work for the WGA return;</li> <li>• Clarification of signatories for the PCC and CC financial statements; and</li> <li>• Receipt of the signed management representation letter and signed versions of the PCC and CC financial statements.</li> </ul>

This document provides the Joint Internal Audit Committee (JIAC) with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

	Commentary
<b>Financial statements, Value for Money and Auditor Opinion – 2014/15 (cont.)</b>	<p>We anticipate being able to give an unqualified opinion and VFM Conclusion following completion of the areas above. We also anticipate being able to issue the audit certificate to confirm the conclusion of the 2014/15 audit in accordance with the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice. Satisfactory completion of these above processes will enable us to present the Annual Audit Letter 2014/15 to the next JIAC meeting.</p> <p>We reported at 2 December 2015 JIAC that we had already incurred additional fees of £15,000 and these have continued to rise given our continuing work on the 2014/15 financial statements, since then we have and continue to incur additional costs relating to the audit of the 2014/15 accounts and additional fees of £20,000 have been incurred to date.</p>
<b>Financial statements, Value for Money and Auditor Opinion – 2015/16</b>	<p>Notwithstanding the issues regarding the 2014/15 financial statements audit, we have commenced our planning work in relation to our external audit of the 2015/16 financial statements. We have met with Senior Officers and the finance team to discuss risks associated with the 2015/16 external audit and we have prepared our 2015/16 plan which is included on the agenda with this report. We will continue to work with Senior Officers and the finance team to review risks and accounting issues as they arise during the 2015/16 external audit. We will complete our interim work, reviewing your systems and processes that inform the production of the financial statements ahead of our final account work in the summer.</p>

Area	Comments
<p><b>KPMG publication titled: Value of Audit – Perspectives for Government</b></p>	<p><b>What does this report address?</b></p> <p>This report builds on the <i>Global Audit campaign – Value of Audit: Shaping the future of Corporate Reporting</i> – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.</p> <p>Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.</p> <p><b>What are the key issues?</b></p> <ul style="list-style-type: none"> <li>■ The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements.</li> <li>■ The importance of trust and independence of government across different markets.</li> <li>■ How government audits can provide accountability thereby enhancing the government’s controls and instigating decision-making.</li> <li>■ The importance of technology integration and the issues that need to be addressed for successful implementation</li> <li>■ The degree of reliance on government financial reports as a result of differing approaches to conducting government audits</li> </ul> <p>The <i>Value of Audit: Perspectives for Government</i> report can be found on the KPMG website at <a href="https://home.kpmg.com/xx/en/home/insights.html">https://home.kpmg.com/xx/en/home/insights.html</a></p> <p>The <i>Value of Audit: Shaping the Future of Corporate Reporting</i> can be found on the KPMG website at <a href="http://www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx">www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx</a></p>

Area	Level of Impact	Comments	KPMG perspective
<b>Financial sustainability of police forces in England and Wales</b>	<p style="text-align: center;">● Low</p>	<p>Further to the NAO report on the Financial sustainability of police forces in England and Wales, published in June 2015, and the hearing of the Public Accounts Committee (PAC) in July 2015 on the same topic, the PAC has now published its report on the matter.</p> <p>The PAC report considers issues of devolution and accountability, and demand on police forces and the availability of information, and makes a number of recommendations. Forces may wish to be aware of the report in order to inform their planning considerations, particularly in relation to value for money arrangements.</p> <p>The PAC report can be found here:  <a href="http://www.publications.parliament.uk/pa/cm201516/cmselect/cmpubacc/288/288.pdf">www.publications.parliament.uk/pa/cm201516/cmselect/cmpubacc/288/288.pdf</a></p> <p>A copy of the original NAO report can be found here: <a href="http://www.nao.org.uk/report/financial-sustainability-of-police-forces-in-england-and-wales/">www.nao.org.uk/report/financial-sustainability-of-police-forces-in-england-and-wales/</a></p>	<p><i>The Committee may wish to seek assurances how their Force is addressing the issues raised in the reports.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>The Local Government Association's 2015 Spending Review submission</b></p>	<p>● Medium</p>	<p>In June 2015, the Local Government Association (LGA) set out proposals for the Government to consider as part of the Spending Review, aimed at streamlining public services, growth generating investment and social care and health – all while saving the public purse almost £2 billion a year by the end of the Parliament.</p> <p>The submission focusses on five core issues originally highlighted in <i>A Shared Commitment</i> (<a href="http://www.local.gov.uk/documents/10180/6869714/L15-252+Spending+Review_WEB_new.pdf/3101e509-1e22-4c26-91ac-8fd8a953aba5">www.local.gov.uk/documents/10180/6869714/L15-252+Spending+Review_WEB_new.pdf/3101e509-1e22-4c26-91ac-8fd8a953aba5</a>), published in early 2015. The LGA hopes that local government can work with central government to balance the nation's books while improving public services and the local economic environment by delivering new, transformed and high-quality local services while at the same time reducing costs to the public sector.</p> <p>The LGA believes the Spending Review should:</p> <ul style="list-style-type: none"> <li>■ enable wider integration of social care and health services to deliver savings and improve outcomes This requires the annual £700 million funding gap in social care services to be closed and a transformation fund worth £2 billion in each year of the Spending Review period be created to allow new ways of working to become commonplace. The Spending Review should also implement a single place-based budget for delivering all local services through a Local Public Services Fund as part of at least five devolution deals;</li> <li>■ promote growth and productivity by accepting the case for further devolution of powers and funding that stretches beyond 25 November. The LGA is calling for devolution of, or local influence over, more than £60 billion of growth, skills and infrastructure funding over the Spending Review period, including: <ul style="list-style-type: none"> <li>– the components for an ambitious and effective Local Growth Fund with agreed settlements in devolution deals that last until 2020/21</li> <li>– a central-local partnership to deliver effective and targeted skills and employment initiatives</li> <li>– unlocking the ability of councils to contribute to the Government's target of 275,000 affordable homes built over the lifetime of the Parliament.</li> </ul> </li> <li>■ help councils adequately resource and deliver high quality public services by transforming the business rate mechanism and providing a four year local government finance settlement; and</li> <li>■ help councils focus on driving efficiency and value for money through an assessment of the impact of unfunded cost burdens that core council budgets are going to face over the Spending Review period.</li> </ul>	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>



Area	Level of Impact	Comments	KPMG perspective
<b>Accounts and Audit Regulations 2015 – Narrative statements</b>	<p style="text-align: center;">● <b>Low</b></p>	<p>Authorities will need to be aware that the <i>Accounts and Audit Regulations 2015</i> require local authorities to produce and publish a narrative statement. Section 8 of the Regulations, which apply first from the 2015/16 financial year, states:</p> <p><i>Narrative statements</i></p> <ol style="list-style-type: none"> <li>1) <i>A Category 1 authority must prepare a narrative statement in accordance with paragraph (2) in respect of each financial year.</i></li> <li>2) <i>A narrative statement prepared under paragraph (1) must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.</i></li> </ol> <p>Authorities will need to publish the narrative statement along with the financial statements. The narrative statement does not form part of the financial statements and is therefore not subject to audit. As part of their audit work however, auditors will need to review the statement for consistency with their knowledge.</p> <p>The narrative statement replaces the explanatory foreword and will need to be prepared in accordance with CIPFA/LASAAC's <i>Code of Practice on Local Authority Accounting</i> (the accounting code). The 2016/17 accounting code will contain high level principles for authorities to follow when preparing their narrative statements. The principles set out in the accounting code will also be relevant to 2015/16 and we understand that CIPFA/LASAAC is likely to publish an update to the 2015/16 accounting code to clarify this.</p>	<p><i>The Committee may wish to seek assurances that their authorities have arrangements in place to meet the new requirements</i></p>

Area	Level of Impact	Comments	KPMG perspective
<b>Accounts and Audit Regulations 2015 – Exercise of public rights</b>	<p style="text-align: center;">● Low</p>	<p>Authorities will be aware that the Accounts and Audit Regulations 2015 (the Regulations) set out new arrangements for the exercise of public rights from 2015/16 onwards.</p> <p>Paragraph 9(1) of the Regulations requires the responsible financial officer to commence the period for the exercise of public rights and to notify the local auditor of the date on which that period was commenced.</p> <p>Paragraph 9(2) is clear that the final approval of the statement of accounts by the authority prior to publication cannot take place <i>until after the conclusion of the period for the exercise of public rights</i>.</p> <p>As the thirty working day period for the exercise of public rights must include the first ten working days of July, this means that authorities will not be able to approve their audited accounts or publish before 15 July 2016.</p>	<p><i>The Committee may wish to seek assurances that the necessary arrangements are in place for their Authority.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>Consultation on 2016/17 audit work programme and scales of fees</b></p>	<p>● Low</p>	<p>Public Sector Audit Appointments Ltd (PSAA) has published its consultation on the 2016/17 proposed work programme and scales of fees.</p> <p>The consultation sets out the work that auditors will undertake at principal audited bodies for 2016/17, with the associated scales of fees. The consultation documents, and list of individual proposed scale fees, are available on the PSAA website at <a href="http://www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/">www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/</a></p> <p>There are no planned changes to the overall work programme for 2016/17. It is proposed that scale fees are set at the same level as the scale fees applicable for 2015/16, set by the Audit Commission before it closed in March 2015. The Commission reduced scale fees from 2015/16 by 25 per cent, in addition to the reduction of up to 40 per cent made from 2012/13.</p> <p>Following completion of the Audit Commission's 2014/15 accounts, PSAA has received a payment in respect of the Audit Commission's retained earnings.</p> <p>PSAA will redistribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established shortly.</p> <p>The work that auditors will carry out on the 2016/17 accounts will be completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.</p> <p>The consultation closes on Friday 15 January 2016. PSAA will publish the final work programme and scales of fees for 2016/17 in March 2016.</p>	<p><i>The Committee may wish to seek assurances on how their Authority have responded to the consultation.</i></p>

Area	Level of Impact	Comments
<p><b>Proposed changes to business rates and core grant</b></p>	<p>● <b>For Information</b></p>	<p>The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.</p> <p>The Chancellor set out the landmark changes in a speech to the Conservative party conference in Manchester, saying it was time to face up to the fact that “the way this country is run is broken”.</p> <p>Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved, he said</p> <p>The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at £0.02 on the rate.</p> <p>The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.</p>

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2015	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	February 2016	Complete
<b>Substantive procedures</b>			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	TBC
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC



*cutting through complexity*

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# External Audit Plan 2015/2016

Northamptonshire Office for the Police and Crime Commissioner  
and Northamptonshire Chief Constable

February 2016

## Financial Statement Audit

There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the bodies need to comply with.

### Materiality

Materiality for planning purposes has been based on last year's expenditure and set at £2.8m for both the Police and Crime Commissioner and Chief Constable.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £140k for both the Police and Crime Commissioner and Chief Constable.

### Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Generation of the financial statements; and
- Joint collaboration assurance statements.

### Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Financial systems used through the Multi Force Shared Services (MFSS) for the generation of the financial statements.

See **pages 3 to 5** for more details.

## Value for Money Arrangements work

The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment is on-going and we will report VFM significant risks during our audit.

See **pages 6 to 9** for more details.

## Logistics

Our team is:

- Andrew Cardoza – Director
- Simon Lacey – Audit Manager
- David Schofield – Assistant manager

More details are on **page 12**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 11**.

Our fee for the audit of the Police and Crime Commissioner is £15,000 (£20,000 2014/2015) and our fee for the audit of the Chief Constable is £29,291 (£39,055 2014/2015). See **page 10**.



## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

## Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2015/16 and the findings of our VFM risk assessment.



## Financial Statements Audit Planning

Our planning work takes place during January to February 2016. This involves the following key aspects:

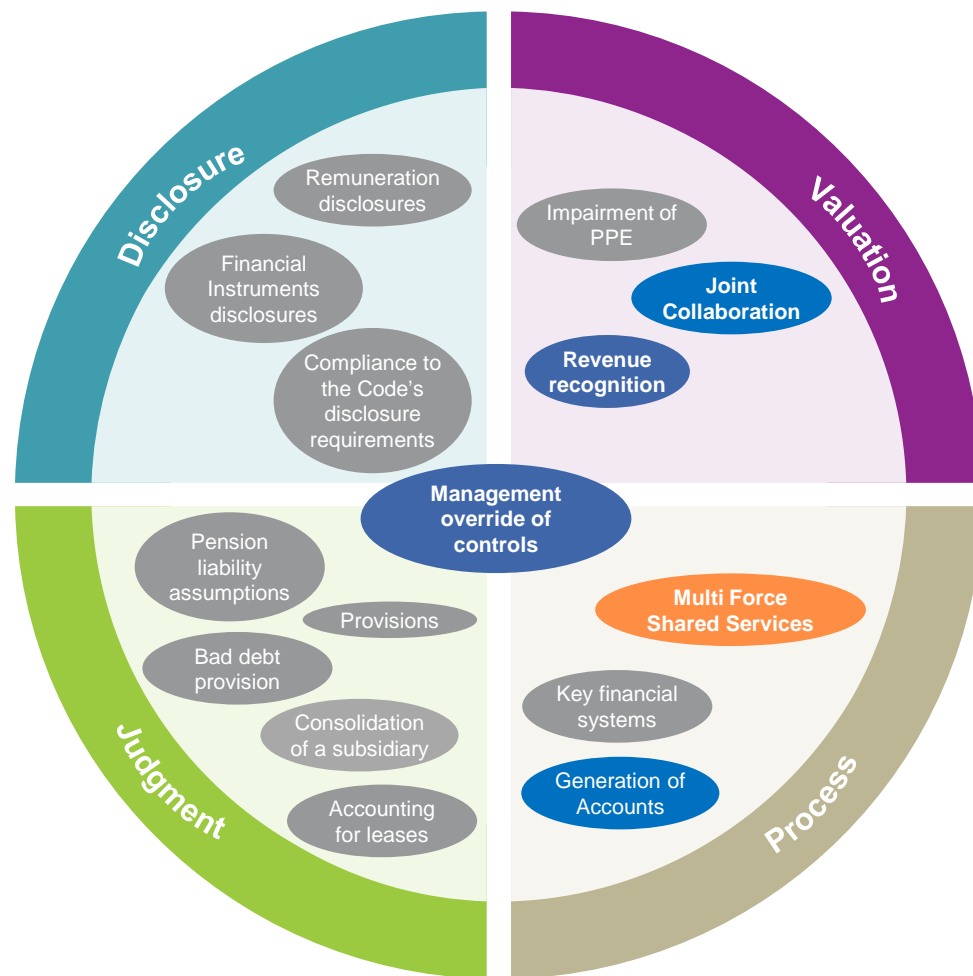
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

### Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for the PCC/CC as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

### Generation of the financial statements

- We have incurred additional audit time to progress and complete the 2014/15 financial statements audit which we reported in our ISA260 report. We have met with Senior Officers to review the completion of financial statements for audit and the future working paper requirements. The CC accounts will also become the responsibility of a new S151 officer for 2015/16.
- We will continue to work with Section 151 Officers, Senior Officers and finance staff through our interim visit and our prepared by client list to identify required working papers. We will also review the Section 151 Officer and Senior Officers quality review of working papers to support the accounts submitted for audit.

### Assurance over Regional Collaboration Accounts and Transactions

- The level of collaborative work with other forces across the East Midlands has increased significantly over the past few years. This level of collaboration brings with it the need to ensure that appropriate governance arrangements are in place for each arrangement and that the necessary assurances are held over the completeness and accuracy of the financial information being provided to the PCC and CC for consolidation into its accounts.
- We will review your governance arrangements over each aspect of regional collaboration and, more specifically, over the assurances you have sought in respect of the completeness and accuracy of the year end figures consolidated into your financial statements.

## Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

### Multi Force Shared Service

- The financial statements for the PCC/CC will be generated using information from the Multi Force Shared Service (MFSS). Internal Audit have identified weaknesses within financial systems operated through MFSS for both the Payments/Creditors and Payroll systems. The financial statements will also be prepared using the information provided by these two systems. This could have an impact on the audit approach and the degree of substantive testing that would be required.
- We will review the controls and output from MFSS financial systems in place that generates information to compile the financial statements.



## Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £2.8m for both the Police and Crime Commissioner and the Chief Constable, which equates to 1.5 percent of the 2014/15 group gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision which is £2.1m.

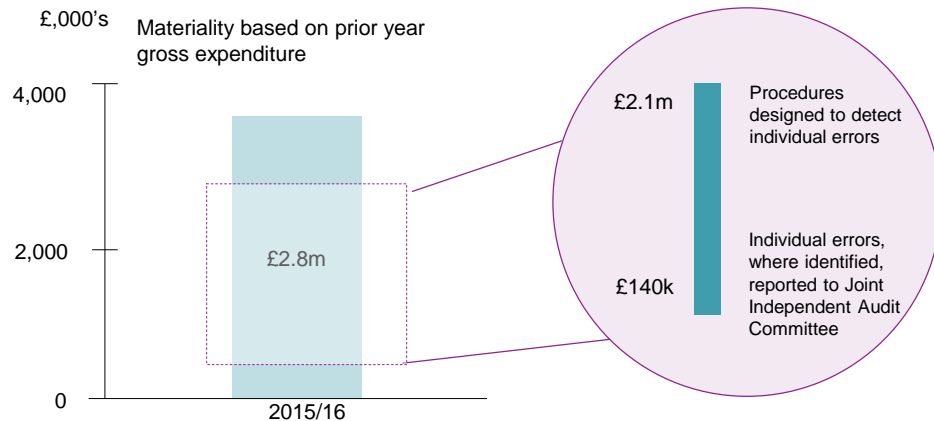
## Reporting to the Joint Independent Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Joint Independent Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

For both the Police and Crime Commissioner and the Chief Constable we propose that an individual difference could normally be considered to be clearly trivial if it is less than £140k.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Joint Independent Audit Committee to assist it in fulfilling its governance responsibilities.

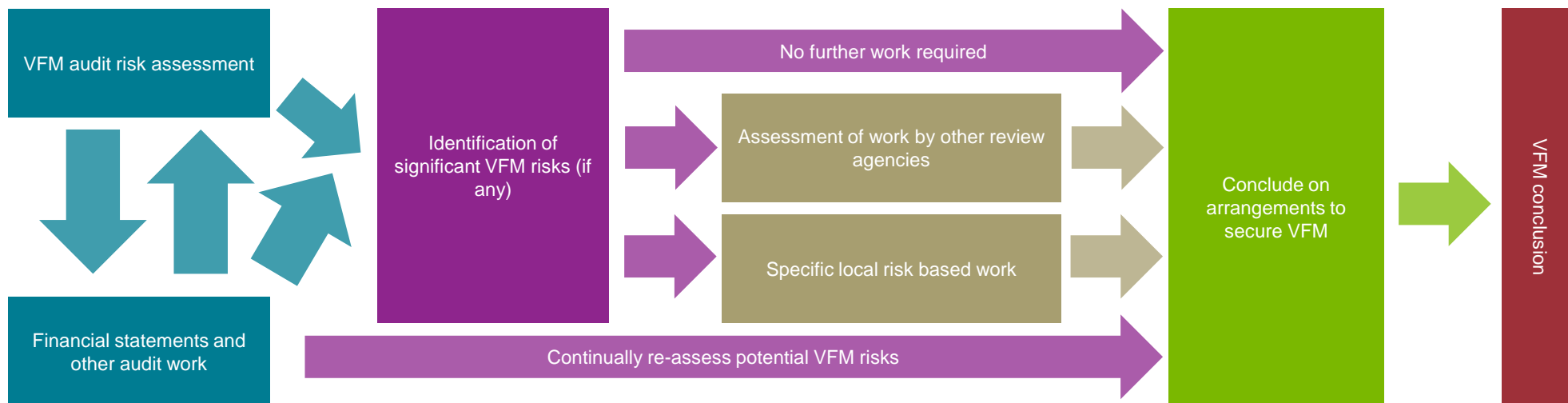
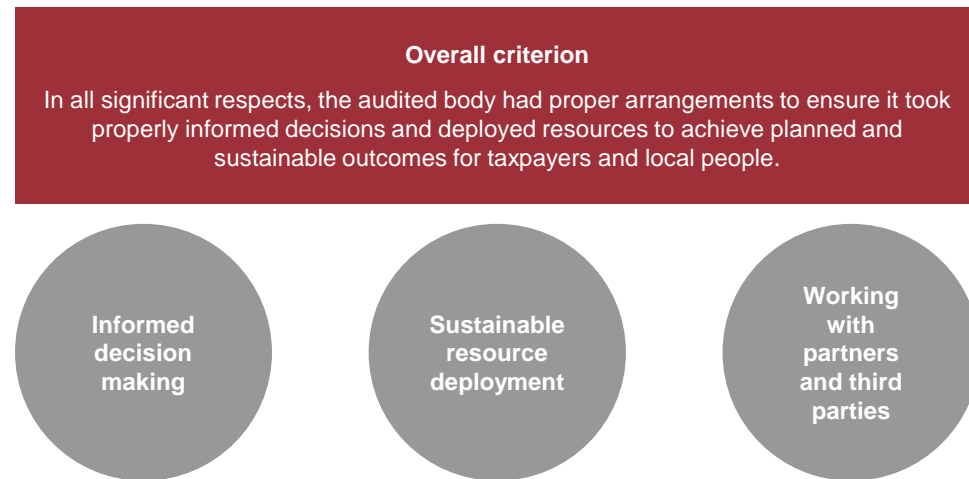


## Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the Police and Crime Commissioner and Chief Constable 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work. The diagram to the right shows the details of this criteria.





VFM audit stage	Audit approach
<b>VFM audit risk assessment</b>	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Police and Crime Commissioner and Chief Constable. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>■ The Police and Crime Commissioner and Chief Constable's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>■ Information from the Public Sector Auditor Appointments Limited VFM profile tool;</li> <li>■ Evidence gained from previous audit work, including the response to that work; and</li> <li>■ The work of other inspectorates and review agencies.</li> </ul>
<b>Linkages with financial statements and other audit work</b>	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the organisational control environment, including the financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
<b>Identification of significant risks</b>	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Police and Crime Commissioner and Chief Constable and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ Considering the results of work by the Police and Crime Commissioner, Chief Constable, inspectorates and other review agencies; and</li> <li>■ Carrying out local risk-based work to form a view on the adequacy of the arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> <li>■ Meeting with senior managers;</li> <li>■ Review of minutes and internal reports; and</li> <li>■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li> </ul>
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Police and Crime Commissioner and Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors decisions.</p>
<p>Reporting</p>	<p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the arrangements for securing VFM), which forms part of our audit report.</p>



### Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

#### Budget Performance and MTFS

- Northamptonshire PCC/CC along with other police forces face on-going financial pressures to achieve desired priorities. Despite the settlement announcements the PCC/CC continue to face reductions in resources for 2015/16. The MTFS identified savings required of £7.5m which have been achieved in year. The PCC/CC face continuing pressures and need to achieve significant savings as part of the latest MTFS 2016/17 to 2020/21 and need to achieve a further £11.7m savings.
- We will review financial information provided through the MFSS for budget reporting, savings plans and the future MTFS. We will also review this against external reviewers such as the HMIC.

#### Strategic Alliance

- The final business case for the Strategic Alliance is due to be signed in March 2016 and will change the way in which the PCC/CC deliver its services. There are long term beneficial aims for the Strategic Alliance but the PCC/CC will need to monitor the delivery plans in the short term to ensure they are affordable and current priorities continue to be delivered.
- We will review the development of the Strategic Alliance and the impact on financial plans and performance, considering the views of external inspectorates.



### Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

### Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team will continue to be led by Andrew Cardoza, with Simon Lacey and David Schofield providing continuity at a day to day level. Appendix 2 provides more details on specific roles and contact details of the team.

### Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Section 151 Officers, Senior Officers and the Joint Independent Audit Committee. Our communication outputs are included in Appendix 1.

### Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

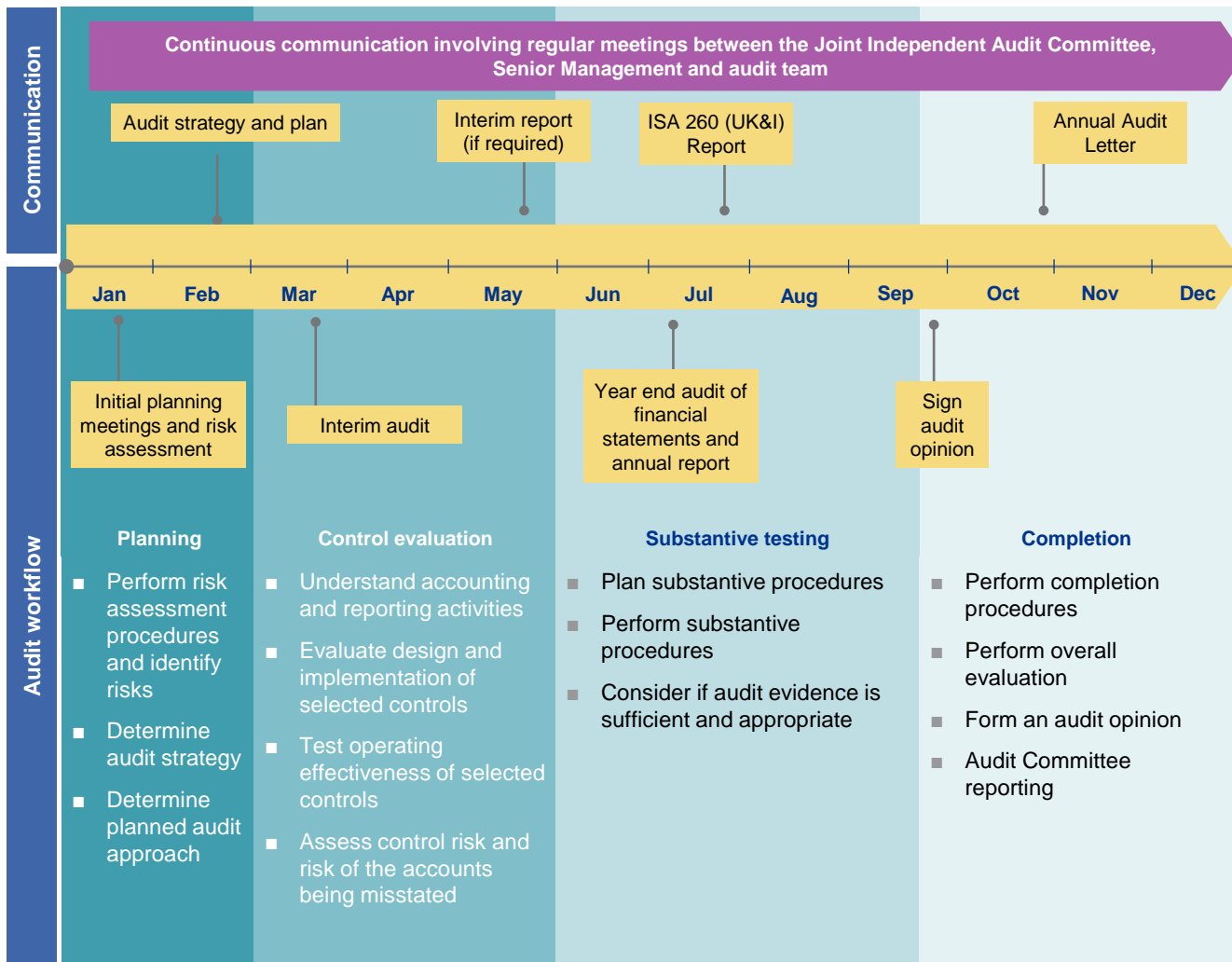
### Audit fee

*Our Audit Fee Letter 2015/2016* issued to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

*Police and Crime Commissioner* - The planned audit fee for 2015/16 is **£15,000**. This is a reduction in audit fee, compared to 2014/2015, of £20,000 (25%).

*Chief Constable* - The planned audit fee for 2015/16 is **£29,291**. This is a reduction in audit fee, compared to 2014/2015, of £39,055 (25%).

The above fees are based on the scale fees from the PSAA. The above fees for 2014/15 do not include additional fees for work currently being undertaken to finalise the 2014/15 financial statements as reported in our ISA260 report. We will finalise these additional fees for the Police and Crime Commissioner and Chief Constable when the audit opinions for 2014/15 are completed.



## Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels of assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as non pay expenditure and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



Your audit team has been drawn from our specialist public sector assurance department. Our audit team consists of a mix of new and existing staff to enable both a fresh perspective to be made whilst ensuring a consistency in day to day staff involved in your audit



<b>Name</b>	Andrew Cardoza
<b>Position</b>	Partner/Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Joint Independent Audit Committee and Chief Finance Officers.'</p>

**Andrew Cardoza**

Director

0121 232 3869

[andrew.cardoza@kpmg.co.uk](mailto:andrew.cardoza@kpmg.co.uk)



<b>Name</b>	Simon Lacey
<b>Position</b>	Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Andrew to ensure we add value.</p> <p>I will liaise with the S151 officers and other Executive Directors.'</p>

**Simon Lacey**

Manager

0115 945 4484

[simon.lacey@kpmg.co.uk](mailto:simon.lacey@kpmg.co.uk)



<b>Name</b>	David Schofield
<b>Position</b>	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

**David Schofield**

Assistant Manager

0116 256 6074

[david.schofield@kpmg.co.uk](mailto:david.schofield@kpmg.co.uk)

### Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Police and Crime Commissioner and Chief Constable.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work; and
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

### Confirmation statement

We confirm that as of February 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Police and Crime Commissioner/Chief Constable and has been prepared for the sole use of the Police and Crime Commissioner/Chief Constable. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Police and Crime Commissioner/Chief Constable, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk) After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



Office of the Police & Crime Commissioner for Northamptonshire and  
Northamptonshire Police

Internal Audit Progress Report 2015/16

February 2016

Presented to the Joint Independent Audit Committee meeting of: 7<sup>th</sup> March 2016

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- 02 Summary and conclusions from Internal Audit work to date
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## 01 Introduction

- 1.1 The purpose of this report is to update the Joint Independent Audit Committee (JIAC) as to the progress in respect of the Operational Plan for the year ended 31<sup>st</sup> March 2016. The plan was considered and approved by the JIAC at its meeting on 24<sup>th</sup> June 2015.
- 1.2 The Police and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year, and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.
- 1.3 Internal audit provides the Police and Crime Commissioner and Chief Constable with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.
- 1.4 Responsibility for a sound system of internal control rests with the Police and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.
- 1.5 Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.
- 1.6 Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).



## 02 Summary of internal audit work to date

2.1 We have issued three final reports since the last progress report to the JIAC, these being in respect of Procurement, Specials Governance and Detained Cash, the latter being an additional audit to that in the approved plan. Management are currently considering their responses with regards a further three draft audit reports; these being in respect of the Core Financials, Change Programme and Specials Programme - Expenditure, the latter being an additional audit to that in the approved plan. Further details, and scheduled work for the rest of the year, are provided in Appendix A1.

Auditable Area	Report Status	Assurance Opinion		Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Risk Management	Final	Force - Limited	OPCC – Limited	2	3	6	11
Procurement	Final	Local - Satisfactory	EMSCU – Limited	2	6	1	9
Core Financials	Draft			3	6	4	13
Change Programme	Draft	N/A		-	-	-	-
Specials Governance	Final			-	2	-	2
Detained Cash	Final			1	5	2	8
Specials Programme – Advertising & Marketing Expenditure	Draft	N/A		-	-	-	-
<b>Total</b>				<b>8</b>	<b>22</b>	<b>13</b>	<b>43</b>

- 2.2 Work in respect of Payroll, Budget Control, Creditors, Debtors, General Ledger and Cash, Bank & Treasury has been completed. Similar to Procurement, the work involved reviewing both local procedures within the Force and the operations within the Multi-Force Shared Service (MFSS) in Cheshire and Northampton. A meeting was held on 28<sup>th</sup> January 2016 to discuss the outcomes of the audit and was attended by representatives from both Northamptonshire and Nottinghamshire OPCC and Force, together with MFSS management. We are hoping to issue the final report shortly.
- 2.3 As reported in the last progress report, Baker Tilly had been commissioned to undertake assurance mapping exercises across a number of regional collaboration arrangements, the output of which would inform the internal audit plan. At the time of writing we have not had sight of the output from this work. However, the OPCC Chief Finance Officer group have requested that Internal Audit, in the meantime, undertake regional audits in the following areas:
- Officers in kind
  - Forensics
  - Covert Payments
  - Terms of Reference for the PCC Board

Audit are currently in discussions to agree the scope of each audit, with the aim of carrying out the work as part of the 2015/16 audit plan.

## 03 Performance

3.1 The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators that were set out within Audit Charter. This list will be developed over time, with some indicators either only applicable at year end or have yet to be evidenced.

No	Indicator	Criteria	Performance
1	Annual report provided to the JIAC	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the JIAC	As agreed with the Client Officer	Achieved
3	Progress report to the JIAC	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	100% (7/7)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (4/4)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (7/7)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	N/A

# Appendix A1 – Summary of Reports

Brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the reports issued to date are provided below:

## Procurement

<b>Assurance Opinion</b>	Local – Satisfactory
	EMSCU – Limited

<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	2
Priority 2 (Significant)	6
Priority 3 (Housekeeping)	1

Our audit considered the following risks relating to the area under review:

- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- High value purchases are inappropriately managed resulting in an ineffective procurement process.
- Force policy is breached resulting in an inappropriate number of quotations sought and value for money not being obtained.
- Incorrect orders are processed leading to inappropriate and/or inaccurate payments to suppliers.
- Orders are completed without authorisation resulting in unsuitable purchases of goods/services.
- High value non contractual spend to suppliers is not identified resulting in poor value for money.
- The use of frameworks for purchases is not identified resulting in a financial loss to the force.

In reviewing the above risks, our audit considered the following areas:

- Policies and Procedures
- Purchases Over £25,000
- Purchases Under £25,000
- National Frameworks

We raised two fundamental (priority 1) recommendations which should be address immediately. These relate to the following:

Recommendation 1	All purchases greater than £25,000 should be approved in line with the delegated scheme of approval limits contained within the Force Financial Regulations. (EMSCU responsibility)
Finding	<p>To ensure that only appropriate purchases are processed and consideration has been given to the budget, approval should be granted in line with the delegated scheme of approval limits contained within the Force Financial Regulations.</p> <p>Testing of a sample of 15 contracts of a value greater than £25,000 identified that on three occasions (CN1000799, CN1000959 and CN1000820) the appropriate documentation evidencing the initial approval of spend had not been retained by EMSCU. Audit could not, therefore, confirm that appropriate authorisation had been granted.</p>
Response	<p>Partially accepted</p> <p>EMSCU to communicate approval of all purchases over £25,000 as contained within the Force Financial Regulations through the Northamptonshire Internet &amp; Intranet.</p> <p>There should be a Tender Award Report (TAR) and a single tender award (STA) for all spending over £25k which EMSCU will hold.</p> <p>Actual process for approval would be a local responsibility e.g. Northants Finance department / MFSS.</p>
Timescale	31 <sup>st</sup> March 2016

Recommendation 2	Contracts should be in place for all purchases over £25,000 and these should be signed by all parties prior to the commencement of the contract. (EMSCU responsibility)
Finding	<p>To ensure that the goods/services are delivered in accordance with the Force's requirements, signed contracts should be in place prior to the agreed start date.</p> <p>Testing of a sample of 15 contracts in place for a value greater than £25,000 identified that:</p> <ul style="list-style-type: none"> <li>• In three instances (CN1000771, CN1000829 and CN1000786) a signed contract was in place however these had been signed by both parties after the commencement of the contract.</li> <li>• In two instances (CN1000799 and CN1000029) audit either could not obtain the electronic file or the file retained did not include a signed contract and therefore could not confirm that signed contracts were in place.</li> </ul>
Response	<p>Accepted</p> <p>Action:- EMSCU to ensure contracts are in place for all purchases over £25,000 and that they are signed prior to commencement. Regular dip sampling to be undertaken and findings reported to senior management team for action.</p>
Timescale	31 <sup>st</sup> March 2016

Furthermore, we raised six priority 2 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- The record of frameworks in place should be updated and reviewed on a regular basis to include all current frameworks. (EMSCU responsibility)
- Consideration should be given to monitoring purchases below £25,000 across the shared service forces. (Local / EMSCU responsibility)
- Purchases for a value greater than £25,000 should be supported by a business case. (Local responsibility)
- A purchase order should be raised for all purchases prior to ordering the goods/services, authorised by an appropriate member of staff or Officer. (Local responsibility)
- The correct number of quotations should be sought for purchases below £25,000 in line with the Contract Procedure Rules. All quotes should be attached to the purchase order on the Oracle system. (Local responsibility)
- A segregation of duties should occur between raising a requisition and approving a requisition over £250. (Local responsibility)

Management confirmed that most actions will be taken by 31<sup>st</sup> March 2016, with all action completed by June 2016.

### Core Financials

<b>Assurance Opinion</b>	Limited
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	3
Priority 2 (Significant)	6
Priority 3 (Housekeeping)	4

Our audit considered the following risks relating to the area under review:

- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- Systems and data entry restrictions are not in place which could lead to inappropriate access to the systems and data.
- There are errors in accounting transactions posted on the General Ledger resulting in inaccurate financial information.
- Inaccurate cash flow information regarding investments and borrowings is produced which could result in inappropriate levels of cash held within the Force.
- The purchasing process is not complied with by staff which could lead to fraudulent transactions that go undetected.
- An ineffective debt management process is in place which could lead to irrecoverable income and inappropriate write off of debt.
- Payments to staff are inaccurate resulting in financial losses for the Force, administrative burdens and where the employee loses out, loss of reputation.

In reviewing the above risks, our audit considered the following areas:

- General Ledger
- Cash, Bank and Treasury Management
- Payments and Creditors
- Income and Debtors
- Payroll
- Service Delivery

We raised three fundamental (priority 1) recommendation which should be address immediately. These related to the following:

- Segregation of duties should be introduced into the process for creating or amending supplier details within Oracle.
- In addition, new suppliers should only be set up upon receipt of an approved new supplier form and this should include key details that then can be verified by MFSS, for example identification of directors of the company, so the reputation and current financial status of the company can be verified.

Consideration should be given to reviewing a sample of new suppliers set up since the implementation of MFSS processes to ensure appropriate checks have been made.

- The Purchasing Process and controls/ access within Oracle system should be reviewed to ensure that at least two members of staff are involved in the ordering, receipt and payment approval process for goods and services which exceed the value of £250.
- Northamptonshire Police Scheme of Delegation should be reviewed and updated to ensure that authorised spending limits (if considered appropriate) embedded within the Oracle system are reflected in the Force Financial Regulations and Scheme of Delegation.

The updated documents should then be reissued across the Force and OPCC to ensure current regulations are available to all staff.

Furthermore, we raised six priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- The implementation of the interface for the Payroll system should be progressed.

In the interim, and for the purpose of actioning starters, leavers and variations, Payroll should introduce 'checklists' to identify and confirm that all key details (including staff and officer grade, contracted hours and personal details) have been correctly input to the system prior to the payroll run.

- Authorisation of the supporting line manager, and key details of the employee to be removed from the Payroll, should be retained with the Leaver documentation. These key details should be subject to secondary checks to ensure details are accurate the correct member of staff has been removed and appropriate adjustments made to their final salary.
- Payments should not be made on a proforma invoice as this is not a valid VAT document to support the accounting transaction. Clarification should be provided to MFSS to ensure these payments are not made going forward.

If advance payments and proforma invoices are accepted in certain circumstances, a list detailing these approvals should be produced and provided to MFSS and any variations to this approved on a case by case basis.

- The Force should review its expense policy to ensure it remains fit for purpose and includes clear guidance on all categories of expenses and which are appropriate to be claimed through the self-serve systems. The review should also ensure that authorised limits for categories of expenditure remain valid.

Consideration should also be given to instructing staff to provide uploaded receipts for all claims made to instil further accountability in the self-serve process and ensure claims identified through the spot check processes are not delayed through missing receipts.

Following review and update, the policy should be reissued to all officers and staff to ensure awareness and compliance.

- MFSS process maps and desk instructions should be subject to review and update where necessary, following which they should be subject to this process at least annually. Any revisions to instructions should be communicated to all relevant staff.
- Evidence to support HMRC authorisation for the internal transfer by MFSS should be sought. If this cannot be located, HMRC should be contacted to make them aware of the issue and to ensure their authorisation was given and their accounting records have been updated accordingly.

A meeting was held on 28<sup>th</sup> January, including management from Northamptonshire and Nottinghamshire OPCC and Force and the MFSS, to discuss the issues coming out of the report. The final report will be issued shortly.

## Change Programme

As part of the Internal Audit Plan for 2015/16 for the Office of the Police and Crime Commissioner for Northamptonshire (OPCC) and Northamptonshire Police (Force), we have undertaken an initial high level review of the governance arrangements in place around the Transformation Programme described further below. The specific areas that formed part of this high level review included:

- **Programme Governance:** an initial examination of the new governance arrangements against expected good practice. This involved a review of the terms of reference of the Accountability Board and Transformation Board, together with 1:1 meetings with key stakeholders in respect of what works well / less well with the new arrangements and any issues / concerns with how it will work in practice going forward.
- **Sources of Assurance:** an initial examination of what is the best approach to 1st, 2nd and 3rd lines of assurance for the Transformation Programme. Consideration was given to the effectiveness of OPCC / Force internal monitoring arrangements (2nd line assurance) and how they dovetail to avoid overlaps and gaps.
- **Prioritisation:** an initial examination of how key decisions about the prioritisation, design and delivery of transformation programmes and projects take into account the wider and evolving Strategic Alliance / East Midlands context. Consideration was given to how such decisions will be documented / evidenced.

The review drew out the current strengths and weakness of the governance arrangements underpinning the Transformation Programme and suggested a number of next steps that should be considered. The review identified a number of opportunities for improvement:

**Governance - Accountability Board:** given the three objectives of the Transformation Board, we heard that that the time afforded to the strategic direction of transformation programmes can get 'hi-jacked'.

**Governance - Accountability Board / Transformation Board / SROs:** we heard that there is potentially a 'blur' between what transformation programme decisions should be taken at the Accountability Board versus the Transformation Board versus SROs.

**Governance - Transformation Board:** in our discussions it was unclear if the recent 'baseline' exercise resulted in key programme documents (i.e. Business Case, Programme Initiation Document, Programme Budget & Plan etc) being signed off by the Transformation Board. It is important that *key programme documents are signed off* to avoid any confusion or challenge over programme direction going forward.

**Governance - Transformation Board:** we understand a number of programme stage gate reports and highlight reports will be presented to the next Transformation Board meeting on 28 January 2016. It is important to ensure complete, accurate and timely *programme reporting* to make informed decisions at the Transformation Board plus recommendations to the Accountability Board.



**Programme Management (Resourcing):** whilst we recognise that a suite of programme management tools and templates has been developed and a number of staff members have attended MSP training, we heard that certain programme management roles can at times be filled with staff that do not necessarily have the right practical experience. It is important that programme teams are designed with reference to expected good practice and then roles filled with *appropriate capability (skills and experience)*. If a compromise is accepted, for whatever reason, it is important that appropriate compensating measures are put in place (e.g. training, support, monitoring).

**Sources of Assurance:** in our meetings with OPCC and Force representatives we discussed the established 'Three Lines of Defence' or 'Three Sources of Assurance' model. At high level and with examples in the context of programme assurance, the 1<sup>st</sup> line = programme management controls (i.e. controls executed by the SRO and programme team); the 2<sup>nd</sup> line = corporate controls (e.g. programme assurance provided by a source outside the programme team, reporting to the SRO and Programme Board); and the 3<sup>rd</sup> line is more external / independent (e.g. internal audit, reporting to top level governance layers). There appears to be an opportunity to *plug the gap at the 2<sup>nd</sup> line of defence* – in our meetings we discussed the use of a structured PM Scorecard for this.

**Prioritisation:** in our meetings we discussed a number of examples of re-prioritisation to respond to the changing external environment, in particular Police/Fire Integration and the Strategic Alliance. As stated under Governance above, it will be important going forward to clarify how the Boards and SROs work in practice for key decisions about transformation programmes, and how these will be documented / evidenced. This will include upfront and continued *business justification plus re-prioritisation* in response to changing internal and external factors.

### Detained Cash

Assurance Opinion	Limited
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	1
Priority 2 (Significant)	5
Priority 3 (Housekeeping)	2

Our audit considered the following risks relating to the area under review:

- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- Failures by staff to comply with procedural requirements leading to inappropriate handling and seizing of cash.
- Unauthorised access to safes leading to inappropriate access to seized cash.
- Seized cash may be lost, manipulated or stolen if inappropriate access, transportation and storage arrangements are in place leading to financial loss and reputational damage.
- Inappropriate cash levels are held resulting in the limits on the cash insurance policy being exceeded.
- Accounting information may become misrepresentational, leading to poor decision making and planning.
- Known system weaknesses are not addressed, which could lead to a risk of continued exposure to risk.

In reviewing the above risks, our audit considered the following areas:

- Policies, Procedures and Training
- Recording and Security
- Banking and Reconciliation
- Follow Up of Previous Recommendations

We raised one fundamental (priority 1) recommendation which should be address immediately. This related to the following:

- Keys to the rooms containing safes that are holding cash and keys to the safes should be securely stored at all times.

We also raised five priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Procedural guidance should be developed for the fingerprints process that includes, but is not limited to, the following areas:
  - Booking appointments;
  - Collecting and recording of payments;
  - Banking payments; and,
  - Storage of cash.

The guidance should be formally approved by the appropriate persons.

- An individual observer should be present when cash is counted and the cash should be double bagged in line with the Detained Property procedure. The bags should be signed by the two officers involved in the process to confirm a true and accurate total has been recorded.
- A segregation of duties should occur in the process of providing the public with fingerprints.
- Consistent safe log books should be in operation across the Force which record the following:
  - Date item entered into safe;
  - Item description;
  - Officer entering item into the safe;
  - Officer observing;
  - Date item removed from safe; and,
  - Officer removing item from the safe.

Safe log books should be updated each time an item is entered into or removed from the safe.

- Where possible, cash seized should counted and banked in a timely manner. Cash that cannot be banked should be transferred to Detained Property in a timely manner.

Management confirmed that most actions will be taken by 31<sup>st</sup> March 2016, with a couple of actions scheduled for later in 2016/17.

## Specials Governance

<b>Assurance Opinion</b>	<b>Satisfactory</b>
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	2
Priority 3 (Housekeeping)	-

Our audit considered the following risks relating to the area under review:

- A Specials Strategy is in place to outline the approach to recruitment, marketing, training and delivery.
- Reporting mechanisms exist to ensure the Transformation Board is regularly informed of the status and progress of the Specials recruitment.
- KPI's have been agreed to ensure monitoring and reporting of recruitment, retention and contribution of Specials.
- Induction and training processes are clearly defined and communicated to those officers with supervisory responsibility for Specials. Monitoring is undertaken to ensure full completion of associated processes.
- Clear communication channels are established to ensure that Specials are aware of their roles and responsibilities, reporting arrangements and opportunities available in terms of training, development and career progression.

In reviewing the above risks, our audit considered the following areas:

- Policies and Procedures
- Performance & Reporting Mechanisms
- Induction, Training & Communication

We also raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Clarification should be sought from the TCB to ensure they are satisfied with the SMART goals included and that a measurable approach to reporting can be undertaken based on these goals going forward.

If there is an appetite for a more quantifiable approach, the Programme plan should be reviewed and updated to ensure all objectives are SMART and supported by actions for achievement which are measurable to quality progress and outcomes.

- Clarification should be sought from the TCB in respect of their reporting requirements and to establish/ confirm if there is any interest in detailed data analysis in terms of recruitment and retention.

Ideally, an easily transparent oversight should be provided to the TCB alongside accessible pipeline profiles as per the initial recommendation.

The management information should report on both the headcount number of specials and the number of hours worked with incorporation of targets and current position of Specials Engagement levels.

Management agreed the recommendations and confirmed that they will be implemented by the end of March.

## Appendix A2 Internal Audit Plan 2015/16

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Core Assurance</b>					
Risk Management	Sept 2015	A - Sept 2015	A - Oct 2015	Dec 2015	Final report issued.
Procurement	Aug / Sept 2015	A - Oct 2015	A – Feb 2016	March 2016	Final report issued.
<b>Core Financial Systems</b>					
Budgetary Control	Nov 2015	A - Dec 2015	P - Feb 2016	March 2016	Draft report issued.
Payroll	Nov 2015	A - Dec 2015	P - Feb 2016	March 2016	Draft report issued.
Cash, Bank & Treasury	Nov 2015	A - Dec 2015	P - Feb 2016	March 2016	Draft report issued.
General Ledger	Nov 2015	A - Dec 2015	P - Feb 2016	March 2016	Draft report issued.
Income & Debtors	Nov 2015	A - Dec 2015	P - Feb 2016	March 2016	Draft report issued.
Payment & Creditors	Nov 2015	A - Dec 2015	P - Feb 2016	March 2016	Draft report issued.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Strategic &amp; Operational Risk</b>					
IT Health Check	Jan 2016	N/A	N/A	N/A	Deferred to 2016/17 on management's request.
Change Programme – Governance of Resource Functions	Jan 2016	A – Jan 2016	P = Feb 2016	March 2016	Draft report issued.
Volunteers – Specials Governance	Jan 2016	A - Feb 2016	A - Feb 2016	March 2016	Final report issued.
<b>Collaboration</b>					
Collaboration	On-going	On-going	On-going	On-going	See paragraph 2.3.
<b>Other</b>					
Detained Cash	Jan 2016	A – Feb 2016	A – Feb 2016	March 2016	Final report issued. Additional request.
Specials Programme – Advertising & Marketing Expenditure	Dec 2015	A – Feb 2016	P – March 2016	June 2016	Draft memo issued. Additional advisory request.

\* P – Planned Date; A – Actual Date

## Appendix A3 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## Appendix A4 - Contact Details

### Contact Details

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## A5 Statement of Responsibility

### **Status of our reports**

*The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.*

*The contents of this report are confidential and not for distribution to anyone other than the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.*



### INTERNAL AUDITS DASHBOARD 2014/15

Audits are graded as Red, Amber, Amber/Green or Green. Some thematic audits are advisory only and not graded. Recommendations are prioritised as High, Medium or Low to reflect the assessment of risk associated with the control weaknesses.

#### SUMMARY OF AUDIT PROGRESS AND OUTCOMES

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			High	Medium	Low
Operational Areas – Stock Management – 1.14/15	02 July 2014	Green	0	0	0
Firearms Licensing – 2.14/15	18 August 2014	Green	0	0	2
Medium Term Financial Planning and Budget Setting - 3.14/15	20 November 2014	Green	0	0	1
Risk Management – 4.14/15	02 September 2014	Amber/Green	0	2	6
Estates Strategy / Management 5.14/15	24 November 2014	Amber/Green	0	1	0
Force Control Room Business Continuity 6.14/15	10 December 2014	Amber	0	3	3
Key Financial Controls 7.14/15	05 February 2015	Green	0	1	0
Commissioning – 8.14/15	26 May 2015	Amber	0	2	1
Follow up – 9.14/15 - Draft	12 May 2015	Not graded			
Governance – 10.14/15	20 March 2015	Green	0	1	2
Human Resources – Workforce Strategy – 11.14/15	27 May 2015	Amber/Green	0	3	2
IT Licenses					
Volunteers – Strategy, recruitment and training					
Collaboration – Efficiency Savings Plans					

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## DETAILS OF RECOMMENDATIONS FROM EACH AUDIT

**Key to Status**       Action complete       Action ongoing       Action outstanding and past its agreed implementation date

**Operational Areas- Stock Management – 1.14/15 - No recommendations**

**Firearms Licensing – 2.14/15 - All recommendations complete**

**Medium Term Financial Planning and Budget Setting – 3.14/15 – No recommendations for Force**

**Risk Management – 4.14/15 – Outstanding recommendation carried forward to 2015/16 audit**

**Estates Strategy / Management – 5.14/15 - All recommendations complete**

**Force Control Room Business Continuity – 6.14/15**

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	ORIGINAL IMPLEMENTATION DATE	MANAGEMENT COMMENT	REVISED IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
3.2	A business impact analysis should be undertaken to determine recovery priorities and required resources and timeframes to recover business operations following a disruption. The BCP and backup arrangements should be reviewed upon completion of the business impact analysis to ensure recovery arrangements meet business objectives.	Medium	Y	28 February 2015	When the plan is finalised I will liaise with Richard Baldwin and discuss it to ensure compliance and compatibility with other force contingency. I will discuss business impact analysis with him.  <span style="color: green;">Update – The BIA analysis is scheduled to be complete by the end of w/c 31 Aug 15. BCP's will be reviewed once the BIA analysis is complete</span>	Ongoing	Steve Herbert	
3.5	Upon completion of the Business Impact analysis exercise: The Force Control Room Business Continuity Plan should be reviewed for compatibility and alignment with the IT Disaster Recovery Plan.	Medium	Y	28 February 2015	Compatibility and alignment with the IT disaster Recovery Plan will be considered prior to acceptance. <span style="color: green;">Update – This is dependent on completion of the BIA analysis</span>	Ongoing	Steve Herbert	

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3.6	The Force should define a testing strategy and a future schedule for periodic testing of the FCR Business Continuity Plan.	Medium	Y	28 February 2015	<p>I have consulted with C/Insp Tennet and have agreed that testing of the plan should commence during January /February. Impact on normal business operations are considered inappropriate prior to this time. This will include the testing of contingency areas including Silver 3, Campbell Square and Wellingborough. All sites have been checked for operability within the last month with ISD professionals and deemed to be suitable for contingency use at this time. This testing will be ongoing to cover all relevant staff and test all parts of the FCR spectrum.</p> <p>Update - Testing has been delayed somewhat due to work on technical equipment at Campbell Square. Back up servers for Aspect UIP have been rigorously tested in the current FCR due to system problems. Silver 3 has been tested for Dispatch during May. Dark Site reality testing should now be in a position to commence during the summer. The BCP plan has been placed into operation within the FCR environment due to technical problems on 3 occasions. On all occasions it has stood up to requirements and feedback has been positive. Feedback has been co-ordinated by SH and the next version will be completed after testing of all facilities is complete. The timescale on this is currently October 2015. Continuing checks are made on a BI-Monthly basis by the FCR and ISD staff to ensure dark sites are fit for purpose. All equipment at the FCR is tested for functionality monthly. This is recorded.</p>	October 2015	Steve Herbert	
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**Key Financial Controls – 7.14/15**

REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	ORIGINAL IMPLEMENTATION DATE	MANAGEMENT COMMENT	REVISED IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
5.1	<p><b>Restated recommendation 2013/14</b></p> <p>Reconciliation should be undertaken on a periodic basis between the IT items on the Fixed Asset register back to local inventory records to ensure that it represents an accurate view of the</p>	Medium	Yes accept a process is required	2016/17	Unlikely to be implemented in the next 12 months.		Nick Alexander	

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assets held. Periodic verifications should be undertaken against the items held in the LANDesk system to ensure the accuracy of records is maintained. This could be done on a sample basis to identify the highest value items.								
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**Commissioning – 8.14/15 - No recommendations for Force**

**Follow Up – 9.14/15**

2.2 Business Continuity [4.13/14]								
REF	RECOMMENDATION	CATEGORY	ACCEPT Y/N	ORIGINAL IMPLEMENTATION DATE	MANAGEMENT COMMENT	REVISED IMPLEMENTATION DATE	MANAGER RESPONSIBLE	STATUS
3.3	<p><b>Original Recommendation</b> A communication programme should be designed to ensure that all employees understand the Business Continuity Management Policy, business continuity priorities and what their individual responsibilities are in respect of business continuity management.</p> <p><b>Update</b> We were informed by the Force Risk and Business Continuity Advisor, that no further progress had been made regarding this recommendation, pending roll out of the NCALT training package.</p> <p><b>This recommendation had not been implemented and has been carried forwards for further review.</b></p>	Medium	Y	TBC	<p><b>Original Comment</b> As the report states an NCALT training package for all employees is being developed as part of the national BC strategy and is expected to be delivered in 2014. Once this has been delivered we can review the content to see if any further material is needed. Update – The training package being developed as part of the national strategy is still being outstanding. A national lead has been appointed to drive this forward.</p> <p>Update – Work by the national BC Forum to deliver a training package is ongoing.</p>	Ongoing	Richard Baldwin	

**Governance – 10.14/15 – All recommendations complete**

**Workforce Strategy – 11.14/15 – All recommendations complete**



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	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Service Level Risk Registers</b>  <i>Observation:</i> In order for risks to be effectively managed across departments within the force, service level risk registers should be in place that include all key risks to the departments.</p> <p>A sample of six service areas within the Force were selected and it was confirmed that in two instances (Northampton Local Policing and Cyber Crime Unit) the service area did not have a risk register in place.</p> <p>Further to this, in one instance (Human Resources) only two risks for the department had been identified and, therefore, these may not be sufficient for an appropriate risk register for the service.</p> <p>Risk: Where service specific risk registers are not in place, risks at an operational level may not be effectively managed and escalated for further action to be taken.</p>	<p>Service level risk registers should be in place across all services at the Force and should include comprehensive details of all key risks to the departments. (Force)</p>	<b>1</b>	<p>Agreed. The Risk and Business Continuity Advisor will meet with departmental heads to ensure that they are correctly identifying and recording risks and that they maintain risk registers</p> <p>Update – Risk Advisors have been identified for a number of the areas where risk registers were not in use and training has been provided as required.</p> <p>Further work will need to be undertaken to align the risk following implementation of the Service Deliver Model.</p>	<p>Risk &amp; Business Continuity Advisor 31/12/2015</p>
4.2	<p><b>Transformation Risks</b>  <i>Observation:</i> It was noted that a key risk to the OPCC is that of meeting its priorities. A number of the OPCC priorities are delivered via the Transformation Programme which has its own risk register in place. The Aspire Board for the Transformation Programme was a key mechanism of assurance to the OPCC that their priorities were being delivered and this was included within the OPCC risk register as a level of assurance. However, it was confirmed that the Aspire Board is now dormant and this assurance no longer exists. Proposals are in place to develop an appropriate governance structure for the</p>	<p>The OPCC should seek to ensure that there is an appropriate source of assurance in respect of the management of risks relating to the Transformation Programme. (OPCC)</p>	<b>1</b>	<p>Each SRO of each Transformation programme is required to ensure a Risk Register is produced and maintained. It should be regularly reviewed by the SRO.</p> <p>The OPCC and Force are about to introduce re-designed the Governance arrangements for oversight of the Transformation Programme. The Accountability Board, chaired by the Commissioner, had its first meeting on 22<sup>nd</sup> September 2015 and reviewed</p>	<p>September 2015 Chief Executive OPCC</p> <p>November 2015 Deputy Chief Constable</p>

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<p>Transformation Programme. This includes the introduction of a Portfolio Board, which will be chaired by the Force, to oversee the management of the individual programmes. This will be overseen by an overarching Transformation Programme Board to be chaired by the OPCC. However, at the time of the audit this governance structure was not in place and was in the very early stages of design.</p> <p>Risk: Where the Transformation Programme is not being effectively managed there is a risk to the OPCC that the Police &amp; Crime Plan is not delivered.</p>			<p>progress with baselining review of the Programme. That Board will in due course sign off revised Programme Mandates and Delivery Plans. The new Transformation Board, chaired by the Deputy Chief Constable, will be responsible for oversight of delivery of the Programme. The DCC will report on progress to each meeting of the Accountability Board.</p>	
4.3	<p><b>Regional Collaboration Risk Register</b>  <i>Observation:</i> A regional collaboration risk register will allow for the identification of operational risks and mitigating controls in place, leading to the effective management of regionalised services.</p> <p>Audit confirmed with the Risk and Business Continuity Advisor at the Force that a number of services have now been regionalised across the East Midlands Forces. This has resulted in the management of these services to be centralised and not solely managed by Northamptonshire Police. However, it was identified that there is currently no regional collaboration risk register in place within the Force to manage the risks associated with the regionalisation of services. The regional forum (chaired by the Risk and Business Continuity Advisor) has submitted proposals to the Deputy Chief Constable of the Forces regarding a risk register for the regionalised services. However, these have yet to be approved and therefore a risk register has not been developed.</p>	<p>A risk register for regionalised services should be developed by the Force and this should be reviewed regularly. This risk register should be aligned to the corporate register for the Force and should include how the Force receives assurance that the risks are being effectively managed. (Force)</p>	2	<p>Whilst we agree that there is a need for the collaborative functions to have risks registers this is outside of the immediate control of the Force. Discussions have taken place with each of the collaborative units about management of risk and the units and each of the five regional forces have now agreed to share registers so that the impact of risks on each force can be correctly assessed. An risks that are identified that will have an impact on the Force will be assessed by the Risk and Business Continuity Advisor and considered for inclusion on the Corporate Risk Register</p>	<p>Richard Baldwin 31/12/2015</p> <p>Complete</p>

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<i>Risk:</i> Where a regional collaborative risk register is not in place, risks to the Force of collaborative services may not be effectively managed.				
4.4	<p><b>Risk Management Training - Force</b>  <i>Observation:</i> In order to ensure that staff have the appropriate skills to identify and assess risks to their service areas, they should be provided with adequate and appropriate risk management and/or awareness training.</p> <p>Audit confirmed with the Risk and Business Continuity Advisor that each service area within the Force has a Risk Advisor, although all staff are not in receipt of risk management/risk awareness training.</p> <p><i>Risk:</i> If staff do not have adequate risk management skills, key risks may not be identified and managed effectively across the Force.</p>	Key staff within the Force should receive appropriate risk management training, whilst consideration should be given to developing wider risk awareness across the Force. (Force)	2	<p>The Risk and Business Continuity Advisor will liaise with departmental heads to identify which staff will be responsible for risk will deliver training as needed.  Wider awareness of risk will be provided through Forcenet.</p> <p>Update – Risk Advisors have been identified for a number of the areas where risk registers were not in use and training has been provided as required.</p>	Risk & Business Continuity Advisor 31/12/2015
4.5	<p><b>Risk Management Training - OPCC</b>  <i>Observation:</i> In order to ensure that staff have the appropriate skills to identify and assess risks to their service areas, they should be provided with adequate and appropriate risk management and/or awareness training.</p> <p>It was confirmed with the Director for Resources, Governance and Transformation (OPCC) that staff within the OPCC have not received any form of risk management training.</p> <p><i>Risk:</i> If staff do not have adequate risk management skills, key risks may not be identified and managed effectively across the OPCC.</p>	Key staff within the OPCC should receive appropriate risk management training, whilst consideration should be given to developing wider risk awareness across the OPCC. (OPCC)	2	Agreed. However this is not a management priority at the present time for the OPCC given the opportunity cost of this activity compared to potential benefits.	N/A



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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
4.6	<p><b>Review of Strategic Risks</b>  <i>Observation:</i> To ensure that all risks listed are being effectively managed, a review should be completed and the risk should be updated on the IPSO Risk Management software.</p> <p>Each risk listed on the Force corporate risk register has been assigned a review date dependant on what the risk is and how often it is required to be reviewed. The review dates for the risks are detailed on IPSO where the risks are maintained.</p> <p>Audit reviewed the risks on IPSO and it was identified that there was one risk, Partnership Capability, which was listed as having a review date of 30 September 2014 and there was no evidence that it had been subsequently reviewed on IPSO. Discussion with the Risk and Business Continuity Advisor suggested that this risk should have been closed at the time of review but had not been updated to 'closed' on IPSO.</p> <p><i>Risk:</i> Where risks have not been reviewed there is a risk to the Force that these may not be effectively managed which could result in the risks materialising.</p>	<p>Review dates should be recorded on IPSO risk registers and the risks should be reviewed and updated where necessary in line with the review dates recorded.            (Force)</p>	3	<p>This relates to one risk which should have been closed in 2014 which is being addressed. All other risks are reviewed as and when required.</p> <p>Update – All risks on IPSO are now reviewed and updated in line with the recorded review dates</p>	<p>Richard Baldwin            31/10/2015</p>
4.7	<p><b>Risk Register Format</b>  <i>Observation:</i> The Risk Management procedure confirms that risk registers should be entered on to the IPSO Risk Management software. This will enable central recording of risks and will facilitate effective monitoring of compliance with the Risk Management procedures.</p> <p>It was identified through testing that the Force corporate risk register is recorded and maintained using the IPSO Risk Management Software. A review of a sample of service level risk registers confirmed that for one</p>	<p>All risk registers for the Force should be recorded in line with the Risk Management policy / procedures. Sufficient detail should be recorded for integral risk areas including:            •Risk descriptors            •Current controls in place; and,            •Sources of assurance            (Force)</p>	3	<p>Alongside recommendation 4.1 and 4.3 the Risk and Business Continuity Advisor will liaise with departmental heads to ensure that risks are recorded in IPSO.</p> <p>The Transformation Programme follows a different risk management methodology as part of the project management process and is therefore currently unable to use the business risk module in IPSO.</p> <p>Update – All new Risk Advisors have</p>	<p>Risk &amp; Business Continuity Advisor            31/12/2015</p>

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<p>service (Transformation Programme), the risk register has not been recorded and maintained through the use of IPSO but rather through Excel.</p> <p>In addition, one service area (Professional Standards) maintains their risk register out of IPSO, although the risks are recorded on the IPSO Risk Management software. However, sufficient detail regarding the risks has not been recorded on the system i.e. control mechanisms, levels of assurance.</p> <p><i>Risk:</i> Where use of the Risk Management software is not maximised, there is a risk that the Force may be unable to effectively monitor compliance with the Risk Management Policy. This may result in Risk Management not being embedded across the Force.</p>			<p>been trained in the use of IPSO and existing Advisors given refresher training to ensure that IPSO is used.</p>	
4.8	<p><b>Risk Management Policy Update</b>  <i>Observation:</i> To ensure that all staff are aware of the attitude towards risk and to help embed risk management further into the Force and the OPCC, the respective Risk Management policies/procedures should be updated to include further details.</p> <p>Audit confirmed that there is a separate Risk Management Policy in place for the Force and the OPCC. There are supporting Risk Management procedures in place for the Force. A review of the policies and procedures identified that the following information was not included in either:</p> <ul style="list-style-type: none"> <li>• Description of the risk culture of the Force/OPCC.</li> <li>• Level and nature of risk that is deemed acceptable (risk appetite).</li> </ul>	<p>The Risk Management Policy and/or Procedures for both the Force and OPCC should be reviewed / updated to include:</p> <ul style="list-style-type: none"> <li>• A description of the risk culture of the Force/OPCC.</li> <li>• The level and nature of risk that is deemed acceptable (risk appetite). (Force / OPCC))</li> </ul>	3	<p><i>Force:</i> Agreed. The Risk Management Policy and Procedures will be updated prior to the next review in February 2016.</p> <p><i>OPCC:</i> These are sophisticated concepts which would require significant investment of staff resources. A general statement on such matters is not necessarily the most appropriate way forward. OPCC Management oversees implementation of policies and plans on a case by case basis. However, consideration will be given to these drafting suggestions</p>	<p>Risk &amp; Business Continuity Advisor 29/02/2016</p> <p>March 2016 Chief Executive</p>

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<p><i>Risk:</i> Where the Force's/OPCC's attitude towards risk is not detailed in the policies/procedures there is a risk that staff could accept an inappropriate level of risk.</p>				
4.9	<p><b>Annual Reports to Audit Committee</b>  <i>Observation:</i> To inform and feed the Annual Governance Statement, the Force should provide the Joint Independent Audit Committee with an Annual Risk Management Report.</p> <p>It was noted during the audit that the Force report their risk register and reports to the Joint Independent Audit Committee on a quarterly basis.</p> <p>Audit confirmed with the Risk and Business Continuity Advisor that an annual risk management report for the Force has not been produced and reported to the Joint Independent Audit Committee as a reporting format has yet to be decided. This recommendation was raised as a result of the previous internal audit review.</p> <p><i>Risk:</i> Where an Annual Risk Management Report is not produced and reported to the Joint Independent Audit Committee there is a risk that the opinions on the annual governance statements are not sufficiently supported which could result in inappropriate decisions being made.</p>	<p>The Force should produce an Annual Risk Management Report and this should be reported to the Joint Independent Audit Committee for review. (Force)</p>	3	<p>Discussions with the Chair of the Joint Independent Audit Committee on the reporting requirements are ongoing. Once these have been confirmed the report will be published annually as recommended.</p>	<p>Risk &amp; Business Continuity Advisor</p> <p>31/12/2015</p>
4.10	<p><b>Annual Reports to Audit Committee</b>  <i>Observation:</i> To inform and feed the Annual Governance Statement, the OPCC should provide the Joint Independent Audit Committee with an Annual Risk Management Report.</p> <p>It was noted during the audit that the OPCC report their risk registers and reports to the</p>	<p>The OPCC should produce an Annual Risk Management Report and this should be reported to the Joint Independent Audit Committee for review. (OPCC)</p>	3	<p>Agreed. We plan to take an OPCC report to the next meeting of the Audit Committee.</p>	<p>December 2015</p> <p>Director for Resources, Governance and Transformation</p>

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<p>Joint Independent Audit Committee on a quarterly basis.</p> <p>It was confirmed with the Director of Resources, Governance and Transformation that an annual report for the OPCC has not been produced and reported to the Joint Independent Audit Committee in line with the OPCC Risk Management Policy.</p> <p><i>Risk:</i> Where an Annual Risk Management Report is not produced and reported to the Joint Independent Audit Committee there is a risk that the opinions on the annual governance statements are not sufficiently supported which could result in inappropriate decisions being made.</p>				
4.11	<p><b>Capturing Risk Reviews</b></p> <p><i>Observation:</i> To ensure that all risks on the OPCC risk register have been reviewed on a regular basis, evidence of all reviews should be recorded.</p> <p>The recommendation for capturing evidence of the review of risks on the OPCC risk register was raised within the previous internal audit report. Discussion with the Director of Resources, Governance and Transformation confirmed that although the risk register is reviewed, there is not a mechanism for capturing evidence of the review.</p> <p>The reason for non-implementation is due to other priorities for the OPCC.</p> <p><i>Risk:</i> Where there is not a mechanism for capturing risk reviews there is a risk that a review may not take place when necessary.</p>	<p>There should be a mechanism for capturing evidence of the review of risks that have been undertaken on the OPCC risk register. (OPCC)</p>	3	<p>The revised text on each risk in the Risk Register gives some indication of changes in context and circumstances which may have led to a revision in the scoring of risks.</p> <p>It is accepted however this mechanism could be more rigorous and improvements will be implemented from the next review</p>	<p>December 2015 Director for Resources, Governance and Transformation</p>

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## Procurement – February 2016

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Authorisation of Purchases above £25,000</b>            To ensure that only appropriate purchases are processed and consideration has been given to the budget, approval should be granted in line with the delegated scheme of approval limits contained within the Force Financial Regulations.            Testing of a sample of 15 contracts of a value greater than £25,000 identified that on three occasions (CN1000799, CN1000959 and CN1000820) the appropriate documentation evidencing the initial approval of spend had not been retained by EMSCU. Audit could not, therefore, confirm that appropriate authorisation had been granted.            Risk: Where inappropriate purchases are processed there is a risk of a financial loss to the Force.</p>	<p>All purchases greater than £25,000 should be approved in line with the delegated scheme of approval limits contained within the Force Financial Regulations.            (EMSCU responsibility)</p>	1	<p>Partially accepted            EMSCU to communicate approval of all purchases over £25,000 as contained within the Force Financial Regulations through the Northamptonshire Internet &amp; Intranet.            There should be a Tender Award Report (TAR) and a single tender award (STA) for all spending over £25k which EMSCU will hold.            Actual process for approval would be a local responsibility e.g. Northants Finance department / MFSS.</p>	<p>David Bailey            31st March 2016            Nick Alexander            31st March 2016</p>
4.2	<p><b>Signed Contracts</b>            To ensure that the goods/services are delivered in accordance with the Force's requirements, signed contracts should be in place prior to the agreed start date.            Testing of a sample of 15 contracts in place for a value greater than £25,000 identified that:            · In three instances (CN1000771, CN1000829 and CN1000786) a signed contract was in place however these had been signed by both parties after the commencement of the contract.            · In two instances (CN1000799 and CN1000029) audit either could not obtain the electronic file or the file retained did not include a signed contract and therefore could not confirm that signed contracts were in place.            Risk: Without a signed contract in place, the</p>	<p>Contracts should be in place for all purchases over £25,000 and these should be signed by all parties prior to the commencement of the contract.            (EMSCU responsibility)</p>	1	<p>Accepted            Action:- EMSCU to ensure contracts are in place for all purchases over £25,000 and that they are signed prior to commencement. Regular dip sampling to be undertaken and findings reported to senior management team for action.</p>	<p>David Bailey            31st March 2016</p>

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	Force may not receive the level of service required from the supplier.				
4.3	<p><b>Framework Record Update</b> In order for Officers to be aware of all frameworks that are currently in place, the frameworks list should be up to date and maintained on a regular basis as new suppliers are added or removed. Audit confirmed with the EMSCU that at the time of the audit the frameworks list required an update to include all current frameworks in place and that this was not being regularly reviewed. Risk: Where staff and Officers are unaware of all frameworks in place there is a risk that value for money is not obtained.</p>	<p>The record of frameworks in place should be updated and reviewed on a regular basis to include all current frameworks.  (EMSCU responsibility)</p>	2	<p>Accepted  Action:- EMSCU to update framework list on an active basis. This to be circulated to all stakeholders via the Engagement Partners</p>	David Bailey 31st March 2016
4.4	<p><b>Value for Money Across Forces</b> Audit confirmed that the Northamptonshire Police Finance Department conduct local monitoring of purchases on the MFSS Oracle system to identify any inappropriate purchases. However, it was noted that currently no cross-force monitoring of purchases below £25,000 takes place. Monitoring of purchases below £25,000 across the shared service forces could identify further efficiencies. Reviewing the accumulated spend across the Forces in specific areas would identify where multiple contracts could be amalgamated to deliver greater economies of scale and further savings. Risk: Where duplicate purchases and/or high value purchases with suppliers across East Midlands Forces are not identified there is a risk that value for money is not obtained.</p>	<p>Consideration should be given to monitoring purchases below £25,000 across the shared service forces.  (Local responsibility)</p>	2	<p>We have employed a Procurement Officer on an 18 month Fixed term Contract to deliver, Force-wide scrutiny of similar catalogue spend (&amp; escalated to EMSCU if appropriate), alignment to on-going EMSCU contract negotiations, improved procurement processes/ efficiency and better contractual terms and ability to hold those suppliers for the services provided.</p>	<p>As part of the business planning, this will have a no PO no pay by the end of the financial year &amp; the purchasing review will be completed before June 2016 (Strategic Alliance). Nick Alexander</p>
4.5	<p><b>Purchases Supported by Business Cases</b> To ensure that all purchases for a value greater than £25,000 are appropriate, these should be supported by an appropriate business case. The business case should be in</p>	<p>Purchases for a value greater than £25,000 should be supported by a business case.  (Local responsibility)</p>	2	<p>In conjunction with Internal Audit we are currently looking at how senior teams with the responsibility to spend above £25k ensure that decisions are taken with full knowledge of the</p>	<p>The no PO no pay &amp; internal audit plan for 2015/16 will conclude by 31st March,</p>

[Type text]

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>the form of a detailed statement of requirement, single tender award or individual business case where appropriate. Audit could not confirm in two out of 15 contracts tested (CN1000799 and CN1000959) that an appropriate business case had been provided for the purchases. Risk: Where purchases greater than £25,000 are not appropriate there is a risk of a substantial financial loss to the Force.</p>			<p>current situation regarding Strategic Alliance, Regional ISD, Niche, Transformation portfolio and Corporate Services/ Business plans &amp; where appropriate those decision take note of the inherent risk of each of those and then in conjunction with the EMSCU Business Partner the terms of that contract can then be considered there in.</p>	<p>therefore the Force where possible (ie there will be some expenditure such as legal cases that will not be made via PO) will ensure that expenditure above £25k is supported by a business statement/ justification. Nick Alexander</p>
4.6	<p><b>Retrospective Purchase Orders</b> To ensure that the Force is invoiced for the correct value of goods/services required and to ensure that these are appropriately authorised, a purchase order should be raised on the MFSS Oracle system prior to ordering the goods/services with the supplier. Testing of a sample of 25 purchases below a value of £25,000 identified that in two instances (PO 93440011079 and PO 93440011869) a purchase order was raised after the date of the invoice. These were therefore retrospectively raised on the system. Risk: If a purchase order is not raised prior to the order, the Force may purchase goods or service that it does not require.</p>	<p>A purchase order should be raised for all purchases prior to ordering the goods/services, authorised by an appropriate member of staff or Officer.  (Local responsibility)</p>	2	<p>The force is currently in the process of implementing a No PO no pay process, which will seek to eradicate negative behaviour around purchasing decisions post decision to buy (ie seeking input from a requisitioner/ finance/ procurement &amp; MFSS post decisions and actions to buy).</p>	<p>31st March 2016 Debbie Clark / Michael Montgomery</p>
4.7	<p><b>Number of Quotations Sought</b> To ensure that value for money is obtained, 3 quotations should be obtained for all purchases above £10,000, in accordance with the Contract procedure Rules. In order to confirm that values of purchases on the Oracle system are accurate in accordance with the quote received, the original quotations should be retained on the system.</p>	<p>The correct number of quotations should be sought for purchases below £25,000 in line with the Contract Procedure Rules. All quotes should be attached to the purchase order on the Oracle system.  (Local responsibility)</p>	2	<p>During the process of implementing a No PO No pay policy &amp; also the embedding of the Procurement Officer (point 4.4), we will ensure that every requisition process adheres to the minimum quote process and that the procurement officer liaises and reviews those to improve purchasing efficiency and where possible reviews</p>	<p>31st March 2016 Debbie Clark / Michael Montgomery</p>

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Testing of a sample of 25 purchases below £25,000 identified that on one occasion only one quote was obtained from a supplier. The value of the purchase was over £10,000 and therefore three quotes were required to be obtained. This was for the purchase of a new fire alarm system at the force (PO 93440009345).</p> <p>Additionally, in four out of 25 instances the quotes received had not been attached to the system (Req 93410036811, Req 93410032546, Req 93410026335 and Req 93410026314). Audit was required to liaise with the original requisition requester to obtain the quotes that had been received.</p> <p>Risk: Without quotations being obtained, the Force may not be purchasing the most cost effective solution.</p>			those processes in alignment to existing resources and the position on Strategic Alliance, Regional ISD, Niche, Transformation portfolio and Corporate Services/ Business plans.	
4.8	<p><b>Requisition Approval/ Segregation of Duties</b></p> <p>To ensure that only appropriate purchases and payments to suppliers are processed, a segregation of duties should occur between raising and approving a requisition. Audit confirmed through testing the sample of 25 purchases below £25,000 that in 2 instances (Req 93410028337 and Req 93410035462), a requisition was raised for the purchases but these were approved by the same officer. For both of these purchases, the value was above the £250 self approval limit.</p> <p>Risk: Where a segregation of duties does not occur for purchases greater than £250 there is a risk of inappropriate and / or inaccurate transactions being processed which could result in reputational and financial damage to the Force.</p>	<p>A segregation of duties should occur between raising a requisition and approving a requisition over £250.</p> <p>(Local responsibility)</p>	2	We are conducting a review with MFSS on the existing levels and segregations and any inappropriate responsibilities are currently being removed, however, there are around 20 people that have 'super user' rights who regularly buy/ are closer to the corporate services function that most operational staff and can self approve up to £1,000 which is in alignment to Purchase Card policy.	29th February 2016 Debbie Clark / Michael Montgomery
4.9	<p><b>Procedure Update</b></p> <p>To ensure that all staff follow the correct procedures for procurement, all procedure documents should be reviewed and updated</p>	<p>Procedure notes should be reviewed and updated where necessary on at least an annual basis.</p>	3	The force with EMSCU will review these documents at least annually (a review was completed with the previous EMSCU business Partner,	29th February 2016 Nick Alexander



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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<p>on an annual basis with appropriate approval. Audit confirmed that there are sufficient procedures in place for the procurement process. It was identified that these are available to staff via the forces internal website that all staff have access to. The available documentation are divided into a number of areas on the EMSCU Policies and Procedures page on the intranet. Audit reviewed the guidance available to staff and it was identified that a number of the documents were not up date i.e. these had not been reviewed/updated within the last 12 months.</p> <p>Risk: Where staff do not follow the correct procedures there is a risk of inefficient, ineffective and out dated working practices.</p>	(Local responsibility)		however, I do not believe that this has been recorded. The head of Finance with the Procurement officer and EMSCU will review the documents again before the close of the third quarter of the financial year.	

### Detained Cash – February 2016

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
4.1	<p><b>Storage of Safe Keys</b></p> <p>To ensure that only appropriate persons can access the safes that are holding cash, the keys to the safe should be securely stored at all times.</p> <p>Visits to the Force Control Room, two police stations and Detained Property were conducted during the audit. It was confirmed that the keys to the safes at the Force Control Room and two police stations were securely stored within Traka storage cabinets. In order to obtain the keys, officers must enter their unique code to access the Traka Cabinet. Only keys that the Officer has been assigned access to on their code can be removed from the Traka Cabinet.</p> <p>However, it was identified through a visit to</p>	Keys to the rooms containing safes that are holding cash and keys to the safes should be securely stored at all times.	<b>1</b>	Whilst this is a secure covert site & there are only a few persons who can access the site with Force ID cards, the keys to the safe do have to be held in the appropriate locked facility & we will issue policy to ensure that staff are aware of their responsibility to lock away the keys when not in use.	31st March 2016 Nick Alexander

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Detained Property that the key to the strong room containing the detained cash safe was not securely stored during the day. The key was located on the Team Leader's desk during the day. The key would allow access to the strong room and access to the key cabinet for the safes. A Traka cabinet was not in place at Detained Property.</p> <p>Risk: Where inappropriate persons can access the safes holding cash, there is a risk that cash could be stolen which could lead to a financial loss to the Force and reputational damage where cash should be returned.</p>				
4.2	<p><b>Fingerprints Procedure</b></p> <p>To ensure that an appropriate and agreed process is followed by the Officer's completing the fingerprints procedure, formal and approved procedural guidance should be developed.</p> <p>The public are able to obtain sets of fingerprints from the Force at Corby Police Station only.</p> <p>However, it was identified during the audit that there is currently not an agreed process in place for the fingerprints procedure that Officers should follow.</p> <p>It was noted through discussion that cash used to be collected and then booked in and taken to Detained Property for banking. However, this process has now ceased as Detained Property feel they should not be banking this cash. It was also noted by the Officer conducting the fingerprints process that this was an inefficient method of banking the money. The cash would have to be counted in the presence of two members of staff, double bagged and signed by both officers, registered on the Detained Property system, entered into the safe and the details entered into the safe log book. The cash would then have to be collected by Detained</p>	<p>Procedural guidance should be developed for the fingerprints process that includes, but is not limited to, the following areas:</p> <ul style="list-style-type: none"> <li>· Booking appointments;</li> <li>· Collecting and recording of payments;</li> <li>· Banking payments; and,</li> <li>· Storage of cash.</li> </ul> <p>The guidance should be formally approved by the appropriate persons.</p>	<b>2</b>	<p>A full process for this is in the process of being written and it will be issued as policy following its completion.</p>	<p>31st March 2016 Debbie Clark</p>

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<p>Property before banking. The Officer conducting the fingerprints process now completes the process of collecting and banking payments for fingerprints. However, this process has not been formally agreed by appropriate persons within the Force. Risk: Where an agreed process is not followed there is a risk that inappropriate collecting, storage and banking of cash occurs which could lead to a financial loss to the Force.</p>				
4.3	<p><b>Cash Counting and Bagging</b> To ensure that there is a clear record of the involvement of two officers in the counting and bagging process of seized cash, and in order for cash to be adequately secured, cash should be double bagged and the bag should be signed by both officers that were involved in the process. It was confirmed through testing a sample of four items held in the cash safes across three force locations that: · In three instances, the bagged items had not been countersigned to evidence the involvement of two officers in the cash counting and bagging process; and, · In one of the three instances above, the cash had only been single bagged when held in the safe. This was also raised as a weakness in the initial audit in 2011/12. Risk: Where there is a failure to evidence involvement of two officers in the counting and bagging process there is a risk of officer vulnerability in the event of errors, omissions and/ or misappropriation.</p>	<p>An individual observer should be present when cash is counted and the cash should be double bagged in line with the Detained Property procedure. The bags should be signed by the two officers involved in the process to confirm a true and accurate total has been recorded.</p>	2	<p>All non-double bagged/signed items will be rejected by the detained property function, with officers being required to present and complete a second signature process. Where possible an independent person will be present for the counting of cash, however, given the 24/7/365 operational requirements of the Force, this may not be possible in some instances &amp; the value would be too large to hold in other facilities or not appropriate, as in hold within the vehicle &amp; as such, in these instances, we will only require officers to ensure items are double bagged &amp; signed. A recommunication of this within Force Orders &amp; broadcast email will be issued</p>	<p>31st March 2016 Robyn Bishop/ Debbie Clark in conjunction with ACPO</p>
4.4	<p><b>Segregation of Duties for Fingerprints</b> To ensure that there is appropriate overview of the fingerprints process, and in order for there to be more than one officer involved in the entire fingerprints process, a segregation of duties should be present.</p>	<p>A segregation of duties should occur in the process of providing the public with fingerprints.</p>	2	<p>Following the full implementation of the E-Services project, we will request a new online functionality is created to record bookings of finger prints rather than phone call records, with a process to allow for</p>	<p>Nick Alexander 31.03.17</p>

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<p>It was confirmed that one Officer conducts the fingerprints process at Corby Police Station. Appointments are made for the fingerprints and the member of the public will pay on the day their fingerprints are taken. The Officer conducting the process maintains a manual fingerprints register. Receipts are issued to the payee via the use of the receipt book in which the Force retains a copy. Cash is banked as soon as possible by the Officer and where this is required to be stored it will be securely kept in the Corby cash safe. The fingerprints register details are sent to MFSS on a monthly basis to support the income account reconciliation process.</p> <p>However, it was noted this Officer may be the only one involved in the process. For example, the Officer could arrange the appointment, take the fingerprints, take the payment and bank the cash, with no other officer or record being involved in the process. This could therefore lead to the risk that a payment may not be recorded and a receipt may not be present which could cause fraudulent activity to go unidentified.</p> <p>Risk: Where there is only one officer involved in the entire fingerprints process there is a risk of errors or fraudulent activity going undetected.</p>			cancellations to be emailed back to the end user, which will mean an ability to reconcile between cash in vs appointments	
4.5	<p><b>Safe Log Books</b></p> <p>To ensure that there is an adequate record of all cash movements and full details of cash seizures, the cash safe log book should be updated each time an item is entered into or removed from the safe.</p> <p>Visits to the Force Control Room, two police stations and Detained Property were conducted during the audit. It was identified through a review of the safe log books at each location that the details recorded across the Force are inconsistent. All of the safe log</p>	<p>Consistent safe log books should be in operation across the Force which record the following:</p> <ul style="list-style-type: none"> <li>· Date item entered into safe;</li> <li>· Item description;</li> <li>· Officer entering item into the safe;</li> <li>· Officer observing;</li> <li>· Date item removed from safe;</li> <li>and,</li> <li>· Officer removing item from the safe.</li> </ul>	<b>2</b>	This will be captured within the 4.3 recommendation to ensure that all processes and procedures are reissued & updated to capture this requirement	31st March 2016 Robyn Bishop/ Debbie Clark in conjunction with ACPO

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<p>books recorded details of the date the cash was entered into the safe, the officer entering the item into the safe and a description of the item. However, not all safe log books recorded details of the date items were removed from the safe and the officer removing the item from the safe.</p> <p>It was further identified through testing a sample of four items in the various cash safes that in one instance the safe log book had not been updated to record the item entering the safe.</p> <p>This item related to the cash safe at Wellingborough Station.</p> <p>Risk: Where there is a failure to record all cash movements and full details of the seizure, there is a risk of unrecorded access and subsequent lack of audit trail to locate cash in the event that this is misplaced.</p>	Safe log books should be updated each time an item is entered into or removed from the safe.			
4.6	<p><b>Timely Collection/Banking of Cash</b></p> <p>To ensure that the Force is aware of the value of cash held, and in order for only appropriate amounts of cash to be held in the cash safes, cash seized should be counted and banked in a timely manner.</p> <p>It was identified through discussions and a review of the Detained Property procedure that there is no requirement for when a decision must be made on whether cash is to be counted and banked or retained in the cash safes. There is also not a time restraint in the procedure for how long cash can be stored on site prior to being transported to Detained Property.</p> <p>This has therefore led to uncounted funds being retained in the cash safes and an accurate record of the value of funds held being unable to be obtained. Audit discussed this issue with the Detained Property Team Leader and it was noted than an accurate record of the value of items in the cash safe at</p>	Where possible, cash seized should counted and banked in a timely manner. Cash that cannot be banked should be transferred to Detained Property in a timely manner.	<b>2</b>	In conjunction with a revised publicised timetable for cash collection, this will be encaptured within the 4.3 recommendation to ensure that all processes and procedures are reissued & updated to encapture this requirement	31st March 2016 Robyn Bishop/ Debbie Clark in conjunction with ACPO

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	<p>DP would not be able to be obtained. The cash insurance policy restricts the value of cash that can be held in safes across the Force and therefore the insurance policy could be breached.</p> <p>Testing of a sample of four items held in cash safes outside of Detained Property also identified that one item has been retained in the Force HQ Control Room safe since November 2015 and, at the time of the audit, this had not been transported to the Detained Property cash safe. This item holds a value of £2,324.02.</p> <p>Risk: Where the Force is unaware of the value of cash held there is a risk that unidentified values of cash may be lost or stolen. Additionally, the cash insurance policy may be breached which could lead to a financial loss and reputational damage to the Force.</p>				
4.7	<p><b>Procedure Update</b></p> <p>To ensure that staff follow the correct procedure for seizing and handling cash, the Detained Property procedure should be reviewed and updated on an annual basis. It was identified that a Detained Property procedure is in place for the Force which includes a section on cash (section 4.4). The procedure includes a review date of 17 July 2015 although, at the time of the audit, this had not been reviewed and updated. Discussion with the Financial Investigation Unit noted that the procedure is currently being reviewed as it is required to be updated and communicated to staff.</p> <p>Risk: Where procedure notes are not updated on a regular basis there is a risk that staff working practices may become inefficient, ineffective, and/or out-dated. This could subsequently lead to mistakes and errors in the seizing and handling of cash.</p>	The Detained Property procedure should be reviewed and updated, where necessary, on at least an annual basis.	<b>3</b>	This will be captured within the 4.3 recommendation including an annual review point to ensure that processes/ procedures are up to date	31st March 2016 Robyn Bishop/ Debbie Clark in conjunction with ACPO
4.8	<b>Training Plan for Officers</b>	A proactive training plan should	<b>3</b>	The training plan, during and	Judith McQuiad/

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>To ensure that all Officers are aware of the correct process to follow when seizing and handling cash, and in order for them to be informed of any changes to legislation, a proactive training plan should be developed. It was confirmed through discussion with the Core Policing and Assessment Team Leader that student officers receive training regarding handling cash as part of their induction training prior to commencing full duties. This initial training is directed by a college and delivered by the Force making sure that they deliver all the learning outcomes/descriptors that the college recommends.</p> <p>However, it was noted that the Core Policing and Assessment Team Leader has not been asked to deliver any refresher training regarding cash handling and cash seizure. This should be included within the Continual Professional Development of Officers.</p> <p>As highlighted elsewhere in this report, Audit have identified a number of issues relating to the detention and handling of cash.</p> <p>Risk: Where Officers are not aware of the correct process to follow there is a risk of a failure to follow required processes/ legislation to enable correct control and recording of cash seized.</p>	<p>be developed to ensure that all new officers, or those that have not received training for a number of years, have received up to date cash seizure and handling training.</p> <p>Consideration should be given to including this within the roll out of the NICHE programme.</p>		<p>following the Niche system implementation will be reviewed to look at updating cash handling training.</p>	<p>Debbie Clark 31.07.16</p>

### Specials Governance – February 2016

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Programme Objectives</b></p> <p>The May 2014 paper assessed that 'The process for recruiting, training and recognising the contribution of Specials are perceived to be not well specified or effectively implemented'. To address this issue a</p>	<p>Clarification should be sought from the TB to ensure they are satisfied with the SMART goals included and that a measurable approach to reporting can be undertaken based on these goals</p>	2	Agreed	<p>K Buckle 31st March 2016</p>

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Programme Plan has now been produced, dated October 2015, to outline what the project intends to delivery, a breakdown of project requirements and risk management processes.</p> <p>From a review of this plan it was identified that although three main Programme SMART goals were included in the plan, audit noted that two of these were not easily measurable and did not have an associated target as they related to increasing visibility of police officers and increased diversity of the Force. It is acknowledged, however, that the Transformation Board has agreed the plan so it is unclear whether there has been a shift in appetite since the production of the May and December 2014 reports.</p> <p>Risk: If SMART objectives, performance indicators and targets do not exist, there is a risk that resources are utilised without any clear monitoring, reporting or achievement of outcomes leading to scrutiny over use of resources. In addition, if outcomes are not tracked there is a risk that poor performance will not be identified and actioned.</p>	<p>going forward.</p> <p>If there is an appetite for a more quantifiable approach, the Programme plan should be reviewed and updated to ensure all objectives are SMART and supported by actions for achievement which are measurable to quality progress and outcomes.</p>			
4.2	<p><b>Outcomes and Reporting</b></p> <p>The May 2014 paper highlighted data issues in relation to tracking the success of recruitment and identified that data analysis is not in a form to lend itself to easily transparent oversight by the TB and a need for the TB to receive more regular and accessible updates on the Pipeline Profile for recruitment and retentions.</p> <p>It was confirmed that the Campaign team did produce this data, however this has never been formally requested by the TB. Instead, only broad requests were made for updates on anything significant or whether there is likely to be any recommendations, for example, to approve progress post stage gate</p>	<p>Clarification should be sought from the TB in respect of their reporting requirements and to establish/confirm if there is any interest in detailed data analysis in terms of recruitment and retention.</p> <p>Ideally, an easily transparent oversight should be provided to the TB alongside accessible pipeline profiles as per the initial recommendation.</p> <p>The management information should report on both the headcount number of specials and the number of hours worked with</p>	<b>2</b>	Agreed	K Buckle 31st March 2016



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	<b>Observation/Risk</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Timescale/ responsibility</b>
	<p>report or major risk. The May 2014 paper raised a consideration of reporting the headcount number of specials and the number of hours worked as separate issues, albeit with an opportunity to report in an integrated dashboard, to provide links and transparency over engagement levels. However, this again had not been formally requested or submitted to the Board. It was noted that in December 2015 Specials Engagement (e.g. those who have engaged in working hours for at least the last two months) was approximately 57%. It was confirmed however that for the remaining 43% management were in communication to encourage reengagement.</p> <p>Risk: Lack of management information/ oversight of performance information to the TB resulting in ineffective monitoring, reporting and accountability mechanisms. In addition, no transparency over the engagement levels of specials leading to the risk of current enrolments being overstated in comparison to engagement levels.</p>	<p>incorporation of targets and current position of Specials Engagement levels.</p>			



## Report to the Joint Independent Audit Committee

07 March 2016

### Audit Recommendations Update Report

#### RECOMMENDATION

The Committee is asked to note this report.

#### 1 PURPOSE OF THE REPORT

- 1.1 This report provides the Audit Committee with an update on the implementation of internal audit recommendations.

#### 2 OVERVIEW

##### 2.1 2014/15 Audits

- 2.2 Final Reports have been received for the following audits:

- Stock Management
- Firearms Licensing
- Risk Management
- Medium Term Financial Planning and Budget Setting
- Estates Strategy / Management
- Force Control Room Business Continuity
- Key Financial Controls
- Commissioning
- Follow Up
- Governance
- Workforce Strategy

##### 2.3 2015/16 Audits

- 2.4 Final Reports have been received for the following audits:

- Risk Management
- Procurement
- Detained Cash
- Specials Governance

- 2.5 The attached audit dashboard shows the recommendations made in the final reports for each audit together with updates received on the implementation of those recommendations.

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**Andy Cox**  
**Head of Organisational Delivery, Corporate Services**

**EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS**

None

**HUMAN RESOURCES IMPLICATIONS**

None

**RISK MANAGEMENT IMPLICATIONS**

None

**ENVIRONMENTAL IMPLICATIONS**

None

**Author:** Richard Baldwin,  
Force Risk and Business Continuity Advisor

**Chief Officer Portfolio Holder:** Andy Frost, Deputy Chief Constable

**Background Papers:** 2014-15 Summary of Internal Audit  
Recommendations for IJAC 07.03.2016  
2015-16 Summary of Internal Audit  
Recommendations for IJAC 07.03.2016

**JOINT INDEPENDENT AUDIT COMMITTEE**  
**7<sup>th</sup> March 2016**  
**OPCC - OUTSTANDING AUDIT RECOMMENDATIONS**

Agreed action on recommendations	Owner	Date	Priority	Comment	Status
<b>Risk Management</b> <b>October 2015</b>					
<p>The Risk Management Policy and/or Procedures for both the Force and OPCC should be reviewed / updated to include:</p> <ul style="list-style-type: none"> <li>• A description of the risk culture of the Force/OPCC.</li> <li>• The level and nature of risk that is deemed acceptable (risk appetite). (Force / OPCC))</li> </ul>	JN	March 2016	3	<p>OPCC: These are sophisticated concepts which would require significant investment of staff resources.</p> <p>A general statement on such matters is not necessarily the most appropriate way forward. OPCC Management oversees implementation of polices and plans on a case by case basis. However, consideration will be given to these drafting suggestions</p> <p>Covered in the recently approved Risk Policy</p>	Closed

**KEY:**

**Priority**

<b>1. Fundamental</b>	<b>2. Significant</b>	<b>3. Housekeeping</b>
-----------------------	-----------------------	------------------------

**Owner**

JN John Neilson

**Author:**

**Steve Dainty**

**END**



# Office of the Police & Crime Commissioner for Northamptonshire and Northamptonshire Police

## Draft Internal Audit Plan 2016/17

January 2016

This report has been prepared on the basis of the limitations set out on page 11.

This report and the work connected therewith are subject to the Terms and Conditions of the Framework Agreement dated 21 April 2015 between The Police and Crime Commissioner for Nottinghamshire and Mazars LLP and Order Form dated 12 May 2015 between Police and Crime Commissioner for Northamptonshire and Mazars LLP. This report is confidential and has been prepared for the sole use of Police and Crime Commissioner for Northamptonshire. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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## 1. Introduction

- 1.1 An annual proposed Internal Audit Operational Plan has been prepared on behalf of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police (the OPCC and Force) for the period 1 April 2016 to 31 March 2017.
- 1.2 As part of fulfilling the Joint Independent Audit Committee's (JIAC) responsibilities, the JIAC require assurance that it is focusing its attention on the key risks to the OPCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPCC / Force Risk Register with the aim of identifying where the OPCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.
- 1.3 **Appendix A** contains our proposed **Annual Audit Plan 2016 – 2017**.

## 2. The Scope and Purpose of Internal Audit

- 2.1 Internal Audit's primary role is to provide the organisation's management with independent assurance on the effectiveness of the internal control systems that contribute to the achievement of the organisation's business objectives. In so doing, this will support the OPCC and Force in signing the Annual Governance Statement. It is also Internal Audit's role to provide the OPCC and Force with assurance that they have in place effective processes for the management of risk.
- 2.2 In drawing up the internal audit work programme it should be noted that:
  - The OPCC and Force are accountable for internal control. The OPCC and Force are responsible for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and for reviewing its effectiveness;
  - The system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives;
  - The system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness; and
  - The system of internal control is based on an on-going risk management process designed to identify the principal risks to the achievement of the organisation's objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.



2.3 As set out in the Audit Charter, Internal Audit fulfils its role by:

- Coordinating assurance activities with other assurance providers (such as the external auditors and HMIC) such that the assurance needs of the OPCC and Force, regulators and other stakeholders are met in the most effective way.
- Evaluating and assessing the implications of new or changing systems, products, services, operations and control processes.
- Carrying out assurance and consulting activities across all aspects of the OPCC and Force's business based on a risk-based plan agreed with the Joint Independent Audit Committee (JIAC).
- Providing the Police & Crime Commissioner and Chief Constable with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issuing periodic reports to the JIAC and Senior Management Team summarising results of assurance activities.
- Re-enforcing an anti-fraud, anti-bribery and anti-corruption culture within the OPCC and Force to aid the prevention and detection of fraud.
- Assisting in the investigation of allegations of fraud, bribery and corruption within the OPCC and Force and notifying management and the JIAC of the results.
- Assessing the adequacy of remedial action to address significant risk and control issues reported to the JIAC. Responsibility for remedial action in response to audit findings rests with line management.

## 3. Approach

3.1 As part of fulfilling the Joint Independent Audit Committee's (JIAC) responsibilities, the JIAC require assurance that it is focusing its attention on the key risks to the OPCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPCC / Force Risk Register with the aim of identifying where the OPCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.

3.2 The Assurance Framework provides a top-down identification and analysis of the assurance needs of the JIAC, and aims to provide a co-ordinated view of the activity of the various assurance providers and therefore the right combination of direct, risk and independent assurance activities as shown below:



3.3 In drawing up the operational audit plan, the assurance review of the OPCC / Force risk register identified where the OPCC / Force obtained assurance it was managing its key risks, with the aim of aligning the Internal Audit plan with other sources of assurance. The review was carried out through discussions with appropriate staff and review of documents to confirm the adequacy of the assurance processes in place. In particular we:

- Reviewed the key strategic risks (OPCC and Force) that the JIAC require assurance on.
- Through discussions and the review of relevant documents, using the 'three lines of defence' model referred to above, considered the key sources of assurance that the risks are being effectively managed.
- Identified and agreed gaps in assurance.
- Agreed whether the gaps should be addressed and, if so, whether Internal Audit were the appropriate source of that assurance.

In determining Internal Audit's current and future role in the 'assurance landscape', it should be noted that Internal Audit has a wider remit than purely focusing on just those risks set out in the OPCC / Force Strategic Risk Register, and is required to provide assurance on the systems of internal control, risk management and governance arrangements. For this reason, we also considered other key areas of assurance, including those relating to Finance, Governance, Procurement, Information Technology and Risk Management.

- 3.4 Through a focused approach to assurance, the internal audit service can be utilised to provide the right level of assurance, it can avoid unnecessary use of its finite resources and it can support the OPCC and Force in maintaining an effective Assurance Framework. Internal Audit, through its support for the Assurance Framework, should:
- support the OPCC and Force in managing its risks through the establishment (and, more importantly, the maintenance) of an Assurance Framework that is fit for purpose;
  - look to other sources of assurance and assurance providers, including third party assurance, to supplement the resources of the internal audit team;
  - work along side other assurance providers, such as External Audit, to more effectively provide assurance and avoid duplication; and
  - through risk-based auditing, focus internal audit resource on what is really important to each organisation.
- 3.5 Further to the above risk identification process, it should also be remembered that Northamptonshire have recently agreed to become part of a Strategic Alliance with the Police Forces in Nottinghamshire and Leicestershire, whilst also form part of the wider East Midlands Policing Region and, as such, collaborate on a wide variety of services. The aim will therefore be to, wherever possible, align the audit plans across the Strategic Alliance / region in order to secure efficiencies through collaborative auditing.

## 4 External Audit Consultation

- 4.1 We liaise closely with your external auditors in preparing, and then delivering, a co-ordinated approach to the provision of assurance.
- 4.2 We speak regularly with the External Auditors to consult on audit plans; discuss matters of mutual interest; discuss common understanding of audit techniques; methods and terminology; and to seek opportunities for co-operation in the conduct of audit work. In particular, we will offer the External Auditors the opportunity to rely on our work where appropriate, provided this does not prejudice our independence.
- 4.3 Internal audit forms a significant part of the organisation's governance arrangements and it is therefore also important that Internal and External Audit have an effective working relationship. To facilitate this relationship we included in the Audit Charter liaison arrangement with the external auditors under the Public Internal Audit Standards. The key principles behind this agreement are:
- a willingness and commitment to working together;
  - clear and open lines of communication; and
  - avoidance of duplication of work where possible.

## Appendix A – Annual Audit Plan 2016-17

AUDITABLE AREA	PROPOSED TIMING	JIAC	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
<b>Core Assurance</b>					
Core Financial Systems Assurance: <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Payroll</li> <li>• Cash &amp; Bank</li> <li>• Payments &amp; Creditors</li> <li>• Income &amp; Debtors</li> </ul>	Oct 2016		18	Core	To provide assurance with regards the adequacy and effectiveness of the systems of internal control in operation to manage the core financial systems. The scope of the work will include, but not be limited to: <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Access controls</li> <li>• Amendments to standing data</li> <li>• Reconciliations</li> <li>• Authorisation routines</li> <li>• Reporting</li> </ul>
Governance	Jan 2017		5	Core / OPCC6	To provide assurance with regards compliance with the Joint Code of Corporate Governance. In particular, it will review the process for compiling the Annual Governance Statement and will provide a challenge with regards the evidence collected to support the declaration.
Risk Management Follow-up	Feb 2017		5	Core / CR60	To provide assurance that the Force and OPCC have effective risk management policies and procedures in place. The audit will review the strategic risk registers for adequacy and reasonableness of risk scoring, documented mitigation and action plans. We will select a sample of risks and provide a critical challenge with regards the documented mitigation. The review will follow-up the audit carried out in 2015/16 where a limited assurance opinion was given.

AUDITABLE AREA	PROPOSED TIMING	JIAC	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Procurement Follow-up	November 2016		6	Core	<p>To provide assurance that sound controls are in place and value for money is being sought in respect of the procurement of goods and services. The audit will cover both local / under £25k expenditure, and the use of national procurement frameworks, and the use of the East Midlands Strategic Commercial Unit (EMSCU) for expenditure above £25k.</p> <p>An audit took place in 2015/16 for which the Force received limited assurance. It was determined weaknesses in the systems of internal controls are such to put the Organisation's objectives at risk. The area will revisited to provide assurance that recommendations previously made have been implemented satisfactorily.</p>
<b>Strategic &amp; Operational Risk Assurance</b>					
Information Technology	Dec 2016		10	Numerous	High level review of the overall IT arrangements in place to support service delivery and, in particular, the impact of the Strategic Alliance. Consideration will be given to providing assurance with regards key IT risks, such as those relating to data security, IT policies and procedures, network infrastructure and application controls.
Financial Planning / Savings Programme	Sept 2016		7	CR71 & OPCC7	To provide assurance with regards the systems and controls in place to manage the Savings Programme. The audit scope would include procedures for delivering the savings programme; justification for savings projections; challenge and approval; monitoring and delivery; actions taken to address shortfalls; and lessons learnt and taken forward for the 2016/17 programme.
Firearms Licensing	May 2016		6	National	To provide assurance that the Force has effective controls in place for the management / issue of licences and the holding of firearms.

AUDITABLE AREA	PROPOSED TIMING	JIAC	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Business Continuity	May 2016		8	Operational	To provide assurance that the Force has effective controls in place with regards business continuity arrangements. The scope will consider such areas as Business Continuity Policies and Procedures and templates; Incident Escalation & Emergency Action Procedures; Business Continuity Test Plans; Continuous Improvement \ Lessons Learnt; and Monitoring and Reporting.
Complaints Management	June 2016		8	Operational	To provide assurance that the Force have effective processes in place for the management of complaints and these are being consistency applied. The audit will include the role of the Ethics Committee and that of the OPCC.
Victims Code of Practice	May 2016		8	Operational	Following recent changes to the Code with regards how victims are dealt with, and new procedures brought in by the Force, the audit will look to provide assurance with regards the extent to which these changes are being consistently applied.
Capital Expenditure	Jan 2017		7	CR71, CR77, OPCC7	To review the systems and procedures in place to manage capital expenditure. The audit will include, but not be limited to, decision-making, impact of / consultation with Strategic Alliance partners, corporate communications and delivery of asset management plans.
Closure of Accounts	April 2016		8	Request	Following issues raised by external audit in respect of the closure of accounts arrangements for 2014/15, this audit will review the implementation of remedial action and the lessons learnt from the past 12 months.

AUDITABLE AREA	PROPOSED TIMING	JIAC	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
<b>Strategic Alliance &amp; Collaboration</b>					
Strategic Alliance	Ongoing		7	CR77	Resources have been set aside within the three Forces' audit plans to support the implementation of the Strategic Alliance. This may take the form of advice or specific audits and may involve governance arrangements, project assurance and specific testing in areas of change.
Collaboration	Sept 2016 & Jan 2017		10	CR19 & CR59	Resources have been allocated across each OPCC / Force in order to provide assurance with regards the systems and controls in place to deliver specific elements of regional collaboration. Consideration will be given to assessing whether the area of collaboration is delivering against its original objectives and what arrangements are in place, from an OPCC / Force perspective, for monitoring and managing the service.
<b>Other</b>					
Audit Management	Ongoing		14		This includes audit planning, production of progress and annual reports, and attendance at progress and JIAC meetings.
Follow Up of Recommendations			5		To provide assurance that management have implemented audit recommendations.
Contingency			8		Time set aside for ad hoc requests.
<b>TOTAL</b>			<b>140</b>		

## Appendix B – Levels of Assurance & Opinions

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance:</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.



## Appendix C – Contact Details

### Contact Details

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## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars LLP**

### **London**

### **January 2016**

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**NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and  
NORTHAMPTONSHIRE CONSTABULARY**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**7 MARCH 2016**

<b>REPORT BY</b>	Acting Director for Resources and Acting Head of Finance Corporate Services
<b>SUBJECT</b>	Medium Term Financial Strategy (MTFS) 2016-21
<b>RECOMMENDATION</b>	To note the report and progress made on the MTFS

**1. INTRODUCTION**

1.1. The purpose of this report is to update the Committee of the financial position, both revenue and capital, of the Northamptonshire Police (including the Office of the Police and Crime Commissioner) to 2021, including the period covering the next Comprehensive Spending Review (CSR) 2016-20. This report builds on the similar agenda item submitted to the 2<sup>nd</sup> December 2015 meeting of this Committee and the workshop held on 18<sup>th</sup> January 2016. The report details the Commission’s MTFS which was approved by the Commissioner in February 2016.

**2. BACKGROUND**

2.1. The previous report detailed the national background and the assumptions being worked on at that time. Since then, on December 17<sup>th</sup> the provisional settlement for the Police Grant 2016-17 has been announced and the tax base and Council Tax surplus have been firmed up by the District and Borough Councils.

2.2. The provisional settlement was more favourable than was expected with the Chancellor stating “now is not the time for further police cuts, now is the

time to back our police and give them the tools to do the job". The final settlement was received on February 4<sup>th</sup> 2016 which confirmed the provisional settlement with no change.

- 2.3. The settlement on Police Grant delivered a reduction of 0.6% in cash terms with the Chancellor commenting that if PCC's were to utilise their power to increase the precept by 1.99%, then , when compared to 2015-16 settlement, no PCC would be worse off in cash terms.
- 2.4. In the previous reports the assumption on any precept rise was a nil increase. However following on from the settlement in which the Chancellor is clearly encouraging PCC's to increase precept, the Commissioner has decided to utilise this option and raise precept by 1.99% for 2016-17.
- 2.5. Unhelpfully, this current settlement is for 1 year only and little information has been provided on the likely level of future years settlements. It has been stated that government funding of Policing would reduce in real terms by 1.3% over the four year Settlement period to 2019-20. We also know that top slicing is increasing to provide for national initiatives such as Emergency Service Network and Counter Terrorism, but actual amounts are unknown. For these reason it has been assumed that government funding will decrease in cash terms by 1% each year over the medium term 2017-21.
- 2.6. Changes to the Funding Formula are also expected from 2017-18 but again no details are known.
- 2.7. The Commissioner has decided that although the 2016-17 settlement has been favourable the budget will be constructed around a 5% reduction in Government funding. This is considered to be prudent and will allow sufficient monies to be transferred to reserves to provide for unbudgeted change and transformational expenditure such as Strategic Alliance, Estates Strategy, and Capital Programme etc.

### **3. 2016-17 REVENUE BUDGET**

- 3.1. The approved 2016-17 revenue budget is as detailed in the table below:

	<b>2015-16 Budget</b>	<b>2016-17 Budget</b>	<b>Change</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Total Funding Available	119,980	121,995	2,015	1.7%
Transfer to Reserves	-1,123	-5,771	-4,648	413.9%
<b>SPENDING ALLOCATION</b>	<b>118,857</b>	<b>116,224</b>	<b>-2,633</b>	<b>-2.2%</b>
Apportioned to:				
Force	114,827	112,315	-2,512	-2.2%
OPCC	4,030	3,909	-121	-3.0%
<b>TOTAL</b>	<b>118,857</b>	<b>116,224</b>	<b>-2,633</b>	<b>-2.2%</b>

3.2. In order to achieve the 2016-17 budget £7.579m savings needed to be secured. At the time of writing this report some £2m still need to be identified and as such this represents a risk to the 2016-17 budget. In mitigation of this risk The Force are currently working on plans to fill this gap, including the Service Delivery Model.

#### **4. 2016-17 to 2019-21 REVENUE**

4.1. The financial assumptions for the forward years are:

- 1% reduction in government funding 2017-21
- 1% growth in tax base
- 1.99% increase in council Tax each year
- No Collection Fund Surplus

4.2. Based on these assumptions the MTFS is as detailed below:

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	£000	£000	£000	£000	£000	£000
<b>Police Grant</b>	67,737	67,350	66,680	66,010	65,350	64,700
<b>Council Tax Grant</b>	6,644	6,644	6,644	6,644	6,644	6,644
<b>Collection Fund Surplus</b>	818	1,075	0	0	0	0
<b>Precept</b>	44,781	46,926	48,340	49,790	51,290	52,840
<b>TOTAL FUNDING</b>	<b>119,980</b>	<b>121,995</b>	<b>121,664</b>	<b>122,444</b>	<b>123,284</b>	<b>124,184</b>
<b>% reduction</b>		<b>1.68%</b>	<b>-0.27%</b>	<b>0.64%</b>	<b>0.69%</b>	<b>0.73%</b>
<b>Allocation</b>						
<b>Force</b>	114,827	112,315	113,512	114,406	115,356	116,363
<b>OPCC</b>	4,030	3,909	3,792	3,678	3,568	3,461
<b>Reserves</b>	1,123	5,771	4,360	4,360	4,360	4,360
<b>TOTAL</b>	<b>119,980</b>	<b>121,995</b>	<b>121,664</b>	<b>122,444</b>	<b>123,284</b>	<b>124,184</b>

4.3. The MTFs 2016-21 requires overall savings of circa £15m by 2021. At this stage some £4m of savings remain to be identified.

4.4. The forecast reserves position is detail in Appendix 1

## 5. CAPITAL

5.1. The Capital Programme is reported elsewhere on the Agenda and detailed in Annex 2

**Steve Dainty**  
Acting Director for Resources

**Nick Alexander**  
Acting Head of  
Finance Corporate  
Services

<b>RESERVES 2016-17</b>								
	Carry Forward							
	Force	OPCC	General	Pensions	Capital/ Transformation	Initiatives Fund	Other	TOTAL
<b>Opening Balance - 1<sup>st</sup> April 2016</b>		<b>929</b>	<b>4,404</b>	<b>1,097</b>	<b>3,038</b>	<b>5,036</b>	<b>2,422</b>	<b>16,926</b>
<b>Contributions 2016-17</b>								
Police Grant 2016-17					3,000			3,000
Increase in Tax Base					790			790
Council Tax Surplus					1,071			1,071
Precept (Victims & Witnesses)						910		910
<b>Transfers 2016-17</b>								
<b>Movement in Reserves 2016-17</b>								
OPCC Revenue 2016-17		-159						-159
Capital/ Transformation					TBA			0
Use of Initiatives Fund 2016-17						-5,520		-5,520
<b>Closing Balance 31<sup>st</sup> March 2017</b>	<b>0</b>	<b>770</b>	<b>4,404</b>	<b>1,097</b>	<b>7,899</b>	<b>426</b>	<b>2,422</b>	<b>17,018</b>

## CAPITAL PROGRAMME 2015-16 TO 2019-20

PROJECT	TOTAL COST	PREVIOUS YEARS	2015-16	2016-17	2017-18	2018-19	2019-20
	£000	£000	£000	£000	£000	£000	£000
<b>Transformation Investment</b>							
Interoperability Programme	1,971	1,103	136	732			
Agile Working	4,032	417	99	2,516	500	500	
Demand Reduction	35	5	30				
21st Century Estate (NAH)	16,188	1,433	750	13,823	182		
Sharepoint	419		419				
<b>Other Force Projects</b>							
Capital Programme Management	166	39	90	37			
Organisational Development	250	60	170	20			
Business Intelligence	284	102	182				
Policing the Future Pilots	43	24	19				
<b>Regional 4 Force Collaboration</b>							
Strategic Alliance (PBS)	724	275	348	101			
Regional Shared Information Services	3		3				
Procurement of Body Worn Video	1,103	582	20	80	80	80	261
Criminal Justice - Interoperable CJ NICHE	4,133	357	2,954	572	250		
Proof of concept project on live links and virtual courts	33	27	6				
PBS - OPA – Knowledge/Policy Management	110	85	25				
Legacy - IT	103	20	30	53			
<b>TOTAL CHANGE PROGRAMME</b>	<b>29,597</b>	<b>4,529</b>	<b>5,281</b>	<b>17,934</b>	<b>1,012</b>	<b>580</b>	<b>261</b>
<b>REPLACEMENT SCHEMES</b>							
<b>Information Services</b>							



## CAPITAL PROGRAMME 2015-16 TO 2019-20

PROJECT	TOTAL COST	PREVIOUS YEARS	2015-16	2016-17	2017-18	2018-19	2019-20
	£000	£000	£000	£000	£000	£000	£000
IT Replacement Equip.	2,754	181	200	758	455	455	705
Comms Replacement Equipment - VOIP	16	16					
IT Infrastructure Hardware Replacement	1,897	324	339	409	275	275	275
Photocopier Replacement Programme	329	23	45	165	48	48	
<b>TOTAL REPLACEMENT SCHEMES</b>	<b>4,996</b>	<b>544</b>	<b>584</b>	<b>1,332</b>	<b>778</b>	<b>778</b>	<b>980</b>
<b>OTHER SCHEMES</b>							
<b>Investment</b>							
Compact - Misper	10	10					
Corby Fuel Site	15	15					
<b>Property</b>							
Estates Investment Strategy	219	110	109				
Accessibility Fund	110	0	10	25	25	25	25
Upgrade of FCR	127	115	12				
Mereway and CJC Roundabouts	550		550				
<b>Crime and Justice</b>							
Criminal Justice Centre	45	-15		60			
CJC Intercom	29			29			
Digital Recording	179	13	2	164			
<b>Information Services</b>							
Enhancement Schemes	187	111	76				
Mobile Data (845) Replacement	8		8				
Airwave - Essential Costs	3,124	20	56	148	2,900		
Mobile Data Roadmap	2,035	2,035					
PSN (Public Service Network)	150	61	89				
Forensic System Enhancement	2	2					
<b>Vehicles</b>							



## CAPITAL PROGRAMME 2015-16 TO 2019-20

FINANCING	APPROVED BUDGET	REVISED TOTAL COST	PREVIOUS YEARS	2015-16	2016-17	2017-18	2018-19
	£000	£000	£000	£000	£000	£000	£000
Capital Grants	4,840	4,997	1,000	978	995	1,012	1,012
Innovation Funding	5,767	1,561	900	661			
Useable Capital Receipts	3,564	1,912	1,912				
Revenue Funded	755	623	425		66	66	66
Capital Reserve	3,400	3,400	3,341	59			
Prudential Borrowing	25,000	25,000	1,300	13,323	8,307	2,070	
Reserves	4,274	4,274			4,274		
To be determined		5,617				3,493	2,124
<b>TOTAL</b>	<b>47,601</b>	<b>47,384</b>	<b>8,878</b>	<b>15,021</b>	<b>13,642</b>	<b>6,641</b>	<b>3,202</b>

<b>EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS</b>	None
<b>HUMAN RESOURCES IMPLICATIONS</b>	None
<b>ENVIRONMENTAL IMPLICATIONS</b>	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	None
<b>Author:</b>	S Dainty & N Alexander
<b>Chief Officer Portfolio Holder:</b>	S Dainty Acting Director of Resources OPCC; n Alexander Acting Chief Finance Officer; Northamptonshire Police

**NORTHAMPTONSHIRE POLICE AND CRIME  
COMMISSIONER**

**Treasury Management Strategy Statement  
2016-17**

Minimum Revenue Provision Policy  
and  
Annual Investment Statement

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## **1. Introduction**

### **1.1 Background**

Treasury management is defined as:

“The management of the OPCC investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”

### **1.2 Statutory requirements**

The Local Government Act 2003 (the Act) and supporting regulations requires the Commission to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set prudential treasury indicators for the next three years to ensure that the Commission's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Commission to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 9 of this report); this sets out the Commission's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

### **1.3 CIPFA requirements**

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009 with some minor revisions in 2011) was adopted by the former Northamptonshire Police Authority on 1<sup>st</sup> April 2010.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Commission's treasury management activities.
  2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Commission will seek to achieve those policies and objectives.
  3. Receipt by the Commissioner of an Annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy (MRP) - for the year ahead, a mid-
-

year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

4. Delegation by the Commissioner of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
  5. Delegation by the Commissioner of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Commission the delegated body is the Joint Independent Audit Committee (JIAC).
-

## **1.4 Treasury Management Strategy for 2016/17**

The strategy for 2016/17 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Commission's treasury adviser, Capita Asset Services.

The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Commission
- Prudential and Treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers
- the MRP strategy

## **1.5 Balanced Budget Requirement**

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Commission to produce a balanced budget to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. any increases in running costs from new capital projects,

are limited to a level which is affordable within the projected income of the Commission for the foreseeable future.

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## 2. Treasury Limits for 2016/17 to 2017/18, actual 2015/2016, to estimates 2019/20

It is a statutory duty under Section 3 of the Act and supporting regulations, for the Commission to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The Commission must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon the future Commission Council Tax is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years; details of the Authorised Limit can be found in appendix 3 of this report.

## 3. Current Portfolio Position

The Commission's treasury portfolio position at 1<sup>st</sup> April 2016 comprises:

TABLE 1				Average rate
		£'m	£'m	%
Fixed rate funding:	-PWLB	1.3		4.79%
	-Market	0		
			1.3	4.79%
Variable rate funding:	-PWLB	0		
	-Market	0		
Other long term liabilities:			0	
<b>Gross Debt</b>			<b>1.3</b>	<b>4.79%</b>
Total investments			(£15.7)	0.76%
Net Borrowing			(£14.4)	(0.05%)

#### 4. Borrowing Requirement

The Commission's borrowing requirement is as follows:

TABLE 2	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20
	£'000	£'000	£'000	£'000	£'000
	Actual	Probable	Estimate	Estimate	Estimate
					0
Opening Borrowing	1,300	1,300	19,233	24,292	25,000
New Borrowing	0	17,933	5,059	708	0
Alternative Financing Arrangements	0	0	0	0	0
Replacement Borrowing	0	0	0	0	0
Repayment of Debt	0	0	0	0	0
<b>Total CFR (borrowing requirement)</b>	<b>1,300</b>	<b>19,233</b>	<b>24,292</b>	<b>25,000</b>	<b>25,000</b>

Capital Financing Requirement (CFR) is a prudential indicator. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Commission's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR.

The minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Commissioner's borrowing requirement, these types of scheme include a borrowing facility and so the Commissioner is not required to separately borrow for these schemes.

The **Authorised Limit** for external debt sets the maximum level of external borrowing that the Commission can incur. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable in the longer term. It is the Commission's expected maximum borrowing need with additional scope for unexpected cashflow. The limit also provides scope for the Commission to borrow in advance of its need. The Affordable Borrowing Limit is the Commissioners Capital Investment plans that are affordable, prudent and sustainable and that local strategic planning and asset management planning are in place, in line with the Authorised Limit.

The **Operational Boundary** for external debt is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short-term periods during the year. It acts as an early warning indicator to ensure the authorised limit is not breached. Similar to the authorised limit it also provides scope for the Commission to borrow in advance of its need.

## 5. Prudential and Treasury Indicators for 2015/16 – 2016/17

Prudential and Treasury Indicators (as set out in tables 3, 4 and 5 in appendix 3 to this report) are relevant to the setting of an integrated Treasury Management strategy.

The Commission is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. Both the 2001 Code and the revised 2011 Code have been adopted in formulating the annual review of the Treasury Management Strategy.

## 6. Prospects for Interest Rates

The Commission has appointed Capita Asset Services as treasury advisor and part of their service is to formulate a view on interest rates going forward over the medium term. Appendix 2 draws together a number of current City forecasts for short term (Bank Rate), longer fixed interest rates. The following table gives the Capita Asset Services central view.

### Bank Rate forecast for financial year ends (March)\*

Annual Average %	Bank Rate %
Mar 2016	0.50
Jun 2016	0.50
Sep 2016	0.50
Dec 2016	0.75
Mar 2017	0.75
Jun 2017	1.00
Sep 2017	1.00
Dec 2017	1.25
Mar 2018	1.25
Jun 2018	1.50
Sep 2018	1.50
Dec 2018	1.75
Mar 2019	1.75

\*Capita information as at 4<sup>th</sup> February 2016

UK growth surged during 2013 and 2014 but slowed somewhat towards the end of 2014. UK GDP growth rates have fluctuated during 2015, the February Bank of England Inflation Report included a forecast for growth to remain at 2.2 to 2.4% over the next three years. This is mainly driven by strong consumer demand due to a recovery in wage inflation coinciding with a reduction in CPI inflation to nearly zero. The Bank of England February Inflation Report was subdued in respect of the forecasts for inflation in the near term due to the further recent falls in oil and commodity prices which will delay any significant increase from zero. There is also the uncertain impact of the EU referendum which will take place in June 2016.

## 7. Borrowing Strategy

### 7.1 Borrowing rates

The Capita comparison and forecast for the PWLB new borrowing rate is as follows: -

Annual Average %	PWLB Borrowing Rates % (including certainty rate adjustment)		
	5 year	25 year	50 year
Mar 2016	2.00	3.40	3.20
Jun 2016	2.10	3.40	3.20
Sep 2016	2.20	3.50	3.30
Dec 2016	2.30	3.60	3.40
Mar 2017	2.40	3.70	3.50
Jun 2017	2.50	3.70	3.60
Sep 2017	2.60	3.80	3.70
Dec 2017	2.70	3.90	3.80
Mar 2018	2.80	4.00	3.90
Jun 2018	2.90	4.00	3.90
Sep 2018	3.00	4.10	4.00
Dec 2018	3.10	4.10	4.00
Mar 2019	3.20	4.10	4.00

**The Commission's borrowing strategy will give consideration to new borrowing in the following order of priority: -**

1. The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years (at £20m the difference in interest rates between Mar 2016 and 2019 equate to £2m over the life of a potential 25 year loan)
  2. Temporary borrowing from the money markets or other local authorities
  3. PWLB variable rate loans for up to 10 years
  4. Short dated borrowing from non PWLB sources
  5. Long term fixed rate loans at rates significantly below PWLB rates or market debt in the debt portfolio.
  6. PWLB borrowing for periods under *5 years* where rates are expected to be lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt
-

**Sensitivity of the forecast** – The Commission is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Commissioner's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent.

Against this background and the risks within the economic forecast, caution will be adopted with the 2016/

17 treasury operations. The Corporate Finance Team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed. Currently, it is unlikely that we would consider debt rescheduling due to the level of current borrowing and costs of ending those loans.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then any proposed portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.*

Any decisions will be drafted and then passed to Acting Director for Resources at the earliest opportunity for a decision on policy.

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## 7.2 External v. internal borrowing

- This Commission currently has net investments (after deducting outstanding borrowing), of £14.4m.
- The general aim of this treasury management strategy is to optimise the amount of long term funding taken over the next 3 years taking into account the credit risk incurred with investments. However, measures taken in the last year have already reduced substantially the level of credit risk (see paragraph 9) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Commission obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- The next financial year is expected to continue with a low Bank Rate of 0.50% to 0.75%. This provides a continuation of the current window of opportunity for the commission to run down investments short to medium term to part-fund the Capital Financing Requirement of the Capital Programme (this is referred to as internal borrowing). This would maximise short term savings.
- However, short term savings by avoiding new long term external borrowing in 2016/17 will be weighed up against the potential for incurring additional long term costs as a result of delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher.

Against this background caution will be adopted with the 2016/17 treasury operations. The Acting Head of Finance (the Chief Constable's deputy S151 Officer) will monitor the interest rate market and adopt a pragmatic approach to changing circumstances.

## 7.3 Policy on borrowing in advance of need

The Commission will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Commission can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Commission will: -

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
  - ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
  - evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
  - consider the merits and demerits of alternative forms of funding
-

- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance, on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them

## **8. Debt Rescheduling**

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment.

The reasons for any rescheduling to take place will include: -

- the generation of cash savings and / or discounted cash flow savings
- helping to fulfil the strategy outlined in paragraph 7 above
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Audit Committee, at the earliest meeting following its action. Currently the debt is £1.3 million which reduces the opportunity for rescheduling.

## **9. Annual Investment Strategy**

### **9.1 Investment Policy**

The Commission's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Commission's investment priorities are: -

- (a) the security of capital and
- (b) the liquidity of its investments.

The Commission will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Commission is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Commission will not engage in such activity.

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Investment instruments identified for use in the financial year are listed in appendix 4 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Commission's Treasury Management Practices – Schedules.

## 9.2 Creditworthiness policy

This Commission uses the creditworthiness service provided by Capita Asset Services (Capita). This service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- CDS (Credit default swaps – Market indicator of risk associated with a counterparty) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Commission to determine the duration for investments and are therefore referred to as durational bands. The Commission is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Commission would not be able to replicate using in house resources.

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Capita's weekly credit list of worldwide potential counterparties. The Commission will therefore use counterparties within the following durational bands:-

- Yellow            5 years
- Purple            2 years
- Blue              1 year                    (only applies to nationalised or semi  
Nationalised UK banks and building  
societies)
- Orange          1 year
- Red                6 months
- Green             3 months
- No Colour       not to be used

The Capita creditworthiness service use ratings from all three agencies, and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

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All credit ratings will be monitored on a weekly basis. The Commission is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Commission's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Commission will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Commission's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Commission will also use market data and market information, information on government support for banks and the credit ratings of that government support.

### 9.3 Country limits

The Commission has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings or its equivalent Moody's and Standard and Poors. The list of countries that qualify using this credit criteria as at the date of this report are shown in appendix 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

The exception to this is if the UK were to be downgraded below the minimum level (as specified within Appendix 5), the Commission would still continue to invest with UK institutions as it considers the UK Government's guarantee of financial institutes is enough mitigation to warrant continuation of investment.

### 9.4 Investment Strategy

**In-house funds:** the Commission's in-house managed funds are mainly cash-flow driven. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

**Interest rate outlook:** Bank Rate has been unchanged at 0.5% since March 2009 with the forecast starting to rise from quarter 4 of 2016. Bank rate forecasts for financial year ends (March) are:

- 2016/17 0.75%
- 2017/18 1.25%
- 2018/19 1.75%

The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in bank rate occurs later). However, should the pace of growth quicken, there could be an upside risk.

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The suggested budget investment earnings rates on investment placed up to 100 days during each financial year end for the next five years are as follows;

2016/17	0.60%
2017/18	1.25%
2018/19	1.75%
2019/20	2.25%
2020/21	2.50%

For its cash flow generated balances, the Commission will seek to utilise its business reserve accounts, 15 and 30 day accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

### **9.5 End of year investment report**

At the end of the financial year, the Commission will report on its investment activity as part of its Annual Treasury Report.

### **9.6 External fund managers**

**£7.65m** of the Commission's funds are externally managed on a discretionary basis by Investec Asset Management.

The Commission's external fund manager will comply with the Annual Investment Strategy. The agreement between the Commission and the fund manager additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The managed portfolio is designed to achieve greater results than the ONPCC normally can achieve using standard investment strategies. The managed portfolio ensures a spread of investments and analysis to ensure appropriate limitation of risks, utilising;

5/10/40 rule – Good diversification

This refers to counterparty exposure and implies 40% of the fund can hold between 5%-10% in any one issuer, the balance (60%), has to be below 5% in any one issuer, ensuring a good spread of risk.

### **9.7 Policy on the use of external service providers**

The Commission uses Capita Asset Services as its external treasury management advisers.

The Commission recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Commission will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

### **9.8 Scheme of delegation**

See appendix 6.

### **9.9 Role of the section 151 officer**

See appendix 7.

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## Appendices

1. MRP strategy
  2. Interest rate forecasts
  3. Prudential and Treasury indicators
  4. Specified and non-specified investments
  5. Approved countries for investments
  6. Treasury management scheme of delegation
  7. The treasury management role of the section 151 officer
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## **APPENDIX 1**

### **Minimum Revenue Provision Policy Statement 2016/17**

The Commission implemented the new Minimum Revenue Provision (MRP) guidance in 2010/11, and will assess their MRP for 2016/17 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

All of the existing debt as at 1<sup>st</sup> April 2016 of the MRP for 2016/17 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 2 of the guidance. Expenditure following 1<sup>st</sup> April 2016 will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Commission. However, the Commission reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Commission are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

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## APPENDIX 2 Interest Rate Forecasts

The data below shows comparison of historic and forecasted rates.

### Capita: interest rate comparison and forecast

\*as at 23rd February 2016

Capita Asset Services Interest Rate View												
	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>Bank Rate</b>												
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	2.00%
Capital Economics	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	-	-	-	-
<b>5yr PWLB Rate</b>												
Capita Asset Services	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.60%	2.70%	2.80%	2.90%	3.00%
Capital Economics	2.10%	2.20%	2.50%	2.55%	2.80%	2.80%	3.05%	3.05%	-	-	-	-
<b>10yr PWLB Rate</b>												
Capita Asset Services	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.30%	3.40%	3.50%
Capital Economics	2.85%	2.85%	3.10%	3.10%	3.30%	3.30%	3.45%	3.45%	-	-	-	-
<b>25yr PWLB Rate</b>												
Capita Asset Services	3.20%	3.20%	3.30%	3.30%	3.50%	3.50%	3.60%	3.60%	3.70%	3.70%	3.70%	3.80%
Capital Economics	2.85%	2.85%	3.10%	3.10%	3.30%	3.30%	3.45%	3.45%	-	-	-	-
<b>50yr PWLB Rate</b>												
Capita Asset Services	3.00%	3.00%	3.10%	3.10%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.60%	3.70%
Capital Economics	2.90%	2.90%	3.15%	3.15%	3.35%	3.35%	3.50%	3.50%	-	-	-	-

### APPENDIX 3 Prudential and Treasury Indicators –actuals 2015/16

<b>TABLE 3: PRUDENTIAL INDICATORS</b>	<b>2015/ 16</b>	<b>2016/ 17</b>	<b>2017/ 18</b>	<b>2018/ 19</b>	<b>2019/ 20</b>
<b>Extract from budget setting report</b>	<b>actual</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b>					
Capital expenditure	7,823	20,856	5,725	2,746	2,216
TOTAL	7,823	20,856	5,725	2,746	2,216
<b>Ratio of financing costs to net revenue stream</b>					
Capital expenditure	6.52%	17.12%	4.71%	2.24%	1.80%
<b>Net borrowing requirement</b>					
brought forward 1 April	1,300	1,300	19,233	24,292	25,000
Repayment of Debt					
in year borrowing requirement	0	17,933	5,059	708	0
carried forward 31 March	1,300	19,233	24,292	25,000	25,000
<b>Capital Financing Requirement as at 31 March</b>					
Capital expenditure	6,190	23,158	27,088	26,684	25,617
<b>Annual change in Cap. Financing Requirement</b>					
Capital Expenditure	248	926	1084	1067	1025
<b>Incremental impact of capital investment decisions</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase in precept per annum	0.00	5.86	4.40	3.76	3.64

<b>TABLE 4: TREASURY MANAGEMENT INDICATORS</b>	<b>2015/ 16</b>	<b>2016/ 17</b>	<b>2017/ 18</b>	<b>2018/ 19</b>	<b>2019/ 20</b>
	<b>Actual</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Authorised Limit for external debt - borrowing</b>	10,000	20,000	26,000	28,000	30,000
other long term liabilities	0	0	0	0	0
TOTAL	<b>10,000</b>	<b>20,000</b>	<b>26,000</b>	<b>28,000</b>	<b>30,000</b>
<b>Operational Boundary for external debt-</b>					
borrowing	2,000	11,000	23,000	25,000	27,000
other long term liabilities	0	0	0	0	0
TOTAL	<b>2,000</b>	<b>11,000</b>	<b>23,000</b>	<b>25,000</b>	<b>27,000</b>
<b>Actual external debt</b>	1,300	19,233	24,292	25,000	25,000
<b>Upper limit for fixed interest rate exposure</b>					
Net interest re fixed rate borrowing / investments	2.50%	3.50%	4.10%	4.10%	4.10%
<b>Upper limit for variable rate exposure</b>					
expressed as either:-					
Net interest re variable rate borrowing / investments	0.50%	0.50%	0.50%	0.50%	0.50%
<b>Upper limit for total principal sums invested for over 364 days</b>					
(per maturity date)	£1m	£1m	£1m	£1m	£1m

<b>TABLE 5: Maturity structure of fixed rate borrowing during 2015/16</b>	<b>upper limit</b>	<b>lower limit</b>
under 12 months*	100%	0%
12 months and within 24 months	33%	0%
24 months and within 5 years	33%	0%
5 years and within 10 years	33%	0%
10 years and above	100%	0%

\* There will be no repayment within 2016/17



## APPENDIX 4 Specified and Non-Specified Investments

### SPECIFIED INVESTMENTS:

Excluding Investec, all such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable

	Minimum Credit Criteria / colour band	Use
Debt Management Agency Deposit Facility	-	In-house
Term deposits – local authorities	-	In-house
Term deposits – banks and building societies	See note 1	In-house

### Term deposits with nationalised banks and banks and building societies operating with government guarantees

	Minimum Credit Criteria	Use	Max total investment	Max. maturity period
Contracted Bank Group (Natwest)	See note 1 & 2	In-house	£30m *	364 days
Contracted Bank Group Short Term Interest Bearing Account (SIBA)	See note 1 & 2	In-house	£8m	364 days
Investec Asset Management	Rated at appointment	In-house	£10m	On-going
UK national banks	See note 1	In-house	£5m	364 days
UK nationalised banks	See note 1	Fund Managers	£5m	364 days
UK Building Societies	See note 1	Fund Managers	£3m	182 days
Banks nationalised by high credit rated (sovereign rating**) countries – non UK	Sovereign rating	In-house and Fund Managers	£5m	182 days

\* This is an extremely unlikely situation, the £30m is a contingency should Grants, Precepts and other funding be received on the same day into the Natwest Account and/or there was another banking crisis resulting in frozen

accounts or there is not the capacity to transfer funds out to call accounts/ money markets or investments.

\*\* Sovereign Rating is the rating of the country see Appendix 5

Where significantly advantageous for Value for Money purposes or unavoidable due to exceptional situations, such as banking crisis, individual cases to exceed the above stated limits, will be made to the Acting Director for Resources to approve time limited changes, which will not exceed 6 months in each individual case.

### Note 1

These colour codes are used by the Commission to determine the suggested duration for investments. The Commission will therefore use counterparties within the following durational bands;

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK banks and building societies)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	P	B	O	R	G	N/C
1	2	3	4	5	6	7
Up to 5yrs	Up to 2yrs	Up to 1yrs	Up to 1yrs	Up to 6mths	Up to 100days	None

### Note 2

The Commission contracts a UK nationalised bank to provide its banking facilities. The risk of failure of any bank is equally weighted across any given working day/ hour, it is important that the Commission highlights that if the bank were to fail, any assets at this time would be frozen and all deposits at that point in time potentially seized (subject to a governmental guarantee).

Therefore, the calculated maximum liability for the Commission's own bank could be in excess of £28m (current cash flow assumes the busiest transactional day would be £6m Revenue Grant, £13m Police Pension Top Up Grant, £5m Precept (Council Tax) Income, any other given adhoc income received and £8m invested within the high interest account provider by Natwest known as SIBA (Short Term Interest Bearing Account)).

The banking community is tightening up third party deposit management, which has resulted in occasional requirements for minimum deposits to exceed £10m with providers meeting the minimum risk criteria. This combined with fiscal constraints has meant that many providers are offering below Bank of England interest rates (even when terms over 3 months are agreed, with the UK Debt Management Office offering either zero or negative interest rates within June 2013) and this has left the Commission either unable to place risk adverse deposits or to place deposits within interest bearing facilities.

The guarantee previously offered by the UK Government generally covers the Commission's banking provider and is unlimited, however, this could change if the fiscal position of the UK economy changes, but this would also affect other facility providers and would require a full review of the Commission's TM strategy.

Therefore, it has been determined that where the Commission is unable to place deposits with providers that meet the minimum creditworthiness criteria, a provider offers interest that are either negative or zero or those providers require deposits that is above the maximum investible threshold for the Commission, that the Commission assumes a strategy to minimise the risk to cash balances and to maintain Value for Money within the TM strategy. The approved process is to maintain balances within its own banking provider up to the limit of £30m on any given day\*, but this will be subject to daily review and scrutiny by the investment team. This will give the Commission the flexibility to move and manage these funds at very short notice and not to hamper cash flow management, whereas placing deposits with long term providers to avoid the £5m cap, could result in cash flow management difficulties and not reduce perceived risk.

\*unless under exceptional circumstances, such as with the 2007/08 banking crisis, and the Director for Resources Governance, and Transformation approves such a decision.

Deposits across the Commission's Banking Group (the three Natwest OPCC Bank Accounts and Natwest SIBA account) that exceed the standard £8m TM cap (excluding end of day balances which do not usually exceed £0.1m (£8.1m)) as a result of not being able to invest in another body, will not be held for a time exceeding 30 days without referral to the Acting Director for Resources. But in accordance with the above, any balance above £8.1m will be reviewed on a daily basis until it can be reduced to the standard allowable threshold (£8.1m).

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**NON-SPECIFIED INVESTMENTS:** *Excluding Investec, a maximum of 20% will be held in aggregate in non-specified investment*

1. Maturities of ANY period

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
<b>Fixed term deposits with variable rate and variable maturities: -</b> Structured deposits	See note 1	In-house	100%	2 years
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	See note 1	In-house and Fund Managers	20%	364 days

Note 1

Y	P	B	O	R	G	N/C
1	2	3	4	5	6	7
Up to 5yrs	Up to 2yrs	Up to 1yrs	Up to 2yrs	Up to 6mths	Up to 100days	None

2. Maturities in excess of 1 year

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – local authorities	--	In-house	20%	2 years
Term deposits – banks and building societies	See note 1	In-house	100%	2 years

See Note 1

*Data as at 1<sup>st</sup> April and is subject to review.*

## **APPENDIX 5 Approved countries for investments\***

*\*As at 2<sup>nd</sup> February and could be significantly affected by the EU referendum on 23<sup>rd</sup> June.*

### **AAA**

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

### **AA+**

- Finland
- UK
- U.S.A.

### **AA**

- Abu Dhabi (U.A.E)
- France
- Qatar

### **AA-**

- Belgium

It is assumed unless the UK reduces below BB that this will continue to be an investible country, unless mandated by UK Government to ensure liquidity of UK nationwide resources and GDP (e.g as part of a UK banking crisis requiring the UK Government to ensure that liquid cash balances are maintained within the UK).

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## **APPENDIX 6 Treasury management scheme of delegation**

### **(i) Commissioner**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

### **(ii) The Joint Independent Audit Committee**

- reviewing the treasury management policy and procedures and making recommendations to the Commissioner.
-

## **APPENDIX 7      The Treasury Management role of the section 151 officers**

### **The S151 (responsible) officers\***

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

\* Under Section 7.5 of the Financial Regulations, the Police & Crime Commissioner has delegated responsibility for Treasury Management to the Police & Crime Commissioner's CFO in liaison with Chief Constable's CFO.

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# THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING



# East Midlands Forces ***Collaboration Assurance***

## Summary Report

AUDIT | TAX | CONSULTING

# Contents

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1. Approach
2. Observations and comments
3. Collaboration Assurance – Overview Summary (separate document)
4. Collaboration Assurance Statements (separate documents)
5. Next steps

# COLLABORATION ASSURANCE

## Approach

# Approach

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- Collaborations for inclusion agreed (see following slide).
- Briefing paper to collaboration leads along with collaboration assurance statement (CAS) pro-forma.
- Telephone call with each lead to explain requirements.
- Issued copy of the EMCHRS L & D Pilot CAS as example.
- Collaboration leads completed CAS and returned, along with supporting evidence.
- Initial review of the completed CAS.
- Meeting with collaboration lead to check / refine the CAS.
- Post meeting communications as required.
- Summary report and presentation of outcomes.

*Note: this is not an audit. No opinion is provided.*

# Approach – collaborations included

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1. EMSOU (including MC, SB, SOC, TSU)
2. EM Criminal Justice Service
3. EMPOpSS
4. EMCHRS Learning & Development
5. EMCHRS Occupational Health
6. EMCHRS Transactional Services
7. EM Legal Services
8. EM Strategic Commercial Unit
9. EMSOU – Special Branch (see also 1)
10. EMSOU – Forensic Services

Note: EMSOU – Major Crime (MC) collaboration is incorporated in 1 above.

# COLLABORATION ASSURANCE

Observations and comments

# Observations and comments

---

## Collaboration Assurance Statement (CAS)

- CAS completion generally acceptable / good.
- Collaboration lead / representatives understood rationale and need.
- All indicated that they had shared with collaboration management teams as part of completion.
- All confirmed arrangements as effective, though some partials highlighted and reported, see later.
- Some interpretation issues regards what is control and what is assurance.
- Some inconsistencies in what constitutes 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> line of assurance.
- Twice yearly update considered acceptable.
- Considered generally useful for new PCC collaboration lead and taking stock.

# Observations and comments

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## General collaboration challenges

- PCC elections and change.
- CSR impact and how these will be considered / managed collaboratively.
- Lack of standardised systems, policy and process across each of the forces creates sub-efficient operations.
- Strategic partnership impact.
- No visible forces collaboration strategic risk register or high risk reporting from each collaboration
- Not all collaborations had a business risk register / not a consistent format and content.
- Ensuring that future scrutiny does not become a barrier/ is proportionate.



## Observations and comments – specific collaborations

Name	Number	Priority	Assurances	Notes
1. EMSOU (SOC / MC / SB / TSU)	5 Forces	High	All positive except 1 x partial in Management of risk.	<p>EMSCOU merged SB and MC (though see SB also completed separately, at 9).</p> <p>Considered best practice by HMIC.</p>
2. EM Criminal Justice Service	4 Forces	High	All positive except 1 x partial in each of ownership of actions and collaboration contributes to delivery of each members police and crime plan.	
3. EMOpSS	4 Forces	High	All positive except 2 x partial in management of risk and 1 x partial in the integrity and reliability of information, accounts and data.	<p>Fire arms deployment and demand may become an capacity / resource issue due to increasing national threat.</p> <p>No collaboration wide business risk register.</p>

## Observations and comments – specific collaborations

Name	Number	Priority	Assurances	Notes
4. EMCHRS – L & D	4 Forces	Medium	All positive except 1 x partial in robustness of collaboration governance, 1 x partial in integrity and reliability of information, accounts and data, 1 x partial in contribution to delivery of each members police and crime plan.	Potential for increased level of commercial activity and income generation to address CSR demands, including options for spin off.
5. EMCHRS – OH	5 Forces	Medium	All positive except 1 x partial in contribution to delivery of each members police and crime plan.	Individual force expectation – not everything nailed down at business case stage (some residual issues).
6. EMCHRS – TS	2 Forces	Low	2 positive being progress of collaboration work programme and utilisation of assets. Remainder all included 1 x partial.	<p>No consistent collaboration operating standards and processes therefore sub-optimal return.</p> <p>Origin HR system is no longer supported by CAPITA.</p> <p>Longer term viability challenge (?)</p>

## Observations and comments – specific collaborations

Name	Number	Priority	Assurances	Notes
7. EM Legal Services	5 Forces	Medium	All positive except 2 x partial in contributes to delivery of each members police and crime plan.	Longer term resilience challenge could arise (?).
8. EMS Commercial Unit	2 Forces	Low	All positive.	Longer term viability challenge (?).
9. EMSOU – Special Branch (see also 1 above)	5 Forces	High	All positive except 1 x partial in progress of collaboration work programme, 1 x partial in the management of risk.	Considered best practice by HMIC.
10. EMSOU – Forensic Services	5 Forces	High	All positive except 1 x partial in integrity of decision making, 1 x partial in integrity and reliability of information, accounts and data, 1 x partial in utilisation of assets and 1 x partial in in contribution to delivery of each members police and crime plan.	Considered best practice.

# NEXT STEPS

Actions to be taken

# Next steps - actions to be taken

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1. Agree timetable for completion of CAS in 2016/17 (suggest twice yearly - September 2016 and January 2017).
2. Define effectiveness assessment definition – full, partial, none.
3. Confirm CAS completion and scrutiny arrangements i.e. role of PCC collaboration lead.
4. Undertake interim tracking of actions stemming from this round of CAS completion.
5. Document CAS arrangements.
6. Develop and implement a collaboration risk management framework, including collaboration strategic risk register.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>. The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any. This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Consulting LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Consulting LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report. This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent. We have no responsibility to update this report for events and circumstances occurring after the date of this report. RSM UK Consulting LLP is a limited liability partnership registered in England and Wales no. OC397475 at 6th floor, 25 Farringdon Street, London EC4A 4AB.



## **JOINT INDEPENDENT AUDIT COMMITTEE**

**7<sup>th</sup> March 2016**

### **REPORT BY THE ACTING CHIEF FINANCE OFFICER (OPCC) AND ACTING HEAD OF FINANCE CORPORATE SERVICES**

#### **2015-16 Revenue and Capital Expenditure Monitoring**

##### **1. Purpose of this report**

1.1. To update the Committee on the latest forecast on the revenue and capital spending for the Financial Year 2015-16. The report compares the forecast of spending to the approved budget and is based on spending to 31<sup>st</sup> December 2015

##### **2. Revenue spending**

###### **The approved budget**

2.1. The approved Revenue Budget for 2015-16 is £120m.

###### **Outturn for 2015-16**

2.2. This report presents the expected outturn for the financial year 1st April 2015 to 31st March 2016. The projections in this report are based on spending up to 31<sup>st</sup> December 2016.

2.3. The forecast outturn for 2015-16 is an underspend of £0.1m and after applying the use of reserves this rises to an underspend of £3.038m as detailed in paragraph 2.6.

[Type text]

2.4. The Force is currently exploring opportunities to make additional savings in 2015-16 in anticipation of savings required in the new budget for 2016-17. These are not yet confirmed or approved.

2.5. There has been a transfer of budget between OPCC and the Force totalling £0.466m, reflecting the transfer of the Communication Section (£0.566m) and the transfer of budget for the One Stop Shop.

2.6. The principal variations against the approved budget/cash limit are summarised in Table 1, below.

Table 1

	<b>BUDGET 2015-16 £,000</b>	<b>CASH LIMIT 2015-16 £,000</b>	<b>PROFILE TO Dec 15 £,000</b>	<b>ACTUAL TO Dec 15 £,000</b>	<b>FORECAST OUTURN £,000</b>	<b>VARIANCE £,000</b>
<b>FORCE</b>						
Police Pay	51,112	51,113	38,457	37,978	50,613	-500
PCSO Pay	3,355	3,355	2,541	2,380	3,255	-100
Police Pensions	11,098	11,098	9,828	14,407	11,198	100
Operations	19,796	18,373	13,757	12,760	20,373	2,000
Business Support Departments	20,523	22,544	17,003	13,966	21,144	-1,400
Collaboration & Regional	8,347	8,214	6,192	5,442	8,114	-100
<b>TOTAL FORCE</b>	<b>114,231</b>	<b>114,697</b>	<b>87,778</b>	<b>86,933</b>	<b>114,697</b>	<b>0</b>
OPCC	4,626	4,160	3,028	2,710	4,060	-100
<b>TOTAL EXPEND</b>	<b>118,857</b>	<b>118,857</b>	<b>90,806</b>	<b>89,643</b>	<b>118,757</b>	<b>-100</b>
RESERVES - IN	1,123	1,123	0	0	1,123	0
RESERVES - OUT	0	0	0	0	-2,938	-2,938
<b>TOTAL</b>	<b>119,980</b>	<b>119,980</b>	<b>90,806</b>	<b>89,643</b>	<b>116,942</b>	<b>-3,038</b>

2.5 The PCC has undertaken to ensure the Force establishment of Police Officers will be a minimum of 1,220 at the end of the PCC's term of office.

2.6 Comments on the individual services are given below, including the movement in the variation since the last report in September 2015:

**Police Pay – underspend £500k**

Savings have resulted from greater temporary vacancies, attrition and movement within the overall ranking structure. Changes to the ranks of



[Type text]

officers seconded, alongside greater than expected officers seconded to other Force's or through the regional collaborations or nationally have also contributed to the underspend. These have partially been offset by greater than forecast costs associated with Christmas Bank Holiday overtime. There is therefore a continued risk that with an early bank holiday, this may result in further costs.

#### **PCSO Pay – underspend £100k**

The PCSO under-spend has been forecasted as a result of PCSOs transferring to become Police Officers within Northamptonshire Police and a higher than expected proportion of maternity leave.

#### **Police Pensions – overspend £100k**

The employer's contribution rate to the Police Pensions is 24.2% of the pensionable element of pay. Consequent up on the underspending on Police pay, together with opt outs results in a forecast underspend of £200k. However unexpected costs attributable to the new police pension scheme (£300k) results in the forecast overspend of £100k. Any in year variance on police pensions will be transferred to the Police Pension Reserve at the year end.

#### **Operations – overspend £2.0m**

The Specials and Volunteers budget totals £1m. The forecast expenditure for 2015-16 is £2.127m which is programmed to deliver 900 Specials & Volunteers by May 2015. This planned excess expenditure (£1.127m) will be financed by the use of the Specials Reserve created in 2014-15 (£1.684m)

A further £1.0m of planned expenditure will be spent on the delivery of the Niche project, which will be offset by drawing down £1.0m from the Force Carry Forward reserve, which was set aside for the delivery of this project.

Following further scrutiny and challenges, the previously reported overspend on the operational contingency budget and overtime assumptions of £0.2m has been bought back in line. The management actions taken include the freezing of 2 vacancies within PSD and revisions to the Cyber Crime Project.

#### **Business Support Departments – underspend £1.4m**

Business Support Departments forecast underspend is now forecast at £1.4m, resulting from a £1.7m underspend from a change in assumption on the repayment of the staff pension deficit accrued last financial year. This will now not take place.

[Type text]

This has partially been offset by the costs of rectification of dilapidations in a property that is now assumed to be no longer required.

Other savings on fuel staff and ISD contracts account for the balance.

#### **Collaboration and Regional – underspend £0.1m**

The movement of -£0.1m is as a result of updated assumptions from regional collaboration monitoring, predominantly resulting from vacancies not being filled.

#### **OPCC – underspend £100k**

Deletion of posts within the PCC office and the anticipation that no further allocations from the inflation contingency will be required during 2015-16 account for the forecast underspend. Late payment of 2013-14 subscriptions and increased spend on initiatives and printing costs have partially offset these savings.

#### **Reserves**

Forecast use of reserves to support revenue expenditure in 2015-16 is detailed below:

<b>RESERVE/EXPENDITURE</b>	<b>AMOUNT £,000</b>
Force Carry Forward Reserve – NICHE	1,000
Force Carry Forward Reserve – Other	212
Specials and Volunteers	1,127
Restructuring Reserve – redundancy	299
Insurance Reserve	200
Pensions Reserve	100
<b>TOTAL</b>	<b>2,938</b>

In addition to the above it is forecast that a further £2.662m will be incurred on approved projects which are being financed from the Initiative Fund.

### **3. Forecast Level of Reserves**

3.1. The provisional level of Reserves at 31<sup>st</sup> March 2016 total £16.926m as set out in **appendix 1**.

[Type text]

#### **4. Capital**

4.1. The Capital Programme which was recently updated and approved by the Commissioner totals £47.891m as set out in **appendix 2**.

4.2. Any further additions to the capital programme will mean the recommended level of borrowing could be exceeded as all internal available financing has been utilised. This will also mean the financing charges for interest will increase along with the Minimum Revenue Provision of 7.75%. The only exceptions will be if the scheme is funded from revenue, external income or currently approved schemes are cancelled.

#### **5. Recommendations**

5.1. The Committee is RECOMMENDED to note the provisional outturn revenue spending for 2015-16 as set out in this report.

**Steve Dainty**

**Acting Chief Finance Officer**

**Nick Alexander**

**Acting Head of Finance  
Corporate Services**

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<b>EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS</b>	None
<b>HUMAN RESOURCES IMPLICATIONS</b>	None
<b>ENVIRONMENTAL IMPLICATIONS</b>	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	
Budgets are not managed properly	
<b>Author:</b>	S Dainty Acting Chief Finance Officer and Nick Alexander Acting Head of Finance Corporate Services
<b>Chief Officer Portfolio Holder:</b>	S Dainty Acting Chief Finance Officer

RESERVES 2015-16												
	Carry Forward		General	Pensions	Transformation	Restructure	Initiatives Fund	Capital	Capital/ Transformation	Specials/ Volunteers	Other	TOTAL
	Force	OPCC										
<b>Opening Balance - 1<sup>st</sup> April 2015</b>	<b>1,212</b>	<b>929</b>	<b>4,281</b>	<b>1,197</b>	<b>708</b>	<b>2,799</b>	<b>1,362</b>	<b>59</b>	<b>0</b>	<b>1,684</b>	<b>4,193</b>	<b>18,424</b>
<b>Contributions 2015-16</b>												
Contribution to General Balances			123									123
Child Protection							1,000					1,000
<b>Transfers 2014-15</b>												
Transformation Reserve					-708	0	708					0
Specials/Volunteers							1,684			-1,684		0
Restructuring Reserve							-2,500	2,500				0
Insurance							1,500				-1,500	0
PCC Reserve							22				-22	0
Copy Bureau Reserve							49				-49	0
<b>Movement in Reserves 2015-16</b>												
Carry forward - Niche	-1,000											-1,000
Carry forward - Other	-212											-212
Special and Volunteers							-1,127					-1,127
Redundancy Costs 2015-16							-299					-299
Insurance Res movement 2015-16											-200	-200
Police Pension Underspend				-100								-100
Initiatives Funding 2015-16							-2,662					-2,662
Capital Spending funding 2015-16								-59				-59
Over/Under Spending 2015-16									3,038			3,038
<b>Closing Balance 31<sup>st</sup> March 2016</b>	<b>0</b>	<b>929</b>	<b>4,404</b>	<b>1,097</b>	<b>0</b>	<b>0</b>	<b>5,036</b>	<b>0</b>	<b>3,038</b>	<b>0</b>	<b>2,422</b>	<b>16,926</b>

## CAPITAL PROGRAMME 2015-16 TO 2019-20

PROJECT	TOTAL COST	PREVIOUS YEARS	2015-16	2016-17	2017-18	2018-19	2019-20
	£000	£000	£000	£000	£000	£000	£000
<b>Transformation Investment</b>							
Interoperability Programme	1,971	1,103	136	732			
Agile Working	4,032	417	99	2,516	500	500	
Demand Reduction	35	5	30				
21st Century Estate (NAH)	16,188	1,433	750	13,823	182		
Sharepoint	419		419				
<b>Other Force Projects</b>							
Capital Programme Management	166	39	90	37			
Organisational Development	250	60	170	20			
Business Intelligence	284	102	182				
Policing the Future Pilots	43	24	19				
<b>Regional 4 Force Collaboration</b>							
Strategic Alliance (PBS)	724	275	348	101			
Regional Shared Information Services	3		3				
Procurement of Body Worn Video	1,103	582	20	80	80	80	261
Criminal Justice - Interoperable CJ NICHE	4,133	357	2,954	572	250		
Proof of concept project on live links and virtual courts	33	27	6				
PBS - OPA – Knowledge/Policy Management	110	85	25				
Legacy - IT	103	20	30	53			
<b>TOTAL CHANGE PROGRAMME</b>	<b>29,597</b>	<b>4,529</b>	<b>5,281</b>	<b>17,934</b>	<b>1,012</b>	<b>580</b>	<b>261</b>
<b>REPLACEMENT SCHEMES</b>							
<b>Information Services</b>							
IT Replacement Equip.	2,754	181	200	758	455	455	705

## CAPITAL PROGRAMME 2015-16 TO 2019-20

PROJECT	TOTAL COST	PREVIOUS YEARS	2015-16	2016-17	2017-18	2018-19	2019-20
Comms Replacement Equipment - VOIP	16	16					
IT Infrastructure Hardware Replacement	1,897	324	339	409	275	275	275
Photocopier Replacement Programme	329	23	45	165	48	48	
<b>TOTAL REPLACEMENT SCHEMES</b>	<b>4,996</b>	<b>544</b>	<b>584</b>	<b>1,332</b>	<b>778</b>	<b>778</b>	<b>980</b>
<b>OTHER SCHEMES</b>							
<b>Investment</b>							
Compact - Misper	10	10					
Corby Fuel Site	15	15					
<b>Property</b>							
Estates Investment Strategy	219	110	109				
Accessibility Fund	110	0	10	25	25	25	25
Upgrade of FCR	127	115	12				
Mereway and CJC Roundabouts	550		550				
<b>Crime and Justice</b>							
Criminal Justice Centre	45	-15		60			
CJC Intercom	29			29			
Digital Recording	179	13	2	164			
<b>Information Services</b>							
Enhancement Schemes	187	111	76				
Mobile Data (845) Replacement	8		8				
Airwave - Essential Costs	3,124	20	56	148	2,900		
Mobile Data Roadmap	2,035	2,035					
PSN (Public Service Network)	150	61	89				
Forensic System Enhancement	2	2					
<b>Vehicles</b>							
Vehicle Purchases	5,957	1,002	1,042	1,063	950	950	950
<b>Operational Equipment</b>							
ANPR Equipment programme (RCU)	242	17	4	101	60	60	





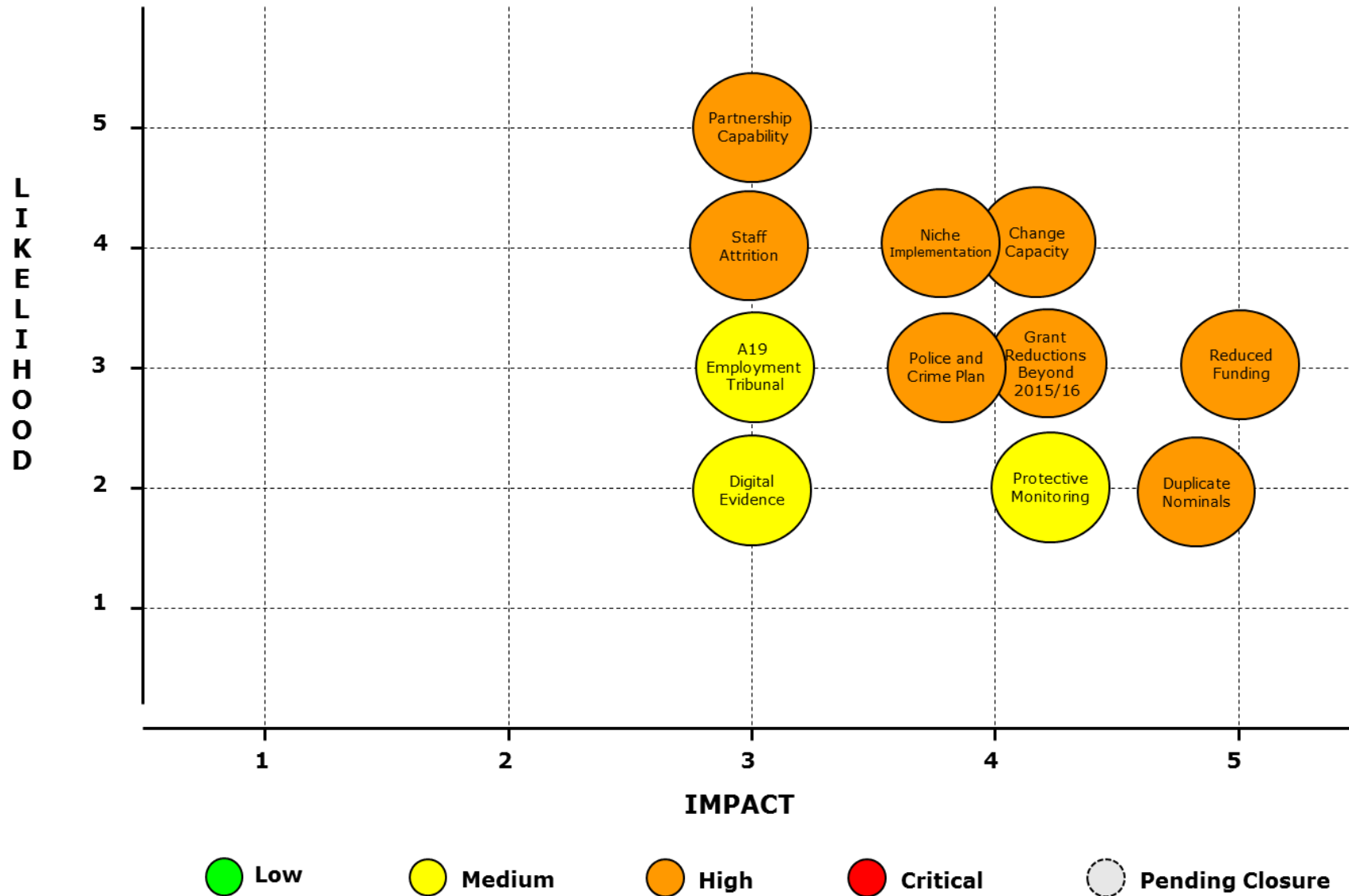


# Risk Management Monthly Summary Report

## February 2016

### Corporate Risk Register

There are currently eleven open risks on the Corporate Risk Register, eight risks are 'high' and three are 'medium'.



Summary details are below:-

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 60	16	4	4	Reduced capacity and/or capability (i.e., financial, etc.) to deliver transformational changes that enable the Police and Crime Plan could result in a failure to meet operational or financial targets.	A Transformation Programme has been developed to plan and manage the required changes. The Force and OPCC are collectively working to address human and financial resource challenges, in addition to identifying priority work streams within the transformation agenda (while returning business as usual elements of the portfolio back to the operational business).	Funding and resources discussions continue in advance of the new fiscal year where significant funding pressures exist.	→
CR 76	16	4	4	Niche will replace the Case, Custody, Crime and Intelligence systems with a regional solution. This will require a substantial programme of work within a very aggressive timescale which will have a significant impact across the Force.	The programme has identified and recorded a number of specific risks associated with the implementation. Response measures have been identified for each of these risks and these will be monitored by the Programme Board.	Following a detailed assessment and liaison with our regional colleagues, the go-live date has now been rescheduled for Tuesday 8 March 2016. This will allow time for critical data to be moved from FIS to Niche which will minimise the need for dual use of FIS alongside Niche. Niche functionality that is not ready for 8 March will, together with non-critical modules, form part of the optimisation phase to be developed post-go live.	→
R 19	15	3	5	Less funding available, both from public and private sources to enable the force to prepare for population growth. Also changes in demand/demographics from growth could result in increases followed by delayed Council Tax receipts.	Bids for Innovation funding have continued to be made, with the Commission increasing council tax by 1.99%, if collection rates & the precept continues to increase & this is available to the Force to use for frontline policing, this reduces this associated risks.	Investment requirements to the Strategic Alliance & delayed savings could result in pressures on ability to delivery uniform current service levels to increased demand and populous.	→

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 59	15	5	3	A reduction in partnership resources due to budgetary constraints means that the Police increasingly have to perform roles on behalf of partners which is diverting resources away from key policing functions.	Negotiation with partners to ensure commitment to providing adequate resources. Regional Service Level Agreement with EMAS to outline the standards and expectations of both services. Executive Group/COG to make decision on the position of the Force in relation to injured persons or transportation of injured persons as a result of EMAS non attendance at scenes.	Although the mental health car is believed to be working well a formal assessment has been commissioned. There are still issues with EMAS not being able to attend some incidents resulting in police cars having to take casualties to hospital.	➔
CR 77	15	4	3	The announcement of the Strategic Alliance, subsequent ending of PBS Consultation and the development of a new Service Delivery Model places additional pressure on already under resourced departments and increases the threat of staff attrition due to uncertainty over the future.	Agree a retention strategy. Recruit temporarily to key posts. Share post holders across 2/3 forces.	Uncertainty following the announcement of the Strategic Alliance, the subsequent ending of PBS consultation and the ongoing work on the Service Delivery Model may lead to a higher level of staff attrition which could impact on the delivery of key services. The force's ability to contribute to the development of the strategic alliance will be weakened due to the lack of senior managers to influence the change for the benefit of Northants. The decision not to fill managerial vacancies in Corporate Services pending the outcome of PBS has led to an overall shortage of management resources. Further uncertainty will require careful management to prevent further staff from leaving.	➔

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 71	12	4	3	<p>Grant reductions beyond 2015/16 have been announced as 1.3%, however, there is still an unknown top slicing effect, which could significantly increase this headline. The current range of possibilities are assumed to be -1.3% to -6% which varies the deficit in year one from £0.95m to £4.3.</p> <p>A 1.3% cut would still equate to a roughly £13m savings requirement due to inflationary and emerging issues pressures, with a further need to invest around £10m in capital across the 5 years of the MTFP.</p> <p>Strategic Alliance savings are currently being firmed up, however, investment costs are likely to delay benefits until year 3 (2018-19), which puts pressure on revenue budgets until then.</p>	<p>Following decisions relating to the Service Delivery Model, the ACPO Team will continue to have to make key staffing decisions in late 2015 in order to balance the Budget for 2016-17.</p> <p>Longer Term, need to develop an affordable Organisational Design. Strategic Alliance should mitigate the impact in terms of consolidation and integration opportunities.</p>	<p>Options for staff need to be considered based on a proper consideration of threat, harm and risk, activity and demand analysis.</p> <p>Investment needs to be focused on making staff more efficient in terms of visibility and response times and capable of making value adding decisions, as well as reducing and managing demand better.</p>	↓
CR 61	12	3	4	<p>Failure to deliver key outcomes of the Police and Crime Plan relating to the recruitment of Special Constables, Cadets and Volunteers could result in increased demand on the Force and reduce performance, budgetary pressure, loss of public confidence and possible adverse publicity.</p>	<p>The marketing and recruitment of Special Constables has been assigned to the OPCC and a private firm (Manpower), while the Force has retained the assessment and training of candidates. The Aspire Programme has moved the coordination, recruitment and operation of Cadets and Volunteers to the business.</p>	<p>The overall strength of the Special Constabulary continues to increase towards the target of 900. Northants currently has the largest Special Constabulary per head of population nationally.</p> <p>As at 31 December 2015 the Force has 664 Specials, 686 Volunteers and 220 Cadets</p>	→

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 51	10	2	5	The high number of duplicate nominals in the FIS database could have a significant impact on intelligence led activity or disclosure requirements.	Dedicated trained resources to investigate potential duplicates and make informed decisions about which records to merge; which to create aliases for; and which records are genuinely not duplicates etc. ISD to provide lists/reports of potential duplicates based on limited matching criteria.	The number of duplicate nominals have been significantly reduced by the work undertaken by the Data Cleansing Team. There are currently around 1.5k left to resolve which are expected to be complete prior to upload to NICHE. The regional Niche data cleansing team recently assessed our data and gave the green light for loading in to regional Niche.	↓
CR 50	9	4	3	An employment tribunal rules that the compulsory retirement of officers under Regulation A19 was unlawful resulting in financial compensation claims, damage to the Force's reputation and a reduction in public confidence	A Central London employment tribunal will determine if the use of A19 was lawful. Insurance reserve should cover the excess of £100k for each claim.	The Appeal Tribunal has upheld the appeal and found that officers were not unfairly dismissed. Lawyers for the affected officers are now studying the appeal decision to decide whether to make an appeal to the High Court.	→
CR 49	8	2	4	Limited capability to monitor systems use increases risk of misuse and potential reputational damage and loss of public confidence.	Introduce protective monitoring software to allow system use to be effectively and consistently monitored and audited.	Live time auditing is continuing with a 100% compliance rate. Niche system being adopted is compatible with 3AMI so this solution can now be re-explored.	→
CR 48	6	2	3	There is lot of complicated evidential data held in a number of different locations and formats with no appropriate policies over use. There is a danger of mis-management of the data which could result in evidential data being compromised or lost. The Force is also in breach of the Data Protection Act due to keeping records beyond the period that we are entitled to.	To have a central repository where all digital data is held and managed appropriately. This will need a policy and procedure document producing.	Issues remain the same. We are looking at new solutions but they require investment but there is no budget at present. The matter is under constant review.	→

'Status' key - ↓risk decreasing, →no change, ↑risk increasing

**Northamptonshire Police and Crime Commission**

**Joint Independent Audit Committee**

**7<sup>th</sup> March 2016**

**UPDATE ON THE ACCOUNTABILITY BOARD AND TRANSFORMATION BOARD**

**Report from the Acting Director for Governance, Operations and Delivery**

**1. RECOMMENDATION**

1.1 The Committee is recommended to note the progress of the Accountability and Transformation Boards.

**2 BACKGROUND**

2.1 In the autumn of 2015, post the arrival of the new Chief Constable, the OPCC, working with Northamptonshire Police, resigned governance arrangements on accountability, developing the Medium Term Final Strategy and transformation.

2.2 The Accountability Board, chaired by the Police and Crime Commissioner, was set up with the remit to ensure that the Chief Constable was held to account for Force performance and the delivery of the transformation agenda in line with the Police and Crime Plan. This brought together the previous holding to account function and oversight of transformation into a single strategic meeting.

2.3 The Transformation Board, chaired by the Deputy Chief Constable and also comprising the Chief Executive of the OPCC, was also set up at the same time. The focus of this Board is solely on transformation of Northamptonshire Police. The Transformation Board reports to the Accountability Board and is the delivery mechanism for programmes of work that are agreed and initiated by the Accountability Board.

**3 PROGRESS**

3.1 The Accountability Board has developed terms of reference and has evolved to a settled and standard agenda of covering Performance (e.g. crime performance, call handling performance, victim satisfaction etc), Transformation (an update from the Transformation Board) and the Medium Term Financial Strategy. The Northamptonshire oversight and discussions on the Strategic Alliance also take place at the Accountability Board. Minutes are published online.

3.2 Recent focus of the Accountability Board with regards to Force performance has been on violent crime and safeguarding the vulnerable. Information has been sought from the Force to

understand both the data and plans to address issues. The focus for the March meeting will be on victim satisfaction which has seen some decline in performance metrics through 2015.

3.3 The Transformation Board undertook a baseline review of the existing programmes in late 2015. This established the state of plans, progress and governance across the six main programmes:

- Police-Fire Interoperability
- Service Delivery Model
- Agile Working
- E-Services
- Specials
- Niche

3.4 In January, the Transformation Board received reports on five of these areas, seeking to ensure that a 'Stage Gate' approach is followed for transformation initiatives.

3.5 Stage Gate 3 was accepted for the Specials programme with activity focused on ensuring that the target of 900 specials by May 2016 remains possible. There are over 700 specials in place in late February 2016, with further in takes meaning 900 remains a possibility.

3.6 Agile Working, E-Services and the Service Delivery Model were requested to bring back Stage Gate 2 proposals (Mandates) to a future meeting.

3.7 Niche remains on track to deliver and go live in March 2016.

#### **4 NEXT STEPS**

4.1 Internal Audit has recently undertaken an audit on the governance of transformation. Consideration will be given to the recommendations for further strengthening the governance of transformation.

4.2 The OPCC is developing the Accountability Board, mindful of the change of the PCC in May meaning that new priorities for the Chief Constable to be held to account for are therefore likely.

**Report Author: Paul Bullen, Acting Director for Governance, Operations and Delivery**



**OPCC  
Assurance Map**

Risk	Assurances			Level	Score
	First level	Second level	Third level		
1 PCCS are 'going concerns'	Staff supervisions and feedback	Chief Executive briefings	Government policy	Strong	5
2 Government agenda understood etc.	Staff supervisions and feedback	Chief Executive briefings	Government policy	Strong	6
3 Appropriateness of the priorities	Engagement feedback	Performance reports Delivery Unit reports Police and Crime Plan	National intelligence	Strong	6
4 Confidence in delivery	Performance reports Staff performance management	Staff management Performance reports Delivery Unit reports	Non-executive Director reports Internal Audit	Strong	12
5 Understanding of roles etc.	Staff performance management	Staff performance management	Internal Audit	Strong	8
6 Legal and governance compliance	Staff performance management	Staff management Corporate policies Statutory Officers' oversight	Internal Audit Annual report Police and Crime Panel scrutiny External reviews	Adequate	4
7 Stable Budget and MTFP	Budget holder oversight	CFO reports to Commissioner and Panel	Internal Audit Regulator reports	Adequate	12
8 Confidence in OPCC	Staff performance management	Oversight by Chief Executive	Stakeholder feedback Regulator reports	Adequate	9
9 Hearts and Minds	Staff performance management	Oversight by Chief Executive	Stakeholder feedback Regulator reports	Adequate	9

At 15<sup>th</sup> February 2016



**NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and  
NORTHAMPTONSHIRE CONSTABULARY**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**7 MARCH 2016**

<b>REPORT BY</b>	Chair of the Joint Independent Audit Committee
<b>SUBJECT</b>	Skills Audit
<b>RECOMMENDATION</b>	To note the contents of the report and consider the implications

**1. Background**

On the 24 June 2015 the Joint Independent Audit Committee considered its annual self assessment. One of the conclusions of that assessment was that the Committee’s tasks in 2015/16 should include:

*Undertaking a skills audit and following this through with planned training as required*

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published ‘*Audit Committees - practical guidance for local authorities and police*’. Appendix C of that publication sets out a knowledge and skills framework for audit committee members. That framework has been used by the JIAC to undertake the skills audit.

**Results of the skills audit**

Appendix A sets out the individual aspects of the framework and the scores provided by each committee member. It is necessarily a subjective judgement to which other people who observe the committee undertaking its role may wish to add.

**Conclusions – core areas of knowledge**

There are some points to draw out from the scores and the comments (not shown on the appendix).

Organisational knowledge – The score of 3 reflects a broad understanding of the police governance structure but also the view that the members of the committee felt it would be helpful to develop a better understanding of the organisations’ objectives.

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Internal Audit and External Audit – There was a reasonable understanding of the role of internal and external audit. However it was felt this could be developed further by continuing to hold brief sessions exclusively between the auditors and committee members.

Counter fraud – This was probably the weakest area in terms of the JIAC members' understanding. Counter fraud is a topic which the JIAC have previously agreed to examine further (see JAIC self assessment 24 June 2015).

Values of good governance – Members had knowledge and experience of the general principles but the relatively low score is an indication of a lack of detailed understanding of the local approach, for example to whistle blowing.

### **Conclusions - specialist knowledge which adds value**

The section on specialist knowledge is perhaps most informative going forward, particularly in terms of future appointments to JIAC.

There is currently depth in the knowledge base around accountancy with 3 of the 4 members having a professional qualification. Similarly there is expertise in service management and project management.

There is some expertise in risk management although, given the nature of the changes and challenges facing the organisations, this might ideally be increased.

There is more limited experience of IT and given the growing significance of technology and the complexities of information management this is an area to be considered in the future appointments to the committee.

There is no-one with a legal or internal audit qualification (although the Committee is always able to draw on professional advice to discharge its responsibilities).

Although it is not on the CIPFA framework, the organisations (Chief Constable and Police and Crime Commissioner) may also wish to consider the benefit of other specialists. These might include people management, collaboration and, potentially most relevant given the Estates Strategy, a specialist in estates programmes and property matters.

### **Other points raised**

The members of the JIAC valued the workshops which have been organised. They combine training for the committee's members with the opportunity to gain a better understanding of the developments within the organisations.

The survey covered existing members but there will be changes in the committee's membership in the years ahead. The framework provides both a basis for recruitment to achieve a strong skills mix and also a way in which to shape the induction of new members.

### **Implications**

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<b>EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS</b>	None
<b>HUMAN RESOURCES IMPLICATIONS</b>	None
<b>ENVIRONMENTAL IMPLICATIONS</b>	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	None
<b>Author:</b>	J Beckerleg – Chair of Joint Independent Audit Committee
<b>Chief Officer Portfolio Holder:</b>	S Dainty – Acting Director of Resources, Governance and Transformation

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Appendix A

Northamptonshire Joint Independent Audit Committee - Members' self assessment of knowledge and skills

**CORE AREAS OF KNOWLEDGE**

Knowledge area	Details of core knowledge required	Score - range (0 to 5) and (average)
Organisational knowledge	An overview of the governance structures of the authority and decision-making processes. Knowledge of the organisational objectives and major functions of the authority.	3 (3)
Audit committee role and functions	An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee.	4-5 (4.6)
Governance	Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS). Knowledge of the local code of governance.	3-5 (3.7)
Internal audit	An awareness of the key principles of the <i>Public Sector Internal Audit Standards and the Local Government Application Note</i> . Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.	2-5 (3)
Financial management and accounting	Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the organisation meets the requirements of the role of the chief financial officer, as required by the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government</i> .	1-5 (3.5)

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External audit	Knowledge of the role and functions of the external auditor and who currently undertakes this role. Knowledge of the key reports and assurances that external audit will provide.	2-5 (4)
Risk management	Understanding of the principles of risk management, including linkage to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee.	3-5 (4)
Counter-fraud	An understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice (Red Book 2). Knowledge of the organisation's arrangements for tackling fraud.	1-3 (2)
Values of good governance	Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. Knowledge of whistleblowing arrangements in the authority.	1-4 (2.4)
Treasury management (only if is within the terms of reference of the committee to provide scrutiny)	<i>Effective Scrutiny of Treasury Management</i> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> <li>▪ regulatory requirements</li> <li>▪ treasury risks</li> <li>▪ the organisation's treasury management strategy</li> <li>▪ The organisation's policies and procedures in relation to treasury management.</li> </ul>	0-4 (2.5)

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## SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

This section may be of particular benefit when recruiting independent members.

<b>Knowledge area</b>	<b>Details of core knowledge required</b>	<b>Y/N</b>
Accountancy	Professional qualification in accountancy.	YYYN
Internal audit	Professional qualification in internal audit.	NNNN
Risk management	Risk management qualification. Practical experience of applying risk management. Knowledge of risks and opportunities associated with major areas of activity.	Y(pt)Y(pt)NN
Governance and legal	Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law.	NNNN

<b>Knowledge area</b>	<b>Details of supplementary knowledge</b>	
Service knowledge relevant to the functions of the organisation	Direct experience of managing or working in a service area similar to that operated by the authority. Previous Scrutiny Committee experience.	YYYY
Programme and project management	Project management qualifications or practical knowledge of project management principles.	YYNN
IT systems and IT governance	Knowledge gained from management or development work in IT.	YNNN

[Type text]

## CORE SKILLS

<b>Skills</b>	<b>Key elements</b>	<b>Score - range and (average)</b>
Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side-tracked by detail.	3-5 (4)
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanations while avoiding hostility or grandstanding.	3-5 (4)
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.	3-4 (3.7)
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	4 (4)
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	4-5 (4.4)
Objectivity	Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.	4 (4)
Meeting management skills	Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	3-4 (3.6)



## **Briefing Paper for the Joint Independent Audit Committee Meeting on 7 March 2016**

### **HMIC Reports**

#### **1. INTRODUCTION**

- 1.1 HMIC produces a large number of inspection reports each year, both in its own right and through 'joint inspections' undertaken in partnership with other regulators. This activity results in a very high number of recommendations, which may be local, general or national in application.
- 1.2 All recommendations and areas for improvement are captured by Corporate Development Department and project managed to ensure all are appropriately considered by the force and effective progress is monitored and maintained.
- 1.3 The purpose of this paper is to provide an overview of the current recommendations and areas for improvement that have not been completed and are either in progress or being monitored.

#### **2. BACKGROUND AND OVERVIEW**

- 2.1 Only HMIC inspections published during 2014 onwards (i.e. not joint inspections) are in scope.
- 2.2 Only Recommendations & Areas for Improvement (i.e. not "findings" or other commentary) are in scope.
- 2.3 The process will not duplicate or add further tiers to existing, effective scrutiny of the progression of HMIC recommendations within the force.
- 2.4 The last several months have seen a number of additional qualifying HMIC reports emerge. As a result, progress against recommendations within the following inspections are 'overseen' by the force's Strategic Tasking & Co-ordinating Group process:
  - Strategic Policing Requirement (national report)
  - Core Business (national report)
  - An inspection of undercover policing in England and Wales (national report)
  - Police Integrity and Corruption Report – Northamptonshire Police
  - PEEL Crime Inspection 2014 – Northamptonshire Police
  - Integrity matters (national report)
  - The Welfare of vulnerable people in police custody (national report)

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- Stop and Search powers 2 (national report)
- Building the picture thematic
- Online and on the edge
- In Harm's way
- CDI Northamptonshire Police revisit
- Targeting the Risk (Firearms Licensing)
- PEEL: Police Efficiency 2015 ('thematic' report)
- PEEL: Police Efficiency 2015 An inspection of Northamptonshire Police
- Regional Organised Crime Units inspection
- The Depths of dishonour - HBV thematic
- PEEL: Police Effectiveness 2015 (Vulnerability) – An inspection of Northamptonshire Police
- PEEL: Police Effectiveness 2015 (Vulnerability) – A national overview
- Increasingly everyone's business: a progress report on the police response to domestic abuse

2.5 A quantitative overview of 'progress' is as follows:

**March 2015:** 17 'live' Recommendations out of a total of 127 across 6 inspections.

**June 2015:** 18 'live' Recommendations out of a total of 153 across 8 inspections.

**Oct 2015:** 15 'live' Recommendations out of a total of 197 across 13 inspections.

**Jan 2016:** 21 'live' Recommendations/Areas for Improvement out of a total of 236 recommendations/AFIs across 20 inspections

2.6 In qualitative summary, updates obtained in respect of the June-October and October-January periods indicate progress across the breadth of the recommendations within the remit of this process.

2.7 While there appear to be no critical risks at present, this does not imply that all recommendations are either fully complete or complete within the (often rather notional) timescales set by the inspectorate.

2.8 Most importantly, while Recommendations are by nature retrospective and focussed on ameliorating past practice, Inspections bring new expectations and requirements. As a result, progress against past recommendations is no guarantee of high performance in future inspections.

2.9 In February 2016 HMIC published the following reports that have all been included within the recommendation monitoring oversight process;

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- PEEL: Police Legitimacy 2015 – An inspection of Northamptonshire Police
- PEEL: Police Legitimacy 2015 – A national overview
- PEEL: Police Effectiveness 2015 – An inspection of Northamptonshire Police
- PEEL: Police Effectiveness 2015 – A national overview

These recent reports have produced a further 17 recommendations and areas for improvement that are now being considered.

2.10 Currently there are now 37 'live' recommendations and areas for improvement out of a total of 258 that have been made since January 2014.

2.11 A full breakdown of these 37 live issues with a short summary of the latest position is provided at annex A.

### **3 Scheduled HMIC Inspections in 2016**

3.1 The following inspections are all scheduled to take place during 2016

- PEEL (Efficiency, Legitimacy & Leadership) May – July
- PEEL (Effectiveness & Vulnerability) September – November
- Joint Child Protection Inspection January – April
- Trafficking & Modern Slavery April – November
- Joint Inspection of Police & UK Border Authority Custody
- Joint inspection of Youth Offending Teams
- National Child Protection inspection
- Police National Computer – Non Police Units
- Special Grants

Dave Spencer C/Insp  
20 February 2016

[Type text]

## ANNEX A

All recommendations made and areas for improvement identified by HMIC are subjected to robust oversight to ensure effective consideration and response by the force Corporate Development Department. Listed below are the recommendations and areas for improvement where improvement work is ongoing or are subject to monitoring.

<b>INSPECTION 2: Core Business National Report</b>			
<b>FULL TITLE: Core Business: an inspection into crime prevention, police attendance and the use of police time (Sept 14)</b>			
8	Not later than 1 September 2015, all forces should provide and periodically refresh basic crime prevention training for officers and staff who come into contact with the public.	<b>23/12 update from L Jones PCP:</b> Prevention is now back in new recruit training and the first session has been delivered. <b>Proposed action:</b> continue to monitor to check positive changes (a) become embedded and (b) cover the breadth of staff anticipated within this Recommendation, i.e. not just recruits.	<b>M Ainge</b>

<b>INSPECTION 4: Police Integrity and Corruption</b>			
<b>FULL TITLE: Police Integrity and Corruption Northamptonshire Police (published November 14)</b>			
1	Within six months, the force should work with the EMSOU to ensure that there are proactive counter-corruption processes in respect of all staff posted to the EMSOU.	This recommendation has now been remitted to the Strategic Alliance Team. It is retained locally for monitoring purposes only.	

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4	<p>Within six months, the force should ensure that it has an effective process to monitor and audit the decision-making process and record keeping for intelligence relating to professional standards and misconduct.</p>	<p><b>December update:</b>          There is an obvious risk of me personally monitoring and auditing as if I did I would be self-policing. I agree audit should occur and it is something that needs to be considered if we move forward into a strategic alliance/regional CCU, which is the way forward due to the capability and capacity of CCU's. I will discuss in the new year with the DCC.</p>	<p><b>Supt Meagher</b></p>
<p><b>INSPECTION 5: PEEL Crime</b></p>			
<p><b>FULL TITLE: Crime inspection 2014 Northamptonshire Police (published November 14)</b></p>			
4	<p>Within six months, Northamptonshire Police should ensure that there are methods in place to:          (a) systematically capture learning and good practice in crime prevention and local problem solving; and          (b) share learning and good practice across the force.</p>	<p>A new operational memory toolkit has been launched           This new toolkit seeks to capture and share good work with the rest of the organisation. Often the challenges faced in one part of the force are similar to those faced elsewhere in the county and the sharing of tactics, evaluations and the resulting learning will help everyone to develop and improve performance.          All officers and staff who run an operation to reduce crime and/or ASB should submit a copy of the Operation Order to Chief Inspector Dave Spencer for inclusion in the toolkit. Upon completion of the operation an evaluation should also be submitted on Form 1485 - Evaluation of Crime and/or ASB Reduction Operation.          This does not apply to covert or confidential operations.   <b>Proposed action: retain and monitor progress over next period</b></p>	<p><b>Dave Spencer</b></p>
5	<p>Within 3 months, Northamptonshire Police should review the use of E-CINS and by March 2015 should have developed and commenced the implementation of an action plan to ensure relevant officers and police staff are using the system to assess and record risks and protect vulnerable</p>	<p>A training schedule is in place which is facilitated by Police, to train identified police and partner staff to expand the use of the system.</p>	<p><b>M Ainge</b></p>

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	<p>people.</p>	<p>Further police use of the system has been identified, and ECINs going forward will be used within IOM and alcohol licensing – these 2 projects are being led by the relevant teams.</p> <p>Funding for ECINS has been secured, via the County Chief Executive Group, up to August 2016, along with the provision of an ECINs development Post.</p> <p><b>23/12 update from L Jones PCP:</b> ISA has now been reviewed and new partners continue to join to utilise the system.</p> <p><b>Proposed action: continued monitoring</b></p>	
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<p align="center"><b>INSPECTION 6: Integrity Matters</b></p>			
<p><b>FULL TITLE: Integrity Matters – An inspection of arrangements to ensure integrity and to provide the capability to tackle corruption in policing (published Jan 30<sup>th</sup> 2015)</b></p>			
<p>12</p>	<p>By 31 August 2015, all forces should ensure they have the necessary capability and capacity to develop and assess corruption-related intelligence in accordance with the authorised professional practice.</p>	<p><b>December 15.</b> The Approved Professional Practice referred to in the recommendation was not published until October 2015. This is now being considered to ensure processes are aligned to it. <i>Action – continued monitoring.</i></p>	<p><b>Supt Meagher</b></p>

<p align="center"><b>INSPECTION 7: The Welfare of vulnerable people in police custody</b></p>			
<p><b>FULL TITLE: The Welfare of vulnerable people in police custody (published March 2015)</b></p>			
<p>3</p>	<p>Regular reports on custody, including the data above, should be provided routinely by forces for consideration by the police and crime commissioner and be published on PCC’s websites, to demonstrate to the public that the police are delivering services to communities on a fair and transparent basis.</p>	<p>For regional custody and local performance leads to consider/provide any interim update on. Custody data is not part of the Police and Crime</p>	<p><b>Crampton CPT /CI Purdie</b></p>

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		<p>Plan Dashboard reported each month but could be incorporated if needed.</p> <p>CDD Update September</p> <p>This has been discussed with the OPCC, which is awaiting learning from other OPCCs prior to implementing this matter. CDD seeks to meet with OPCC to understand their plans for progressing the letter and/or spirit of this recommendation.</p>	<p><b>Reg Justice</b></p>
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<p style="text-align: center;"><b>INSPECTION 13: Targeting the risk</b></p>			
<p><b>FULL TITLE: Targeting the risk – An inspection of the efficiency and effectiveness of firearms licensing in police forces in England and Wales (published September 2015)</b></p>			
<p>1</p>	<p>Within three months, all chief constables should assess how well the governance of firearms licensing in his or her force meets the standards set out in Authorised Professional Practice. Chief constables of forces where the governance standards are not being complied with should put in place immediately the correct arrangements and procedures in order to meet the standards in full.</p>	<p><b>December update:</b> DCC Roach, FELWG Strategic Group regional rep: DCC Roach is to write to all Chief Officers re governance and demand on Firearms Licensing when she circulates the minutes from the Strategic Leader’s meeting. There is, at present, no national agreement re level of governance. However, Ch Insp Lamb, Police Scotland, is to provide Mr Marsh (CC Hampshire, Chair of Firearms and Explosives Licensing Working Group) with recommendations in relation to the governance structure. Hopefully, we will then get national guidance on this. A Governance meeting is to be arranged with FLM and Supt Spicer early in the new year.</p> <p><b>Outcome → continued monitoring.</b></p>	<p><b>Fell/Hodgson</b></p>
<p>4</p>	<p>Within three months, all chief constables should assess the demand placed on their firearms licensing department and ensure it has the capacity to meet this demand and provide an efficient and effective service at all times.</p>	<p><b>SEPT –</b> As at Rec 1 (above). <b>December update:</b> It has been agreed to reinstate the .5 FEO post, this has been agreed to April 2016, funding being identified at present to continue with this post. Due to high volume of</p>	<p><b>Fell/Hodgson</b></p>

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		workload re contentious issues/high-medium risk holders, FLM approached HR to request possibility of officer on light duties to assist – no-one available at present but HR will advise if situation changes. <b>Outcome/rationale: initial reinstatement of resources secured, but may be subject of reversal post April 2016 → retain for update during/after April</b>	
13	Within three months, all chief constables should ensure that systems designed to identify, prior to police attendance, whether a reported incident involves or is at the address of a firearm certificate holder are in place and are always applied by staff dispatching officers to incidents; and that officers understand the risk assessment which they should be undertaking in such circumstances, and their power, when appropriate, to seize firearms and firearm certificates.	<b>SEPT – As at Rec 1 (above). December update:</b>  Due to different gazetteers in NFLMS and STORM, occasional addresses may not have the flags. FLU are advised through Gucci update if address is not linked and we manually manage this to ensure flags are placed on these addresses. FLM liaising with Niche team at present to ensure no further issues will arise when we got on to Niche which will impact officer/public safety.  FO entry shortly reminding officers of actions to be taken re firearms seizure during domestic/violent incidents.  <b>Outcome/rationale: Although the above represents a tenable approach at present, the importance of this Rec to public and officer safety suggests that it should remain open and subject to further light touch monitoring to ensure that the transition to Niche effectively automates the appearance of relevant flags on C+C systems.</b>	<b>Fell/ Hodgson / FCR</b>

**INSPECTION 15: PEEL: Police efficiency 2015 An inspection of Northamptonshire Police**

**FULL TITLE: PEEL: Police efficiency 2015 An inspection of Northamptonshire Police (published October 2015)**

AFI 1	The force should undertake further work to gain a fuller understanding of current demand for its services, and likely future changes in demand. This is so it can make best use of its resources by matching them to demand to meet the needs of the public	This is being developed within the Service Delivery Model project who are considering four demand types; <b>Public demand</b> - The things the public ask us to do. <b>Protective demand</b> - The things we do, without being asked directly, to protect the public and their property.	<b>M Stamper</b>
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		<p><b>Internal (value)</b> - The things we do that, whilst not falling in to the above categories, contribute directly to the servicing of public or protective demand.</p> <p><b>Internal (waste)</b> - The things we do that do not service public or protective demand and do not directly contribute to their servicing.</p> <p>The above work will identify what the organisation is doing now, what it wishes and needs to do in the future and the type of skills (capability) it will require to do this. Once the skills are established a gap analysis can take place and a workforce development plan written.</p>	
AFI 2	The force should develop its understanding of the links between its outcomes, outputs and costs	This is included within the Service Delivery Model project	<b>M Stamper</b>
AFI 3	The force should develop a future workforce plan that is aligned with its overall demand and budget. The plan should include future resource allocations, the mix of skills required by the workforce and behaviours expected of them.	This is included within the Service Delivery Model project	<b>M Stamper</b>

<b>INSPECTION 16: Regional Organised Crime Units</b>			
<b>FULL TITLE: Regional Organised Crime Units A review of capability and effectiveness (published December 2015)</b>			
3	<p>By 30 June 2016, every police force in England and Wales should publish an action plan that sets out in detail what steps it will take to make maximum use of the ROCU capabilities, minimise duplication at force level, and ensure that the use of shared ROCU resources are prioritised between regional forces. This action plan should be developed:</p> <p><input type="checkbox"/> in consultation with police and crime commissioners, ROCUs and the ROCU executive board;</p> <p><input type="checkbox"/> with regard to both local force priorities (in particular, as specified in the relevant police and crime plan) and National Crime Agency (NCA) priorities; and</p> <p><input type="checkbox"/> with regard to the other recommendations contained in this report.</p>	<p><i>Requires a degree of action at a local level.</i></p> <p><b>December update:</b></p> <p>i) DOI opts for this to be monitored by STCG rather than CSIG.</p> <p>ii) Update in essence: work ongoing in conjunction with regional colleagues.</p>	<b>DOI</b>
8	By 30 June 2016, all ROCUs, forces and the NCA should adopt a common approach to the assessment of serious and organised criminal threats.	<p><i>Requires a degree of action at a local level.</i></p> <p><b>December update:</b></p>	<b>DOI</b>

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		<p>i) DOI opts for this to be monitored by STCG rather than CSIG.</p> <p>ii) Update in essence: work ongoing in conjunction with regional colleagues.</p>	
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<b>FULL TITLE: PEEL: Police Effectiveness 2015 (Vulnerability) – An inspection of Northamptonshire Police (published December 2015)</b>			
AFI 1	The force should improve its initial assessment of risk to vulnerable people by ensuring its staff who take calls are appropriately-trained.	<p><b>23/12/15 response via Supt Murray:</b>All FCR Call Handlers/Dispatch/Police Officers have received THRIVE training. This assists in identifying vulnerability and the most appropriate resource to attend the incident. All New Students into the FCR received THRIVE and NDM training. All Children in Care are treated as missing and a minimum incident grading of prompt.</p> <p>Lessons learnt from IPCC/PSD complaints are shared to all staff and officers in the FCR to prevent future occurrences.</p> <p>Keep Safe Cards issued to vulnerable people are logged on FIS so call handlers have pertinent information on how best to deal with the caller.</p> <p>Disability Line direct to Call Handlers with nature of disability on FIS for call handlers to look at.</p> <p>CPD days planned for 2016 will continue to embed importance of identifying vulnerable callers.</p>	<b>Supt Murray</b>
AFI 2	The force should improve its investigation of cases involving vulnerable victims, including rape, by ensuring that it carries out investigations to the required standards with proper supervision and recording of plans and actions.	<p><b>December update:</b></p> <p>A rape training program has been developed for 2016 with a scenario based approach. The force has a rape lead at DCI and DI level and now works closely with the judiciary and cps on case learning.</p>	<b>Supt Lingley</b>
AFI 3	The force should improve its response to missing and absent children and those at risk of sexual exploitation by ensuring it improves its understanding of the scale and nature of the issue. This understanding should be achieved	<p><b>December update:</b></p> <p>The force has developed with partners a new protocol for</p>	<b>Supt Lingley</b>

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	through analysis and assessment of available information, including that of partners.	the response to missing children. Those missing from care are no longer treated as absent. A new response to missing persons investigations with a proposal for increased resources in the central team is being consulted on. A revised problem profile will be commissioned once the quality of partnership data has been addressed led by the CSE sub group.	
AFI 4	The force should improve its response to persistent and repeat missing children by ensuring it uses information from previous missing episodes to develop a co-ordinated and prioritised response.	<b>December update:</b> As above	<b>Supt Lingley</b>
AFI 5	The force should improve its investigation and safeguarding of domestic abuse victims by ensuring that frontline staff carry out risk assessments to the appropriate standards, staff attending incidents of domestic abuse consistently use body-worn video cameras and that the force has sufficient staff with the appropriate professional skills and experience to investigate cases and safeguard victims.	<b>December update:</b> All medium and high risk DA is dealt with by CID which now has staff from the former DAU. This has seen the quality of investigations rise and DVPN numbers rise dramatically. BWV is now mandated for all DA. A full DA QA audit is taking place in early January looking at the victims journey	<b>Supt Lingley</b>

### INSPECTION 21: PEEL: Police Legitimacy 2015

#### FULL TITLE: PEEL: Police Legitimacy 2015. An inspection of Northamptonshire Police (Published February 2016)

1	The force should take steps to ensure its local teams have sufficient information available to them to improve their understanding of local communities.	Allocated to Supt Chris Hillery (20 Feb 2016)	<b>Supt Hillery</b>
2	The force must ensure that Taser trained officers properly understand and record their decisions using the NDM in accordance with the College of Policing training.	Allocated to Supt Dave Lawson (20 Feb 2016)	<b>Supt Lawson</b>

### INSPECTION 22: PEEL: Police Legitimacy 2015

#### FULL TITLE: PEEL: Police Legitimacy 2015. A national perspective (Published February 2016)

2	Within six months, all Chief Constables should conduct a review of their complaints and misconduct arrangements, analysing data from their records to assess whether or not there is any bias in the way decisions are made; and if there is evidence of bias to take action to remove it. The reviews and	Allocated to Supt Behan (20 Feb 2016)	<b>Det Supt Behan</b>
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	the action taken should be fully documented and made available to the Police & Crime commissioners of each force and to HMIC.		
4	Within 3 months Chief Constables should establish arrangements through which they can regularly, at least twice a year, assess whether reasonable grounds are being recorded in every case where a stop and search power is used by their officers and take action to address those cases where the reasonable grounds are not sufficient to justify the lawful use of the power.	Allocated to Supt Cox (20 Feb 2016)	<b>Supt Cox</b>

<b>INSPECTION 23: PEEL: Police Effectiveness 2015</b>			
<b>FULL TITLE: PEEL: Police Effectiveness 2015. An inspection of Northamptonshire Police</b>			
1	The force should provide officers and staff with clear direction about how crime prevention activity should be focused in line with local priorities	Provisionally allocated to Supt Hillery (20/2/16)	<b>Supt Hillery</b>
2	The force should adopt a structured and consistent problem solving process to enable it to tackle crime and anti-social behaviour more effectively.	Provisionally allocated to Supt Hillery (20/2/16)	<b>Supt Hillery</b>
3	The force should use evidence of 'what works' drawn from other forces, academics and other agencies to continually improve its approach to the prevention of crime and anti-social behaviour. There should be routine evaluation of tactics and sharing of effective practice.	Provisionally allocated to Supt Cox (20/2/16)	<b>Supt Cox</b>
4	The force should ensure that all crimes are allocated promptly to investigators with the appropriate skills, accreditation and support to investigate them to a good standard.	Provisionally allocated to Supt Foskett (20/2/16)	<b>Det Supt Foskett</b>
5	The force should take steps to ensure that all available evidence is recorded at scenes of crime.		<b>Det Supt Foskett</b>
6	The force should ensure that there is regular and active supervision of investigations to check quality and progress.	Provisionally allocated to Supt Foskett (20/2/16)	<b>Det Supt Foskett</b>
7	The force should improve its ability to retrieve digital evidence from mobile phones, computers and other electronic devices quickly enough to ensure that investigations are not delayed.	Provisionally allocated to Supt Foskett (20/2/16)	<b>Det Supt Foskett</b>
8	The force should introduce a clear process to ensure that those who are circulated as wanted on the police national computer, those who fail to appear on police bail and named suspects identified through forensic evidence are swiftly arrested.	Provisionally allocated to Supt Foskett (20/2/16)	<b>Det Supt Foskett</b>
9	The force should supplement its serious and organised crime profile by establishing a local partnership structure with responsibility for tackling serious and organised crime.	Provisionally allocated to Supt Hillery (20/2/16)	<b>Supt Hillery</b>

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10	The force should engage routinely with partner organisations in order to increase its ability to disrupt and investigate serious and organised crime.	Provisionally allocated to Supt Hillery (20/2/16)	<b>Supt Hillery</b>
11	The force should improve the awareness of organised crime groups among neighbourhood teams to ensure that they can reliably identify these groups, collect intelligence and disrupt their activity.	Provisionally allocated to Supt Hillery (20/2/16)	<b>Supt Hillery</b>
12	The force should develop a better understanding of the impact of its activity on serious and organised crime, and ensure that it learns from experience to maximise its disruptive effect.	Provisionally allocated to Supt Foskett (20/2/16)	<b>Det Supt Foskett</b>
13	The force should ensure it takes opportunities to communicate with the public about serious and organised crime, in particular to publicise successful operations, offer reassurance and provide advice to help people to protect themselves from serious and organised crime.	Provisionally allocated to Richard Edmondson (20/2/16)	<b>Richard Edmondson</b>

**AGENDA PLAN – PUBLIC AGENDA - NEXT FOUR MEETINGS**

JUNE	SEPTEMBER	DECEMBER	MARCH
Apologies	Apologies	Apologies	Apologies
Declarations	Declarations	Declarations	Declarations
Minutes of previous meeting	Minutes of previous meeting	Minutes of previous meeting	Minutes of previous meeting
Matters arising action log	Matters arising action log	Matters arising action log	Matters arising action log
Implementation of Audit recommendations	Implementation of Audit recommendations	Implementation of Audit recommendations	Implementation of Audit recommendations
Internal Audit – Annual report			<b>Draft Internal Audit Plan</b>
Internal Audit – progress report	Internal Audit – progress report	Internal Audit – progress report	Internal Audit – progress report
External Audit – progress report	External Audit – progress report	External Audit – progress report	External Audit – progress report
Finance Update 2016-17	Finance Update 2016-17	Finance Update 2016-17	Finance Update 2016-17
Transformation & Accountability	Transformation & Accountability	Transformation & Accountability	Transformation & Accountability
Force Strategic Risk Register	Force Strategic Risk Register	Force Strategic Risk Register	Force Strategic Risk Register
OPCC Strategic Risk Register	OPCC Strategic Risk Register	OPCC Strategic Risk Register	OPCC Strategic Risk Register
<b>JIAC Terms of Reference review</b>		<b>MTFP and Budget update</b>	<b>MTFP and Budget update</b>
HMIC reviews – update	HMIC reviews – update	HMIC reviews – update	HMIC reviews – update
<b>External Audit – Fee letter?</b>		<b>OPCC Risk Policy</b>	
<b>Treasury Management update and outturn report</b>		<b>Treasury Management update</b>	<b>Draft Treasury Management strategy</b>
<b>Draft Governance Statements</b>			
<b>Draft Statement of Accounts</b>	<b>Final accounts / AGS / ISA 260 etc.</b>	<b>Annual External Audit Letter</b>	
<b>Committee self- assessment</b>			
<b>Committee Annual Report</b>			
Items for escalation to the Commissioner and / or the Chief Constable	Items for escalation to the Commissioner and / or the Chief Constable	Items for escalation to the Commissioner and / or the Chief Constable	Items for escalation to the Commissioner and / or the Chief Constable
Agenda plan for the next four meetings	Agenda plan for the next four meetings	Agenda plan for the next four meetings	
Date venue and time of next meeting	Date venue and time of next meeting	Date venue and time of next meeting	
Resolution to exclude the public	Resolution to exclude the public	Resolution to exclude the public	

**Bold = non Standing items**

**AGENDA PLAN – PRIVATE AGENDA**

**NEXT FOUR MEETINGS**

JUNE	SEPTEMBER	DECEMBER	MARCH
			<b>Annual report</b>
HMIC reviews – update	HMIC reviews – update	HMIC reviews – update	HMIC reviews – update

Private meeting with Auditors	Private meeting with Auditors	Private meeting with Auditors	Private meeting with Auditors
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**Bold = non Standing items**