



Item 1

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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**19<sup>th</sup> March 2018 at 10.00am to 12.30pm**

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

**If you should have any queries in respect of this agenda,  
please contact Helen Jennings on 03000 111 222 Ext 346858**

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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Item 1

<b>AGENDA</b>			<b>Paper to follow (PTF)</b>	<b>Time</b>
	Private Meeting of Committee Members with the Auditors (if required)	JB		10:00
1	Apologies for non- attendance	JB		
2	Declarations of Interests	Members		
3	Meeting Log and Actions - September 2017 (re-presented) - December 2017	HK	paper paper	10:05
4	Annual Internal Audit Plan 18/19	HK	paper	10:20
5	Internal Audit Progress Report	Mazars	paper	10:30
6	Implementation of Internal Audit Recommendations	RB	paper	10:40
7	Force Risk Register	RB	paper	10:50
8	External Audit Plan 17/18	HK	paper	11:00
9	External Audit Introduction	EY	verbal	11:10
10	MFSS – SRO update	RS/PD	paper	11:20
11	OPCC HR Policies	NMarzec	paper	11:30
12	Victims Voice	PBullen	paper	11:40
13	Finance Update for Force & OPCC	PD & HK	paper	11:50
14	Capital Programme	HK/PD	paper	12:00
15	Treasury Management Strategy	HK/PD	paper	12:10
16	Agenda Plan	HK	verbal	12:20
17	AOB (Including member updates) i) Approval of accounts July 2018 (workshop and reserve meeting) ii) Discussion regarding 2019 Meetings	HK	verbal	12:30



Item 1

AGENDA			Paper to follow (PTF)	Time
17	Date and venue of next meetings 1000hrs – Wootton Hall, Northampton NN4 0JQ 23 July 2018 30 July 2018 (Reserve Date - tbc) 10 September 2018 10 December 2018			

18	Resolution to exclude the public	JB
	<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>	
19	Confidential items – any	



## Item 1

*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:**

Helen Jennings  
Office of the Police and Crime Commissioner  
East House  
Police HQ  
Wootton Hall  
NORTHAMPTON NN4 0JQ

*or by email to:*

*helen.jennings@northantspcc.pnn.police.uk*

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.

### **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.



Item 1

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

Mr J Beckerleg (Chair of the Committee)

Ms G Scoular

Mr M Pettitt

Mr A Knivett

**Martin Scoble**

**CHIEF EXECUTIVE & MONITORING OFFICER**

\* \* \* \* \*

**POLICE AND CRIME COMMISSIONER for NORTHAMPTONSHIRE and  
NORTHAMPTONSHIRE POLICE**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**ACTION LOG and ACTIONS OF MEETING HELD ON  
09 September 2017  
(Excluding Exempt Items)**

**PRESENT**

**Audit Committee Members**

J Beckerleg (Chair)  
M Pettit  
T Knivett  
G Scoular

**Northamptonshire Police and Crime Commission**

M Scoble	Chief Executive
E Evans	Governance Assistant
R Jones	Finance Consultant

**Northamptonshire Police**

R Swann	Deputy Chief Constable
P Dawkins	Force Chief Financial Officer

**Auditors**

Alistair	KPMG
B Welch	Mazars

Agenda Item	Issue	Action	Responsible	Remarks
1	Apologies for non-attendance	Nil	NA	<ul style="list-style-type: none"> <li>• Apologies were received from Andrew Wilson and Andrew Cardoza</li> <li>• The Chair expressed concern about the absence and quality of reports and the despatch timetable</li> </ul>
2	Declarations of Interest	Nil	NA	<ul style="list-style-type: none"> <li>• No new declarations</li> </ul>
3	Finance update			<ul style="list-style-type: none"> <li>• MS advised of letter received from Nick Hurd MP referring to the level of police reserves nationally</li> <li>• The provisional appointment of the CFO for the OPCC (Helen King) was noted.</li> <li>• RS gave assurance that the finance team was fully engaged with the Change and Operation Balance Programmes</li> <li>• Rs confirmed that Operation Balance covered all Police expenditure and that the previous large savings on non operational budgets was having a detrimental impact</li> <li>• JB drew attention to quality of the budget monitoring report and requested an update from MS. MS advised of process whereby the reports were monitored monthly and the PCC was briefed.</li> <li>• JB requested an update of current position of outturn. MS advised that this is being raised through the Accountability Board as part of the assurance process. RS clarified that a small underspend is projected. PD advised that any corrective action will be taken through the Chief Constable and PCC.</li> </ul>
4	Final Accounts / AGS / ISA 260	<ul style="list-style-type: none"> <li>• JIAC to scrutinise accts before sign off. Further meeting to be arranged</li> <li>• Future JIAC dates need to reflect the</li> </ul>	JIAC	<ul style="list-style-type: none"> <li>• The accounts were not available to the Committee but it was advised that they would be complete by the statutory deadline. As such the auditor was not able to provide the audit assurance at the meeting.</li> <li>• Adjustments/corrections were being made to ensure closure was completed by the statutory deadline of 30</li> </ul>

Agenda Item	Issue	Action	Responsible	Remarks
		<p>changed financial cycle</p> <ul style="list-style-type: none"> <li>Additional meeting required in July 2018 to sign off accts</li> </ul>		September 2017 and that closedown goes smoothly next year.
5	External Audit – progress report	<ul style="list-style-type: none"> <li>KPMG provide accts to JIAC by Mon18 September 2017</li> </ul>	AC	<ul style="list-style-type: none"> <li>The external auditor indicated that he expected to give unqualified opinions on the accounts and the VFM conclusion with the exception of the decision to dispose of Wootton Hall.</li> </ul>
6	Force Strategic Risk Register	Nil	NA	<ul style="list-style-type: none"> <li>RS confirmed the three critical risks.</li> </ul>
7	OPCC Strategic Risk Register	Nil	NA	<ul style="list-style-type: none"> <li>The risk register was not supplied to JIAC</li> <li>MS confirmed that the risk register was reviewed by CEO &amp; OPCC lead monthly and by the PCC quarterly. Any risks are highlighted and brought through the Accountability Board</li> </ul>
8	Internal Audit – progress report	Nil	NA	<ul style="list-style-type: none"> <li>MS noted that all the OPCC recommendations were being reviewed and reallocated to the appropriate member of staff</li> <li>MP requested reassurance regarding progress since the previous audit which highlighted concerns about seized property. RS provided assurance that there has now been a Chief Inspector assigned to manage seized property to ensure that the risks are mitigated</li> </ul>
9	Implementation of Audit Recommendations	Nil	NA	<ul style="list-style-type: none"> <li>There was no report for this item</li> </ul>
10	Announcements from the Chair	JIAC annual report to the PCP 28 Sep 17	JB	
11	Minutes and Matters Arising from the previous meeting	Nil	NA	<ul style="list-style-type: none"> <li>Minutes were agreed as accurate</li> </ul>
12	Matters Arising Action Log	<ul style="list-style-type: none"> <li>MS to share OPCC delivery plan</li> </ul>	MS EE	<p>Actions outstanding were:</p> <p>Meeting 5 December 2016 - Items 10 and 15</p> <p>Meeting 6 March 2017 - Items 3 and 15 (two)</p>



Agenda Item	Issue	Action	Responsible	Remarks
		<ul style="list-style-type: none"> <li>Meeting between HMICFRS LO and Chair to be arranged</li> </ul>		
13	OPCC and CC governance framework	<ul style="list-style-type: none"> <li>For inclusion at Dec 2017 JIAC meeting</li> </ul>	MS <sup>[1]</sup>	<ul style="list-style-type: none"> <li>There was no report for this item.</li> <li>MS explained that the governance framework was being reviewed to align it as far as possible with the two neighbouring forces.</li> </ul>
14	Decision making protocol	Nil	NA	<ul style="list-style-type: none"> <li>This was not presented to the meeting</li> <li>It would form part of the revised governance framework (see item 13)</li> </ul>
15	Estates Strategy	Nil	NA	<ul style="list-style-type: none"> <li>Further work was underway to develop the estates plan and options linked to Force op delivery<sup>[2]</sup></li> <li>It was confirmed that the final estates plan would include options appraisal / business cases for individual elements</li> </ul>
16	Capital Programme incorporating the Estates Strategy	Nil	NA	<ul style="list-style-type: none"> <li>JB requested clarification regarding the approval process for investment in estates. MS provided assurance that there was a process in place whereby it will go through a full business case that will be approved by the Chief Constable and ultimately the PCC</li> <li>PD/MS gave assurances that the Estates Strategy was affordable.</li> </ul>
17	Treasury Management (outturn 2016/17 and strategy for 2017/18)	<ul style="list-style-type: none"> <li>Paper required on 16/17 outturn</li> <li>PD to provide clarification of Appendix 3 regarding Authorised limit for external debt borrowing and the incremental impact of capital investment decisions</li> <li>PD to provide an explanation on the decision to terminate</li> </ul>	PD	<ul style="list-style-type: none"> <li>JIAC members had concerns in relation to the parameters being set in Appendix 3 and in particular the Authorised Borrowing limit for 2017/18 which was significantly above any planned level of capital investment.</li> <li>The JIAC were not able to recommend this strategy, as required by its terms of reference, for the Chief Constable / PCC, to approve.</li> <li>A report on the 2016/17 outturn was outstanding</li> </ul>

Agenda Item	Issue	Action	Responsible	Remarks
		<p>the external cash management</p> <ul style="list-style-type: none"> <li>• PD to provide and explanation about the approach to decisions to borrow (e.g. how these will be triggered) given the scale of borrowing that is planned to be needed</li> </ul>		
18	Reserves Policy including simplifying reserves	Nil	NA	<ul style="list-style-type: none"> <li>• MS noted that he has been involved in rationalising the reserves, line by line to ensure that they were realistic.</li> <li>• JB questioned the rational for a pay and price contingency rather than regarding this as part of a general reserve.</li> </ul>
19	MTFP	Nil	NA	<ul style="list-style-type: none"> <li>• The version presented related to 2017/18 and was work in progress. It would be updated for 2018/19 including the revised capital programme and the new Estates Strategy.</li> <li>• JB requested some further information regarding Operation Balance which was provided by RS who advised of funding gap which initially triggered the review</li> <li>• PD confirmed that the draft capital programme was affordable within the MTFP</li> </ul>
20	Items to record / report to PCC + CC	<ul style="list-style-type: none"> <li>• Confirm date</li> </ul>	EE	<ul style="list-style-type: none"> <li>• Nil</li> </ul>
21	Forward Plan - updated	Nil	NA	<ul style="list-style-type: none"> <li>• No plan was presented</li> </ul>
22	OPCC Delivery Plan	<ul style="list-style-type: none"> <li>• PCP version of the plan to be distributed</li> </ul>	MS	<ul style="list-style-type: none"> <li>• The Plan was not presented and so the JIAC were unable to comment.</li> </ul>
23	Agenda Plan for Next Four Meetings	<ul style="list-style-type: none"> <li>• Nil</li> </ul>	NA	<ul style="list-style-type: none"> <li>• See item 23 above</li> </ul>

Agenda Item	Issue	Action	Responsible	Remarks
24	Date and Venue for Next Meeting	<ul style="list-style-type: none"> <li>• Admin arrangements to be confirmed and communicated</li> </ul>	EE	<ul style="list-style-type: none"> <li>• An informal meeting was to take place by the end of September to review the accounts and a workshop was scheduled for November 2017</li> </ul>
25	Any Other Business	<ul style="list-style-type: none"> <li>• Nil</li> </ul>	NA	<ul style="list-style-type: none"> <li>• PD gave an update on a review of IT which has been commissioned by the PCC to be undertaken by Boeing</li> <li>• Tri Force ICT Collaboration has been halted by Northants</li> </ul>

## Joint Independent Audit Committee (JIAC) ACTION LOG – 4 DECEMBER 2017

### Attendees:

**Members: John Beckerleg (JB), Gill Scoular (GS), Tony Knivett (TK), Martin Pettit (MP)**

**Martin Scoble (MS), Helen King (HK), Rachel Swann (RS), Paul Dawkins (PD), Tanttty Gallagher (TG), Richard Baldwin (RB), Andrew Cardoza KPMG (AC), Brian Welch (BW)**

Agenda	Issue	Action	Responsible	Comments
1	Apologies for non-attendance	Nil	JB	<ul style="list-style-type: none"> <li>TG and PD - both delayed due to traffic</li> </ul>
2	Declarations of Interests	Nil	Members	<ul style="list-style-type: none"> <li>No additional interests declared</li> </ul>
3	Meeting Log and Actions	<ul style="list-style-type: none"> <li>Further discussions required to determine acceptable and appropriate supporting requirements, including detail within action log/minutes</li> <li>Action Log to be represented at the next meeting (update: on agenda)</li> </ul>	CFO	<ul style="list-style-type: none"> <li>Minutes reviewed but not agreed. Subject to further exploration on format and content between Chair and CEO/CFO.</li> <li>Item 5 needed to include reference to the Auditor's opinion being qualified in relation to the sale of Wootton Hall</li> <li>Links with HMICFRS and JIAC – opportunities were discussed with HMICFRS Force Liaison Lead</li> <li>Item 20 - Dates for Chair to meet PCC/CC were being identified</li> <li>MP asked for hard copies of all papers. Officers declined to do this at this stage but would keep the issue under review.</li> </ul>
4	Governance Framework	<ul style="list-style-type: none"> <li>Members' comments requested by 18 December 2017 (Update - comments received shared with TG)</li> </ul>	Members	<ul style="list-style-type: none"> <li>Draft version presented</li> <li>Document was 85% complete; it was due to be finished before January 2018</li> <li>The JIAC welcomed the proposed framework</li> <li>MP requested a hard copy of the final document.</li> </ul>

5	Estates Strategy	<ul style="list-style-type: none"> <li>Decision record for sale of Mereway detailing risk, issues and justification for reversal of initial decision to leave Wootton Hall to be published</li> <li>Expenditure on external consultants in relation to all aspects of the Estates Strategy for the past 4 years to be provided by 31 January 2018</li> <li>Final Strategy to be shared after consultation has been completed. (update – DR with commissioner for review, estates strategy nearing completion – consultation and final queries progressed – strategy to be updated for any internal audit recommendation)</li> </ul>	MS  PD MS	<ul style="list-style-type: none"> <li>MP requested detail on time (internal role costs and time) and financial costs of developing the estates strategy over the previous 4 years. This detail was not available and could not be provided with any degree of accuracy for internal costs and time. Force and OPCC will provide the best information available on external costs (these are not detailed separately in the ledger).</li> <li>Investment appraisals and detail required in future estates planning</li> <li>MP asked for a copy of the risk assessment undertaken when the decision not to sell Wootton Hall was taken.</li> <li>MS advised significant risks are highlighted as part of a Decision Record and a copy will be made available when finalised by the PCC and suitable for release based on commercial sensitivities</li> </ul>
6	Treasury Management Strategy 2017/18	<ul style="list-style-type: none"> <li>Beginning for 2018/19, a revised strategy would be produced annually before the start of the year, there would be an interim report during the year and an outturn report after the year end. Any significant variations to the strategy would be reported as appropriate.</li> <li>(update – 18/19 strategy on agenda)</li> </ul>		<ul style="list-style-type: none"> <li>Members were concerned and advised they had been concerned all year that the authorised limit and operational boundary limits are too high in the 2017/18 TM Strategy.</li> <li>HK outlined that the 2017/18 TM Strategy was produced at the beginning of the year and in the context of a different capital programme.</li> <li>HK advised it will be updated for 2018/19 and for each year moving forward to support the budget and capital programme.</li> <li>MP requested ongoing explanations and updates as required</li> <li>Since it was 9 months into the financial year, the Committee agreed to support the Treasury Management strategy subject to recording its concerns about the excessive borrowing limits being proposed and the guidance being set for long term lending which was not relevant</li> </ul>

7	Treasury Management Interim Report	<ul style="list-style-type: none"> <li>• JIAC Chair and HK to arrange regular meetings (update - meetings and updates in progress)</li> <li>• Future outturn reports to provide more detail including confirmation of adherence to strategy parameters (update – noted for next annual and interim TM report)</li> </ul>		<ul style="list-style-type: none"> <li>• HK update Chair during routine offline meetings on significant events that are not necessarily JIAC role but useful information</li> </ul>
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8	HMIC Reviews - Update	Nil		<ul style="list-style-type: none"> <li>• RS provided update on PEEL and delivery of SDM</li> <li>• The JIAC gained assurance that the Force was actively addressing the HIMIC recommendation</li> </ul>
9	OPCC Risk Register	<ul style="list-style-type: none"> <li>• Officers were asked to consider a summary of the main changes and movement</li> <li>• Hard copies of the register to be available to Members</li> </ul>	<p>RB</p> <p>RB</p>	<ul style="list-style-type: none"> <li>• Chair gained assurance from both OPCC &amp; Force registers and process that risks were being identified and kept under review</li> <li>• In view of the size and detail in the document, Members requested hard copies requested</li> </ul>
10	MTFP and Budget Update	<ul style="list-style-type: none"> <li>• Assurance – how to achieve transparency around VFM – HK will consider how to demonstrate</li> </ul>	PD/HK	<ul style="list-style-type: none"> <li>• Chair expressed appreciation for the good quality information in the report which provided assurance around the longer term financial planning</li> <li>• PD advised that the VFM Assessment in the Annual Accounts covers such an assessment of Force and OPCC Resources.</li> <li>• JIAC members were interested in understanding how priorities were set and VFM was considered in taking decisions.</li> </ul>
11	Internal Audit Progress Report	<ul style="list-style-type: none"> <li>• Add Voice update and Governance to agenda</li> <li>• Internal audit of IT strategy to be included in the IA plan</li> </ul>	BW	<ul style="list-style-type: none"> <li>• Members were keen to ensure there was an audit of the IT strategy at a time that would fit with the internal work on this</li> </ul>
12	Implementation of Recommendations	<ul style="list-style-type: none"> <li>• Officers were asked to consider a Summary of progress to be included in each report which would assist the Committee.</li> </ul>	RB	<ul style="list-style-type: none"> <li>• Members sought a summary at the front of the report setting out progress against clearing the recommendations</li> </ul>
13	External Audit Progress Report / Annual Audit Letter	<ul style="list-style-type: none"> <li>• KPMG highlighted additional charges. HK to reply to KPMG and advise Chair</li> </ul>	HK	<ul style="list-style-type: none"> <li>• 2015/16 – the Auditor’s opinion was unqualified but there was a caveat in relation to the decision to dispose of Wootton HQ. [This decision was due to be formally reversed].</li> </ul>

				<ul style="list-style-type: none"> <li>The automated process to close the organisations' accounts would be beneficial in forthcoming years(with an earlier timetable)</li> </ul>
14	Appointment of new External Auditor	<ul style="list-style-type: none"> <li>HK to invite EY to the next JIAC meeting on external audit handover</li> <li>HK to discuss with Chair about JIAC role in external audit and review of annual accounts</li> </ul>	HK	<ul style="list-style-type: none"> <li>AC updated on how the handover arrangements would work between EY (the new external auditors) and KPMG.</li> <li>KPMG aim to have concluded their work on the audit opinion by 31/7/18.</li> </ul>
15	Agenda Plan	<ul style="list-style-type: none"> <li>Include Internal Audit annual report (July)</li> <li>Add item on Voice (March 2018)</li> <li>Annual Governance Statement – include an update on recommendations (HK&amp;PD) (March 2018)</li> <li></li> </ul>	JB	Post Meeting Note: This item is now tabled at the Workshop
16	AOB (Including member updates)	Nil	JB	<ul style="list-style-type: none"> <li>MS/HK would meet with members after the meeting to explore JIAC administrative arrangements further.</li> </ul>
17	Date and venue of next meeting	<ul style="list-style-type: none"> <li>Next JIAC meeting: 10-00 am 19 March 2018</li> <li>Workshop dates to be confirmed</li> </ul>	JB HK	Post Meeting Note: Workshop confirmed as 13 March 2018.





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

## Internal Audit Plan 2018/19

February 2018

This report has been prepared on the basis of the limitations set out on page 10.

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 2018 to 31 March 2019.
- 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 2018 – 2019**.

## 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 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.

OPCC for Northamptonshire and Northamptonshire Police - Draft Report for discussion purposes only

- 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.

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- 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 alongside 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 form part of the 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 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 2018-19

AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JIAC <sup>2</sup>	PLAN DAYS	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>	Q3		18	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> Similar to in previous years, the audit will include operations within the Multi-Force Shared Service (MFSS).
Risk Management	Q3		8	To provide assurance that risk management arrangements are in place and contribute to the effective management of risk.
<b>Strategic &amp; Operational Risk Assurance</b>				
Victims Voice	Q2		7	Following the setting up of a new company to deliver the OPCC's victims requirements, and in light of the VCOP audit carried out in 2016/17, this audit will provide assurance that effective arrangements are place for managing how victims are treated.

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AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JIAC <sup>2</sup>	PLAN DAYS	Commentary on Coverage
Partnership Working	Q2		8	The audit will provide assurance with regards how the Force and OPCC work with their key strategic partners. The audit will focus on, for a sample of strategic partnerships, the governance arrangements underpinning the partnership, including the rationale / aims of the partnership, decision-making, objectives, budget implications, performance and risk management. See CR59.
MFSS Contract Management	Q1		8	In light of the reliance placed on the Multi Force Shared Service (MFSS) to deliver services to the force, and taking account of the ongoing work internal audit have carried out on site at MFSS as part of the core financial systems audits, this audit will provide assurance that the force have robust contract monitoring arrangements in place to manage its relationship with the shared service. See CR101.
HR Performance, Skills, Talent Management	Q4		9	The audit will provide assurance that the force have in place effective performance management routines that meet the requirements of a modern police force. The audit will cover such areas as appraisals and performance, training and development, and talent management. See C102 and CR83.
Seized & Found Property	Q3		10	To provide assurance that the Force has effective controls in place for the receipting, storage, management and disposal of seized and found property. Following an audit of this area in 2017/18 where a 'limited' assurance opinion was given, this audit will look to give assurance that the recommendations have been implemented and that the control environment has been strengthened. See CR95.
Information Technology - GDPR	Q3		10	Using computer specialist resource, the objective will be to provide assurance with regards the force's implementation of, and adherence to, the new General Data Protection Regulations (GDPR) that will apply from 28 <sup>th</sup> May 2018. See CR99.



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AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JIAC <sup>2</sup>	PLAN DAYS	Commentary on Coverage
Information Technology Strategy	Q1		10	To provide assurance that a clear and effective IT Strategy has been developed and is being consistently delivered.
Absence Management & Wellbeing	Q1		8	The audit will look to provide assurance that the force has robust and effective arrangements in place for managing periods of staff absence and the wellbeing of its staff. See CR83.
Service Delivery Model	Q2		12	Whilst the precise scope of the audit will be agreed, it will look to support the post-implementation review of the implementation of the Service Delivery Model (SDM) by providing assurance with regards any changes to the control environment. See C100, CR60 and CR98.
<b>Collaboration</b>				
Collaboration	Q3 & Q4		10	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.
Contingency			8	Time set aside for ad hoc requests.
<b>TOTAL</b>			<b>140</b>	

<sup>1</sup> Proposed timings for each audit to be agreed, with any changes reported to the JIAC.

<sup>2</sup> Dates for delivery to the JIAC to be included within future progress reports when known.

## 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.

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## Appendix C – Contact Details

### Contact Details

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## Statement of Responsibility

We take responsibility to the Office of the Police & Crime Commissioner for Northamptonshire and Northamptonshire Police for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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.

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.

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

Internal Audit Progress Report 2017/18

March 2018

Presented to the Joint Independent Audit Committee meeting of: 19<sup>th</sup> March 2018

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- 02 Summary and conclusions from Internal Audit work to date
- 03 Performance

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- A3 Definition of Assurances and Priorities
- A4 Contact Details
- A5 Statement of Responsibility

## 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 2017/18 Internal Audit Plan which was considered by the JIAC at its meeting on 19<sup>th</sup> June 2017.
- 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 in respect of the 2017/18 plan since the last progress report to the JIAC, these being in respect of the Core Financial Systems, Data Quality and Financial Planning. We have also issued two draft reports, in respect of Estates Management and Counter Fraud Review, where we await responses and the final reports will be issued shortly. Further details are provided in Appendix 1.

Northamptonshire 2017/18 Audits	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Audit Committee Effectiveness	Final	N/A <sup>1</sup>		7	4	11
Seized Property	Final	Limited	4	4		8
Victims Code of Practice	Final	Satisfactory		5	1	6
Fleet Management	Final	Satisfactory		4		4
Core Financial Systems	Final	Satisfactory		7	3	10
Procurement Follow-up	Final	Satisfactory		4		4
Data Quality	Final	Satisfactory		3	3	6
Financial Planning	Final	Satisfactory		2	4	6
Counter Fraud Review	Draft					
Estates Management	Draft					
<b>Total</b>			<b>4</b>	<b>36</b>	<b>15</b>	<b>55</b>

<sup>1</sup> Audit Committee Effectiveness – this audit aimed to assess the JIAC against best practice, such as the principles set out in the National Audit Offices (NAO's) good practice guide 'The Audit Committee Self-Assessment Checklist, 2012'. The objective of the audit was therefore to provide an action plan of areas to consider for driving best practice and not to provide an opinion on the adequacy and effectiveness of controls.



- 2.2 The audit of Crime Management has recently been completed and is currently being reviewed prior to issue of the draft report. The audit of IT Strategy, which was originally planned for quarter 3 and was intended to encompass Nottinghamshire and Leicestershire as well, has been deferred to 2018/19 following changes in the manner in which IT will be managed across the region. Further details are provided within Appendix A2.
- 2.3 Similarly to 2016/17, five specific areas have been identified in terms of the collaborative audits for 2017/18 and a lead officer (OPCC CFO) has been identified as a single point of contact. Four of the audits adopted a similar scope to that of the 2016/17 audits and looked at the business plan and S22 agreement in terms of whether it is being delivered and is fit for purpose going forward; the scope also included value for money considerations and arrangements for managing risk. The four areas of collaboration that formed the focus of these initial reviews were:
- EMCHRS Learning & Development
  - EMCHRS Occupational Health
  - EMSOU Forensic Services
  - Criminal Justice (EMCJS)

The fifth audit within the Collaboration plan relates to the Proceeds of Crime Act (POCA) and will review the arrangements in place across the region to manage cash and property seizures.

- 2.4 We have issued one final report since the last progress report to the JIAC, this being in respect of Criminal Justice (EMCJS). Work in respect of POCA is currently in progress. Further details are provided in Appendix 1.

Collaboration Audits 2017/18	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
EMCHRS Learning & Development <sup>1</sup>	Final	Satisfactory		2	3	5
EMSOU Forensic Services <sup>1</sup>	Final	Significant			3	3
EMCHRS Occupational Health <sup>1</sup>	Final	Substantial			3	3
Criminal Justice (EMCJS) <sup>1</sup>	Final	Satisfactory		1	2	3
<b>Total</b>			<b>-</b>	<b>3</b>	<b>11</b>	<b>14</b>

<sup>1</sup> Denotes those collaborative arrangements which Northamptonshire are a part of.

## 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.

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% (10/10)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (8/8)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	Achieved
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% (11/11)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (1/1)

## Appendix A1 – Summary of Reports 2017/18

Below we provide brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last progress report:

### Core Financial Systems

<b>Assurance Opinion</b>	<b>Satisfactory</b>
--------------------------	---------------------

<b>Area Assurance on adequacy and effectiveness of internal controls</b>	
<b>General Ledger</b>	<b>Satisfactory</b>
<b>Cash, Bank &amp; Treasury Management</b>	<b>Satisfactory</b>
<b>Payments &amp; Creditors</b>	<b>Satisfactory</b>
<b>Income &amp; Debtors</b>	<b>Satisfactory</b>
<b>Payroll</b>	<b>Limited</b>

<b>Recommendation Priorities</b>	
<b>Priority 1 (Fundamental)</b>	-
<b>Priority 2 (Significant)</b>	7
<b>Priority 3 (Housekeeping)</b>	3

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 may 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

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

- MFSS should put a process in place to ensure the procedures are reviewed and updated in line with the *Next Review Dates* that are stated in their procedures.
- MFSS should review the process for removing leavers from the system to ensure that it is completed in a timely manner.
- The entries held within the net pay account should be reviewed and MFSS should appropriately action the reallocation of funds that are currently held within the account. The secondary check on completed reconciliations should be undertaken in a timely manner.
- The Force should consider including individual investment authorisation limits to ensure appropriate oversight of investments in the PCC's name is undertaken.
- The Force should review the debt collection process to ensure appropriate actions are taken in a timely manner to recover outstanding debts.
- MFSS should investigate the instance highlighted and ensure that the system will not allow the Secondary Check to be avoided. Consideration should be given to carrying out spot checks on amendments to payroll data to ensure the secondary checks are taking place.
- The Force should ensure that it is clearly communicated to staff that they need to attach supporting documentation for expense claims to be paid. The Force should consider carrying out monthly spot checks on compliance with the Expenses Policy, highlighting areas of non-compliance to ensure lessons are learnt.

We also raised three priority 3 recommendations of a more housekeeping nature. These were in respect of payroll performance data, recording investments and dip sampling of supplier amendments.

Management confirmed that all actions will be implemented by April 2018.

### Data Quality

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

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

### Governance

- There is an appropriate governance structure in place to evaluate data quality at the Force, including that over individual systems, the Force as a whole and participation in regional systems.
- The roles and responsibilities for ensuring data quality within the Force are clearly stated and communicated.
- There are clearly defined terms of reference within the data quality governance structure.

### Policies and Procedures

- For key systems there is appropriate guidance/training in place on how to correctly and accurately record data within the system and this is appropriately communicated to all system users.
- The guidance and training is regularly reviewed and updated to ensure that best practice for maintaining data quality is up to date.

### Projects

- Appropriate consideration to data quality is given for key projects that the Force is engaged with, including – E-Cins and MFSS upgrade.
- The right staff and skill sets are utilised within the projects to ensure that data quality concerns are addressed.
- The Force gain assurance that data quality issues within IT projects are being appropriately addressed.

### Monitoring

- The Force put in place appropriate controls within systems to ensure data quality can be maintained.
- Regular reviews of data quality across the Force systems are undertaken and outcomes shared to ensure common issues are addressed

### Benchmarking

- There are robust processes in place for the Force to review their data against national benchmarking data and / or other areas of best practice.
- Lessons learnt and best practice approaches to the correct and accurate recording of data are shared and communicated with system users.

We raised three significant (priority 2) recommendations where felt that the control environment could be improved. These related to the following:

- The Force should put in place clear terms of reference for the Niche Data Quality Working Group. Moreover, the roles and responsibilities for data quality of the system should be clearly stated within the Terms of Reference of all Governance Groups for the Niche System, including the Regional & Local Data Quality Teams.
- The Data Quality Strategy for the Niche system should be owned by the Niche Governance Board and it should be reviewed at each meeting to ensure that the achievements and next steps set out in the strategy are being delivered.
- The Force should put in place an audit plan to ensure that the Force's data held on the E-Cins system is regularly reviewed for quality purposes and any inaccurate or inappropriate data placed on the system removed where appropriate.

We also raised three priority 3 recommendations of a more housekeeping nature. These were in respect of governance arrangements in respect of E-Cins, updating the E-Cins user guide and performance reporting. Management have confirmed that agreed actions have either been implemented or will be actioned by June 2018.

## Financial Planning

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

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

- An effective and informed medium term financial plan (MTFP) is in place to ensure that a comprehensive review of the OPCC and Force's financial position for the current and future years is undertaken and reviewed on a regular basis.
- The MTFP and financial planning process is aligned with key strategies and priorities of the OPCC and Force.
- Responsibility for creation, review and sign off of the MTFP is defined and controls are in place to ensure these responsibilities are discharged effectively.
- Appropriate assumptions are made as part of the planning process.
- Efficiency Savings are incorporated into the MTFP and these savings are monitored on a regular basis.
- Procedures and guidance are available to support the effective delivery of the savings programme, including the methodology / rationale for calculating and justifying the proposed savings.
- Responsibilities for the delivery of individual savings targets are agreed and understood.
- There is a rigorous process for challenging the proposed savings targets, including their subsequent approval.
- Processes exist to enable management to highlight potential failure to deliver efficiency savings and action taken accordingly.
- MTFP is regularly monitored to ensure financial performance is aligned with ongoing budget management and monitoring procedures.
- Budget shortfalls/ variances to budget projections are recognised as part of the MTFP process.
- Shortfalls and variances are monitored and the MTFP updated accordingly as these occur through the financial year with future impact on deliver of the overall plan assessed.
- Regular monitoring is undertaken to enable timely management information to be produced to assess performance and accuracy of the MTFP.

We raised two significant (priority 2) recommendations where felt that the control environment could be improved. These related to the following:

- The MTFP 2018-23 should include appropriate scrutiny by the Managing Finance Group and the Accountability Board prior to PCC sign off.
- The process for review, scrutiny and approval of individual savings plans under Operation Balance should be documented. This should include the timely involvement of the Finance department in conjunction with the Change Board to ensure appropriate scrutiny of savings takes place in a timely and efficient manner. Once Operation Balance savings plans have been agreed, an appropriate monitoring process should be put in place to ensure they are delivered.

We also raised four priority 3 recommendations of a more housekeeping nature. These were in respect of the timeframe covered by the MTFP, budget monitoring, budget timetable and price assumptions.

Management confirmed that these recommendations have either been addressed or will be actioned by April 2018.

### East Midlands Criminal Justice Service (EMCJS)

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

The East Midlands Criminal Justice Service (EMCJS) is a four force collaboration between Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire Police. The Collaboration Unit formed as a four Force collaboration in April 2015 when each force agreed to progress with a regional approach to criminal justice.

The Criminal Justice Unit aims to support each regional force through the delivery of a number of services, including:

- Custody Function – provision of trained custody sergeants and civilian detention officers to maintain custody for detainees;
- Custody Audit Compliance – EMCJS undertake its own compliance regime;
- File Administration – EMCJS will provide a service for file receipt and file transfers between investigators and the CPS;
- Warrant Management; and
- Secretariat support for the East Midlands Criminal Justice Board.

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

- A Section 22 agreement is in place that clearly sets out the decision making and governance framework that is in place;
- A clearly defined Business Plan is in place that sets out the statutory duties, objectives and the key performance indicators for the services to be provided;

- The Business Plan is set in line with the Section 22 agreement and it is regularly reviewed to ensure it remains 'fit for purpose';
- There are effective reporting processes in place to provide assurances to the Forces on the performance of the unit;
- Value for money considerations are regularly reviewed and reported to the Forces; and
- The unit has procedures in place to ensure that risks are identified, assessed recorded and managed appropriately.

We also raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This related to the following:

- The Unit should ensure that business plans are signed off in a timely manner prior to the start of the period they are intended to cover. The Unit should adopt a three year plan in addition to its annual plan to ensure that it complies with the Section 22 agreement and that relevant planning into the future is considered.

We also raised two priority 3 recommendations of a housekeeping nature. These were in respect of terms of reference for governance forums and the review and update of policies and procedures.

Management confirmed that these recommendations will be actioned by April 2018.



## Appendix A2 Internal Audit Plan 2017/18

Auditable Area	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Core Assurance</b>						
Core Financial Systems	Oct 2017	Oct 2017	Nov 2017	Dec 2017	Mar 2018	Final report issued.
Audit Committee Effectiveness	April 2017	April 2017	May 2017	June 2017	June 2017	Final report issued.
Procurement Follow-up	Sept 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017	Final report issued.
<b>Strategic &amp; Operational Risk</b>						
Information Technology Strategy	Oct 2017				N/A	Audit deferred to 2018/19.
Data Quality	Nov 2017	Nov 2017	Nov 2017	Jan 2018	Mar 2018	Final report issued.
Counter Fraud Review	Oct 2017	Oct 2017	Jan 2018		Mar 2018	Draft report issued.
Financial Planning	Nov 2017	Nov 2017	Dec 2017	Feb 2018	Mar 2018	Final report issued.
Seized Property	May 2017	May 2017	May 2017	July 2017	June 2017	Final report issued.
Estates Management	Feb 2018	Feb 2018	Mar 2018		Mar 2018	Draft report issued.
Victims Code of Practice	June 2017	June 2017	June 2017	July 2017	Sept 2017	Final report issued.
Crime Management Process	Feb 2018	Feb 2018			Mar 2018	Work in progress
Fleet Management	July 2017	July 2017	July 2017	Aug 2017	Sept 2017	Final report issued.

Auditable Area	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Collaboration</b>						
EMCHRS Learning & Development	Aug 2017	Aug 2017	Aug 2017	Sept 2017	Dec 2017	Final report issued.
EMCHRS Occupational Health	Oct 2017	Oct 2017	Nov 2017	Nov 2017	Dec 2017	Final report issued.
EMSOU Forensic Services	Sept 2017	Sept 2017	Oct 2017	Oct 2017	Dec 2017	Final report issued.
Criminal Justice (EMCJS)	Dec 2017	Dec 2017	Jan 2018	Jan 2018	Mar 2018	Final report issued.
POCA	Jan 2018	Jan 2018			Mar 2018	Work in progress.

## 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.*



## Report to the Joint Independent Audit Committee 19 March 2018

### Internal Audit Recommendations Summary Report

#### RECOMMENDATION

The Committee is asked to note this report.

#### 1 PURPOSE OF THE REPORT

- 1.1 This report provides the Joint Independent Audit Committee (JIAC) with an update on the status of actions arising from recommendations made in internal audit reports.
- 1.2 The report contains actions arising from audits of both Northamptonshire Police and the Office of Northamptonshire Police and Crime Commissioner

#### 2 OVERALL STATUS

- The report shows 74 actions that were open following the last JIAC meeting or have subsequently been added.
- 28 actions have been completed.
- 1 action has been superceded by a later audit.
- 21 actions not yet reached their implementation date and remain ongoing.
- 24 actions have passed their implementation date and are overdue.

#### 3 OVERVIEW

##### 3.1 2015/16 Audits

- One audit action remained open following the December 2017 JIAC meeting. This action has subsequently been closed as it has been superceded by later audits.

##### 3.2 2016/17 Audits

- 11 audits were completed making 60 recommendations.
- 18 actions remained open following the December JIAC meeting.
- 9 actions have subsequently been completed and are closed.
- 9 have passed their implementation date and are overdue.

##### 3.3 2017/18 Audits

- 4 audits had been completed prior to the December JIAC making 29 recommendations.
- 28 actions remained open following the December JIAC.

- A further 4 audits have been completed since the December JIAC making 26 recommendations.
- 19 actions have subsequently been completed and are closed.
- 21 have not yet reached their implementation date and remain ongoing.
- 15 have passed their implementation date and are overdue.

3.4 The attached Summary of Internal Audit Recommendations Report shows details and the current status of all open audit actions.

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**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:** Rachel Swann, Deputy Chief Constable

**Background Papers:** Internal Audit Recommendations – March 2018

**INTERNAL AUDIT RECOMMENDATIONS DASHBOARD**

**Summary of Audit Progress and Outcomes**

**2015/16**

Audits are graded as No Assurance, Limited Assurance, Satisfactory Assurance or Significant Assurance. Some thematic audits are advisory only and not graded. Recommendations are prioritised as Priority 1 (Fundamental), Priority 2 (Significant) or Priority 3 (Housekeeping) to reflect the assessment of risk associated with the control weaknesses.

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Risk Management	September 2015	Limited Assurance	2	3	6
Procurement – EMSCU Level Purchases (above £25000)	February 2016	Limited Assurance	2	6	1
Procurement – Local Level Purchases (below £25000)	February 2016	Satisfactory Assurance			
Detained Cash	February 2016	Limited Assurance	1	5	2
Specials Governance	February 2016	Satisfactory Assurance	0	2	0
Core Financials	March 2016	Limited Assurance	3	5	3
Change Management	May 2016	Not Graded	7 ungraded		

**2016/17**

Audits are graded as No Assurance, Limited Assurance, Satisfactory Assurance or Significant Assurance. Some thematic audits are advisory only and not graded. Recommendations are prioritised as Priority 1 (Fundamental), Priority 2 (Significant) or Priority 3 (Housekeeping) to reflect the assessment of risk associated with the control weaknesses.

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
OPCC Victims Code	June 2016	Limited Assurance	0	7	3
Complaints Management	June 2016	Satisfactory Assurance	0	2	2
Firearms Licensing	September 2016	Satisfactory Assurance	0	2	1
Financial Planning & Savings Programme	November 2016	Satisfactory Assurance	0	3	1
Code of Corporate Governance	November 2016	Satisfactory Assurance	0	4	3
Procurement Follow Up – EMSCU level purchases > £25k	November 2016	Limited Assurance	2	3	1



AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Procurement Follow Up – Local level purchases < £25k		Satisfactory Assurance			
Business Continuity	December 2016	Satisfactory Assurance	0	2	3
ICT Review	January 2017	Satisfactory Assurance	0	3	1
Walgrave Wellbeing Centre	January 2017	Limited Assurance	2	4	0
Risk Management	February 2017	Satisfactory Assurance	0	5	0
Capital Expenditure	April 2017	Limited Assurance	3	2	1

**2017/18**

Audits are graded as No Assurance, Limited Assurance, Satisfactory Assurance or Significant Assurance. Some thematic audits are advisory only and not graded. Recommendations are prioritised as Priority 1 (Fundamental), Priority 2 (Significant) or Priority 3 (Housekeeping) to reflect the assessment of risk associated with the control weaknesses.

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Audit Committee Effectiveness	June 2017	Not Rated	0	7	4
Seized Property	July 2017	Limited Assurance	4	4	0
Victims Code of Practice	July 2017	Not Rated	0	5	1
Fleet Management	August 2017	Satisfactory Assurance	0	4	0
Procurement Follow-up	November 2017	Satisfactory Assurance	0	4	0
Core Financial Systems	December 2017	Satisfactory Assurance	0	7	3
Data Quality	January 2018	Satisfactory Assurance	0	3	3
Financial Planning	February 2018	Satisfactory Assurance	0	2	4
Counter Fraud Review					
Information Technology Strategy					
Crime Management Process					
Estates Management					

**OUTSTANDING RECOMMENDATIONS**

**Key to Status**



Action completed since last report



Action ongoing



Action outstanding and past its agreed implementation date



Action no longer applicable or superseded by later audit action

**2015/16**

**Detained Cash – February 2016**

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
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. 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.                      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.                      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>	<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 cancellations to be emailed back to the end user, which will mean an ability to reconcile between cash in vs appointments.</p> <p>Update - The E-Services project is aware of this requirement, but it is being managed on a prioritisation basis and will be delivered as part of the online package expected on full implementation across the next 12 months. Currently we rely on the Trust &amp; Professional Integrity of our officers &amp; will continue to do so until a practical electronic process is available.</p> <p>Update – Superseded by subsequent audit.</p>	<p>Nick Alexander 31.03.17</p>	

**2016/17**

**Code of Corporate Governance – November 2016**

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Communication of Governance Framework Responsibilities between OPCC and Force</b>  <i>Observation:</i> To ensure that the governance framework and operational arrangements for both the Force and OPCC are clearly defined there should be communication between the OPCC and Force regarding the intention of the OPCC to update and review its Codes of Corporate Governance. It was confirmed through discussion with the Deputy Chief Constable and the Head of Finance for the Force that they were unaware that the OPCC has begun to produce a Corporate Governance Framework as a corporation sole. Therefore an individual Code of Governance, including a Scheme of Governance and Corporate Governance Framework, has not been produced for the Force as a corporation sole.                      The Force were of the belief that the governance arrangements for both the Force and OPCC were covered in a joint code.</p> <p><i>Risk:</i> Where the governance frameworks for both the OPCC and the Force are not clearly defined there is a risk of a lack of control and guidance in respect of the delivery and achievement of the Force and OPCC objectives which may result in these not being met.</p>	<p>There should be appropriate communication between the OPCC and Force regarding the intention to produce individual Codes of Corporate Governance as corporation sole, The Force, in consultation with the OPCC, should produce a Corporate Governance Framework and Scheme of Governance. (OPCC and Force)</p>	2	<p>OPCC                      The Force was involved at the outset of the update when a joint meeting was held regarding Financial Regulations. Furthermore the Force was represented at a Joint Independent Audit Committee in May 2016 where the draft updates were discussed in detail.                      However the documentation is now out to consultation with both the Force and Joint Independent Audit Committee The Force has been involved with the drafting of aligned Financial Regulations, however, there are slight differences between the two documents including the changes to delegated limits, which could cause confusion in working practises and agreements. The Force's Financial Regulations have been published and assurances received regarding how the OPCC's new regulations will not override those assumptions.</p> <p>The Force is currently reviewing whether the other corporate governance documents will be required as an individual corporation sole and if so how that will interact with the OPCC's overarching documents.</p> <p>Update – The PCC has agreed in principle the financial delegation and work is underway to finish the draft document. This should be complete by mid-November following which it will be circulated for proof</p>	<p>Director for Resources and Governance                      Jan 2017</p> <p>Mar 17</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>reading and approval prior to being implemented.</p> <p>Update February 2018 - A draft Corporate Governance Framework was considered at the December 2017 JIAC. A few minor amendments to procurement changes have been incorporated. The CEO and CFO are briefing the PCC on the final version in February 2018 with a view to training directors in the OPCC and implementation on the 1/4/18.</p>		
4.3	<p><b>Defined Governance Responsibilities</b>  <i>Observation:</i> To ensure that the governance frameworks remain appropriate and effective, the responsibility for monitoring and reviewing the frameworks for the Force and the OPCC should be formally defined.                      It was confirmed through discussion with the Acting Director for Governance, Operations and Delivery of the OPCC that currently the responsibility for monitoring and reviewing the effectiveness of the governance framework for the OPCC going forward has not been formally decided.                      Additionally, discussion with the Force Head of Finance identified that the Force have also not formally assigned an Officer to monitor and review the effectiveness of the governance framework for the Force.  <i>Risk:</i> Where the governance frameworks are not monitored and reviewed by a responsible officer there is a risk that ineffective frameworks are not identified which could result in the organisations not achieving their objectives.</p>	<p>Responsibilities for the monitoring and review of the governance frameworks across the Force and the OPCC should be formally defined.</p> <p>(OPCC and Force)</p>	2	<p>OPCC Agreed</p> <p>Force Agreed</p> <p>Update as per 4.1 above</p> <p>Update February 2018: A draft Corporate Governance Framework was considered at the December 2017 JIAC. A few minor amendments to procurement changes have been incorporated. The CEO and CFO are briefing the PCC on the final version in February 2018 with a view to training directors in the OPCC and implementation on the 1/4/18.</p> <p>The new Governance Framework will be reviewed annually and this will be coordinated by the OPCC CFO.</p>	<p>Director for Resources and Governance                      Jan 2017</p>	

**ICT Review – January 2017**

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<b>Patching Policy</b>					

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p><i>Observation:</i> Patch management procedures are defined when updating Microsoft products via the WSUS Server, with Critical and Security patches rolled out automatically. However, on reviewing a report from the WSUS server noted that 2794 computers, 251 servers and 997 laptops require updating. We are informed that this is a misleading view of the situation in relation to patching as this will include a number of low level and unnecessary patches. In discussion with both the Network and Communications Manager and Information Security Manager, they highlighted that this issue has previously been raised during the PSN processes and that further work and resources were required to ensure that effective patching processes were applied. Patching processes for other devices including firewalls and switches was generally up to date.</p> <p><i>Risk:</i> Patches are not applied effectively or in time leading to security weaknesses in the Infrastructure.</p>	<p>A patching policy should be developed alongside the development of the tri-force WAN, with consideration of the appropriate resources needed to effectively maintain the infrastructure.</p>	2	<p>Accepted that a single patching policy should be developed across the tri-force.</p> <p>In the interim Northants team is looking to ensure existing processes are fully documented to feed into the tri-force policy.</p> <p>Update – ISD and ISO have been working on the policy and the likely impacts following the wash-up sessions on the Wannacry issue earlier this year.</p> <p>Update – The Patching Policy has been agreed and results of which will be reported through ETB each month for assessment.</p>	<p>Acting Head of ISD Northants – Northants documentation to be finalised Q1 2017.</p> <p>Tri force collaboration Programme – Tri force policy to be created as part of the tri-force WAN.</p>	
4.2	<p><b>Monitoring Strategy</b></p> <p><i>Observation:</i> Multiple monitoring tools are in place to monitor network and system activity, however there is no current formal monitoring strategy defining what is monitored and what is not and where responsibilities lie.</p> <p><i>Risk:</i> Management do not adequately define areas of risk to be monitored.</p>	<p>The organisation should establish a formal IT monitoring strategy to clearly define what is monitored, how and by whom and what action needs to be taken if an event is identified that requires further attention.</p>	3	<p>Accepted. Departmental Head now working with team managers to draft initial monitoring strategy. Some additional reporting being created to ensure that key areas of technology are effectively monitored and formalised escalation processes determined.</p> <p>Update – A draft strategy has been drawn up and is currently under review. ISD have developed a monitoring dashboard for the infrastructure which will be displayed in the main office.</p> <p>Update - Monitoring Strategy still requires work. We have a Network Monitoring piece</p>	<p>Acting Head of ISD completion end Q1 2017</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				to feed into it but unfortunately due to staff illness there has been limited progress on the Server and Storage side of the fence. The work will recommence on 12 March with a comprehensive solution expected by 23 March.		
4.4	<p><b>Policies and Procedures</b></p> <p><i>Observation:</i> Whilst there are IT policies in place which are generally applicable and appropriate and subject to update, a more detailed review has been on hold through the various iterations of the Strategic Alliance/Tri Force arrangements, as it is viewed that a single sub set of policies will be required. This is now being taken forward but this has meant that elements of the existing policies are out of date and some now defunct policies, such as the CJX disconnection and Cryptographic handling, are still highlighted in the IT security policy when no longer relevant.</p> <p><i>Risk:</i> Policies no longer relate to practice and are unenforceable.</p>	<p>Policies and procedures should be fully reviewed and updated. Where appropriate, this may be part of a single set of policies within the Tri- Force collaboration, but if this were not to go ahead as currently planned, the local policies should also be subject to review as soon as is practical. Once developed, these should be signed off by senior management of the Force/s and should be widely be available and all users made aware of them.</p>	3	<p>Accepted in full</p> <p>Force Information Security Manager has been working with colleagues in the Tri-force collaboration and all three forces are looking to standardise process as soon as practical.</p> <p>Update – Dan Cooper, ISD, is helping with the policies and procedures. The delay in decision about Tri-Force collaboration has caused a delay in this work.</p> <p>Update - Policies and Procedures that are IT related have been updated and agreed to properly reflect activities undertaken within them. These will be uploaded onto the new Policy Library.</p>	<p>Tri-force Information Security teams likely timescales Q4 2017</p>	

**Walgrave Wellbeing Centre – February 2017**

	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
4.1	<p><b>Register of Business Interests</b></p> <p><i>Observation:</i> The OPCC has a Register of Business Interests in place in accordance with the Staff Code of Conduct. The Register records the following information:</p> <ul style="list-style-type: none"> <li>• Collar Number</li> <li>• Name of individual</li> <li>• Date approved</li> <li>• Summary of the business interest</li> </ul>	<p>Consideration be given to expanding the information held on the register, in particular to capture the date when the interest first occurred. Any subsequent disclosure should then be reviewed to confirm any</p>	2	<p>Agreed and accepted</p> <p>Fin Regs, Sect C4, paras 4.5, 4.7, 4.9, 4.10 &amp; 4.11 are relevant. All granting and commissioning processes must ensure the register of interests and any potential conflicts of interest are clearly highlighted and transparent. Better judgement</p>	<p>S McCartney 1st Nov 2016 M Scoble 20 Dec 16</p>	

	<ul style="list-style-type: none"> <li>Organisation name</li> </ul> <p>It was noted, however, that the Register does not capture the date when the interest first occurred, ie. if someone belatedly disclosed a longstanding interest, only the date of disclosure would be recorded, giving no opportunity to review any previous transactions with the relevant organisation.  <i>Risk:</i> Related party transactions may have occurred prior to disclosure of the interest.</p>	<p>prior transactions with the organisation.</p>		<p>required on interpretation of “novel, contentious or repercussive” of decisions that require potential escalation of authority and identification of risk. OPCC will review all processes to ensure better controls and subsequent transparency.                      Commissioning Manager, Strategic Resources Officer and Head of Office to identify and review all process and make recommendations to CEO before end of FY 16/17.</p> <p>Update - Completed – Business Interests are completed as a matter of course. Additionally, annual related party returns have been implemented in the OPCC for 2017/18 and undertaken in January 2018 for all directors, PCC, CEO and CFO and staff in roles which could influence decisions and compared to funds into and out of the OPCC and force for full disclosure in the accounts. (HK 28/2/18)</p>		
4.2	<p><b>Related Party Transactions</b>  <i>Observation:</i> External Audit identified the ‘missing’ related party transaction through comparing the Register of Business Interests to a record of payments made to the organisations listed.                      From discussions with officers, there is no formal process for recording related party transactions for subsequent reporting in the accounts.  <i>Risk:</i> All related party transactions are not disclosed as such in the financial statements to the accounts.</p>	<p>A process should be put in place for capturing and recording information in respect of related party transactions which can subsequently be drawn upon when compiling the accounts.</p>	2	<p>Agreed and accepted</p> <p>Update - Completed – Business Interests are completed as a matter of course. Additionally, annual related party returns have been implemented in the OPCC for 2017/18 and undertaken in January 2018 for all directors, PCC, CEO and CFO and staff in roles which could influence decisions and compared to funds into and out of the OPCC and force for full disclosure in the accounts. (HK 28/2/18)</p>	<p>Steve Dainty                      31st March 2017                      (as part of 2016-17 closure of Accounts)</p>	
4.3	<p><b>Supporting Reports – Business Interests</b>  <i>Observation:</i> With regards the award of a grant to Walgrave Wellbeing Centre (WCC), a Decision Record (rather than an Executive Order) was produced, as the grant was below the defined threshold (£50k) and not considered of ‘significant public interest’. It was noted that the Decision Record and / or Supporting Officer Report did not make reference to the Acting Chief Executive’s interest in WWC and, as a consequence, the fact that it would result in a related part transaction.  <i>Risk:</i> The related party transaction may not be considered as part of the decision-making process for approving the award of a grant.</p>	<p>The Decision Record / Supporting Report should clearly set out if the decision impacts on an organisation where there is a business interest with an officer of the OPCC.</p>	2	<p>Agreed and accepted</p> <p>To apply to any future Decision Record/Supporting Report</p> <p>As per serial 4.1</p> <p>Update - Completed as per 4.1 and 4.2 above. Additionally, a new Decision Record Process was implemented (HK 28/2/18).</p>	<p>Director for Resources and Governance                      1st Nov 2016</p> <p>M Scoble                      20 Dec 16</p>	

<p>4.4</p>	<p><b>Repository of Decision Records</b>  <i>Observation:</i> In addition to the grant payment to WWC, audit selected a further sample of four grants with the aim of testing the following:</p> <ul style="list-style-type: none"> <li>• Rational / business case for the award</li> <li>• Application and criteria (for OFBCI grants)</li> <li>• Decision record and / or Executive Order</li> </ul> <p>Whilst there should be supporting documentation, including approval (whether in the form of a Decision Record or other means of recording the approval), not all documentation could be found, such as Decision Records, Supporting Reports, agreements and monitoring returns. It was noted that the introduction of Decision Records was a relatively new process, although Audit were also not able to locate other relevant documentation.  It was evident that there was a need to maintain a central repository of key documents support the grant award / decision making process.  <i>Risk:</i> A lack of audit trail leading to difficulties in supporting decisions made.</p>	<p>Decision Records should be produced for all grant decisions. The Decision Record should be accompanied by Supporting Reports and/or other relevant documentation to support the grant award. Such information should be held in a central repository and should include Agreements with the recipient and any subsequent monitoring returns.</p>	<p>1</p>	<p>Agreed and accepted</p> <p>The Head of Office will be asked to devise a process.</p> <p>Clear delineation required between an Executive Order (EO) and a Decision Record (DR); or simplification of process and adoption of a single Decision Record template for all PCC decisions.  The Corporate Governance Framework, specifically the Scheme of Governance (paras 13.3.5 &amp; 13.4.3) relate to EOs and DRs. This needs to be reviewed and clarified before Corporate Governance Framework is endorsed.</p> <p>Update - Completed as per 4.1 to 4.3 above. (HK 28/2/18).</p>	<p>Director for Resources and Governance  1st Nov 2016</p> <p>M Scoble  20 Dec 16</p>	
<p>4.5</p>	<p><b>Grant Monitoring</b>  <i>Observation:</i> Linked to the need to hold a central repository of key documentation referred to in 4.4 above, testing of a sample of grants found in some instances there was a lack of documentation to provide evidence of a robust process for confirming grants were being spent for the purposes they were given. With regards WWC, an email was provided to Audit from the WWC stating that the minibus was on order and subsequent confirmation received that the minibus had been purchased. With regards the building works element of the grant, Audit were informed that, due to the stage of completion, the OPCC had still to confirm progress on the scheme and would expect a full report by the end of the year.  <i>Risk:</i> Grants are not used for the purposes they were awarded.</p>	<p>A process should be put in place for ensuring grants are being spent for the purposes they were awarded. This should include documented reporting routines and (as per 4.4) a central repository of key documentation.</p>	<p>1</p>	<p>Agreed and accepted</p> <p>The Head of Office will be asked to devise a process.</p> <p>Link to serial 4.1 response</p> <p>Update -- PCC Grants are not given out directly by the OPCC and are only awarded through the Community Foundation. New related party returns require all officers to disclose charities and third parties in addition to business interests. It is proposed this remains open until after the external audit for 2017/18 to ensure the new related party approach is operating effectively.</p>	<p>Director for Resources and Governance  1st Nov 2016</p> <p>M Scoble  20 Dec 16</p>	
<p>4.6</p>	<p><b>Delegated Limits</b>  <i>Observation:</i> The Scheme of Governance includes the Financial Regulations which include the delegate authorisation levels. Where decisions are made at officer level, these should be within the delegated approval levels set out in the Financial Regulations (Section F). However, this makes no reference to</p>	<p>The Delegated Limits set out in Section F of the Financial Regulations should clearly set out those limits with regards the award of grants, above which the approval of the PCC should be obtained.</p>	<p>2</p>	<p>To be included within the current update of Scheme of Governance.</p> <p>Scheme of Governance under review, including the delegated limits (are delegated limits consistent across region?). Timeline of Jan 17 needs to be reviewed due to requirements set</p>	<p>Director for Resources and Governance  January 2017</p> <p>M Scoble  20 Dec 16</p>	



	<p>grants other than the PCC's ability to make community grants up to £100k in one year.                  From discussions with officers, it was confirmed that the Financial Regulations do not currently specifically refer to delegated approval levels for grants.  <i>Risk:</i> Financial decisions may be made beyond the delegated approval levels of an officer.</p>			<p>out in Management Responses at ser 4.1, 4.3, 4.4 &amp; 4.6 followed by formal PCC endorsement before being sent to JIAC.</p> <p>Update - In progress – the draft scheme of governance was shared with the JIAC in December 2017, is awaiting sign off by the PCC on the 8/3/18 and is due for implementation on the 1/4/18. It is recommended that the action remains open until 1/4/18. (HK 28/2/18).</p>		
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**Risk Management – February 2017**

	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
4.5	<p><b>Training for OPCC Staff</b>  <i>Observation:</i> In order to ensure that staff have the appropriate skills to identify, report and assess risks to their service areas, they should be provided with adequate and appropriate risk management and/or awareness training.                  Discussion with the Director of Delivery and Director of Resources and Governance confirmed that the risk management processes within the OPCC are currently under review and a new working methodology for risk management is to be implemented. This includes the use of the IPSO Risk Management software. The Director of Delivery has been trained on IPSO as he will be the officer who updates the system and it is not expected that any other members of staff will require access.                  However, other members of staff within the OPCC will require training on the new risk management processes, including their roles/responsibilities. Training was not provided on the previous methodology and will be required once the new risk management working practices have been finalised. At the time of the audit no training had been provided.  <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>	<p>Key staff within the OPCC should receive appropriate risk management training, whilst wider risk awareness should be developed across the OPCC including training on the new risk management processes implemented.                  A recommendation regarding training for OPCC staff was raised within the 2015/16 internal audit report of risk management. (OPCC)</p>	2	<p>The risk lead in the OPCC recognises this issue. The OPCC lead is currently reviewing and refreshing the OPCC risk policy. Once completed this will be shared with all staff and will be the subject of a whole team briefing to aid understanding. Training and awareness briefings will be arranged and delivered to all staff on the identification of, adoption of and management of risks.                  The lead officer is seeking to source more formalised training for himself. All of this will be documented for next audit.</p> <p>Update – The OPCC and Force are currently exploring joint training to be undertaken by an external provider in spring/summer 2018.</p>	Paul Fell, Director for Delivery October 2017	

**Capital Expenditure – April 2017**

	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
4.1	<p><b>Asset Management / Capital Strategy</b>  <i>Observation:</i> In order for effective management of the OPCC assets and capital, and to ensure that roles, responsibilities and reporting lines have been formally defined, an Asset Management Strategy and Capital Strategy should be produced. The Estates Strategy currently being produced should be linked to the Asset Management and Capital Strategies.                      It was confirmed that, at the time of the audit, the OPCC does not have an Asset Management Strategy or Capital Strategy in place.                      An executive order (#54) was approved by the PCC in January 2016 regarding a 'Consultation on Revised Estates Strategy'. As a result of this executive order, the PCC approved, for consultation purposes, the draft Estates Strategy 2016. However, discussion with the OPCC Chief Executive identified that the Estates Strategy is currently in the process of being reviewed and, as a result, a revised strategy will be produced.  <i>Risk:</i> Where an Asset Management Strategy and Capital Strategy are not produced there is a risk that staff are unaware of their roles and responsibilities and the reporting lines in regards to the capital programme and asset management which may result in ineffective management of the capital and assets.</p>	<p>The OPCC should produce an overarching Asset Management Plan and Capital Strategy which will be supported by the Estates Strategy, Treasury Management Strategy and Capital Programme. These should be approved by the Commissioner (or persons with delegated authority).                      [OPCC]</p>	1	<p>Martin Scoble. 23 Apr 17.                      Fully endorse the recommendation. The OPCC has fundamentally failed to produce sufficient governance, processes, strategies and active management of the capital programme. The current Financial Review, which has been instigated by RGJ, has also independently identified these failings.                      The Estates Strategy and subsequent capital programme, asset management and treasury management strategies are being developed now with an estimated completion of Jun 17. This will be a step change in the ability of the OPCC and Force to appropriately and correctly make decisions based on accurate information and also monitor progress. This has been a substantial failure over the past 12/24 months that has been recognised and is being addressed. This Internal Audit report now formalises this requirement.</p> <p>Update - In Progress - The 2017/18 Treasury Management Strategy was supported by the JIAC (with reservations) in December 2017.</p> <p>The capital programme was included as part of the 2018/19 Budget and Precept Proposals approved at the Police and Crime Panel on the 1/2/18. Whilst much work has been undertaken on it, the area of ICT Strategy and that element of the capital programme remains subject to review and will be updated in the first quarter of 2018/19.</p> <p>Both the Capital Programme and the Treasury Management Strategy 2018/19 will be considered at the March 2018 JIAC.</p> <p>It is recommended this action remains open until after that consideration (HK 28/2/18).</p>	<p>Estates. MS. Jun 17                      Capital Prog. MS/RGJ. Jul 17                      Treasury Man. RGJ. Jul 17                      Governance Process. MS. (subject to Fin Review). Jul 17</p>	

<p>4.2</p>	<p><b>Governance Structure for Oversight of the Capital Programme</b>  <i>Observation:</i> To ensure that there is effective oversight of the Capital Programme, the governance structure between the Force and the OPCC in regards to the programme should be reviewed and a forum created to provide a mechanism for effective management monitoring.                  The Estates Programme Board consists of membership from both the Force and the OPCC.                  A review of the Board's terms of reference confirmed that the Board has the following purpose:                  "The Board is responsible for drafting, securing agreement to and the oversight of delivery of the OPCC Estates Strategy, and the associated Asset Management Plan, Capital Strategy and Capital Programme."                  However, it was noted that the Board provides strategic oversight of the Capital Programme and is not a forum for the operational management and monitoring of the programme and the assets associated with the programme. This was confirmed through a review of the meeting minutes. This Board does not review regular reports on projects within the Capital Programme and does not have the delegated authority to make decisions regarding the Capital Programme. The Capital Programme is also made up of other projects that are not associated with estates and therefore the Estates Programme Board does not seem the most appropriate forum to oversee the Capital Programme.                  It was identified through discussion that a number of meetings had been arranged between the Force and OPCC to discuss the Capital Programme, however these were not held as planned. Therefore there are weaknesses in the current governance structures in place to operationally manage the Capital Programme.  <i>Risk:</i> Where there is not effective governance arrangements between the Force and the OPCC for the oversight of the Capital Programme there is a risk of a lack of control and guidance in respect of the delivery and achievement of the programme.</p>	<p>The governance structure for the oversight of the entire Capital Programme should be reviewed and a forum should be created to provide a mechanism for effective management monitoring between the Force and OPCC. The forum should monitor both business delivery and financial spend at a scheme level, as well as reviewing decisions to be taken and providing strategic oversight of the programme.                  [OPCC and Force]</p>	<p>1</p>	<p>Martin Scoble. 23 Apr 17.                  Agreed. As per 4.1. Capital governance process subject to the estates and fin review between the OPCC and Force.                   Update - Completed – The capital programme was considered as part of the budget setting process with the force in January 2018, including where the PCC sought further information (eg the ICT Strategy).                   The Capital Programme is now reviewed quarterly by the CFO OPCC with the Force (all changes approved by the OPCC) and is attached to every monthly budget monitoring force report. (HK 28/2/18)</p>	<p>MS. Jul 17</p>	
<p>4.3</p>	<p><b>Process for Amendments to the Capital Programme</b>  <i>Observation:</i> To strengthen the decision making processes in place over the Capital Programme, a</p>	<p>A formal process should be implemented for the approval of in year changes to the Capital</p>	<p>1</p>	<p>Martin Scoble. 23 Apr 17                  Agreed. As per 4.1</p>	<p>MS. Jul 17</p>	

	<p>formal process for the approval of amendments to the programme, including additions, deletions and budget virements, should be implemented.</p> <p>There is currently no formal agreed process for approving any changes to the Capital programme, including budget virements between projects, additions to the programme and deletions from the programme.</p> <p>The current process followed is that Force Finance will update the Capital Programme budget spreadsheet with changes and send this to the OPCC on a monthly basis. Unless the OPCC say otherwise, it is taken as approved.</p> <p>There is no process whereby the OPCC provides formal approval of these changes.</p> <p>There is also no forum for discussing potential amendments to the Capital Programme between the OPCC and Force prior to these decisions being taken.</p> <p><i>Risk:</i> Where there is not an adequate decision making process in place over the Capital Programme, there is a risk of inappropriate decisions being taken which could result in a financial loss to the Force.</p>	<p>Programme, including additions, deletions and budget virements. Formal approval should be provided by the OPCC prior to the amendments being processed by the Force. [OPCC and Force]</p>		<p>Update - Completed – All Changes the Capital Programme require approval from the PCC – the capital programme is provided monthly to the PCC as part of the budget monitoring report, variations picked up through that mechanism together with an agreed quarterly review. (HK 28/2/18)</p>		
<p>4.4</p>	<p><b>Asset Registers</b></p> <p><i>Observation:</i> To ensure that the Force and the OPCC are easily able to identify at any given time the assets owned, the value of these assets and the remaining lifespan of the assets, and in order for effective management of the assets, the Force should simplify its asset registers and ensure that all required information is recorded against each asset.</p> <p>Three separate asset registers are maintained for the following categories:</p> <ul style="list-style-type: none"> <li>• Fixed assets (such as buildings, land and equipment);</li> <li>• Vehicle assets; and</li> <li>• IT assets.</li> </ul> <p>A review of the asset registers identified the following:</p> <ul style="list-style-type: none"> <li>• The Fixed Asset Register is currently maintained in a format that is used for the Finance Department's accounting purposes and therefore includes calculations and information not required for an asset register. The Fixed Asset Register can therefore be simplified for ease of reference; and</li> </ul>	<p>The Force should revise the asset registers in order for only necessary information to be held on the register. All asset registers should include the following information:</p> <ul style="list-style-type: none"> <li>• Item description;</li> <li>• Item valuation (both initial purchase value and current value for depreciation);</li> <li>• Item added/disposed of date;</li> <li>• Item age; and</li> <li>• Expected/Average lifespan of item</li> </ul> <p>[Force]</p>	<p>2</p>	<p>Martin Scoble. 23 Apr 17 Agreed. As per 4.1. Asset management will form part of the new estates strategy currently being developed (for buildings and land). These will be reviewed periodically and updated with proposed changes being escalated for decisions.</p> <p>In addition, the reviewed and amended Corporate Governance Framework, which includes the Scheme of Governance and delegations, will allow better decision making and reporting by exception. Complimentary registers will be established and the reviewed governance process utilised.</p> <p>Richard Jones, 24 Apr 17 As part of the Asset review in 2016/17 the Statement of accounts will formally document that plant and equipment is now recorded in the OPCC Balances Sheet. These assets have formally been 'transferred' to the OPCC in last financial year (the external auditors are aware</p>	<p>MS/DCC Jul 17</p> <p>RGJ, Jul 17</p>	

	<ul style="list-style-type: none"> <li>The IT Asset Register does not record current value of the assets (although does record purchase price). Additionally, although it was noted that the Force run a 4/5 year replacement cycle for most IT equipment (other than phones and tablets which are 2/3 year cycles), the IT Asset Register also does not record the expected life and age of the assets.</li> </ul> <p><i>Risk:</i> Where the OPCC and Force are unaware of the assets owned, and the current value of these, there is a risk of potential misappropriation going undetected and/or inaccurate asset valuations in the accounts which may result in financial loss and reputational damage to the Force.</p>			<p>of this accounting adjustment). Furthermore, as part of the review, both parties will establish whether it is feasible to maintain one asset register going forward.</p> <p>Update - In Progress for the 2017/18 Statement of Accounts Process – it is recommended this action remains open until conclusion of the statement of accounts process for 2017/18. (HK 28/2/18).</p>		
4.5	<p><b>Agreement of Formatting and Consistency</b></p> <p><i>Observation:</i> To ensure that there is consistency across the OPCC and Force, both parties should agree to the format of Capital Programme reports and use this format for reporting purposes. It was identified that the OPCC and the Force are currently using different formatted versions of the Capital Programme for reporting purposes. The OPCC uses the format originally used for the approved 2016/17 Capital Programme, whilst the Force uses a budgeting format which details spend against the budgets for each project within the Capital Programme. Comparison of the two versions as at December 2016 identified that there are discrepancies between the values of the projects within the programme. The OPCC version reports the total approved cost of the programme as £60,169,000 whereas the Force version reports the total approved cost as £60,368,000.</p> <p><i>Risk:</i> Where there is no consistency between the OPCC and Force in reporting against the Capital Programme there is a risk of potential inaccuracies in reported data which could result in poor decision making and potential financial loss to the Force.</p>	<p>The OPCC and Force should agree to the formatting of Capital Programme reports for monitoring purposes. Upon agreement, both parties should use the same formatting style for consistency and ease of reference. [OPCC and Force]</p>	2	<p>Martin Scoble. 23 Apr 17 Agreed. As per 4.1 Financial Review will provide further detail and make recommendations.</p> <p>Richard Jones, 24 Apr 17 Formal reporting timescale and formatting will be reviewed including the feasibility of moving from a monthly to a quarterly capital reporting cycle.</p> <p>Update – whilst developments have been made in 2017/18 to reporting, this remains in progress and will be further reviewed in 2018/19.</p>	RGJ. Jul 17	
4.6	<p><b>Reporting Timetable</b></p> <p><i>Observation:</i> To ensure that Capital Programme monitoring information is reported by the Force to the OPCC in a timely manner, a timetable for providing information should be formally agreed by both parties. In instances where the agreed dates may not be met, the Force should inform the OPCC of this potential exception in a timely manner to prevent disputes.</p>	<p>A timetable for reporting Capital Programme monitoring information between the Force and the OPCC should be produced and formally agreed by both parties. Any future exceptions to meeting the agreed timetabled</p>	3	<p>Martin Scoble. 23 Apr 17 Agreed. As per 4.1 Fin review recommendations and subsequent governance process will ensure that appropriate reporting/monitoring is established for awareness and decision making as appropriate.</p>	MS/RGJ. Jul 17	

<p>A process is in place whereby the Force supplies the OPCC with budget monitoring information against the Capital Programme on a monthly basis. It was confirmed for four months of the 2016/17 financial year that the Force supplied the OPCC with budgeting information on the following dates:</p> <ul style="list-style-type: none"> <li>• Jan 17 - Not sent at the time of the audit (March 2017);</li> <li>• Dec 16 - 31st Jan 2017;</li> <li>• Nov 16 - 24th Dec 2016; and</li> <li>• Oct 16 - 28th Nov 2016.</li> </ul> <p>There is currently no agreed timetable for when the Force should supply budget monitoring information on the Capital Programme to the OPCC and therefore it cannot be confirmed that the reports had been sent on time.</p> <p><i>Risk:</i> Where a timetable for reporting Capital Programme monitoring information is not produced there is a risk of a potential delay in providing the requested information which could result in ineffective decision making regarding the Capital Programme.</p>	<p>dates should be communicated in a timely manner. [OPCC and Force]</p>		<p>Richard Jones, 24 Apr 17 Formal reporting timescale and formatting will be reviewed including the feasibility of moving from a monthly to a quarterly capital reporting cycle.</p> <p>Update - Completed – Force Budget Monitoring information is now received monthly in the OPCC and this includes the capital programme every month, and for which a more detail review is also undertaken quarterly. (HK 28/2/18).</p>		
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**2017/18**

**Audit Committee Effectiveness - June 2017**

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
4.1	<p><b>Assessment of the Effectiveness of the JAIC</b> <i>Observation:</i> The JAIC Terms of Reference (ToR) requires that the Committee review its own effectiveness; under 'Conclusion' it states: 'It is important that the JAIC adds value to the organisations in discharging its responsibilities and so will continue to assess its own effectiveness.' The JAIC, through the Chair, produces the JAIC annual report once a year, the last one being in June 2016. As part of the report, it includes the following appendices: a) Terms of Reference – it is an opportunity for members to review and update the ToR.</p>	<p>Actions identified following this review of the JAIC's effectiveness should be agreed and monitored at subsequent meetings via a specific action plan. As part of the JAIC's review of its own effectiveness, consideration should be given to securing feedback from other (ie non-Committee members) contributors to the JAIC as to its effectiveness</p>	2	<p>Agreed 1. The actions arising from this report's recommendations will be incorporated into the Committee's annual work plan and hence will be reviewed annually.</p> <p>Update – This was completed in June 2017 and the action can be closed.</p> <p>2. The draft annual report will be circulated to the OPCC, DCC and CFO for comments.</p> <p>Update - Effectiveness of Audit Committee will be discussed at the next JAIC workshop</p>	<p>June 2017 / JAIC Chair</p> <p>Revised date July 2018</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>b) Aims &amp; Objectives – this a reflection of the previous year where the committee assess their performance against their aims / objectives. The JIAC work plan sets out the annual self-assessment of the committee. It was acknowledged that the self-assessment, which forms part of the JIAC annual report, is not shared outside of the JIAC members, with there being no means by which the Committee seeks feedback on its performance. <i>Risk:</i> Opportunities are lost to develop the Committee and to ensure that it is meeting its terms of reference.</p>			<p>and the draft report for the July meeting will be circulated in advance for comment. Close after July JIAC.</p>		
<p><b>4.2</b></p>	<p><b>JIAC Terms of Reference</b> <i>Observation:</i> The JIAC ToR, whilst it does not follow the precise format of the CIPFA Position Statement, broadly covers the content. The JIAC ToR were last reviewed at the June 2016 meeting, along with the Chair's Annual Report. However, from review of the OPCC website, there is no direct link to the Committee's terms of reference, although it can be found through searching the agendas and papers for individual meetings (albeit, a tracked version of the ToR is contained within the Chair's annual report). From discussions with the Committee, it was agreed that a further area for clarity that would be helpful is in terms of the boundaries of the JIAC's responsibilities and, in particular, what areas the Committee should not cover so as to avoid duplication with other forums (examples include performance and ethics). <i>Risk:</i> The Committee's roles and responsibilities are not clearly understood.</p>	<p>The Terms of Reference for the JIAC should be clearly available on the OPCC website. Consideration should be given to updating the ToR to include a summary of those areas which will 'not' be within the remit of the JIAC. In determining this, the overall governance structure of the Force should be considered.</p>	<p><b>2</b></p>	<p>Agreed 1. The JIAC chair to discuss with the OPCC changes to the website. <i>Update - Discussion between JIAC chair and OPCC CX. Awaiting changes to OPCC website. OPCC CFO will be reviewing the website (for this and for financial content by the end of April 2018)</i> 2. The scope and exclusions to the JIAC terms of reference will be considered annually including June 2017. JIAC retains an overview of all aspects of governance but there may be areas such as 'Ethics' where it is accepted that another body has the immediate oversight. <i>Update - Considered at the June 2017 meeting. This action can be closed.</i></p>	<p>1. Sept 2017 2. June 2017 JIAC Chair</p>	
<p><b>4.3</b></p>	<p><b>The Role of the JIAC</b> <i>Observation:</i> Issues with regards the organisation's understanding of the role of the JIAC, particularly with regards the wider assurance requirements (beyond the traditional financial areas), came out of the self-assessment. Through discussions at the JIAC workshop, it was agreed that there were a number of actions that should be considered in order to better</p>	<p>Consideration should be given to enhancing the organisation's understanding of the role of the JIAC through, for example: a) The Chair meeting regularly with the OPCC Chief Exec and the Chief Constable.</p>	<p><b>2</b></p>	<p>a) To be discussed with OPCC CX and DCC <i>Update - Meeting arranged but had to be postponed. Revised date not yet fixed.</i> b) To be discussed with OPCC CX and DCC, and to include a similar invitation to the Chief Constable.</p>	<p>All - Sept 2017 JIAC Chair</p>	



	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>publicise the role of the JIAC and enhance relationships with the OPCC and Force. These include:</p> <ul style="list-style-type: none"> <li>The Chair meeting regularly with the OPCC Chief Executive and the Chief Constable.</li> <li>Invitation to the PCC to attend a JIAC meeting on an annual basis.</li> <li>Reviewing the OPCC website and, in particular, how it refers to the JIAC.</li> <li>Consideration should be given to including direct links to the JIAC ToR (as per 4.2) and annual report.</li> <li>Presentation by the JIAC Chair of the JIAC annual report to the PCC Board.</li> </ul> <p><i>Risk:</i> The Committee's roles and responsibilities are not clear to others and may hinder its effectiveness.</p>	<ul style="list-style-type: none"> <li>b) Invitation to the PCC to attend a JIAC meeting on an annual basis.</li> <li>c) Reviewing the OPCC website and, in particular, how it refers to the JIAC. Consideration should be given to including direct links to the JIAC ToR and annual report.</li> <li>d) Presentation by the JIAC Chair of the JIAC annual report to the PCC Board.</li> </ul>		<p>Update - Dependent on (a)</p> <ul style="list-style-type: none"> <li>c) Part of 4.2 above</li> <li>d) To be discussed with OPCC CX and DCC.</li> </ul> <p>Update - Presentation made to Police and Crime Panel. Presentation to the PCC Board to be discussed.</p>		
<p><b>4.4</b></p>	<p><b>JIAC Efficiency</b></p> <p><i>Observation:</i> Feedback from JIAC members acknowledged that meetings can be lengthy, which is supported by audit's experience of other similar committees. It was felt that the length of meetings is partly contributed by the current lack of confidence in the information that is being provided to them (in particular areas at least). Examples being in respect of the issues over the accounts, the sale of Force HQ and the lack of an estates strategy. Once confidence begins to return, it is hoped that this will be reflected in the length and structure of future JIAC meetings. It was agreed that there were a number of actions related to this that could be taken (see recommendation). Additionally, from discussions at the JIAC workshop, the need for the JIAC minutes to reflect areas that the committee still needed assurance on was discussed. It was felt that this would provide a public declaration of areas where further assurance was required and would also influence the future agendas / JIAC work plan.</p> <p><i>Risk:</i> The JIAC does not take the opportunity to increase its efficiency.</p>	<p>The efficiency with which the JIAC conducts its business should be reviewed; possible actions include:</p> <ul style="list-style-type: none"> <li>Keep JIAC agenda's under review, continuing to challenge what is really important and whether items could be prioritised. This would also require review of the JIAC annual work plan. □</li> <li>Continue to review the order in which agenda items are taken, including splitting areas of focus (eg Force, OPCC, etc), potentially allowing attendees to arrive and depart in accordance with their item.</li> <li>Develop the role of lead member for key activities and make greater use of JIAC attendance at other forums / groups.</li> </ul>	<p><b>2</b></p>	<p>Agreed to keep format etc. under review. Recording areas where assurance requirements have yet to be met will be included in the JIAC minutes in future.</p> <p>Update - Agenda plan and order revised. Minutes replaced by action log. Record in the action log is beginning to identify those areas where assurance was gained. This concept will be further developed at the next JIAC workshop.</p> <p>JIAC representatives attend Force Assurance Board and Change Board. Also involved in other aspects (e.g. accounts review with auditors and selected appointments). This action can be closed.</p>	<p>Ongoing June 2017 JIAC Chair &amp; Members</p>	



	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
		<p>Consideration should be given to ensuring that JIAC minutes reflect areas where the committee required further assurance and this should then be used to drive the JIAC annual work plan.</p>				
<p><b>4.5</b></p>	<p><b>JIAC Membership</b>  <i>Observation:</i> The JIAC ToR states that ‘the Committee shall consist of no fewer than four members’ and that ‘a quorum shall be two members.’                      At present, the JIAC has four members, which is lower than some other audit committees.                      Additionally, the fact that only two members are needed to ensure a meeting is quorate is lower than some other committees and could be a reflection of the number of members the JIAC currently has. Members felt the experience and competency of the Committee was good, albeit there was a little too much experience on finance (three accountants) and possibly a need for an input of skills in other areas. As the JIAC only had four members, this is potentially an area to look at going forward, ie the Committee would benefit from a wider breadth of competencies.  <i>Risk:</i> The JIAC does not have a full breadth of competencies to effectively fulfil its duties.</p>	<p>The JIAC should continue to look for a fifth member in order to provide both an alternative skill set and resilience with regards being quorate.</p>	<p><b>3</b></p>	<p>The need to try to recruit a fifth JIAC member is agreed.                      Update - Recruitment deferred whilst OPCC recruited a CFO. Recruitment now planned for March / April 2018. Aim to recruit two new members.</p>	<p>November 2017                      JIAC Chair</p>	
<p><b>4.6</b></p>	<p><b>Administrative Support</b>  <i>Observation:</i> In order to facilitate an effective independent assurance function, it is important that the administrative support for the Committee enables it to fulfil its function.                      Feedback from, and discussions with, members, acknowledged that issues had arisen with the administration supporting the JIAC. This included planned reports not being made available, the promptness with which papers and minutes were issued and the frequency of verbal reports.  <i>Risk:</i> The Committee are not able to effectively fulfil their duties.</p>	<p>The administration supporting the JIAC should be kept under review.</p>	<p><b>3</b></p>	<p>Agreed, there have been concerns with the preparation and submission of reports etc in the past and there are some areas where the items are outstanding but it is understood that these are being addressed. Future concerns to be highlighted to the PCC and CC.                      Update - The planning of agendas, scheduling of reports and production of reports has been improved recently. Items which have been outstanding for some time are being concluded.                      The JIAC has had concerns about the administrative support but has agreed to run with the OPCC’s proposals (including</p>	<p>Ongoing                      JIAC Chair &amp; Members</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
				the minuting of meetings) and review if necessary.		
4.7	<p><b>Disclosable Interests</b></p> <p><i>Observation:</i> Whilst the JIAC ToR sets out that Declarations of Interest would be a standing agenda item at meetings, it does not refer to the need to include member interests in a register. Whilst a register of interests is referred to within the Scheme of Governance, it was not clear whether this extends beyond officers. Whereas some other OPCC websites clearly set out the register of interests, and have links to each member's 'Disclosable Interest' form, this is not the case for Northamptonshire.</p> <p><i>Risk:</i> Reputational damage where the work of the Committee is brought into question as a consequence of a perceived conflict of interest.</p>	<p>All JIAC members should be required to submit a 'Disclosable Interest' form and this should readily available via the OPCC website.</p>	2	<p>Agreed.</p> <p>Disclosable interest form to be circulated to JIAC members for completion.</p> <p>Update - Submissions made by JIAC members but not yet on the website (see 4.2 re: website)</p>	<p>Sept 2017</p> <p>JIAC Chair &amp; Members</p>	
4.8	<p><b>Panel Induction Training</b></p> <p><i>Observation:</i> Upon joining the JIAC, members receive a copy of the JIAC ToR and the member / chair job descriptions, along with their appointment letter. From discussions with Committee members it was felt that induction training could be improved. Given the need to recruit a fifth member of the Committee, it was agreed that now was a good time to revisit the quality of induction provided.</p> <p><i>Risk:</i> New Committee members do not have a clear understanding of the role and, as a consequence, this hinders their effectiveness.</p>	<p>The imminent recruitment of a new member of the JIAC should be supported by effective arrangements for their induction training. Amongst the areas to be included in the induction training, consideration should be given to the areas of good practice set out in the NAO five good practice principles; these include:</p> <ul style="list-style-type: none"> <li>a) their appointment and purpose;</li> <li>b) the support and training that they will receive;</li> <li>c) the commitment required;</li> <li>d) their remuneration;</li> <li>e) conflict of interest procedures;</li> <li>f) expected conduct;</li> <li>g) duration of appointment and how often it may be renewed; and</li> </ul>	2	<p>Agreed that an induction programme is important and should be prepared for new JIAC members.</p> <p>Update - Will be undertaken in line with the revised timetable for recruiting additional committee members.</p>	<p>Nov 2017</p> <p>JIAC Chair</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
		<p>h) how their individual performance will be appraised, including a clear understanding of what would be regarded as unsatisfactory performance.</p>				
<p><b>4.9</b></p>	<p><b>Ongoing Committee Training</b>  <i>Observation:</i> Members felt the experience and competency of the Committee was good, albeit there was a little too much experience on finance (three accountants) and possibly a need for an input of skills in other areas. As the JIAC only had four members, this is potentially an area to look at going forward, i.e. the Committee would benefit from a wider breadth of competencies.                      Training is provided to members on an 'as and when needed' basis. Whilst it is a subjective area to determine whether 'sufficient' training has been provided, the outcome of the questionnaires sent to JIAC members as part of this review suggested that members were generally happy with the level of training provided, although the level of training may have reduced since initial induction. This was further confirmed from discussions with JIAC members and officers, who confirmed that there was now a requirement for a review of training requirements, including where JIAC members felt they require additional support.  <i>Risk:</i> Committee members to do not have the skills to effectively fulfil their role.</p>	<p>Consideration should be given to reviewing the JIAC's training requirements, including where JIAC members feel they require additional support.</p>	<p><b>2</b></p>	<p>Agreed that it would be helpful to:                      Identify the skills which an additional member might have to compliment those of the current committee members and to inform the selection process: and                      Discuss with the existing members the training and support they each have and these might be addressed.                      Update - Will be undertaken as part of the recruitment of new members of the committee.                      The next JIAC workshop will allow the committee members to consider what training and support they might need.</p>	<p>Sept 2017                      JIAC Chair</p>	
<p><b>4.10</b></p>	<p><b>Audit Committee Chairs Forum</b>  <i>Observation:</i> From discussions with Committee members, it was noted that some limited attempts have been made to work with audit committees in the region, with examples being given of a one-off chairs meeting. It was acknowledged, however, that there was a requirement to enhance relationships with other audit committees in the region with a view to sharing best practice and discussing common issues, particularly those in respect of collaboration and how assurance can be best obtained.</p>	<p>The Committee should continue to seek input / insight from other audit committees in the region with a view to driving best practice and determining how assurance can be best obtained in respect of regional collaboration arrangements.</p>	<p><b>3</b></p>	<p>Agreed that this would be a useful forum either regionally or nationally.                      JIAC chair to consider arranging a further joint session.                      Update - Joint training of audit committee being undertaken by the internal auditor.                      JIAC chair has observed an equivalent meeting in Leicestershire.</p>	<p>March 2018                      JIAC Chair</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<i>Risk:</i> Missed opportunity to share best practice from other audit committees in the region.			Possibility of involvement in Public Sector Audit Appointments – Local Audit Quality Forum.		
<p><b>4.11 Specialist Support</b></p> <p><i>Observation:</i> The JIAC is able to, and have done in practice, call upon specific officers to provide briefings on areas where additional assurance is required. Additionally, the JIAC ToR refers to the facility to call upon specialist advice. Within section 7, 'Authority', it states:</p> <p>a) The Committee is authorised by the Commissioner and the Chief Constable to:</p> <ul style="list-style-type: none"> <li>• obtain outside legal or other independent professional advice;</li> <li>• secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.</li> </ul> <p>There is no evidence that the JIAC have called upon this facility to date.</p> <p><i>Risk:</i> The Committee misses the opportunity to secure additional assurance with regards particular areas of interest.</p>	Whilst there was evidence of the use of officers to present at JIAC meetings, consideration should be given to developing this facility in respect of specific areas where additional, more detailed, assurance is required.	<b>3</b>	<p>Agreed, It is beneficial that that the JIAC is authorised to obtain independent specialist support and that JIAC should be prepared to use this provision as appropriate (although in practice this is likely to be infrequently).</p> <p>JIAC should also consider the benefit of inviting specialists internal to the organisations to present to the committee on specific topics.</p> <p>Update - Other officers have presented to the JIAC this year (including on the governance framework and HR policies).</p>	As and when required.	

**Seized Property - July 2017**

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p><b>4.1 Property Tracking on NICHE</b></p> <p><i>Observation:</i> Review of five Cash Valuables held within the Central Property Store identified that there were discrepancies in the audit trail in three cases. This included property being moved to a temporary location for further enquiries. The property was taken out of temporary storage, moved to Sheffield, and returned, for testing. This trip was not recorded on NICHE, with there being no trail of the property leaving the temporary store.</p>	Officers should be reminded to ensure property is checked in and out correctly whenever property has been moved from the temporary locations.	<b>1</b>	When Niche was implemented, all officers attended a training program which provided instructions and guidance regarding their use of property in Niche. As with other areas of Niche, there have been difficulties for some officers in adopting the correct processes. The Property team regularly sends out guidance notes and instructions to officers to assist and avoid future errors and will continue to monitor and do so. In addition, the Niche training team (Melissa Willis) will include	<p>Tina Britten – Property team leader –</p> <p>Force wide broadcasts &amp; links to Niche training to ensure accommodates needs</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>Review of the Temporary store in Kettering identified eight cases (10%) where property was not available in the temporary store as per the record held on Niche. A further 14 items were in the temporary store which were not logged onto Niche.</p> <p>Review of a Collection Shelf in Weston Favell identified eight (23%) cases where property was not available which had been assigned to this location on NICHE.</p> <p><i>Risk:</i> Where items are not tracked, and checked in and out at the appropriate locations, there is a risk of property going missing. This also questions the integrity of the underlying records held on the NICHE system.</p>			<p>this area within their regular NICHE training updates to officers and staff. The DP Team Leader will continue to make use of our Forcenet &amp; Force orders to remind officers of their obligations in respect of property.</p> <p>Update – Ongoing communications are highlighted on Forcenet and user guides have been distributed on current processes.</p> <p>We are in the process of changing how officers manage property in Niche which is significant and will affect the region. The changes will take some time to introduce, but we are making good progress.</p> <p>Update - Forcenet used to highlight any property issues and process reminders.</p> <p>Melissa Willis has built property into the Niche refresher training for officers.</p>	<p>highlighted in this report.</p> <p>Ongoing Daily/weekly tasks. Or Monthly training activity.</p>	
<p>4.2</p>	<p><b>Strong Room Safe Audit</b></p> <p><i>Observation:</i> In discussion with the Property Team Leader it was confirmed that the last audit to be completed on the Safe / Strong room was in 2015, however this was not a full scale audit / reconciliation where the whole safe had been reconciled.</p> <p>Review of a Property Management System Report (Pre- NICHE March 2016) identified 59 pages of property stated to be held within the Cash/Valuables Safe dated between 2002 and 2016. Review of six items from this list confirmed that three could not be located; including a set of coins from 2002. It was also identified that one of the three identified items was located within an incorrectly labelled box – a Kettering item, within a Corby labelled box.</p> <p><i>Risk:</i> Where the safe is not regularly audited/reconciled, property may go missing/ be disposed of without notice or record on the property management systems. The integrity of the data held on NICHE is then pulled into question.</p>	<p>The Central Detained Property Team should complete a full audit of the Safe and Strong room. This should include ensuring items stated on NICHE to be held within the Strong room are available, and to ensure items have been placed in the correct and appropriate locations.</p> <p>The safe / strong room should then be periodically audited / reconciled to ensure accuracy back to the underlying records held on NICHE.</p>	<p>1</p>	<p>The safe/strong room is within a secure and covert building with restricted access, which reduces the level of risk highlighted. A recent business case was agreed to recruit 4 additional staff on fixed term contracts (FTC), initially for 6 months, to enable the elements of this report to be addressed, including a full audit of the safe/strong room &amp; all temp &amp; bulk stores.</p> <p>The business case for a permanent change to the Property team establishment will be progressed with the Northants Police Change Board in August. This will ensure that the temporary solution is embedded as a long term solution.</p> <p>Update – Interviews for the FTC positions have been completed and offers issued.</p>	<p>Kelly Connor / Kelly Wayman - Senior managers / Tina Britten – Property team leader.</p> <p>Review and Permanent Changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>We are now awaiting MFSS to complete the recruitment process.</p> <p>Update - All recruitment progressed with starters joining on a staggered basis. 1 in post already, 3 joining week commencing 23rd Oct, 1 at the beginning of Nov &amp; 1 at the beginning of Dec.</p> <p>Update – DCC has confirmed that the review should be progressed.</p> <p>Staff have been recruited and are in post to ensure stores are audited.</p> <p>The Financial Crime team will be assisting DP in auditing the strong room / safe and assisting with a review in the process. We are looking at the Notts &amp; Leicester model to see if there are benefits in adopting in Northants.</p>	<p>completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented.</p>	
<p>4.3</p>	<p><b>Temporary Storage Audit</b>  <i>Observation:</i> Review of three temporary stores identified two stores which had significant discrepancies to the underlying records held on Niche. In one case the location report from Niche indicated 80 items were present in the location, yet eight of which could not be located within the temporary store. A further 14 items were held within the store, but not assigned to the store on NICHE. In the second location the report stated 35 items should be available, eight of which could not be found.  <i>Risk:</i> Where there is no regular reconciliation of temporary stores to the NICHE system, property may not be appropriately tracked where the underlying records are incorrect.</p>	<p>Temporary Storage Locations should be reviewed and audited during the collection and delivery runs.</p>	<p>1</p>	<p>A recent business case was agreed to recruit 4 additional staff on fixed term contracts initially for 6 months, to enable the elements of this report to be addressed, including a full audit all temp stores.                      The business case for a permanent change to the Property team establishment will be progressed with the Northants Police Change Board in August. This will to ensure that the temporary solution is embedded as a long term solution.                      Northants will adopt a complete review, similar to that completed recently at Leicestershire Police. The New Leicester model included a property courier role that would complete collections and audit the temp stores during their visits. This role has been proposed as part of the business</p>	<p>Kelly Connor / Kelly Wayman - Senior managers / Tina Britten – team leader.                      Review and Permanent changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>case and recommended review of Northants property roles.</p> <p>Update – As per 4.2 re the FTC positions.</p> <p>Update - DCC has confirmed that the review should be progressed.</p> <p>New FTC staff employed. All temp stores audited &amp; on the 4 weekly rota for audits as normal business.</p>	<p>on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented.</p>	
4.4	<p><b>Cash Count - Insurance Policy</b>  <i>Observation:</i> The safe within Central Property Store currently contains large quantities of cash that have not been counted, but are defined as "Quantity of Cash" or "Large Quantity of Cash". Review of the insurance policy, and discussion with the legal secretary, confirmed that the Force are not covered for uncounted cash, ie only for that which the Force are able to prove was lost. Additionally, the cash that was held was not clearly identified as being held under either POCA or PACE, or for any other reason, which may have explained why the cash had not been counted.  <i>Risk:</i> Where cash is not counted the Force are not insured for the amount held, also the amount held may be in breach of the insurance limits. When cash may be returned to the owner, the integrity of a police officer may be questioned if the amount seized has not been stated on seizure.</p>	<p>Cash held within the Central Property Safe should be counted for insurance and safeguarding purposes. Where cash has been seized under POCA or PACE and is not be counted, this should be made clear on the NICHE record and exhibit bag where possible.</p>	1	<p>The Central safe/strong room is within a secure and covert building with restricted access, which reduces the level of risk highlighted. A recent business case was agreed to recruit 4 additional staff on fixed term contracts, initially for 6 months, to enable the elements of this report to be addressed, including a full audit of the safe/strong room, including the counting of money held, for insurance purposes. Instructions will be disseminated on a regular basis, to ensure cash seized under POCA or PACE that is not counted, will be made clear on the NICHE record and exhibit bag where possible.</p> <p>Update – As per 4.2 re the FTC positions.</p> <p>Update - The Financial Crime team will be assisting DP in auditing the strong room / safe and assisting with a review in the process and insurance implications. We are looking at the Notts &amp; Leicester model to see if there are benefits in adopting in Northants. Other forces have dedicated staff for the purpose of counting cash, who are part of the evidential chain &amp; have clean facilities for the purpose of forensic protection.</p>	<p>Kelly Connor / Kelly Wayman - Senior managers / Tina Britten – team leader. Review and Permanent changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented. Ongoing training &amp; broadcasts will continue on a</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
					Daily /weekly / monthly basis, or via the Monthly NICHE or force training activity, to include instructions re cash seized under POCA/PACE	
4.5	<p><b>Training on NICHE</b>  <i>Observation:</i> Review of a temporary location collection shelf identified eight cases, from a population of 35, where the property was not available on site. The underlying Niche records indicated that a collection date with the owner had been confirmed in some cases, however the system had not been updated following this meeting to confirm if the property had been returned.            Further inspection identified that two of the property items stated to be held in store had been returned to the owner.            The incorrect items of property were then disposed on the system. This showed that two in store items had been disposed of, and two disposed items were in store.  <i>Risk:</i> Where property is not appropriately disposed on NICHE, the integrity of the underlying records on NICHE are called into question.</p>	<p>The Force should ensure that all staff are aware of the procedure for confirming the disposal of property, including the return to owner procedure. Namely, the initiation of a task for disposal by the Central Detained Property Team on NICHE.            Training should also include the process for moving property from temporary storage.</p>	2	<p>We are changing the way officers review property so they instead directly specify in Niche when property should be retained, returned to owner or destroyed and no longer send a review task to the Property team.            Property will receive information from scheduled business objects reports, which will drive their work for destructions and return to owners.            This work is ongoing and with the Niche design authority currently for approval.            Interim solution – see 4.1, Broadcasts &amp; information sharing will be done via force systems by Property team leader, and ongoing training by NICHE training team both with current procedure and when changes introduced.            Also 4.3 – Proposed new Courier role would ensure temp stores are audited, Niche amended and officers updated.</p> <p>Update - Niche changes to process delayed. Due for further discussion at the next property working group in Feb 18, at which time should have full consent. Will then take some time for Niche to implement</p>	<p>Kelly Connor / Kelly Wayman - Senior managers / Tina Britten – team leader.            Niche changes to process expected 31/12/2017 for implementation and associated training            4.1 - Ongoing Daily/weekly tasks. Or Monthly training activity.            4.3 Review and Permanent Changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and</p>	



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>4.1 - Ongoing Daily/weekly tasks. Training activity being delivered by Melissa Willis as part of the ongoing Niche training.</p> <p>4.3 Whole department &amp; role review being completed by Process Evolution, as commissioned by the Change Board. Results pending.</p>	<p>completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented.</p>	
<p>4.6</p>	<p><b>Timeliness of Disposals</b>  <i>Observation:</i> Review of five disposals identified one case where the item had remained pending disposal for eight months before being disposed and destroyed. P16000-18381 had been set to pend disposal following a request from the Officer in Case on the 6 July 2016, however this was not destroyed until 29 March 2017. Review of the Pre-NICHE PMS report (59 pages) identified a large number of property items from 2002-2016 classified as "Awaiting Disposal" on the system.  <i>Risk:</i> Where items are not disposed in a timely manner, this hinders effective property management and impacts on the availability of storage facilities.</p>	<p>Property should be disposed of in a timely manner after the authorised destroy request has been submitted to the Central Property Team.</p>	<p><b>2</b></p>	<p>A recent business case was agreed to recruit 4 additional staff on fixed term contracts, initially for 6 months, to enable the elements of this report to be addressed, including the disposal of property in a timely manner. The business case for a permanent change to the Property team establishment will be progressed with the Northants Police Change Board in August. This will to ensure that the temporary solution is embedded as a long term solution. Please also see 4.5 re: change to way officers mark property for disposal.</p> <p>Update – As per 4.2 re the FTC positions.</p> <p>Update - DCC has confirmed that the review should be progressed.</p> <p>Destroys are now part of DP daily business.</p> <p>Tina Britten to complete periodic checks to ensure no slippage</p>	<p>Kelly Connor / Kelly Wayman - Senior managers / Tina Britten – team leader. Review and Permanent Changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented.</p>	
<p>4.7</p>	<p><b>Cash Banking Process</b>  <i>Observation:</i> Two officers are present in the counting of cash, within the Central Property location, which</p>	<p>Cash and banking should be completed on a periodic basis,</p>	<p><b>2</b></p>	<p>Process will be adopted upon appointment of new staff currently being recruited.</p>	<p>Kelly Connor / Kelly Wayman -</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>has been requested to be disposed by the Office in Case. Both officers will take a section of the bags and each count their share of the property bags. Each bag is currently counted by a single officer. The amounts to be banked are entered onto a checking sheet which details the denominations of cash counted per property item. This amount is not entered onto the NICHE property record.</p> <p><i>Risk:</i> Where the counted cash is not double checked, there is a risk of a miscount of the money to be banked. Where this amount is not recorded on the NICHE record, it will be difficult to identify where the miscounted monies relates as there is no cash amount held on the property management system.</p>	<p>with two officers counting the amounts to be banked. Once banked, the amount banked against the property item on NICHE should be recorded for continuity.</p>		<p>A recent business case was agreed to recruit 4 additional staff on fixed term contracts, initially for 6 months, to enable the elements of this report to be addressed, including the counting and banking of cash in a timely manner, with the NICHE records being appropriately recorded.</p> <p>The business case for a permanent change to the Property team establishment will be progressed with the Northants Police Change Board in August. This will to ensure that the temporary solution is embedded as a long term solution.</p> <p>Update – As per 4.2 re the FTC positions.</p> <p>Update - DCC has confirmed that the review should be progressed.</p> <p>New staff appointed and cash is banked promptly. See also 4.2 &amp; 4.4 above</p>	<p>Senior managers / Tina Britten – team leader. New staff should be appointed and activity in place by 31/08/2017. Review and Permanent changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented</p>	
<p>4.8</p>	<p><b>Policies &amp; Procedures</b></p> <p><i>Observation:</i> Review of the Detained Property Procedure and Annexes (A-N) confirmed that they had not been updated following implementation of the NICHE software in March 2016. Review of the Web Form available on Force Net confirmed that the guidance available is not accurate based on the current processes in place and updated forms for officers to use.</p> <p><i>Risk:</i> Where procedure notes are not reviewed and updated on a regular basis there is a risk that the working practices adopted by staff may become inefficient, ineffective, and / or out-dated. This could</p>	<p>The Detained Property Policy, Procedure and Annexes should be reviewed and updated on a regular basis to ensure their accuracy and fitness for purpose. Updates should also include the Web Form Guidance for Police Officers in Adding Exhibits and Checking Property In and Out.</p>	<p>2</p>	<p>The existing policies and procedures are currently being reviewed and updated by the Property Team Leader. The property team will continue to maintain the Forcenet / intranet pages in relation to all information with respect to property, as a one stop location for officer enquiries. The Property team leader will disseminate reminders to officers in respect of any property issues highlighted, and also generic reminders to all.</p>	<p>Kelly Connor / Kelly Wayman – Senior managers / Tina Britten – Property team leader. 31/08/2017</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
subsequently lead to mistakes and errors in seized property.			<p>Update - These are a work in progress. We are collaborating with the region to implement regional policies, hence this will take longer than expected. Our local policies are also being looked into, as some issues need resolving, for example a change to policy in relation to frozen exhibits. All moving forward as quickly as possible.</p> <p>Update - Property policies and procedures are to be regionalised. This work is in progress</p>		

**OPCC Victims Code Follow Up - July 2017**

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p>4.1 <b>Written Acknowledgement</b></p> <p><i>Observation:</i> VCOP entitles all victims to receive written acknowledgement that they have reported a crime, including basic details of the offence. Previously, the old system auto-generated a letter with the details that was sent to the victim, however this is not the case with the new Niche system. Northamptonshire Police Officers should issue the personalised Information for Victims booklet to each victim, with relevant details completed, and this should be recorded on the Niche system. A webform on the VCOP module allows users to input if the booklet was provided to the Victim. Audit testing found 18/20 incidents had not resulted in the booklet being issued to the victim.</p> <p>It is acknowledged that officers will not always carry the booklet to enable them to issue the written acknowledgment, however the Force need to ensure that they have an appropriate system to provide written acknowledgement to victims of crime.</p> <p><i>Risk:</i> Failure to acknowledge the victim has reported a crime and to provide basic details of the offence as confirmation, alongside officer contact details and</p>	<p>The Force should establish an effective process for providing written acknowledgement to victims in line with the VCOP requirements. Consideration should include the possibility of emails with electronic versions of booklets attached. The Force should ensure that evidence of the written acknowledgement is maintained to confirm compliance with VCOP.</p>	2	<p>The Change Board agreed at a meeting on 15th June 2017 to review its communications in relation to Victims and this will be progressed through the Victim and Witness Board to ensure written acknowledgement can be delivered in an efficient manner.</p> <p>Update - We are looking to launch an initiative around VCOP which will include the booklet being redesigned and officers being briefed on what the expectations are regarding their updating of Victims. Included in this is a communication strategy both internal and external regarding track my crime which enables victims to keep up to date with the progress in their investigation. Alternatives are being identified for those who have not got access to e mail. Work is also being done to ensure that victims of crimes that are</p>	<p>Detective Chief Superintendent Kate Meynell</p> <p>30th September 2017</p> <p>The work will be implemented after SDM but before the end of December 2017</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>crime reference number, may result in the victim's entitlements not being met under VCOP.</p> <p><b>This risk is outstanding from the previous audit of VCOP in June 2016</b></p>			<p>filed immediately are updated regarding the police decision.</p> <p>Update - A new package CARES has been prepared in relation to VCOP. The booklets have been redesigned and are ready to go out. The delay has been in relation to niche and ensuring it can support CARES and provide the information required. This is now the case and we are working with Corporate Communications to launch CARES, the victim leaflet and track my crime together for maximum impact.</p> <p>Update - The new victim leaflet was printed and delivered out to all departments in January with an easy read accessible e-version on the force website and force forms (form 1508). The FCR e-mail version used when crimes are booked on at force contact has been amended and now links directly back to the e-leaflet and the tick booklet given box on web-form has been reinforced. The audio version is in production.</p> <p>The leaflet also directs the reader to the Force Website that contains details of the right to review scheme. We can add the victims right to review within the booklet (4.2) in both printed and accessible formats and a section is currently being added re crime prevention. Track my crime is accessible by both e-mail and for those without an e-mail address an SMS text and has been tested with our live NICHE system and is working properly with the information flow going through the VCOP module direct to the victim as intended. DS Fraser is liaising with the TrackMyCrime working group (Det. Supt Murray) and Force Contact Centre to make the presumption of TMC being used for further updates to victims whose crimes are being</p>		

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				booked on via the contact centre. This will be via a change in scripted practise. It is planned to do joint comm's on TMC & the victim leaflet internal/external alongside the launch of CARES.		
4.2	<p><b>Right to Review</b>  <i>Observation:</i> Following a police or CPS decision not to prosecute, victims are entitled to be notified of the reasons why this decision was made, how they can access further information about the decision and also to seek a review of the decision if they are dissatisfied. This process is termed Victims' Right to Review.  The Force have created a Right to Review Policy, Process and a guide of how to process this on Niche, however it is unclear how Right to Review is communicated with the Victim and how the Force manage the right to review requests that are received. The initial booklet that is issued to Victims (see 4.1 above) was found to be out of date and a review of this does not provide details of a right to review.  <i>Risk:</i> Failure to adhere with Right to Review legislation, lack of compliance with VCOP, lack of transparency and increased victim dis-satisfaction.</p> <p><b>This risk is outstanding from the previous audit of VCOP in June 2016</b></p>	<p>The Force and OPCC should review how the right to review entitlement is communicated to victims and how this is effectively recorded to document compliance with VCOP.  The information booklet should be updated and include the right to review entitlement.</p>	2	<p>In line with comments above, the communication with victims is being reviewed. It will be communicated to the lead officer assigned this role at the Change Board to ensure Right to Review is included in communications.  The Victims Journey App that is available will be updated to ensure right to review is included.</p> <p>Update – As for 4.1 – the booklet will include the right to review</p> <p>Update – As above</p>	<p>Detective Chief Superintendent Kate Meynell</p> <p>30<sup>th</sup> September 2017</p> <p>The work will be implemented after SDM but before the end of December 2017</p>	
4.3	<p><b>Referral Mechanisms</b>  <i>Observation:</i> Niche data is transferred to Victim Support, the provider for Voice, on an overnight download.  Currently, however, there is no reconciliation process to ensure the number of records in Niche have been received/ created in the Victim Support systems.  <i>Risk:</i> If all required information is not made available there is a risk that untimely or inappropriate support may be provided. Increased reputational risk and victim dissatisfaction.</p>	<p>A process should be introduced whereby the number of records transferred from the Niche system to the Victim Support providers are reconciled to ensure referrals do not 'drop out' as part of the data transfer process.</p>	2	<p>Agreed.  This has been raised with the Victim Support suppliers and it will be raised through contract management meetings to ensure a reconciliation of the referrals sent by the Force are the same as the number of referrals being dealt with by the provider.</p> <p>The new CEX has been in charge of the service since 1st October and this work is all in hand. I will endeavour to have a further update on the progress of these</p>	<p>Jon Fell,  Business Support Manager</p> <p>31st July 2017.</p> <p>Vicki Martin  Head of Commissioning</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p><b>This risk is outstanding from the previous audit of VCOP in June 2016</b></p>			<p>actions within the next month but the transitional arrangements for the service (including a new case management solution which should make case reconsolidations easier) have taken priority at this time.</p> <p>Update – Jan 18 Voice Ltd now have daily processes in place to check and reconcile the Force's ADT transfer of victims detail with cases that arrive for support on Voice's contact management system Invictus. If discrepancies are found this is raised immediately with the Force.</p> <p>As part of the new Voice Ltd performance framework and Service Level Agreement (SLA) with the OPCC VCOP compliance will be reported on through an agreed number of case audits per quarter and through KPI data at contract management meetings. A new SLA will be agreed and signed off with the OPCC in April 2018 which will outline this process.</p>		
<p>4.4</p>	<p><b>Provider Dip Sampling Process</b> <i>Observation:</i> Dip sampling is an effective means of confirming that key requirements of the process are being met and to address any areas of poor performance. This also drives consistency across the organisation and quality of service. The contract variation, signed with the victim's support provider, included the completion of DIP sampling for the OPCC to ensure compliance with VCOP by its external providers. However, this process is not supported by a documented methodology and the suppliers have not been provided the OPCC with regular performance from its DIP sampling process. <i>Risk:</i> Inadequate quality assurance process, ineffective use of resources and failure to address</p>	<p>The dip sampling process should be supported by a documented methodology to include - frequency, required approach, sample selection/ size, evidence of checks and action to be taken where issues have been identified. The OPCC should ensure that suppliers are complying with the DIP sampling requirements.</p>	<p><b>2</b></p>	<p>Agreed. Dip sampling will be reviewed with each provider and agreements be made to ensure this is reported to the OPCC as part of current performance monitoring reports that are received.</p> <p>Update – With effect from 01 October 2017 Voice will become a company owned and delivered by the OPCC rather than contracted suppliers. We are currently setting up new DIP Sampling process with the new Voice CEX to ensure the audit recommendation can be picked. A further update will be available in Autumn 2017.</p>	<p>Vicki Martin, Head of Commissioning  31st July 2017</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>non-compliance with VCOP in the victim support process.</p> <p><b>This risk is outstanding from the previous audit of VCOP in June 2016</b></p>			<p>Update - The new CEX has been in charge of the service since 1st October and this work is all in hand. I will endeavour to have a further update on the progress of these actions within the next month but the transitional arrangements for the service (including a new case management solution which should make case reconsolidations easier) have taken priority at this time.</p>		
<p>4.5</p>	<p><b>Dealing with Children as Victims</b>  <i>Observation:</i> Audit testing included two cases where Children were recorded as the Victim. In both instances the referral to Victim Support services were selected as not applicable, despite the OPCC having a contract in place with a provider for young victims of crime. In one instance contact details for the victim were included – a mobile number – however, it was unclear who the phone number belonged to, such as relevant guardian or relative of the child victim. In the other case no contact details were recorded in Niche. This increases the risk that young victims are not able to be given the appropriate support services.  <i>Risk:</i> The Force does not provide appropriate victims support to children who are victims of crime.</p>	<p>A review of how Child Victims are recorded in Niche should take place to ensure the correct information is recorded and appropriate referrals to victim support services are made. Once this is agreed, it should be appropriately communicated to Niche users.</p>	<p><b>2</b></p>	<p>Discussions will be held with the Head of Public Protection to review how Child Victims are dealt with in line with current processes to identify if there are any gaps in the current system. The lack of name associated with contact numbers has already been identified with records passed to Victims Support Services and it is an ongoing issue to promote the need to input correct details from users.</p> <p>Update - We are working on how to ascertain the experiences of child victims and this is being considered through the victim surveys.</p>	<p>Detective Chief Superintendent Kate Meynell</p> <p>30th September 2017</p> <p>The work will be implemented after SDM but before the end of December 2017</p>	
<p>4.6</p>	<p><b>Reporting Capabilities of Niche</b>  <i>Observation:</i> The development of the Niche dashboard assists the OPCC and Force in reviewing the performance of its staff in compliance with the Victims Code of Practice. However, through audit discussions with staff and the Niche lead there are further opportunities to draw custom made reports out of Niche that will assist in the management of VCOP compliance. Such reports could be used to carry out DIP sampling to review if the Force has been complying with VCOP entitlements and review overall levels of performance</p>	<p>The Force and OPCC should work with the Niche team to review the opportunities to develop performance reports that would assist in the monitoring for VCOP compliance. Including but not limited to:                      -Monitor the % of cases where booklets were recorded as not issued;</p>	<p><b>3</b></p>	<p>Agreed. Opportunities to extract performance information from Niche will be discussed with Paul Greener, Elle Harrison, John Fell and Sarah Crampton.</p> <p>Update - Work is in progress to ensure that niche supports VCOPs and that compliance can be easily monitored and reminders issued where necessary.</p>	<p>Detective Chief Superintendent Kate Meynell (supported by Vicki Martin, Head of Commissioning)</p> <p>31st July 2017</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p>alongside the existing reports that are produced by the Corporate Performance Team.  <i>Risk:</i> The Force fails to identify where Victims are not receiving their entitlements under VCOP.</p>	<p>-Monitor where 'not applicable for referral to victim services' have been recorded                      - No. of right to review cases processed in the system                      -No. of VCOP non-compliance over period of time.</p>		<p>Update – The NICHE (CARES Modules &amp; Quality Check Module) work was not fully completed prior to the end of December as we did not receive all of the modules originally from GWENT the Niche Configuration SME from South wales Police have been contacted and the full package is now with our NICHE team to be uploaded to our system. The main blocker is that WEBFORM is no longer accepting amendments and it will be PRONTO that is configured for the officer front end input with NICHE crime recording (June 2018).</p>	<p>The work will be implemented after SDM but before the end of December 2017                       Revised timescale June 2018</p>	

**Fleet Management – August 2017**

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p>4.1 <b>Strategy and Implementation Plan</b>  <i>Observation:</i> The Force are currently in the process of finalising and approving a Transport Strategy that is to sit alongside the new Police &amp; Crime Plan for 2017-21. Audit reviewed the latest draft version of the Strategy, which includes 16 principles which the Transport department are to achieve over the next four years. Whilst the principles are stated in the draft strategy, the Force does not have a clear implementation plan that sits beneath these principles that provides details of how the Strategy will be achieved.  <i>Risk:</i> The Force does not have an effective strategy and implementation plan in place to support the delivery of Force and OPCC objectives.</p>	<p>The Force should ensure that the Transportation Strategy is approved at the appropriate forum.                      Once the Strategy has been ratified, an appropriate implementation plan should be put in place. This should include details of how the principles of the Strategy will be achieved by the Force.</p>	2	<p>Agreed.                      The draft version of the strategy is currently being reviewed and will be approved shortly. DCC confirmed 25Jul17 that the strategy document has been signed off and we have the final document. Copy has been forwarded to internal audit. Following this, the intension is to collate the work being completed to support the strategy into an implementation plan. A meeting is arranged on 31Jul17 with a Ch Insp who is tasked with getting this finalised in terms of Travel review.                       Update - The Strategy document has been ratified by the DCC. Meetings have taken place with Ch Insp Dorothy and under Op Balance a review of Transport and Travel is being undertaken with Triaster looking at processes within the workshop, a review of Post and Courier Services is being looked at separately and the Travel office is subject</p>	<p>Graham Crow                      Transport Manager                      31st October 2017                       Revised timescale 31<sup>st</sup> December 2017                      Due to the work being undertaken by Triaster</p>	



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>to a Tender programme to see how this can best be delivered.</p> <p>Update - The Drivers/mail review is still under development by the change team and we have an update meeting on 07 Feb 18 to look at options so far. The Travel Office is still under review and we are working with EMSCU on this. The workshop processes are still under review with the priority being given to the driver review initially. This is being run between the Change team and Transport Management.</p> <p>A Business Innovation Analyst has been assigned to conduct the analysis. Due to the level of detail the analysis will achieve, the department will have a clearer picture around their level of service. Therefore the work will support Graham develop this plan. The business analyst will support the department in identifying clear measurable outcomes and actions with plan owners. They will be assigned to the Transport and Travel Management Team as well as Key Stakeholders across the Force.</p>	<p>Clearly we have not met the Dec17 deadline and I would put a realistic date of June 18 bearing in mind we are now into the end of year processes.</p>	
<p>4.2</p>	<p><b>Monitoring of Performance</b>  <i>Observation:</i> As set out in 4.1 above, the Force does not currently have an approved strategy in place. To ensure that the Force is able to scrutinise and review the department's performance against the strategy, an effective monitoring system should be put in place. The Transport Team currently carry out some monitoring of performance, such as the availability of the existing fleet and carbon reduction, which are principles in the Strategy, however this is not reported outside of the Transport Team at present.  <i>Risk:</i> The Force is not aware of performance against the Transport Strategy.</p>	<p>Once the Strategy and Implementation Plan have been established, an appropriate monitoring process should be put in place to measure performance against the Strategy. Performance should be reported to the appropriate Force and OPCC forums on a regular basis to provide assurance that the Strategy is being achieved.</p>	<p><b>2</b></p>	<p>Agreed.            Following the approval of the Strategy and Implementation Plan, defined performance indicators will be discussed and agreed. Discussions will be held with the Force and OPCC to decide on the best way for Transport to feed this back.</p> <p>Update - Part of the review by Ch Insp Dorothy and the Op Balance review will all impact on what service is delivered and how this is to be achieved. Once the revised methods of working are established KPI's can be agreed. In the meantime we still produce vehicle availability statistics on</p>	<p>Graham Crow            Transport Manager            31st December 2017</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>a monthly basis and as SDM has been rolled out we deliver a weekday daily report to Response showing their fleet availability. We have also delivered a full years data to Cipfa as part of the National Association of Police Fleet Managers (NAPFM) benchmarking programme. Once analysed this should show how Northamptonshire Police are performing against all other forces in terms of fleet.</p> <p>Update - The CIPFA results have yet to be issued. I am attending an NAPFM Technical Committee meeting on 8Feb17 and this is an agenda item so we should have an update. In terms of the change team review this is still underway and we continue to produce our KPI's monthly. In addition each work day we produce statistics for Response teams and adjust our work priority as a result of the analysis.</p> <p>The review is addressing these issues by developing reporting methods and enabling the management to have a clearer picture of their current level of service. There are some technology blockers and data quality issues. Any identified issues that can be rectified are having immediate resolution. Part of the review will look at the current scheduling processes for vehicle servicing and maintenance and ensure this is aligned to delivering against the values and priorities set out in the Strategy. The Change Team will support any system developments and reporting tools that will enable the management team to measure outputs.</p>	<p>I would suggest that this again needs to be Jun18 allowing for year-end accounting and continuation of work.</p>	
4.3	<p><b>Procurement Process</b>  <i>Observation:</i> The procurement of vehicles by the Transport team is particularly complex due to the variety of specifications and service requirement</p>	<p>The Transport Team should ensure they are complying with contract procedure rules when</p>	2	<p>Agreed.  A simple flow chart signposting staff to the key steps in the procurement process will</p>	<p>Graham Crow  Transport Manager</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>needs. There are two elements to the Force procurement of vehicles, one being the basic vehicle itself and the second being the commissioning (customisation element) of the vehicle.</p> <p>The Force are part of the national buying group that has been facilitated by the NAPFM (National Association of Police Fleet Managers). A contract framework, managed by the Crown Commercial Services, has been in place since October 2015 for the purchase of the base vehicle.</p> <p>There are separate framework agreements in place for the commissioning element of the work and this can be completed by the manufacture as part of the base vehicle, completed by approved suppliers who can convert the vehicles for police use or be customised in-house at the Force workshop.</p> <p>The Transport Team maintains paper audit files for each vehicle procured that documents the quotes obtained, specification requirements discussed, and order confirmation from Head of Transport. Audit carried out testing on six vehicles procured over the last 12 months and found:</p> <ul style="list-style-type: none"> <li>- 6/6 vehicles were purchased through a framework contract for the base vehicle;</li> </ul> <p>However, in the four vehicles that required elements of commissioning, only one quote or option was documented and therefore it was unclear how value for money had been achieved. The value was below £10k, so no breach of CPR's however the option taken was not clearly documented.</p> <p>It was noted that the Transportation Team are experienced in their roles, having been in post for some time and have a depth of knowledge in their area of work. They were able to provide explanations and background information in respect of the decisions that they made, however they were not clearly documented.</p> <p><i>Risks:</i> The Force fails to achieve value for money in the procurement of vehicles. Loss of knowledge should key staff be unavailable.</p>	<p>they are procuring commissioning of vehicles especially if any over £10k, as these require three quotes.</p> <p>The Transport Team should document the process that should be followed for the procurement of vehicles, including the commissioning process that clearly demonstrates how value for money has been achieved.</p>	2	<p>be completed to assist in business continuity and providing some resilience in the process. Further, NAPFM are working with CIPFA to undertake a National Benchmarking Exercise. This will inform all forces on a range of Transport key indicators. The next meeting is set for 27Jul17 to discuss next steps.</p> <p>Update - The Transport Manager has met with the key Transport team as well as Op Balance Team. Procedures are being reviewed, especially by Triaster and any changes will be made following due consideration. Draft process charts have been drawn up and will be amended once the reviews have been completed. These are in written hand and may need assistance in getting them into typed form.</p> <p>Update - The Analyst is meeting EMSCU on 13th March to understand in more detail the procurement process and any improvements that can be recommended. Triaster completed the process maps for the commissioning and decommissioning of vehicles in December 2017. The Change Team will obtain metrics to add value to these maps, and engage with the Management team to inform process improvement recommendations to increase efficiencies. This will occur during stage 3 of the review: due for completion April 2018.</p>	<p>31st October 2017</p> <p>Revised timescale 31st December 2017 Due to the work being undertaken by Triaster</p> <p>June 18 as above</p>	
4.4	<b>Maintenance Work Value for Money</b>		2	Agreed.		

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p><i>Observations:</i> The Force use external workshops to carry out some of their regular maintenance work on its vehicles due to either a lack of capacity or vehicles that are too large to be serviced at the Force HQ workshop.</p> <p>Discussions with the Transport Manager confirmed that there is no framework agreement in place for this externally carried out maintenance work. Each instruction to carry out services is managed on a case by case basis with a number of manufacturer garages and independent garages used who meet Force criteria to carry out the work such as security and, technical abilities.</p> <p>Where a framework agreement is not in place with external suppliers who regularly carry out services, there is an increased risk that value for money is not obtained through establishing discounted prices through mass purchases.</p> <p><i>Risk:</i> Force fails to achieve value for money in the servicing of its vehicles.</p>	<p>The Transport Team should liaise with Procurement to review how the external providers of maintenance services costs could be reduced through implementation of a framework contract.</p>		<p>The Transport Team will make contact with the Procurement team in Northants to progress this.</p> <p>Transport Manager met with EMSCU colleague on 24Jul17 in order to get this work underway.</p> <p>At the same time this links in with work commissioned by the DCC under Op Balance to review current contracts and attaining best value.</p> <p>Update - The Transport Manager has met regularly with EMSCU and certain contracts have been identified, such as Vehicle Maintenance, Accident Repairs. The Accident Repair tender is being issued on the 17Nov17 via Leicestershire Procurement. Work continues to develop further tenders/frameworks from within Northants and EMSCU.</p> <p>Update - We are working with EMSCU, Leicestershire Procurement and Derbyshire Procurement on various tender programmes that ensure that we are procuring within guidelines and rules. The Accident Repair tender has slipped and we are going back out to the market. In conjunction with this we have made contact with various forces in regard to their servicing regime and one is linked via the Change Team. Work is in progress to look at overhauling our system of work with a view to allowing better vehicle availability whilst reducing maintenance costs. We are visiting Northumbria Police in early March 18.</p> <p>The analysis in Stage 2 of the review is identifying how much of the servicing and repair work is carried out by external garages. Some of this work is necessary due to the current estate and garage</p>	<p>Graham Crow Transport Manager 31st October 2017</p> <p>June 18 as above</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
			facilities. However some of this work is outsourced due to a lack of resources. The review will quantify the demand in terms of cost and this will be compared to the cost of the work being outsourced. Currently the decision to outsource is based on the extensive knowledge and experience of the management team. The risk to staff resilience and decision making without the supporting evidence is high. The data collected throughout this review will support a formal decision making process which will support Value for Money.		

**Procurement Follow Up – November 2017**

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p>4.1 <b>Purchases under £25k – Supporting Documentation</b>  <i>Observation:</i> The Force Contract Standing Orders state that for purchases below £10k one quote must be obtained, between £10k and £25k three quotes must be obtained and the most economically advantageous tender selected.                      Audit selected a sample of purchases under £25k to confirm that the correct number of quotations had been sought in line with the Force Contract Standing Orders. A review of the Oracle system found that 4/10 did not have all supporting documentation attached to it and therefore it was not clear if the correct number of quotes had been obtained and value for money achieved. However, audit contacted requisitioners to confirm if the appropriate number of quotes had been obtained, and evidence was provided in all four cases. We were informed that dip sampling is not currently completed to ensure documentation is uploaded to Oracle.  <i>Risk:</i> Force fails to achieve value of money in its spending.</p>	<p>This was an audit recommendation from 2015/16 and 2016/17.</p> <p>A communication should be issued to remind all staff who raise and approve requisitions that the supporting documentation should be clearly attached in the Oracle system. This should include the appropriate quotes or details of related contracts. Dip sampling should then be carried out to monitor compliance.                      (Local Responsibility)</p>	2	<p>The Force will issue quarterly reminders to all staff around supporting evidence &amp; we will also perform a quarterly dip sample on the Purchase Orders.                      We will also liaise with the force EMSCU business partner around this expenditure and where contracts across the force or locally to depts. need considering.</p> <p>Update - A communication has been planned and will be issued on a quarterly basis &amp; dip sampling has commenced, however, a report has been commissioned to extract all requisition with a flag around attachments, to allow for review on a full sample basis (it is likely to be implemented for May 18)</p>	<p>January 2018 onwards</p> <p>Chief Accountant</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.2	<p><b>Monitoring Spending Under £25k</b>  <i>Observation:</i> This recommendation was considered to be in progress.                      The EMSCU engagement partner is developing a process whereby she will review reports of supplier spend provided by the Force Finance Team in order to identify any suppliers where a contract could be beneficial, but one is not currently in place.                      At the time of the audit, the reports had been provided and they were being reviewed by the engagement partner, although this had only been implemented for the largest service area in terms of spend.  <i>Risk:</i> The Force miss opportunities to deliver value for money in it purchases under £25k.</p>	<p>This was an audit recommendation from 2015/16 and 2016/17.</p> <p>Finance and the Procurement Officer should set up a regular reporting protocol that allows the procurement officer to review expenditure under £25k for all service areas on a regular basis so the information can be used to aggregate spend and identify contract opportunities.                      (Local &amp; EMSCU Responsibility)</p>	2	<p>EMSCU                      The local Engagement Partner at Northants is working very closely with budget managers and has access to under £25k spend. In prioritising the work the initial focus was on the largest spend area, although this is now extended into other areas. It has been agreed that this will be reviewed on a quarterly basis.</p> <p>Force                      The Force will create a quarterly audit report of all expenditure through Accounts Payable and monitor this with the EMSCU business partner to look for suppliers with single expenditure item below £25k, but that could either (pro rata) exceed the £25k or potentially have already in amalgamation across the force in singular purchases. We will then in conjunction with EMSCU and the budget holder seek to create contracts where appropriate</p> <p>Update - The first report will be issued before 31st March &amp; this will be discussed as part of Business As Usual in the review meetings.</p>	<p>Commercial Director, EMSCU Implemented</p> <p>February 2018 for the first reports onwards                      Chief Accountant</p>	
4.3	<p><b>Supporting Documentation Over £25k</b>  <i>Observation:</i> This recommendation was considered to be in progress.                      EMSCU are responsible for retaining the key documentation that is required for the procurement process of contracts over £25k, including Statement of Requirements, Single Tender Award forms; Tender Award Reports and the signed contract. These documents show the authorisation for the contract, the reasons why it is needed and why it demonstrates value for money.                      The Crystal system is used by EMSCU to record contracts that are in place and enables key documentation to be attached against each contract in place.</p>	<p>This recommendation was raised in 2015/16 and 2016/17.</p> <p>EMSCU staff should be reminded of the need to save all relevant documentation in Crystal. Dip sampling should be completed on a regular basis for new contracts to ensure document retention is consistent.                      (EMSCU responsibility)</p>	2	<p>We believe the recommendation has been implemented as part of the significant audit carried out in EMSCU.</p> <p>It was noted that one contract was found without a date next to the signature, although the specification clearly showed the contract date.                      ESMCU did agree with the audit team that a detailed review had been carried across all contracts and during that review if dates were missing, then we wouldn't insert after the event = the review has produced a process flow to ensure team compliance.                      The differing nature of contract details stored on Crystal (EG some are details of</p>	<p>Commercial Director, EMSCU Implemented</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>Audit testing found the following:</p> <ul style="list-style-type: none"> <li>dated; <input type="checkbox"/></li> <li>saved to Crystal, but this could be provided from elsewhere. <input type="checkbox"/></li> </ul> <p>At the time of the audit, EMSCU were in the process of reviewing a large number of previous contracts to identify missing documentation, however new contracts were not being reviewed to identify if the process was consistently being followed.  <i>Risk:</i> Value for money cannot be demonstrated by the firm.</p>			contracts that EMSCU do not let) means it is not always possible to have all the same information on Crystal – however all the information is available and as confirmed in the note the documentation was available.		
4.4	<p><b>Authorisation</b>  <i>Observation:</i> This recommendation was considered to be in progress.                      When contracts are awarded the Tender Award Report, Business Case or Single Tender Award are signed off as the approval to proceed with contract award. This should be signed in line with the Force Scheme of Delegation.                      Audit testing found that in 1/10 cases, the STA was not signed off by EMSCU, as is required by the Contracts Procedure Rules.  <i>Risk:</i> Contracts are entered that do not have the authority to do so and result in financial loss through failure to deliver value for money.</p>	<p>This was an audit recommendation from 2015/16 and 2016/17.</p> <p>The procurement team should ensure that all Single Tender Awards are reviewed and signed off as required by the Contract Procedure Rules. Signed documentation should then be made available in Crystal. (EMSCU responsibility)</p>	2	The STA was not signed by EMSCU but could be shown that EMSCU had seen the request and it was signed by the appropriate final authority level.	Commercial Director, EMSCU Implemented	

**Core Financial Systems – December 2017**

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Procedures</b>  <i>Observation:</i> MFSS have a number of detailed procedure documents in place that provide guidance to staff on how they should carry out certain tasks i.e. the creation of a new supplier. There are two types of procedure, with Level 5 guidance being a step by step</p>	MFSS should put a process in place to ensure the procedures are reviewed and updated in line with the Next Review Dates that are stated in their procedures.	2	All processes will be reviewed as part of the move to Oracle Cloud Apps. These reviews will take place over the coming months. Resource will be identified to ensure that future reviews take place at the appropriate time.	Pam Rourke John McGill April 2018	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>guide and Level 4 guidance being a flow chart that shows key stages in the process.                      Audit reviewed a number of level 4 and 5 procedures and found that 4/4 of the level 4 procedures were last reviewed in March 2016 and therefore had not been reviewed and updated for 18 months.                      Moreover, a review of the procedures for payroll found that 4/6 were overdue their review date and 5/6 procedures made reference to the ePayfact system that MFSS no longer use.</p> <p><i>Risk:</i> Out of date procedures are in place and therefore staff carry out the incorrect processing leading to errors in the Force finances</p>	(MFSS)		In addition to this, a new payroll manager has been recruited (starting 11/12/17) who will be tasked with reviewing the current processes and updating where necessary.		
4.2	<p><b>System Security - Leavers</b>  <i>Observation:</i> MFSS staff use the Oracle system for processing transactions for the Force and the system requires a user id and password to enable access to the system. Prior to this access, staff would require a further sign on to the system through a separate user id and password. When a member of staff leaves, their access to the Oracle system should be removed in a timely manner.                      Audit carried out testing on the four staff members who had left the MFSS during 2017/18. Testing found that three users had not had their access removed in a timely manner:                      · 1 leaver had left 56 days ago                      · 1 leaver had left 202 days ago                      · 1 leaver had left 237 days ago.</p> <p><i>Risk:</i> Individuals who have left the organisation have unauthorised access to the system.</p>	MFSS should review the process for removing leavers from the system to ensure that it is completed in a timely manner. [MFSS]	2	<p>The leavers service request includes a task for the systems support team to close Oracle Accounts. The team leader has reminded the team of the importance of closing accounts promptly.</p> <p><i>Update – Emails have been sent reminding staff to end date/make inactive, all accounts on the 1st and 12th December and on the 15th Jan 18, a new leaver process was produced which details end dating staff. This was disseminated to all staff involved and is actively being followed.</i></p>	December 2017 Kelly Day	
4.3	<p><b>Net Pay Account Reconciliation</b>  <i>Observation:</i> The Net Pay Account is reconciled against the general ledger code for Payroll on a monthly basis to confirm that values held within the account in comparison to that on the general ledger are appropriate. The Net Pay Account should be managed accordingly to ensure that the value on the ledger is kept to a minimum.</p>	The entries held within the net pay account should be reviewed and MFSS should appropriately action the reallocation of funds that are currently held within the account.	2	The issue with timely completion and review of reconciliations and investigation of variances has been recognised by MFSS. An additional temporary post of GL Team Supervisor has been created to address this issue and work is underway to improve the standard of the reconciliations.	Nov 2017 to Feb 2018 Pam Rourke	



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>Review of the net pay account reconciliations completed during 2017/18 to date confirmed that there were between 73 – 80 line items held within the account relating to journals that are required to be reallocated, with values up to £5,598,850.72. It is noted that a recommendation was raised in the 2016/17 report relating to the same issue, although the value of the items to be reallocated has reduced from £17,676,505.13 that was noted in September 2016.</p> <p>It was also noted that for every month in 2017/18 the secondary check completed by MFSS as part of the Net Pay Reconciliation process had not been completed in a timely manner, with all checks for the year being completed on 6th September.</p> <p><i>Risk:</i> Where journals are not posted in a timely manner, there is a risk of inaccurate financial reporting, with monies sitting in the incorrect accounts for a prolonged period of time.</p>	<p>The secondary check on completed reconciliations should be undertaken in a timely manner. [MFSS]</p>		<p>Update - The standard of the reconciliations has improved significantly in recent months. These are sent to the Northants Finance team on a monthly basis. The balance on the Net pay account has been reduced to £38k.</p>		
<p>4.4</p>	<p><b>Payroll Performance Data</b> <i>Observations:</i> MFSS currently report performance data for purchasing, payables and receivables to the Force which highlight key data, including: · No. of requisitions transferred to orders within 3 days. · % of invoices paid on time. However, at present there is no review of performance for payroll processing. The review of this performance data would identify any issues or concerns in the payroll processing and allow actions to be taken in a timely manner.</p> <p><i>Risk:</i> Poor performance is not identified in a timely manner.</p>	<p>The Force should liaise with MFSS to ensure that appropriate performance data is provided with regards payroll processing. This could include, but not be limited to, the following: · No. of overpayments &amp; underpayments. · Value of overpayments &amp; underpayments. · Reasons for overpayment i.e. late notification by Force, MFSS missed SLA for Payroll Date etc.</p> <p>[Force]</p>	<p>3</p>	<p>The recommendation has been implemented. A manual log is now being kept recording each over/under payment and the reason.</p>	<p>November 2017 John McGill</p>	
<p>4.5</p>	<p><b>Scheme of Delegation – Investments</b> <i>Observations:</i> The Financial Regulations at the Force state the responsibility for the execution and administration of treasury management decisions is</p>	<p>The Force should consider including individual investment authorisation limits to ensure appropriate oversight of</p>	<p>2</p>	<p>The OPCC/ Force recognises the importance and materiality of the transactions and so will implement the following approval limits;</p>	<p>Feb 18 Nick Alexander</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>delegated to the OPCC CFO acting in accordance with the Treasury Management Strategy. However, a review of the Treasury Management Strategy Scheme of Delegation does not clearly set any type of individual approval limit for investments and the Delegation Limits within the Financial Regulations do not set any individual limit for investments either.</p> <p>At present, the Finance team adopt segregation of duties for investments, with the Strategic Exchequer &amp; Corporate Accountant preparing the investment and then it is approved by the Chief Accountant. But there is no limit to the approval of investments for this individual (within the TM Strategy guidelines on size of investment).</p> <p><i>Risk:</i> Inappropriate investment routines are carried out without adequate oversight.</p>	<p>investments in the PCC's name is undertaken. [Force]</p>		<ul style="list-style-type: none"> <li>· £2m Strategic Exchequer &amp; Corporate Accountant</li> <li>· £5m Chief Accountant or Head of Finance</li> </ul> <p>As per the limits within the Strategy S151 officers (Force &amp; OPCC)</p> <p>Update - the new scheme of delegation is approved &amp; this now sets out the appropriate levels of responsibility.</p>		
4.6	<p><b>Recording Investments</b> <i>Observation:</i> To ensure that the Force has an accurate record of current and future cash flows, all investments/borrowings should be accurately entered into the tracker and cash flow diary. A review of the one investment carried out during 2017/18 confirmed that the capital amount for the investment was recorded at the maturity date, however the interest that would be received was not recorded. Whilst this was not a material amount, it would assist in ensuring a more accurate cash flow diary is in place.</p> <p>A review of the one investment that matured during 2017/18 found that the expected interest input on the deal ticket was overstated by approximately £300. Whilst the correct interest was received and recorded in the cash flow diary, it should be stated correctly on the deal ticket so the authoriser is clear on the expected returns.</p> <p><i>Risk:</i> The cash flow diary is not accurately stated. The authoriser of the investment is unaware of the expected interest returns.</p>	<p>The expected investment returns should be accurately stated on the deal ticket to ensure the authoriser is clearly aware of the returns from the investment they are authorising.</p> <p>The interest due on the investment maturity should be included in the cash flow forecast to allow for a more accurate cash flow to be in place. [Force]</p>	3	<p>There has been a review of the process, this appears to have been a single human error and the correct interest will be recorded moving forwards, checked by authoriser as signing document.</p> <p>Update - the new scheme of delegation is approved, which will require additional sign offs and checks to avoid this being repeated.</p>	Jan 18 Nick Alexander	
4.7	<b>New Suppliers</b>					

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p><i>Observation:</i> When requests, to create new suppliers or amend existing ones on the system, are received by MFSS the process includes appropriate fraud checks to ensure that the request is genuine, with evidence of the fraud checks saved on the system. The current process is undertaken by one individual, with no secondary check completed to ensure that the correct process has been followed. This increases the risk that fraudulent or incorrect suppliers are set up on the system. Whilst audit testing of 15 new suppliers found no issues, as this is a high risk area consideration to strengthening this control system should be undertaken.</p> <p><i>Risk:</i> Fraudulent suppliers are set up on the system allowing fraudulent payments to be made.</p>	<p>The Force should consider liaising with MFSS and suggest the implementation of a monthly dip sample of amended suppliers and new suppliers created to ensure that the process has been completed accurately and appropriate fraud checks are evident. [Force]</p>	<p>3</p>	<p>Bank details are checked for all invoices with a value greater than £5000 as part of the payment run checks.</p> <p>In addition a monthly dip sample of new and amended suppliers will be included in MFSS processes</p> <p>Update - The monthly dip sample will be in place by March 2018</p>	<p>Dec 2017 Pam Rourke</p>	
<p>4.8</p>	<p><b>Debt Collection</b></p> <p><i>Observation:</i> MFSS are responsible for sending reminder letters to debtors where they have not paid invoices in a timely manner. The current process is to send a first reminder 30 days after the invoice and a second reminder is sent 7 days after the first reminder and then continued chasing of the debt is carried out by MFSS with instructions provided by the Force. Audit testing of 10 outstanding debtors found:</p> <ul style="list-style-type: none"> <li>· 1/10 had been fully recovered at time of audit visit;</li> <li>· 3/10 had been further chased, with evidence held on the system; and</li> <li>· 6/10 remained outstanding with there being no evidence of recent debt recovery attempts.</li> </ul> <p>It was noted that the longest length of time for which no actions to recover the debt had occurred was over 6 months.</p> <p>Audit were informed that a new collections strategy for outstanding debts is being discussed which aims to improve the existing process.</p> <p><i>Risk:</i> Funds owed to the Force are not collected leading to financial losses for the Force.</p>	<p>The Force should review the debt collection process to ensure appropriate actions are taken in a timely manner to recover outstanding debts. [Force]</p>	<p>2</p>	<p>Organise workshop to review the debt collection process.</p> <p>The Strategic Exchequer Corporate Accountant is reviewing the process and will seek to have a single process to ensure that MFSS understand a clear strategy across partners to avoid following differing debt collection strategies.</p> <p>Update - Review of the debt collection process has been identified as a medium priority by the Optimisation board and work has not yet started on this. Aim to arrange workshop in March April 2018.</p> <p>Update - this has been reviewed and a new collection strategy has been passed to MFSS for inclusion within their processes. Existing debts are being chased and reviewed by the SECA for review by PCC &amp; CC s151.</p>	<p>Jan 2018 Pam Rourke</p> <p>Feb 18 Debbie Clark</p>	
<p>4.9</p>	<p><b>Payroll Secondary Check</b></p>		<p>2</p>		<p>November 2017</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p><i>Observation:</i> A recommendation was raised during the 2016/17 Core Financial Systems audit to ensure that the payroll inputting by the HR Service Delivery Team had a secondary check by the MFSS Payroll Team for accuracy and completeness.</p> <p>Audit carried out testing of 10 leavers and found that in one instance the inputting carried out had not undergone the secondary check by the MFSS Payroll Team. A review found that the task had been created on the Oracle system but it had not been sent to the MFSS Payroll Audit queue for the MFSS Payroll Team to pick up and carry out the secondary check.</p> <p>This therefore increases the risk of incorrect payroll data being input leading to potential over or under payments through the payroll system.</p> <p><i>Risk:</i> Incorrect data is input onto the Payroll system leading to under or over payments.</p>	<p>MFSS should investigate the instance highlighted and ensure that the system will not allow the Secondary Check to be avoided. Consideration should be given to carrying out spot checks on amendments to payroll data to ensure the secondary checks are taking place.</p> <p>[Force &amp; MFSS]</p>		<p>A task has been added to each pay change SR that will ensure the secondary check cannot be missed. The task is automatically routed to the MF Audit queue so that the payroll team can cross reference the tasks with any absent service requests.</p> <p>Payroll reviews are being considered by the Force finance team, including the integrity of data entering the payroll system. A clear plan around how additional checks may be incorporated, whilst not placing undue strain on either HR or finance will be sought.</p> <p>Update - SLA's for payroll are currently under review for consideration under the new payroll implementation and reporting (now assumed Oct 18).</p>	<p>John McGill</p> <p>Nick Alexander April 18</p>	
4.10	<p><b>Expenses</b></p> <p><i>Observation:</i> Expenses are processed through a selfservice module, with any items over £150 being audit checked along with a random sample below that threshold.</p> <p>Expenses should be submitted with supporting documentation in line with the Expense Policy, which states:</p> <p>"Expenses will be reimbursed if the expenditure incurred in the course of duty is:</p> <ul style="list-style-type: none"> <li>(a) Supported by a receipt</li> <li>(b) Of a reasonable amount</li> <li>(c) Necessary</li> <li>(d) Additional to what would have been normally spent" <p>Audit carried out testing on a total of 20 expense claims made up of 10 mileage claims and 10 other expense claims. Testing found that for 17/20 expenses no supporting documentation was evident.</p> <p><i>Risk:</i> The Force suffer financial losses from fraudulent/incorrect expenses payments to staff.</p> </li></ul>	<p>The Force should ensure that it is clearly communicated to staff that they need to attach supporting documentation for expense claims to be paid.</p> <p>The Force should consider carrying out monthly spot checks on compliance with the Expenses Policy, highlighting areas of non-compliance to ensure lessons are learnt.</p> <p>[Force]</p>	2	<p>The expenses process requires individuals to keep supporting documentation and provide this if requested for Audit / HMRC inspection.</p> <p>A random sample of expenses claims is selected by the system each month for audit and these claims are checked by the MFSS Payroll team for policy compliance.</p> <p>The force is communicating with all employees on a cyclical basis for expenses &amp; integrity of claims.</p> <p>Update - this is being issued in Feb 18.</p> <p>Update - a communication has been issued &amp; a direct communication where non-compliant claims were identified was issued.</p>	<p>Debbie Clark Jan 18</p>	

**Data Quality – January 2018**

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Niche Governance</b>  <i>Observations:</i> When the Force adopted the Niche system a Niche Governance Board was set up to monitor any issues that the Force were facing in regard to the new system. Audit were informed that the Board meet on a quarterly basis and discuss wide ranging issues, from local governance to more operational issues such as data quality. Audit confirmed this through the Action Log that is maintained for this group. Whilst the Board does have a documented Terms of Reference in place it has not been reviewed or updated since its creation in 2014. In addition to the Niche Governance Board, a quarterly Data Quality Working Group meeting is held with leads of departments attending, including the Crime Management and Intelligence department, to discuss the operational issues. Whilst an action log is maintained to track the work this group is undertaking, there is no Terms of Reference in place that clearly sets out the role and responsibility that this group has.                      Moreover, there are two further groups who have a role in managing data quality in respect of Niche – the Regional Data Quality Team and the Local Data Quality Team. However, it is unclear on the remit and role of each team in dealing with data quality issues relating to Niche.  <i>Risk:</i> There is a lack of clear governance underpinning the management and maintenance of Niche.</p>	<p>The Force should put in place clear terms of reference for the Niche Data Quality Working Group. The Terms of Reference should include but not be limited to:</p> <ul style="list-style-type: none"> <li>• Purpose</li> <li>• Scope</li> <li>• Membership</li> <li>• Decision making authority</li> <li>• Reporting Requirements</li> <li>• Frequency of meetings</li> <li>• Review period for terms of reference</li> </ul> <p>Moreover, the roles and responsibilities for data quality of the system should be clearly stated within the Terms of Reference of all Governance Groups for the Niche System, including the Regional &amp; Local Data Quality Teams.</p>	2	<p>Agreed. It would be best practice to update the Terms of Reference for the Niche Governance Board and review the remit of the Niche Working Group to ensure no duplication of responsibilities.</p>	<p>Niche Operational Lead (Elle Harrison)                      30th April 2018</p>	
4.2	<p><b>Niche Data Quality Strategy</b>  <i>Observations:</i> A Data Quality Strategy for the Niche system was been completed and signed off by the Deputy Chief Constable in February 2017. The aims of the Strategy is “to ensure that Northamptonshire has a system that can best protect people from harm, with</p>	<p>The Data Quality Strategy for the Niche system should be owned by the Niche Governance Board and it should be reviewed at each meeting to ensure that the</p>	2	<p>Agreed. The performance monitoring on the strategy had yet to be completed although this has been identified and will be carried out.</p>	<p>Niche Operational Lead (Elle Harrison)                      30th April 2018</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>consistently applied standards that deliver accurate statistics that are trusted by the public and puts the needs of victims at its core".</p> <p>The strategy sets out a number of tasks that it would like to achieve and the next steps that should be taken to deliver these.</p> <p>However, it was found that there is currently no monitoring of these next steps to ensure the aims of the strategy are being achieved.</p> <p><i>Risk:</i> Failure to achieve the aims of the Data Quality Strategy.</p>	<p>achievements and next steps set out in the strategy are being delivered.</p>				
<p>4.3</p>	<p><b>Governance of E-Cins</b></p> <p><i>Observation:</i> E-Cins is a jointly owned system between the Police and the partners that it works with, including local NHS and council teams across the county such as social care and housing.</p> <p>As such, an E-Cins Management Group has been set up which is chaired by the Deputy Chief of Kettering Council and the operational lead for Northamptonshire Police also sits on this group.</p> <p>Audit reviewed the terms of reference for this group and found it was a simple document that had four objectives listed for the Group. It lacked clarity as well as basic good governance information, including membership, frequency of meeting and the scope of the group.</p> <p>One key omission from the current objectives was that there was no reference to the maintenance of data quality within the system.</p> <p><i>Risk:</i> There is a lack of clarity and consistency in the Governance structure leading to errors, duplications and poor decision making.</p>	<p>The Force should liaise with the E-Cins Management Group to update the existing Terms of Reference. The Terms of Reference should include but not be limited to:</p> <ul style="list-style-type: none"> <li>• Purpose</li> <li>• Scope</li> <li>• Membership</li> <li>• Decision making authority</li> <li>• Reporting Requirements</li> <li>• Frequency of meetings</li> <li>• Review period for terms of reference</li> </ul> <p>Moreover, the scope of the E-Cins Management Group should clearly state its role in respect of the maintenance of data quality within the system.</p>	<p>2</p>	<p>The Police lead will raise this with the Chair of the E-Cins management group with a view to it being discussed at the next meeting of the group. The points raised will be reviewed and a revised TOR produced.</p>	<p>E-Cins Strategic Lead (Mick Stamper) 28th February</p>	
<p>4.4</p>	<p><b>Monitoring of Data Quality – E-Cins</b></p> <p><i>Observation:</i> E-Cins is a partnership system that is utilised by the Police and partner organisations to share relevant data. The Police manually input any relevant police data onto the system. There is currently no regular monitoring of the Police's data that is stored on the system. Audit were informed that the E-Cins partners have recently agreed to recruit a permanent support staff member and data quality</p>	<p>The Force should put in place an audit plan to ensure that the Force's data held on the E-Cins system is regularly reviewed for quality purposes and any inaccurate or inappropriate data placed on the system removed where appropriate.</p>	<p>2</p>	<p>The system is being audited but a more formal audit programme (for ECins) will be developed and put in place. This will be a task for the data sharing manager who will be recruited once funding has been approved. It is expected this role will be established by the 31st March and the audit</p>	<p>E-Cins Strategic Lead (Mick Stamper) 15th May 2018</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>responsibilities will be part of this role once post is filled.</p> <p>However, it was noted from the E-Cins Management Group meeting minutes, that discussions in regard to this role have been on-going for some time and, in the meantime, the Force need to ensure the information that it owns on the system is correct and accurate, as well as adhering to Data Protection Act rules.</p> <p>Audit were informed by the E-Cins Operational Lead that discussions with the Force Crime Registrar on how the system can be audited have taken place.</p> <p>However, at the time of audit, there is no agreed plan for undertaking data quality monitoring of the E-Cins system.</p> <p><i>Risk:</i> Force data on the E-Cins systems is inaccurate or incomplete, leading to partners taking wrong decisions based on the information provided.</p> <p>Force breaches the Data Protection Act.</p>			<p>plan will be written with six weeks of the post holder commencing work.</p> <p>The initial audit has already been commissioned.</p>		
4.5	<p><b>User Guide – E-Cins</b></p> <p><i>Observation:</i> The Force have a user guide that is available to provide staff with guidance on the correct use of the E-Cins system. The user guide is communicated to officers and staff via the Force intranet.</p> <p>Audit reviewed the user guide and found that it was last updated in February 2014 and that it included names of staff who were no longer at the Force, including an out of date Strategic Lead for the system. It therefore needs to be updated to ensure the correct details are shared with staff.</p> <p><i>Risk:</i> Incorrect working practices are followed and staff are unaware of the key contacts should they need to discuss the use of the E-Cins system.</p>	<p>The E-Cins user guide should be updated to reflect the current processes to be followed and up to date contact information for key staff.</p>	3	<p>This will be discussed at the next ECins management group and a new user guide commissioned. Critical or pressing changes will be made once identified and the responsibility for future review and amendment will fall to the above post holder.</p>	<p>E-Cins Strategic Lead (Mick Stamper) 31st March</p>	
4.6	<p><b>Performance Reporting of Data Quality</b></p> <p><i>Observation:</i> The Force have developed a number of monitoring tools for data quality, including an application that reviews data quality issues within Niche, as well as a dashboard for individuals to see data quality issues.</p> <p>The data quality application allows an oversight of the data quality issues by volume, however there is no</p>	<p>The Force should develop the reporting functionality of the data quality application to allow for effective performance reports on data quality issues to be utilised by those charged with governance of the system.</p>	3	<p>The performance team at the Force are already developing the reporting functionality across the Force systems. Liaison will be done with the Performance Team to ensure appropriate reports can be utilised in the management of data quality within</p>	<p>Niche Operational Lead (Elle Harrison) 30th June 2018</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p>regular reporting of this performance data. Audit were informed that a Business Objectives reporting tool can summarise the data but is unable to track it over time to show the trend of issues being reported. Moreover, as the version of Niche used by the Force is the same as the regional partners, there is an opportunity for being able to benchmark the Force's data quality performance against other Forces to provide a contrast in data quality performance.</p> <p><i>Risk:</i> The data quality performance of the Force is unknown by key decision makers.</p>			<p>Niche.</p> <p>The business intelligence tool we are looking to implement shortly will help increase the visibility of data quality issues. A project team is being established to progress a proof of concept and we have a good case study from another force to develop from.</p>		

**Financial Planning – February 2018**

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p>4.1 <b>Scrutiny of MTFP 2017 – 22</b></p> <p><i>Observation:</i> The Medium Term Financial Plan is created by the Chief Finance Officer for the OPCC with support from the Police retained Finance Section, including the Head of Finance. Once draft versions of the MTFP have been prepared they are presented to the Managing Finance Group (MFG), the Accountability Board as well as the Joint Independent Audit Committee (JIAC) for scrutiny and review prior to being presented to the Police and Crime Commissioner for formal sign off. Whilst this was carried out for the previous MTFP (2016-2021), it was found that this level of scrutiny did not occur for the 2017-22 MTFP. Discussion with staff confirmed that, due to changes in the Finance team at the time the MTFP was being prepared last year, this meant disruption to the usual process of scrutiny and it was not presented to the MFG and Accountability Board. Audit did, however, confirm it was presented to the JIAC in December 2016.</p> <p><i>Risk:</i> The Medium Term Financial Plan does not have appropriate levels of scrutiny and therefore includes unclear or incorrect financial plans.</p>	<p>The MTFP 2018-23 should include appropriate scrutiny by the Managing Finance Group and the Accountability Board prior to PCC sign off.</p>	2	<p>The MTFP was prepared in line with the above criteria and considered at the December JIAC and was then reviewed and updated following the settlement for the PCC/CC Accountability Board in January 2018 and the Police and Crime Panel February 2018.</p>	<p>Completed in line with this approach for January Accountability Board (Special Budget meeting) and Police and Crime Panel February 2018.</p>	



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.2	<p><b>Period of Coverage for MTFP</b>  <i>Observation:</i> Audit reviewed the MTFP Report that was prepared and found a number of instances where the timeframe of 'medium term' differed between four and five years. A summary of the conflicting time periods is stated below:</p> <ul style="list-style-type: none"> <li>• It is titled "Medium Term Financial Strategy 2017/18 – 2020/21"</li> <li>• Under the purpose section of the MTFP is states "It covers a period of four years"</li> <li>• The overall Financial Summary states "Based on the assumptions outlined within this report the summary position, over the next 5 years"</li> <li>• The Reserves section includes "Contributions from Reserves are provided up until 2023"</li> </ul> <p>For clarity the MTFP should be consistent in the period it is planning for.  <i>Risk:</i> It is unclear how many years the OPCC and Force are financially planning for.</p>	<p>The Medium Term Financial Plan should be clear and consistent in the time frame that it is covering.</p>	3	<p>The MTFP was reviewed and this addressed for both the December JIAC MTFP and the Accountability Board and Police and Crime Panel Meetings.</p>	<p>Completed for the Accountability Board (Budget Discussions) and the MTFP considered by the Police and Crime Panel, Jan and Feb 18 respectively.</p>	
4.3	<p><b>Savings Plans</b>  <i>Observation:</i> The Medium Term Financial Plan aims that, from 2018/19 onwards, in order to deliver a balanced budget savings of up to £3m per year will be required. To address this, Operation Balance has been set up with the agreed aim "to review all elements of organisational demand in respect of Northamptonshire Police, seeking methods of reducing, removing and better managing demand to improve the efficiency and effectiveness of the force and provide an improved service to the people of Northamptonshire".            Audit were informed that the Change Board have taken responsibility for Operation Balance and were able to evidence that some business cases had been presented for consideration and they had been approved by the Change Board.            However, the financial impacts of these approved business cases had yet to be scrutinised by Finance to verify that accurate figures had been included at the time of audit visit.            Audit were informed that once the business cases had been approved they would be reviewed and scrutinised by Finance. Audit were unable to verify the process</p>	<p>The process for review, scrutiny and approval of individual savings plans under Operation Balance should be documented. This should include the timely involvement of the Finance department in conjunction with the Change Board to ensure appropriate scrutiny of savings takes place in a timely and efficient manner.</p> <p>Once Operation Balance savings plans have been agreed, an appropriate monitoring process should be put in place to ensure they are delivered</p>	2	<p>Agreed.</p> <p>Update – this is tabled for regular updates by the PCC and with the Force at the Accountability Board and is set out in the PCCs letter to the Chief Constable on the Budget.</p>	<p>Head of Finance            March 2018</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>from start to finish as none of the cases had advanced to this stage as yet.                      It was found that the process from identification of savings, completion of business cases, approval of the savings and scrutiny of the proposed savings is not documented and therefore the correct process to follow is unclear.                      It is noted that Operation Balance has not begun to monitor the approved savings plans that have been / will be identified for the next financial years. An appropriate monitoring system should be set up and agreed prior to the start of the year to ensure that the savings are delivered.  <i>Risks:</i> Decision makers are not fully aware of the exact savings to be delivered when approving savings proposals.                      Anticipated savings are not achieved and the organisation fails to deliver the budget set.</p>					
4.4	<p><b>Budget Monitoring</b>  <i>Observation:</i> On a monthly basis, a revenue and capital outturn report is prepared by the Finance team showing current performance against the budget and the anticipated year end position.                      These reports are reviewed by the Managing Finance Group, where current positions are scrutinised and any potential overspends discussed to ensure actions are promptly addressed. Then, after this meeting, a summary report is prepared and presented to the Chief Officer team.                      Audit reviewed Periods 5 and 6 and confirmed that the process for budget monitoring was being carried out. However, through review of the reports it was found that the budget positions presented in Period 5 was incorrectly stated. Whilst the approved Force budget for 2017-18 is £115.6m, the Period 5 monitoring report stated the budget position as £116.5m. Audit were informed that this error was picked up by the Director of Finance and it was explained when the monitoring figures were presented.  <i>Risk:</i> The decision makers at the Force are unaware of the correct financial position.</p>	<p>The Finance Team should consider including a comparison of the previous month's budget position to the current months position, plus or minus any virement, as part of the monthly monitoring process. This would ensure that the correct budget position is being presented.</p>	3	<p>Agreed.                      Update February 2018 – In progress.</p>	<p>Head of Finance                      April 2018</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.5	<p><b>Budget Monitoring Timetable</b>  <i>Observation:</i> The Finance Team prepare monitoring reports that are presented at both the Managing Finance Group and the Chief Officer Team meetings. At present it is not clear on the expectations of when these reports should be presented after the end of a period.                      An annual timetable that showed the financial monitoring reports that will be produced for each period, when these will be presented for scrutiny and at what forum would clearly set expectations and allow an oversight to ensure effective financial monitoring was taking place.  <i>Risk:</i> Failure to identify overspending or any potential overspends in a timely manner</p>	<p>An annual timetable of financial monitoring should be produced which clearly documents the financial monitoring reports that will be produced, when these reports will be produced and the appropriate forums where they will be presented for review and oversight.</p>	3	Agreed.	Head of Finance April 2018	
4.6	<p><b>Assumptions</b>  <i>Observations:</i> The Medium Term Financial Plan requires a number of assumptions to be made as key figures in future years are unknown at the time of planning.                      In last year's audit it was identified that some of the assumptions for utilities were agreed on a regional basis to provide a consistent approach to financial planning. These assumptions were listed on a spreadsheet with a comments section against each line to provide details on the source of information used when reaching the figures, but these were found to be missing. A recommendation was raised to ensure assumptions were based on sound source information and agreement to document this was given. However, during the audit review of assumptions in the 2017-2022 MTFP the same issue has re-occurred, with some assumptions not stating the source documentation. Therefore audit could not confirm they had been reasonably assumed.  <i>Risk:</i> Where assumptions made are not supported by evidence of their source, there is a risk of inaccurate assumptions being made. This may lead to figures being incorrectly forecasted leading to inaccurate budgeting.</p>	<p>All price assumptions made within the MTFP 2018-23 should be supported with source documentation where possible and these assumptions should be clearly documented.</p>	3	<p>Agreed.                      This was already addressed in the MTFP considered by the JIAC in December 2018 and the MTFP considered at the Accountability Board and Police and Crime Panel in January and February 2018.</p>	Already Completed	



## Report to the Joint Independent Audit Committee 19 March 2018

### Corporate Risk Summary Report

#### RECOMMENDATION

The Committee is asked to note this report.

#### 1 PURPOSE OF THE REPORT

- 1.1 This report provides the Joint Independent Audit Committee with an update on the status of risks recorded on the Corporate Risk Register.

#### 2 OVERVIEW

##### 2.1 Corporate Risk Register

- 2.2 There are currently twenty risks recorded on the Corporate Risk Register. Seventeen risks are 'High' and three are 'Medium'.

The high risks relate to;

- the capacity of the Force to deliver the change programme,
- the systems and controls in place to support the management of detained property,
- shortage of investigatory capacity and capability,
- the implementation of the Oracle Fusion system.
- the Force not being complaint with the General Data protection Regulations,
- possible damage to the fibre optic cables during building work related to the new school,
- a reduction in force performance levels leading to loss of public confidence,
- the 2018/19 funding gap,
- failure to adequately record how property and information is stored,
- insufficient budget to deliver key services,
- the High Tech Crime Unit failing to achieve ISO17025 accreditation,
- an abnormal number of staff leaving the FCR coupled with increased demand affecting the level and quality of service that the FCR can deliver,
- the possible national challenge to the new Police Pensions Scheme at an employment tribunal,
- slippage to the delivery of the Emergency Services Network,
- staffing levels in the Corporate Communications department,
- failure of the Multi Force Shared Service to operate within agreed service levels,
- management and control of the e-cins system,

The medium risks relate to;

- the upload of data from Niche to PND,
- the management of digital data.
- the reduction in partners resources meaning that the Force has to perform roles on their behalf,

### **3 STATUS OF RISKS**

#### **3.1 New Risks**

Three new risks have been opened since the last JIAC which relate to:

- The shortage of investigative capacity and capability as a result of increased demand, the changes to the Bail Act and the Service Deliver Model not yet being fully resourced.
- Departments failing to keep adequate records of how and where information and property is stored.
- The updated funding position for 2018/19.

#### **3.2 Increasing Risks**

No risks have increased since the last JIAC.

#### **3.3 Closed Risks**

Five risks have been closed since the last JIAC which related to:

- Limited capability to monitor system use. The system monitoring software is now in place being rolled out across the force.
- The impact of the Bail Act on re-offending and resolution rates. This risk has been replaced with a broader risk around investigative capacity and capability.
- Failure of the Service Deliver Model to deliver the required level of resources. This risk has been replaced with a broader risk around investigative capacity and capability.
- Staffing levels in the Prisoner Investigation Unit. This risk has been replaced with a broader risk around investigative capacity and capability.
- 2017/18 Funding Gap. This risk has been superceded by the 2018/19 Funding Gap risk.

#### **3.4 Decreasing Risks**

One risk has decreased since the last JIAC which relates to:

- The upload of data from Niche to PND. The main data extract has been uploaded and work is ongoing to fix any errors before the final upload to PND can take place.

3.5 The attached Monthly Risk Summary Report shows further details and the current status of all risks recorded on the Corporate Risk Register.

#### **EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS**

None

#### **HUMAN RESOURCES IMPLICATIONS**

None

**RISK MANAGEMENT IMPLICATIONS**

This is the purpose of the report.

**ENVIRONMENTAL IMPLICATIONS**

None

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Force Risk and Business Continuity Advisor

**Chief Officer Portfolio Holder:** Rachel Swann, Deputy Chief Constable

**Background Papers:** Monthly Risk Summary Report – March 2018

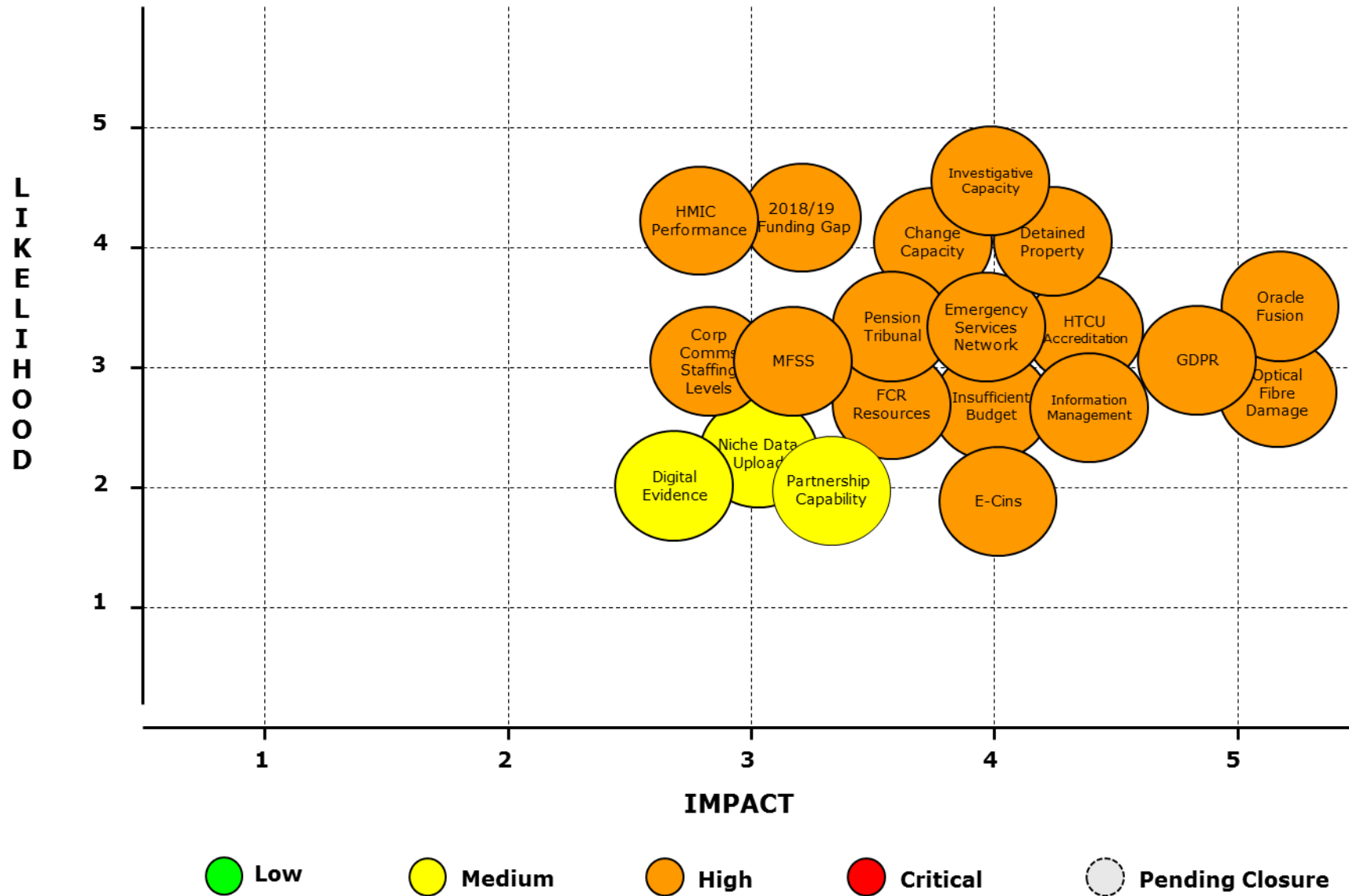


# Risk Management Monthly Summary Report

## March 2018

### Corporate Risk Register

There are currently twenty risks on the Corporate Risk Register. Seventeen of the open 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 delivery of the force control strategy and the Police and Crime Plan could result in a failure to meet operational or financial targets.	The Change Delivery Team have restructured the programme to maximise efficiency and delivery, while increasing accountability. Some capital funds have been allocated to provide some of the needed resources. Other revenue funding options have been agreed to cover the Business Improvement Team. The SDM Full Business Case has been agreed to improve operation efficiency and effectiveness and there is a desire to proceed with a dynamic review after implementation.	There is a need to consolidate and avoid any non-essential change activity until we have landed SDM, Op Balance, Op Evolution, Oracle Fusion and the Community Safety review.	➔

CR 95	16	4	4	<p>An internal audit of the systems and controls in place to support the management of detained property identified a number of weaknesses that could lead to the loss of items and subsequent operational, financial and reputational impact.</p>	<p>Short term - additional resource for 6 months to address the key issues identified in the audit report. A business case to be produced for consideration by Chief Officers.          Communication / training to officers on importance of correct recording and tracking of property on Niche.          Long term - A more detailed business case to be prepared to outline a new operating model consistent with that recently introduced at Leicestershire.</p>	<p>3 of the 4 FTC staff are now in place and they are all at various stages of their training. The priority has been to focus on the freezer storage within the Central Property Store along with booking in the contents of the freezers in the Temporary Stores, this was due to the impact on SOCO and the increasing risk to evidence for cases and subsequent charges.          Installation of the Firearms and Drugs Rooms at the Central Property Store are yet to be completed and when these are signed off audits, location audit tasks, disposals and movements of the property will commence.          The cash safe remains a concern with regards to the insurance issues and is also yet to be audited and the relevant cash banked accordingly.          Disposals within the store along with the management to make storage capacity is also still outstanding.          The freezer still requires a full audit but the disposals have been pulled and all outstanding property has now been booked in.          The department currently has approximately 9,800 NICHE tasks outstanding and a meeting was held on 10/11/17 to establish if any assistance can be given via the system or procedures to reduce these, it has been identified that a search may be feasible that identifies outstanding tasks on property that has already been disposed and then these tasks can be cancelled as they are no longer required. A further search may be possible for Retain tasks where a bulk update can be made on the property relating to these tasks and then the tasks can be started and completed.</p>	→
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Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 105	16	4	4	Increasing demand, coupled with reduced resources, leads to a shortage of investigatory capacity affecting the quality of investigations and resolutions impacting on performance, staff welfare and damaging public confidence and reputation.	Emphasis has been placed on managing ongoing investigations with a focus on quality and scrutiny. Agency staff are being recruited to try address the backlog	SDM has realigned resource but the investigative capacity is not yet up to the full level. Since the introduction of the new bail conditions investigations have increased due to the use of RUI. There has been a national increase in crimes involving violence and sexual offences. The length of time to investigate a crime has increased High profile national reporting of non-disclosure of evidence has increased scrutiny on the quality of investigations. This in turn has meant that CPS are requiring more detailed scrutiny of material extracted from digital devices which is time intensive Increased levels of sickness have exacerbated the issue. There are also a high number of staff on restricted duties	→
CR 96	15	3	5	The Fusion project (Op Quantum) not delivered within required timescales resulting in financial loss and a loss of operational benefits.	A three month plan has been developed by Grant Thornton to recover the current situation and enable implementation to be achieved within required timescales. The plan outlines the required level of resource and governance arrangements that will be required to successfully implement the project.	The overall programme grading is now Red and it is likely that the go live date will now be October 2018 which will bring increased financial pressure.	↑
CR 99	15	3	5	The Force is not compliant with the General Data Protection Regulations (GDPR) which come into effect from 25 May 2018. This could lead to significant financial penalty, reputational damage, possible adverse publicity and damage to public confidence.	A project team has been established to manage the issues arising from GDPR compliance which has been incorporated into the Data Protection Bill.	Good progress is being made against the action plan with work ongoing in the key areas that have been identified. A communication plan has been developed to support the introduction of GDPR.	→

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
R 81	15	3	5	Building work relating to the new school accommodation at FHQ damages the optic and copper cable link to FHQ causing a loss of key systems.	Risk re-opened following decision to relocate new school to the Mereway site. This will require a further movement of the fibre optic cable to remove the risk of it being damaged during the construction work.	The road closure has been agreed but we are still waiting for Openreach to carry out the work. A target date of 02 February 2018 has been set for completion of the work.	➔
CR 102	12	4	3	Reduction in Force performance leads to the HMIC assessment of the Force identifying a number of areas for improvement affecting public confidence and the reputation of the Force.	A Gold Group has been established to manage Areas for Improvement identified by HMIC.	Early indications from the 2017 Effectiveness inspection suggest that a number of areas for improvement will be identified in several areas of performance.	➔
CR 103	12	4	3	Grant changes for 2018/19 have been announced at 0.0% with beyond also being forecast as 0.0%. The cumulative deficit for year 5 of our MTFP is between £2.6-5.1m (1.3% reduction in years 3 onwards). This has been revised downwards from a range of £6m-12.2m. Pay rises are estimated at 2%, which creates a year on year funding pressure of around £1.6m including & the IT strategies are still being formed up, with investment and savings costs yet to be firmed up within the MTFP.	The SDM structure has allowed for an operational policing model of 1,209 that allows the Force to balance finances. The change programme should mitigate the impact in terms of consolidation, efficiency and integration opportunities.  The force will also use priority based budgeting to identify future savings and demand pressures.	Options for Officers and Staff through phases 1 and 2 of SDM have been considered based on a proper consideration of threat, harm and risk, activity and demand analysis.  With lead times and the scale of the changes required, it is likely that permanent savings needed for the tail end of the MTFP are unlikely to be identified through the first phases of the SDM project, with later savings being realised through the priority and risk based budgeting.	➔

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 104	12	4	3	Departments are failing to keep adequate records of how and where information and property is stored which could lead to a breach of Data Protection regulations and possible fines and reputational damage.	Estates and Facilities are undertaking a sweep of all vacated premises to ensure that no material has been left behind. Audits are being undertaken of stored information to ensure that it is being correctly stored where still required or deleted if it is no longer required. A project team has been established to ensure that the Force is compliant with GDPR.	The recent office relocations as part of Op Evolution identified a large amount of physical material which had been stored in various locations and which was left behind after departments moved. Some of this material contained sensitive personal information. The introduction of the GDPR from May 2018 gives greater powers to individuals in respect of personal data, places greater responsibility on organisations to manage personal data effectively and increases the penalties for breaches.	→
R 100	12	3	4	The assumptions around centralised funding coupled with a continued significant increase in demand highlight insufficient funds to be able to deliver all of its key services resulting in a reduction in performance, loss of public confidence and possible reputational damage.	The force has a balanced budget for the first two years of the medium term financial plan to deliver strategies to meet ongoing increases in demand.  The Service Delivery Model is restructuring the force to deliver services in the most efficient way.  Op Balance and our Priority Based budgeting has been established and will continue through 2018/19 to ensure the most cost effective use of resources across the Force.	Grant reductions beyond 17 are forecast as 0.00%, however, later years of the plan, could be impacted by new cuts & there remains an unknown top slicing effect at the tail end of the Medium Term Financial Plan (MTFP), which could significantly increase this headline.  The cumulative deficit for year 5 of our MTFP ranges from £2.6-5.1m, which has reduced from £6-12.2m  The Government has recently announced a 1% pay award for police officers, with a further 1% bonus payment which will need to be funded from existing budgets, however, it is anticipated that pay rises will be at least 2% moving forwards & every 1% above this would cost around £0.83m per annum (including on costs)	→

Risk Ref.	Risk Score	Likelihood	Impact	Description	Response Measures	Comments	Status
CR 80	12	3	4	<p>The Hi Tech Crime Unit fails to achieve ISO17025 accreditation by UKAS resulting in them possibly not being able to present evidence in court as experts leading to potential failure of prosecutions and associated risk of continued offending and reputational damage to the force and loss of public confidence.</p>	<p>Regional solutions are being developed for the legal entity and a quality management framework but it is not known at this stage whether these will be accepted by the accreditation body.</p>	<p>UKAS' first inspection is scheduled for 16th-18th October with a view to actions arising from their visit to be completed by January 2018 and Accreditation Grant February 2018 This will be for computer devices only. EMSOU have agreed a November 2017 deadline for Northants to submit our AC4 for mobile phones, however it is unlikely we will meet this deadline given the timing of the UKAS visit and our need to concentrate on the actions arising from it to secure our Accreditation Grant.</p> <p>The Forensic Science Regulator (FSR) is currently working with the Justice Sector to enforce a 'non-compliance' opening caption to all digital forensic MG11s and technical reports. This in effect will highlight as the first part of our evidence that we are not compliant with the Accreditation standards and / or the FSR Codes. Regionally no one will be compliant with the FSR Codes and therefore, even if UKAS have Accredited certain aspects of our work, everyone will have to say they are not complaint with FSR Codes. This could impact on the evidence in every one of the cases with a digital element and could result in increased failed convictions.</p> <p>Regional Leads will be liaising with the Head of EMCJS to identify options to rebut these attempts and to prepare CPS for the legal challenges that may arise should our non-compliance be identified in this manner</p>	<p>→</p>

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 83	12	3	4	An abnormal number of staff leaving the FCR, coupled with increased seasonal demand and overspill demand from Leicestershire potentially resulting in insufficient capacity within the FCR to be able to effectively manage the call volumes being received. This could lead to a reduction in the level and quality of service provided to the public.	Bring the next intake of staff forward from October to August and fast track candidates currently going through the application process. Run a further recruitment drive in October. Approach Specials to identify any volunteers who might work in the FCR.	The staffing risk remains. As part of the SDM, the FCR are recommended to have 69 FTE call handlers. In January 2018 - we will only be 'up' to 62 FTE and we have four further staff leaving in Feb to start their career as police officers in Feb. We continue to highlight the pressures regarding staffing and the continuous recruitment that has been ongoing since June this year. We have another cohort starting in Feb so this should be reviewed following that to monitor current staffing levels against new starters /attrition rates.	→
CR 85	12	3	4	Following the introduction of the new Police Pensions Scheme in April 2015 a number of officers are pursuing claims in a national challenge at an employment tribunal on the grounds of discrimination. If successful the Force could face compensation payments and adverse publicity and damage to reputation	Legal services are providing a regional lead for the responses to this national action. Thus providing a co-ordinated single point of contact for all forces and responses. Leigh Day have already lodged several thousand claims on behalf of officers from across the country. A final batch of claims will be submitted in spring 2017. There is a desire to hear 8 test cases drawn from 12 forces from around the country and there is an expectation that one of the test cases may be from the East Midlands forces. Northants have volunteered to be a test case but it is not known yet whether we will be selected. EMPLS will be responsible for the legal work and costs will be shared between all 43 forces.	Following the decision in favour of the judges in January a decision has now been made in the firefighters case with the outcome being that the claims against the Fire Authority all failed. This is great news for the Forces as we are now entering into our proceedings with a Judgement that supports our position. We still await a detailed advice note from counsel.	→

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 88	12	3	4	Slippage to the delivery of the Emergency Services Network (ESN) means that the Force will not be able to transition to the new service within the anticipated timescales leading to a significant financial impact in terms of the ongoing costs of extending the use of Airwave and the failure to realise anticipated benefits from ESN.	<p>Ongoing work with the regional co-ordination team and the Home Office to monitor and understand the impact of slippages.</p> <p>Lobby the Home Office to ensure that adequate coverage exists before migration to ESN.</p> <p>Monitor and renew Airwave contracts within timescales.</p>	The overall status of the regional programme remains at "Amber". Key points to note from the most recent update are that there has been a breakthrough in testing - EE and Motorola have performed tests on the live EE network, PTT 1:1 call, PTT Group Call, critical messaging, Volte call and internet access using a Samsung S8. The Risk Strategy and Process details have been released, further meetings to be held with local lead and ESN Project Management.	→
CR 94	9	3	3	A reduction in staffing levels in the Corporate Communications Department coupled with increased demand makes it difficult to manage workload leading to increased pressure on remaining staff and a deterioration of service.	Undertake a review/restructure of the department to fully understand demand and required resources.	Some recruitment has taken place and the review is being considered again at the December Change Board	↓
CR 101	9	3	3	The Multi Force Shared Service (MFSS) function fails to operate within agreed service levels or to a satisfactory standard leading to increased bureaucracy, impaired performance and a reduction in staff morale.	<p>Service level agreements are in place to govern MFSS performance.</p> <p>A gold group has been established to record and manage issues with MFSS performance and to develop continuous improvement.</p>	Business as usual performance of MFSS is constantly below the expected standard with frequent reports of errors or delays in processing transactions.	→



Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 87	8	2	4	The lack of centralised management and control of the e-cins system affects the accuracy and integrity of data held on the system leading to possible impact on investigations, non-compliance with regulations and potential reputational damage and loss of public confidence.	Tim Driver has confirmed that through changes to the ISA to confirm that all user organisation are shared Data Controllers, and a rewording of the contract to confirm that Northants Police pay the bill on behalf of all user organisations in the County, it will be sufficient to confirm to the ICO that we are not the system owner, so will not be responsible for all data on the system. So far the ISA has been updated, but the contract is still in progress. The work to design a Programme Manager role is ongoing. The ISD System Admin team taking on responsibility for account management has been agreed and work is ongoing to introduce the arrangements.	Partners have now provided sufficient funding to allow a request to be prepared for the force to host the part time systems manager role. A business case is being prepared which, once the ECINS Board are satisfied meets their needs, will be submitted to the Change Board. Interim arrangements have been put in place to provide training to all Northants police staff that require it to ensure that our standards of use remain high.	➔
CR 91	6	2	3	Crime and Intel data has yet to be uploaded to PND from all five EM forces. There is a risk that officers will not be able to satisfactorily complete searches for historical crime and intel data on nominal records without the data being resident in PND	Information from other EM forces that is not uploaded to PND would still be available from source e.g. Niche, however there is an inconvenience of processing two separate searches and combining the results (e.g. EM data from Niche and other force data from PND). Officers should be aware that all EM data is available from Niche and PND can still be used for acquiring crime and intel of other forces.	From mid-January over 2-3 weeks the extract has been running in Lincs. Two errors have been spotted that need fixing by Niche and those are being sent across to them for re-work. Once fixed, Lincs will run the entire extract again (approx. another 2-3 weeks). At this point the Home Office alongside resources from each force will do some final testing, assuming all is good we can then bring PND up to date for all forces and move into a BAU upload process.	➔

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
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.	The regional Digital Evidence Management system is being developed under the EMCJ banner. In parallel to this is the work being undertaken via the change board initiative regarding the management of data collected as part of investigations including mobile phone and computer data.  A solutions architect has been recruited to look at the ongoing management of evidential data and they commence in the role on 1st December 2017. A paper will be taken to the change board in early 2018 making comprehensive recommendations as to how digital evidence is managed in force.	→
CR 59	6	2	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.	This risk is now largely being managed as business as usual and the risk has reduced although some issues remain	↓

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

# External Audit Plan 2017/2018 (Draft)

Police & Crime Commissioner for  
Northamptonshire  
and  
Chief Constable for Northamptonshire

January 2018

# Summary for Joint Independent Audit Committee

Item 8

## Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards local authority bodies need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017.

This represents a significant change for the Police and Crime Commissioner and Chief Constable. It is important that the Police and Crime Commissioner and Chief Constable manage their closedown process to meet the earlier deadline. As a result, we have recognised a significant risk in relation to this matter.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

## Materiality

Materiality for planning purposes has been set at **£3.2 million** for both the Police and Crime Commissioner and the 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 a level of £160,000 for both the Police and Crime Commissioner and the 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:

- **Valuation of Pension Liabilities** – The valuation of the Police and Crime Commissioner's and Chief Constable's pension liabilities, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will assess whether controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.
- **Valuation of property, plant and equipment** - The PCC revalues its assets on a rolling basis over a five year period, with a full valuation every fifth year. This represents a significant estimate by management in the financial statements. The Code requires that the PCC ensures that the carrying value at the balance sheet date is not materially different from current value. We will review management's processes and assumptions for the calculation of the estimate. We will review the competence, expertise and objectivity of any management experts used. We will also review the instructions issued to valuation experts and the scope of their work.
- **Faster Close** – As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May 2018 (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Police and Crime Commissioner and Chief Constable in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work.

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

# Summary for Joint Independent Audit Committee (cont.)

## Financial Statements (cont.)

### Other areas of audit focus

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

- **Related Party Disclosure** – Police Bodies are required to comply with International Accounting Standard 24 and disclose transactions with entities/individuals that would be classed as related parties. A disclosure is required if a transaction (or series of transactions) is material on either side i.e. if a transaction is immaterial from the Organisation's perspective but material from a related party viewpoint then the Organisation must disclose it.

We will review disclosures for completeness and testing to supporting evidence. We will review the governance processes in place at the PCC and CC to capture declarations of interest and report related party transactions for inclusion within the financial statements.

## Value for Money Arrangements work

Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk to date:

- **Medium Term Financial Planning** – The Police and Crime Commissioner and Chief Constable continue to face significant financial pressures and uncertainties in relation to its future funding levels with grant allocations for future years not yet being published. We will review the Authority's latest Medium Term Financial Plan and the 2017/18 budget, considering the assumptions that underpin the figures within them.
- **MFSS Governance** – MFSS currently provides transactional back office services to Northamptonshire Police and other PCCs. PCCs have expressed concerns around governance of MFSS and the services provided to clients. We will review the governance arrangements to ensure proper arrangements in MFSS Financial Governance.

**See pages 12 to 16 for more details.**

## Logistics

Our team is:

- Andrew Cardoza – Director
- Alasdair Colston – Manager
- Nico Chitsa – Assistant Manager

More details are in **Appendix 2**.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan, an Interim Report/Letter and a Report to Those Charged With Governance as outlined on **page 19**.

Our fee for the 2017/18 audit of the Police and Crime Commissioner is **£29,291** (£29,291 2016/17) and for that of the Chief Constable **£15,000** (£15,000 2016/17). **See page 18**. These fees are in line with the scale fees published by PSAA.

## Acknowledgements

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



# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, 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, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

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

- 01 | **Financial statements :**  
Providing an opinion on your accounts. We also review each Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | **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. Any change to our identified risks will be reported to the Joint Independent Audit Committee.

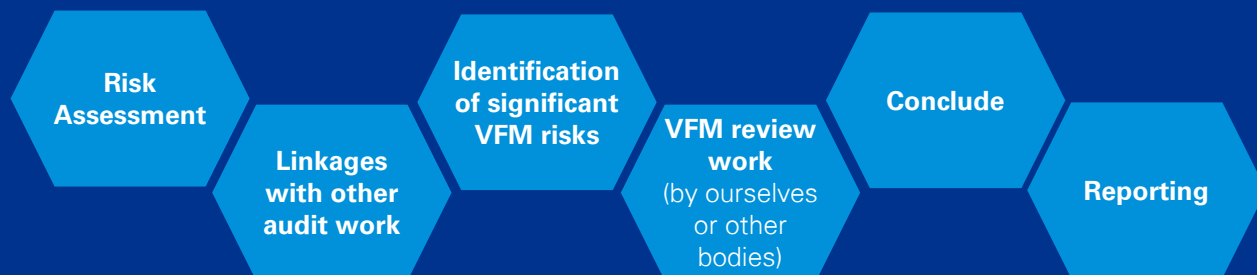
## Financial Statements Audit

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 six stage process which is identified below. Page 12 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.



# Financial statements audit planning

## Financial Statements Audit Planning

Our planning work takes place during December 2017 and January 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

## Risk assessment

Auditing 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

01

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.

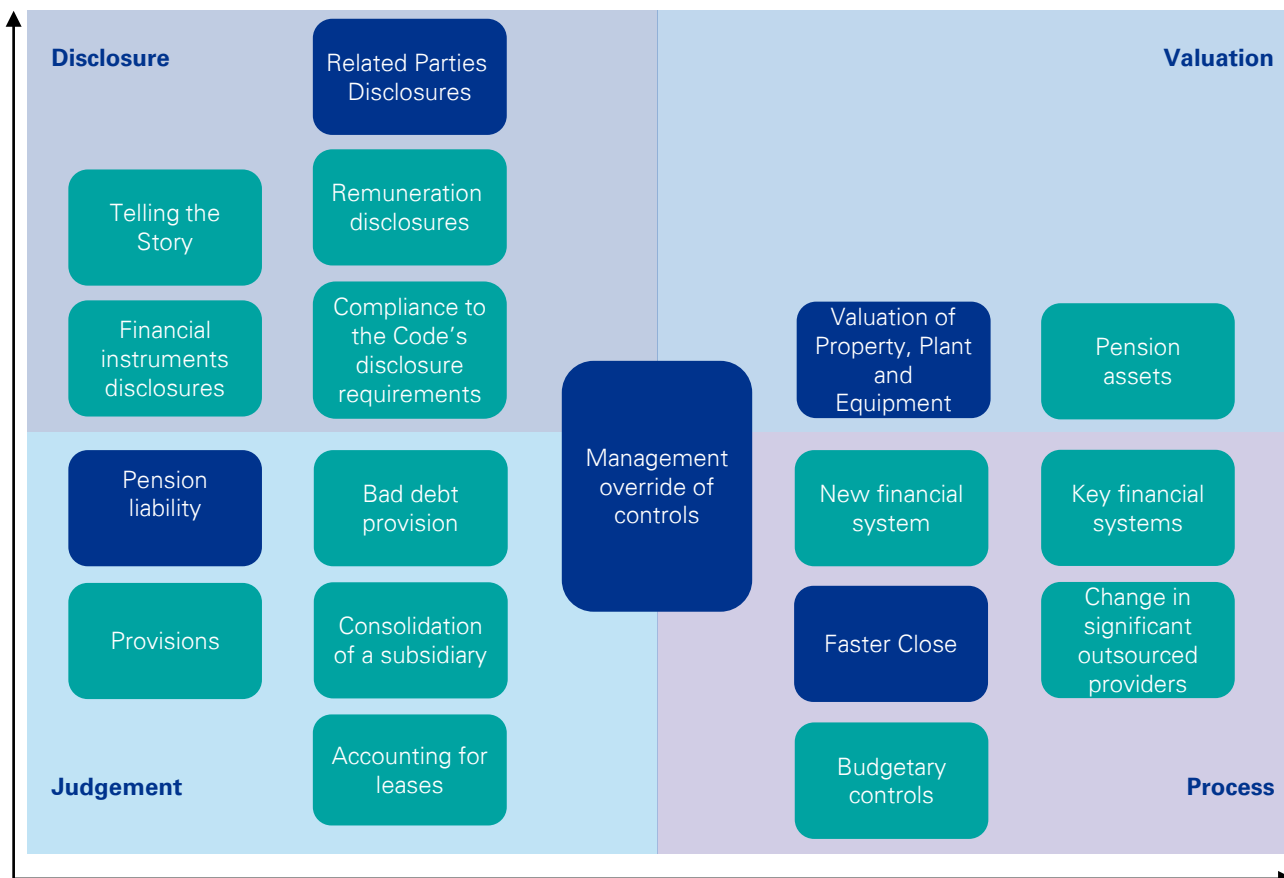
### Fraudulent revenue recognition

02

We do not consider this to be a significant risk for the Police and Crime Commissioner and Chief Constable 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.

# Financial statements audit planning (cont.)

The diagram below 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



# Financial statements audit planning (cont.)

## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Police and Crime Commissioner or Chief Constable.

### Valuation of Pension Liabilities

**Risk:** The net pension liability represents a material element of the Police and Crime Commissioner and Chief Constable's balance sheets.

The valuation of the pension liabilities rely on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the overall valuations.

There are financial assumptions and demographic assumptions used in the calculations of the valuations, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Police and Crime Commissioner and Chief Constable's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodologies used in the valuations of the Police and Crime Commissioner and Chief Constable's pension obligations are not reasonable. This could have a material impact to net pension liabilities accounted for in the financial statements.

**Approach:** As part of our work we will review the controls in place over the information sent directly to the schemes' actuary. We will also liaise with the auditors of the Local Government Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Hymans Robertson.

We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG actuary. We will review the methodology applied in the valuation by Hymans Robertson.

In addition, we will review the overall actuarial valuations and consider the disclosure implications in the respective financial statements of the Police and Crime Commissioner and Chief Constable.

# Financial statements audit planning (cont.)

## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Police and Crime Commissioner or Chief Constable.

<b>Risk:</b>	<b>Valuation of Property, Plant and Equipment</b> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The PCC revalues its assets on a rolling basis over a five year period, with a full valuation every fifth year. The Code requires that the PCC ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p>
<b>Approach:</b>	<p>We will review management's processes and assumptions for the calculation of the estimate and consider the robustness of that approach. We will review the competence, expertise and objectivity of any management experts used.</p> <p>In addition, we will also review the instructions issued to valuation experts and the scope of their work.</p> <p>Our work will also include testing of revaluations made during the year to ensure they are input correctly into the PCC's asset register and correctly reflected in the financial statements.</p>

# Financial statements audit planning (cont.)

## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Police and Crime Commissioner or Chief Constable.

### Risk:

#### Faster Close

In prior years, the Police and Crime Commissioner and Chief Constable have been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

In order to meet the revised deadlines, the Police and Crime Commissioner and Chief Constable may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (including valuers and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;
- Revising the closedown and accounts production timetables in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the Joint Independent Audit Committee meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Joint Independent Audit Committee meeting in order to accommodate the production of the final versions of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a significant risk that the audits will not be completed by the 31 July deadline.

### Approach:

We will continue to liaise with officers in preparation for our audit to understand the steps that the Police and Crime Commissioner and Chief Constable are taking in order to ensure they meet the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.

Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.

# Financial statements audit planning (cont.)

## 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.

<b>Risk:</b>	<b>Related Party Disclosure</b> Police Bodies are required to comply with International Accounting Standard 24 and disclose transactions with entities/individuals that would be classed as related parties. A disclosure is required if a transaction (or series of transactions) is material on either side i.e. if a transaction is immaterial from the Organisation's perspective but material from a related party viewpoint then the Organisation must disclose it.
<b>Approach:</b>	We will review disclosures for completeness and testing to supporting evidence. We will review the governance processes in place at the PCC and CC to capture declarations of interest and report related party transactions for inclusion within the financial statements.

# Financial statements audit planning (cont.)

## 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.

For both the Police and Crime Commissioner and the Chief Constable, materiality for planning purposes has been set at £3.2 million, which equates to 1.7 percent of the forecast gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

**Forecast Gross Expenditure: £189m (2016/17: £185m)**

### Materiality

**£3.2m**

**1.7% of Expenditure**

(2016/17: £2.8m, 1.5%)



# Financial statements audit planning (cont.)

## 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.

In the context of both the Police and Crime Commissioner and Chief Constable, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £127,000.

If management has 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.

### We will report:



Non-Trivial  
corrected audit  
misstatements



Non-trivial  
uncorrected audit  
misstatements



Errors and omissions in disclosure  
(Corrected and uncorrected)

# Value for money arrangements work

## VFM audit approach

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that an authority '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.'

## Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions, deployed resources and worked with partners and third parties to achieve planned and sustainable outcomes for taxpayers and local people.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



# Value for money arrangements work (cont.)

## Value for Money sub-criterion

### Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

### Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

### Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.



# Value for money arrangements work (cont.)

## VFM audit stage



### VFM audit risk assessment

#### Audit approach

We consider the relevance and significance of the potential business risks faced by all local authority bodies, 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 *Code of Audit Practice*.

In doing so we consider:

- 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;
- Information from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Service VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



### Linkages with financial statements and other audit work

#### Audit approach

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.

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.



### Identification of significant risks

#### Audit approach

The Code identifies a matter as significant '*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.*'

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:

- Considering the results of work by the Police and Crime Commissioner and Chief Constable, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Police and Crime Commissioner and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Value for money arrangements work (cont.)

## VFM audit stage



### Assessment of work by other review agencies, and Delivery of local risk based work

#### Audit approach

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.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will 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:

- Additional meetings with senior managers;
- Review of specific related minutes and internal reports; and
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



### Concluding on VFM arrangements

#### Audit approach

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.

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.



### Reporting

#### Audit approach

On the following page, we report the results of our initial risk assessment.

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.

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.

# Value for money arrangements work (cont.)

## 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.

<b>Risk:</b>	<p><b>Medium Term Financial Planning</b></p> <p>The Police and Crime Commissioner and Chief Constable identified the need to make savings of £3.8 million in 2017/18. The current forecast shows that they will deliver an underspend of approximately £0.045 million for the financial year but are anticipating that further operational priorities will emerge that have the potential to reduce the underspend to a position closer to meet the approved balanced budget.</p> <p>Further savings of £2.0 million will be required over the period 2018 to 2020 to principally address future reductions to funding levels alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Police and Crime Commissioner and Chief Constable's financial resilience.</p>
<b>Approach:</b>	<p>As part of our additional risk based work, we will review the controls the Police and Crime Commissioner and Chief Constable have in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.</p>
<b>VFM Sub-criterion:</b>	<p>This risk is related to the following Value For Money sub-criterion:</p> <ul style="list-style-type: none"> <li>— Sustainable resource deployment.</li> </ul>

<b>Risk:</b>	<p><b>MFSS Governance</b></p> <p>Multi Force Shared Services (MFSS) currently provides transactional back office services to Cheshire, Nottinghamshire and Northamptonshire Police and the Civil Nuclear Authority. PCCs in particular have expressed concerns around the governance of MFSS around the role of the Joint Oversight Committee (JOC) and the supporting Section 22 agreement. PCCs consider that an alternative legal vehicle is required to better support and govern MFSS and the services provided to clients. Potential growth in the membership of MFSS through the on-boarding of Cheshire Fire &amp; Rescue Service, British Transport Police, and Avon &amp; Somerset Police, means that the existing governance arrangements are becoming unwieldy. The Northamptonshire PCC has agreed that the Force should continue to be a member of MFSS and migrate to Oracle Fusion. This decision was based upon the outcome of the Grant Thornton tri-force evaluation report, which amongst other things, tested whether MFSS was providing value for money.</p> <p>Oracle Cloud Applications (FUSION) now offers expanded application functionality, real-time Business Intelligence and related modules all via Oracle Cloud Applications. By moving to a fully Oracle hosted service the annual savings for the MFSS are £2.667m over five years with additional MFSS savings taking the five year total savings to £3.54m (shared amongst the partner forces).</p>
<b>Approach:</b>	<p>As part of our additional risk based work, we will review the Grant Thornton tri-force evaluation report to ensure proper arrangements in MFSS Financial governance.</p>

# Other matters

## Whole of government accounts (WGA)

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Police and Crime Commissioner and Chief Constable at a group level. Deadlines for completion of this for 2017/18 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.



# Other matters

## 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 Finance team 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 2017/18 presented to you in April 2017 first set out our fees for the 2017/18 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then these will be agreed with the respective s.151 Officers and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned scale audit fees for 2017/18 are:

- Police and Crime Commissioner : £29,291, compared to 2016/17 of £29,291; and
- Chief Constable : £15,000, compared to 2016/2017 of £15,000.

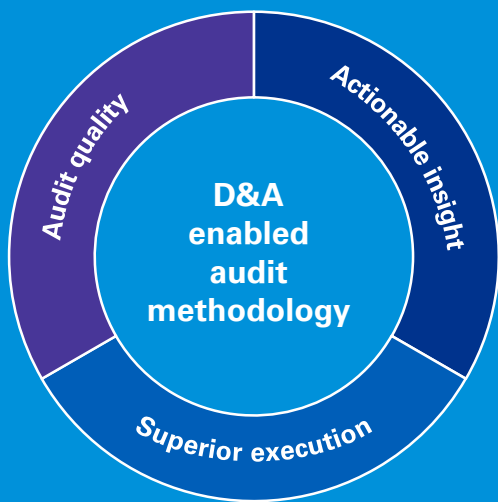
# Key elements of our financial statements audit approach

## 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. Data and Analytics allows us to:

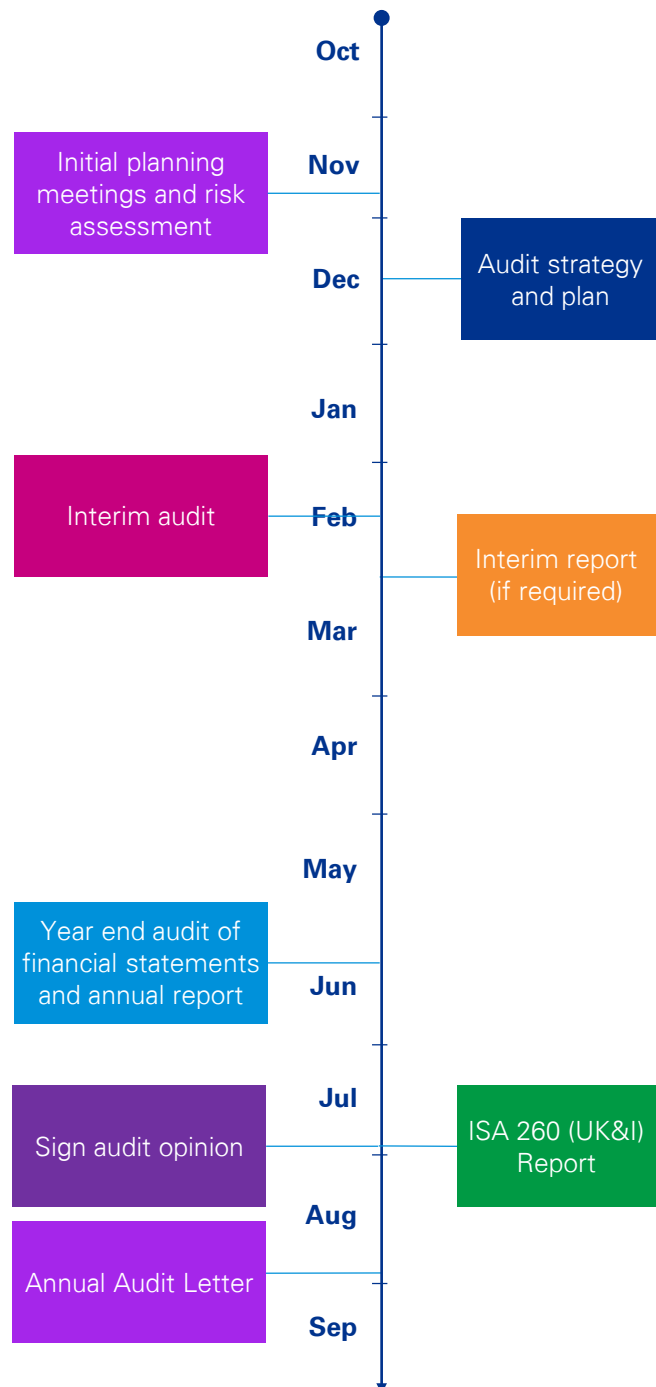
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around journals.



## Communication

Continuous communication involving regular meetings between the Joint Independent Audit Committee, Senior Management and audit team.





# Key elements of our financial statements audit approach (cont.)

## Audit workflow

### Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

### Control evaluation

- Understand accounting and reporting activities;
- Evaluate design and implementation of selected controls;
- Test operating effectiveness of selected controls; and
- Assess control risk and risk of the accounts being misstated.

### Substantive testing

- Plan substantive procedures;
- Perform substantive procedures; and
- Consider if audit evidence is sufficient and appropriate

### Completion

- Perform completion procedures;
- Perform overall evaluation;
- Form an audit opinion; and
- Joint Independent Audit Committee reporting.



# Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Police and Crime Commissioner and Chief Constable audits last year.



**Andrew Cardoza**  
Director

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'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Joint Independent Audit Committee and Chief Finance Officers.'



**Alasdair Colston**  
Manager

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'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'



**Nico Chitsa**  
Assistant Manager

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'I will be responsible for delivery of all our audit work. I will manage the completion of the different elements of our work, ensuring that they are coordinated and delivered in an effective manner.'



# Independence and objectivity requirements

## **ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF POLICE AND CRIME COMMISSIONER FOR NORTHAMPTONSHIRE AND CHIEF CONSTABLE FOR NORTHAMPTONSHIRE.**

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### **General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

### **Independence and objectivity considerations relating to the provision of non-audit services**

#### *Summary of fees*

We have considered the fees charged by us to the Police and Crime Commissioner, Chief Constable and its affiliates for professional services provided by us during the reporting period.

There are no fees in relation to the provision of non-audit services which need to be disclosed to the Joint Independent Audit Committee.

# Independence and objectivity requirements (cont.)

**Independence and objectivity considerations relating to other matters**

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Joint Independent Audit Committee.

**Confirmation of audit independence**

We confirm that as of the date of this report, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Director and audit staff is not impaired.

This report is intended solely for the information of the Joint Independent Audit Committee of the Police and Crime Commissioner and Chief Constable and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP

**KPMG LLP**



[kpmg.com/uk](http://kpmg.com/uk)



This report is addressed to the Police and Crime Commissioner and Chief Constable and has been prepared for the sole use of the Police and Crime Commissioner and 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.psaa.co.uk](http://www.psaa.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 and 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. © 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

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## AGENDA ITEM 10

### NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and NORTHAMPTONSHIRE POLICE



### JOINT INDEPENDENT AUDIT COMMITTEE

19 MARCH 2018

<b>REPORT BY</b>	DCC RACHEL SWANN
<b>SUBJECT</b>	MFSS – FUSION IMPEMENTATION
<b>RECOMMENDATION</b>	TO NOTE

## 1 PURPOSE

- 1.1 The purpose of this report is to update JIAC on the progress made in preparation to move the Multi-Force Shared Service (MFSS) from its current operating platform to Oracle Fusion in 2018. Members will be also be updated on the governance around this move in force, the measures in place to manage the risks this change poses and the plans to ensure that the opportunities the new system offers are maximised.

## 2 INTRODUCTION

- 2.1 MFSS is changing its operating platform to Oracle Fusion in October 2018; a cloud based service. Fusion was originally planned to go-live in April 2018 however Northamptonshire Police and Northamptonshire OPCC, working closely with Nottinghamshire Police and OPCC have been instrumental in a change to the go-live date. This was based on concerns shared by all partners in relation to the readiness of the MFSS and partners to move to Fusion, including the governance arrangements and programme management.

## 3 BACKGROUND

- 3.1 In June 2017 concerns relating to Fusion go-live were highlighted to DCC Swann. Working with the Nottinghamshire DCC; Rachel Barber, the Finance Director for both forces; Paul Dawkins, and Northamptonshire OPCC member Richard Jones, a decision was made to employ the services of Grant Thornton (GT) to help develop an understanding of the risks associated with Fusion and the work that was required to deliver successful implementation.
- 3.2 This decision was based on a lack of capacity and capability in both forces in project and programme management. Northamptonshire resources at that time were fully committed to developing, implementing and stabilising the Service Delivery Model and finding opportunities to reduce costs

through Operation Balance to meet the funding gap. Resources could not be moved from those operational and financial priorities.

- 3.3 In addition it was recognised that both forces did not have the local delivery structure in place to co-ordinate the local change activity. GT helped support building this.
- 3.4 Both forces also recognised that they were not maximising the current MFSS system and wanted to ensure they influenced the development of Fusion to maximise future business benefits and delivered an improved service. Learning from the successful implementation of Niche and its continued improvement and efficiencies, a similar approach was desired.
- 3.5 It quickly became apparent through GT that there were immediate critical concerns in terms of the readiness to go live. These included at the programme level for Fusion and MFSS with a lack of programme management capacity and capability, a lack of detailed planning and associated programme management support such as risk registers, timelines, contingency plans, and the existing governance structure. In addition the pressures created by 'on-boarding' Cheshire Fire and Avon & Somerset Police.
- 3.6 Both forces and OPCCs, utilising the information provided by GT raised these issues through the governance structure of MFSS over several months. As a result of these concerns Civil Nuclear Constabulary (CNC) were asked to provide an assurance review of Fusion which was completed in early October 2017. This confirmed both Northamptonshire and Nottinghamshire's concerns that the programme status as 'on track' was not the case. Had this been recognised earlier an earlier instigation of a recovery plan may have helped deliver the programme on time and within the approved budget. However, a shared acceptance of the position has been a big step forward in reaching the current position.
- 3.7 The original Fusion business case was based around improved functionality. It is now clear that this will be limited initially, but with more opportunity moving forward. Grant Thornton have provided some assistance to MFSS to help embed "good programme practice" to assist delivery of the revised timescales.
- 3.8 The resulting CNC review supported the concerns that both forces and OPCCs had raised and a number of actions were undertaken with the MFSS collaboration to mitigate these risks. These included bringing in a full-time programme manager for Fusion, increasing PMO resources in Fusion, revising the MFSS governance and importantly reviewing and revising the timeline; Avon & Somerset Police go-live in July 2018 and other partners including Northamptonshire Police in October 2018. This is a much preferred position for the force and we are more confident in its successful implementation on that date.

## **4 RESOURCES**

- 4.1 GT continue to provide the PMO function for both forces with costs shared. Each force contributes a number of resources on the implementation which includes full time subject matter experts, and other part time resources.

The forces and OPCCs have agreed to employ a full time Senior Responsible Officer (SRO) on the programme, removing this function from the DCCs. The rationale being that the nature of the programme means often there are short notice meeting requirements. Importantly this SRO (working up to 30 hours a week) will be able to review the resources GT are providing to the programme and identify opportunities to reduce their commitment to Fusion, and reduce costs exploring possibilities to support some of the PMO work instead with in-force resource. It is anticipated that some GT resources will continue to be required. It is worth noting that GT's contribution to the changes Fusion made above was instrumental.

## **5 IMPLEMENTATION**

- 5.1 DCC Swann has put in place a Fusion Implementation Board in force. This includes GT, but also key stakeholders across the organisation who will be needed to help ensure a successful implementation. Lessons learnt from Niche implementation will be used to ensure organisational readiness for Fusion, and the provision of resources in place to move from implementation, to stabilisation and into optimisation. GT provide the PMO function for the board and their 2 weekly report (as circulated in confidence to members) is used for updates, risks etc.

## **6 RISKS**

- 6.1 There are a number of risks associated with MFSS and Fusion. These are on the force risk register at a high level and recognise the issues with the current business as usual level of service through MFSS, and also with the move to Fusion. GT provide a risk register for Fusion (as circulated in confidence to members) which outlines the programme risks and the mitigation around them.
- 6.2 The main concern for some time in relation to Fusion has been the readiness of the system to go-live and the level of service the force would receive from this. Very recently there has been more reassurance felt that the go-live version (R12) will be an improvement on the current service, and the upgrades from that will provide the opportunity to continually improve the service.
- 6.3 In relation to current service levels, MFSS have undertaken some review work which they are terming as 'Taskforce' actions to improve the governance arrangements and importantly the management or performance information which supports business as usual. These KPIs have previously been output based e.g. number of queries answered, as opposed to outcome based e.g. number of issues successfully resolved. This shift will be fundamental to improving the service for our users in the future. This work is currently underway and will report back into the Joint Oversight Committee which both the Chief Constable and PCC attend. Grant Thornton are in consultation with all partner Forces and OPCCs and will be recommending fit for purpose KPIs based on their findings and support service best practice. The cost for GT to complete this KPI work is being submitted for joint funding across all partners.

## **7 SUMMARY**

- 7.1 MFSS-Fusion implementation remains one of the highest non-operational risks in the force; recognising how it underpins much of our support service work. It has appropriate oversight, reporting through to the DCC and sufficient resource in place for successful implementation of Fusion.
- 7.2 The Force and OPCC are cognisant of the costs associated with this project and it remains under close scrutiny by both. The review of resource by the SRO will assist in ensuring it provides value for money.

## **8 UPDATE REPORTS:**

- 8.1 Regular update reports are received from Grant Thornton and although it is not appropriate to circulate publicly, a copy of the Grant Thornton two weekly report and risk register will be shared in confidence with members and auditors.



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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**19 March 2018**

<b>REPORT BY</b>	Nicci Marzec – Director for Early Intervention
<b>SUBJECT</b>	Employment Policy Review
<b>RECOMMENDATION</b>	That the Joint Independent Audit Committee note the progress towards reviewing the OPCC employment policies and future proposals for review.

### **Background**

It has been previously raised through the Annual Governance Statement and at the Joint Audit Committee that the employment policies of the OPCC had not been subject to regular review and were not fit for purpose.

### **Current position**

Following concerns raised previously by the Joint Audit Committee an appropriately qualified HR Lead Officer has been nominated within the OPCC structure to manage strategic HR.

A review has been undertaken of the existing OPCC policies and it has been determined that many are out of date and inconsistent with standard employment practice in public sector organisations. A review of requirements has been undertaken in line with ACAS requirements and CIPD recommendations. Discussions have been had with Police HR colleagues to determine the areas in which there would need to be alignment between policies in the OPCC and those which apply to Police staff.

As a result a full proposed set of revised policies are currently being finalised for consultation with staff and trades unions.

The policies which will be subject to consultation include

- Absence Management Policy and Procedures
- Adoption Leave Policy and Procedures
- Capability Policy and Procedures
- Change of Work Base Policy



Code of Conduct  
Collective Disputes Procedure  
Disability Leave Policy and Procedure  
Disciplinary Policy and procedures

Domestic Abuse guidance for Employers  
Equality and Diversity in Employment  
Extension of Entitlement to Sick Pay  
Flexible working Policy  
Grievance Policy  
Maternity Leave Policy  
Politically Restricted Posts Guidance  
Probation Policy  
Recruitment and Selection policy  
Redeployment Policy  
Redundancy and Early Retirement Policy  
Secondment Policy  
Special Leave Police  
Travel and subsistence  
TUPE policy

It is intended that the drafts of the revised policies will be available for consultation with staff and trades unions by 31<sup>st</sup> March 2018. The consultation period will run for a minimum period of 30 days. Following consultation final drafts of the proposed policies for adoption, including any key amendments will be circulated to staff before final adoption of policies by 30<sup>th</sup> June 2018.

### **Future recommendations**

It is recommended that thereafter policies should be reviewed at least once every three years unless required as a consequence of legislative or locally negotiated change. A programme of reviewed will be established for future years to ensure that policies remain up to date and consistent with current employment legislation.

Nicci Marzec  
8 March 2018



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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**19 MARCH 2018**

<b>REPORT BY</b>	Paul Bullen, Director for Delivery, OPCC
<b>SUBJECT</b>	Voice for Victims and Witnesses
<b>RECOMMENDATION</b>	For the committee to note the report

## **1. Background**

1.1 The Ministry of Justice devolved the provision of services for victims of crime to Police and Commissioners in 2014.

1.2 In Northamptonshire, services were delivered under the brand of Voice from October 2014. The victim service was delivered under contract by Victim Support. The Force's witness care unit was co-located and managed by Victim Support to seek to bring support for victims and witnesses together.

1.3 Further contracts under the Voice brand were let for victims of road traffic collisions (in November 2015) and for children and young people (in March 2016). These services have been provided by Assist TraumaCare.

## **2. Voice for Victims and Witnesses Ltd**

2.1 In January 2017 the PCC took the decision to not re-commission the adult element of Voice (that which was provided by Victim Support) but to instead create a wholly owned company limited by guarantee to deliver the service.

2.2 The reasons for this decision included:

- A desire to have greater control over the service
- To increase the flexibility to respond to changing patterns of crime than are afforded by a traditional contract
- To provide a more sustainable, long term model for the service without the cyclical nature of contracts.

- The ability over time to bring external funding in through developing commercial products and services.

2.3 Legal advice was provided by Eversheds Sutherland to support the creation of the legal entity. The entity chosen was a Company Limited by Guarantee and care was taken to ensure that the articles of the company ensure that the company falls within the Teckal exemption for public procurement. The PCC is the sole member of the company and as such there is no requirement to procure services from Voice for Victims and Witnesses.

2.4 The company was incorporated in June 2017, with a Chief Executive taking up post in August 2017. The board of directors is chaired by the PCC and the PCC has appointed the two other current directors (the Chief Executive and an external individual with experience related to criminal justice). A representative from Northamptonshire Police is being sought.

2.5 Staff from both Northamptonshire Police in the witness care unit, and those from Victim Support were TUPE transferred to the new entity on 1<sup>st</sup> October 2017 which is when the service went 'live'.

2.6 The scope of the services provided by Voice is similar to the previous model. The service is to provide general emotional and practical support to any victims of crime or those affected by anti-social behaviour. The provision of services has been broadened to also include those affected by serious fires. Referral pathways to specialist services are in place. The service also provide the witness warning function provided by the witness care unit to ensure that witnesses attend court proceedings where required.

2.7 All victims of crime should be offered referrals from Northamptonshire Police. Circa 25% of victims who report to the police are referred to Voice. The ambition is to increase this further in the coming year. Victims can also self-refer to Voice without reporting to the police.

2.8 The focus in the first few months has been on ensuring the service has sufficient staff (understandably some staff chose to find alternative employment rather than be TUPE transferred), developing the financial and governance arrangements of the organisation, and seeking to develop a permanent location for the organisation to be based from.

### **3. Current Situation**

3.1 The service is shortly to be fully staffed and with greater resilience in the model than was previously afforded by the contracts (the new service has an increase on staffing numbers for the same budget).

3.2 The governance framework for the organisation is in draft form. The PCC's Chief Finance Officer is in close contact with the auditors to ensure that year end processes and compliance are in place in order to treat Voice correctly in the accounts.

3.3 Importantly there has been no increase in waiting time for victims or witnesses to receive support has occurred, even with the service having lower levels of staffing than establishment. This has been achieved through the dedication of the staff that have been in place and through the provision of overtime as appropriate.

#### **4. Next Steps**

4.1 Following the completion of the year end processes, the OPCC will discuss with Voice to become more self-sufficient for financial and legal matters.

4.2 A more detailed performance framework is being developed to not only develop output measures but outcome measures where possible from the service. This has been delayed until this point whilst the service gets up to staffing strength and to enable them to fully understand the reporting capabilities of their new case management system.

4.3 The remaining contracts under the Voice brand (Road Harm and Children and Young People) will elapse in the next year and the responsibilities they provide will be incorporated into the Voice for Victims and witnesses model, providing a single point of entry for all victims of crime. Voice is then being enabled to refer to specialist providers where individual needs are identified, retaining the general practical and emotional support within the Voice model.

4.4 Voice is producing a business plan to show how the organisation will develop and what additional support and services it will develop.



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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**19 MARCH 2018**

<b>REPORT BY</b>	CHIEF FINANCE OFFICER OPCC AND DIRECTOR OF FINANCE AND RESOURCES CC
<b>SUBJECT</b>	2017/18 FINANCIAL MONITORING TO JANUARY 2018 (PERIOD 10)
<b>RECOMMENDATION</b>	TO CONSIDER THE REPORT

**1. Overview**

- 1.1 The Financial Monitoring reports to January 2018 (Period 10) for the Force and OPCC are attached to this report.
- 1.2 Financial Budget Monitoring reports for both the Force and the OPCC have been developed during the year but further developments will continue to be taken forward in 2018/19.
- 1.3 During the year, the financial information has been reconciled and shared between the Force and OPCC offices to ensure consistency, minimise queries and have joint agreement on the overall position.
- 1.4 This approach has been followed through into the budget work for 2018/19.

**2 Summary**

- 2.1 The position as at the end of January 2018 is as follows:

	<b>Force</b>	<b>OPCC</b>	<b>Capital Financing</b>	<b>Transfer to Reserves</b>	<b>Additional Transfer to Reserves</b>	<b>Total Budget</b>
<b>Budget</b>	115.499	4.047	1.702	1.371	0.506	123.125
<b>Forecast Outturn (as at 31/1/18)</b>	115.311	3.687	0.298	1.371	-	120.667

<b>Forecast Underspend</b>	<b>0.188</b>	<b>0.360</b>	<b>1.404</b>	<b>-</b>	<b>0.506</b>	<b>2.458</b>
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2.2 Members are advised that in March 2018, the PCC has approved the following Decision Records for implementation in 2017/18:

1. To utilise the Capital Financing Underspend on Revenue Contributions to Capital to support funding of the Capital Programme.
2. The additional Council Tax Receipts of £506k will be transferred to the PCC Reserve. Additional receipts of £487k were identified after the budget was set and were intended to be transferred in Executive Order EXE0069, approved by the PCC in February 2017. However, due to staffing changes, this transfer was neither shared with the Force nor actioned. Furthermore, additional council tax receipts of £19k were not identified until later in the year and therefore, the total Council Tax Receipts equate to £506k.

To prevent this situation arising in future years, all precept and billing authorities have worked closely together for the 2018/19 budget process to ensure that the budget includes the final authorised council taxbase and surplus figures for 2018/19. This will continue in future years.

2.3 As a result of these two decisions, the sum of £1.910m will be reduced from the forecast outturn in the March Revenue and Capital monitoring.

### **3 Force and Capital**

3.1 The Force Budget Monitoring report is attached and during the year a consistent format has been developed which is provided to the PCC in a consistent format monthly.

3.2 This report has been developed during the year and this will continue to be developed in line with Force and PCC requirements for 2018/19. In line with the approach to understand the total funding arrangements, the report now includes the Capital Programme information, Capital Financing and for 2017/18, the Council Tax variations.

3.3 During the year the Force report has been developed to include Capital Programme monitoring to give the PCC early sight and indication of potential slippage and updated requirements.

3.4 As detailed within the report to the Police and Crime Panel on the 1 February 2018, a detailed review of the Capital Programme is undertaken quarterly and this informs discussions with the PCC and agreement to change the approved Capital Programme.

- 3.5 The next formal review of the programme will align to the 31/3/18 year end and include potential slippage and profiles to existing programmes, in addition to the revised ICT Strategy implications and a consideration of ESN and operational equipment.

#### **4 OPCC**

- 4.1 This report is produced in a consistent format but has also been developed during the year and this development will continue in 2018/19.
- 4.2 In line with their statutory requirements, the Police and Crime Panel undertake extra scrutiny on the PCC budget and significant detail for 2018/19 was provided in the budget and precept report for their consideration.

#### **5 Reporting and Assurance**

- 5.1 Both Force and OPCC reports are considered internally in line with the statutory responsibilities of the Chief Constable and PCC. Additionally, a summary is provided for external consideration by the Police and Crime Panel in discharging their statutory role.
- 5.2 For members information, reporting, assurance and governance arrangements are as follows:

##### **Force - Internally**

Internally the Force budget monitoring report is produced monthly, considered by Chief Officers and is tabled and reviewed at the monthly Chief Officer Team Meeting. Additionally, updates are provided monthly to all budget holders, the Executive Management Team and updates provided at key boards (e.g. the Change Board).

##### **Force – PCC Scrutiny and External Transparency**

The PCC receives a copy of the Force Budget Monitoring report on a monthly basis. This is discussed between the CFO and the PCC at their meetings on a monthly basis. Furthermore, the report is shared with OPCC Directors to assist and inform them in their roles and for discussion on a monthly basis at the Directors meetings.

Additionally, the Budget monitoring report is tabled on a regular basis at the Accountability Board where the PCC holds the Chief Constable to account in line with statutory responsibilities. Both the reviews and Accountability Board discussions result in challenge, scrutiny and seeking and obtaining further information where appropriate. Recent discussions over the past few months have included significant scrutiny in the area of staffing and establishment costs.

Minutes from the Accountability Board are publicly available and are held on the OPCC website.

**OPCC – Internally**

Internally the OPCC Budget Monitoring is reviewed by the PCC and the CFO on a monthly basis, this is then tabled, reviewed and discussed on a monthly basis at the Directors meetings.

**Total Budget – Externally**

The Police and Crime Panel receive regular reports from the PCC on the funding allocated to him and the use of that funding. This includes total funding for the Force, OPCC, Capital Financing and Reserves This builds on their statutory roles from the Budget and Precept process and ensures they have an understanding of not only the PCCs Police and Crime Plan priorities and discharge of responsibilities but also the use of the financial resources available to both him and the Force in doing so.

All agenda papers and minutes are available publicly and are held on the Police and Crime Panel and OPCC websites. The last update was provided to the Panel in December 2017 and the next update is scheduled for review by the Panel at their next meeting in April 2018.

**6 Summary**

- 6.1 The report and appendices provide an update of the financial outturn position as at 31/1/18 and the budget monitoring arrangements and processes in place which have been refined and developed during 2017/18.
- 6.2 Furthermore, the report seeks to inform and assure members of the processes and governance frameworks in place for reviewing financial monitoring arrangements internally, externally and in line with statutory roles and requirements.
- 6.3 In light of the processes and frameworks which have been developed and followed over the year, JIAC members are asked to consider whether they wish to continue to include financial monitoring updates as part of their agenda plan during the year.



## NORTHAMPTONSHIRE POLICE

<b>FROM:</b> Paul Dawkins ACO Finance & Resources	<b>TO:</b> Chief Officer Team
<b>AREA/DEPT:</b> Command	<b>DATE:</b> 27 <sup>th</sup> February 2018

**SUBJECT: Budget Monitoring 2017/18 – January (Period 10)**

### Introduction

This report summarises the revenue outturn projection as at 31<sup>st</sup> January 2018.

### Summary of Projected Revenue Outturn

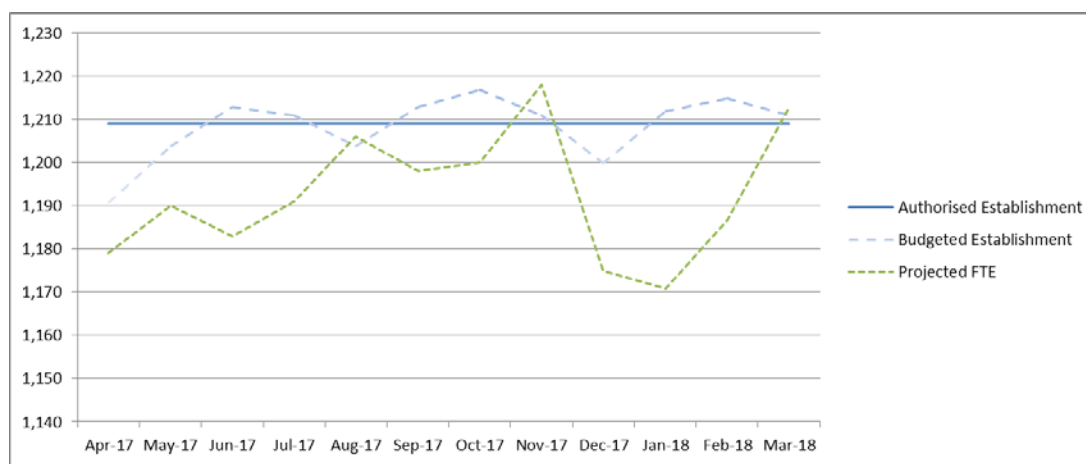
The table below summarises the projected outturn for 2017/18 (see Annex 1 for further details).

	£000	£000
<b>Net Revenue Budget 2017/18</b>		<b>118,572</b>
<b>Corporate Budgets</b>		
Police Pay	99	
SDM	(394)	
PCSOs	(147)	
Non-Devolved Budgets	(23)	
Net projected underspend	(465)	(465)
<b>Delegated Budgets</b>		
Crime, Public Protection, Intel & Local Policing	(79)	
Operational Support	(185)	
Transformation Programme	380	
Business Support	(181)	
Net projected underspend	(65)	(65)
Regional Collaboration		342
<b>Projected Revenue Outturn 2017/18 (Force)</b>		<b>(188)</b>
<b>Funding and Capital Financing</b>		
Capital Financing	(1,404)	
Precept income	(506)	
	(1,910)	<b>(1,910)</b>
<b>Total Projected Revenue Outturn 2017/18 (Force, Funding and Capital Financing)</b>		<b>(2,098)</b>

## Corporate Budgets

### Police Pay – overspend £99k

The part-year impact of the Police Officer 1% bonus announced as part of the 2017 Pay Award of £316k has been included. This has taken the Force from a projected underspend position of £154k to the current position of a £99k forecast overspend. Unbudgeted leavers in early 2017/18 and a reduction in FTE towards late 2017 created a year to date underspend, with establishment now being met in March. If recruitment or leavers vary from current assumptions, this is likely to move the budget to an underspend position. Although there is ongoing work within the HR workforce team to reconsider the retirement profiles, which could adversely impact the forecast. This is graphically demonstrated below.



### SDM – underspend £(394)k

There is a forecast underspend of £394k for SDM as a result of delays in recruitment and the finalisation of the SDM plan through 2017/18.

### PCSOs – underspend £(147)k

The PCSO budget was set based on an establishment of 88 FTE. There have been a higher number of leavers than expected, resulting in recruitment in later months being adjusted for this, however, the recruitment has not kept pace with need creating a forecast underspend of £147k. Out of the 88 FTE, 14 were part funded through partnership arrangements which are currently under review. Wellingborough Borough Council has now ceased its support for 1.5 FTE, which has resulted in a £26k reduction in income for this financial year.

### Non-Devolved Budgets – underspend £(23)k

The National Levies are forecast to underspend by £110k due to the Apprentice Levy and a reduction from previous years. There has been a legal reimbursement income £152k. Additionally, with legal fees will now be £194k lower than anticipated with this underspend expected to increase reserves.

There has been a provision for £172k arising from a potential bad debt relating to court utility recharges, however work is ongoing to prove the legal position of the debt.

The force has incurred £27k of unbudgeted staff exit costs and a further £18k of Unison staffing costs. £13k of sunk cost has been transferred from capital for the Learning and Development Centre, which is no longer continuing. There has been a slight worsening of the forecast of external interest, now expected to overspend by £28k.

**Delegated Budgets****Crime, Public Protection, Intel and Local Policing – underspend £79k**

The projected £79k underspend is due to the following items:

- 1) Local Policing – underspend of £12k  
There is a forecast overspend on Officer overtime of £108k and this is offset by an underspend on contingency of £89k and other operational expenditure of £31k.
- 2) Operational Policing Command – a net underspend of £83k  
This is due to forecast underspends as a result of staff vacancies and long term sickness of £73k, body work video £17k and other operational expenses of £13k offset by an overspend of £17k on staff overtime and £3k on Early Intervention.
- 3) Crime – overspend of £275k  
The Crime Bureau is forecast to overspend by £93k due to ongoing unbudgeted MOPI posts. This is offset by underspends on salaries of £51k in Economic and Financial Crime due to vacant staff posts and £9k on overtime in the Specialist Crime Unit Command.  
CID and PIU combined are forecast to overspend by £242k. This is due to £145k Officer overtime, £37k staff overtime, £42k professional fees, £5k forensic analysis and £13k miscellaneous spend. Overtime is high due to major operations including £32k Op Ketch (guns and gangs), £8k Op Jetty (modern slavery) and high officer vacancies both pre and post SDM.
- 4) Public Protection – underspend of £66k  
Several teams within Public Protection are forecasting underspends on salaries amounting to £76k due to vacant posts. The Protection of Vulnerable Adults team is forecasting an underspend of £14k mainly due to a reduction in the contribution for Safeguarding Adults to Northamptonshire County Council in 2017-18. These underspends are offset by a forecast overspend of £24k in Child Protection due to expenditure on serious case reviews.
- 5) Intelligence – overspend of £8k  
Cyber Crime is forecast to have an overspend of £70k due to new posts and the associated training and equipment for the post holders. Covert Ops is forecasting an overspend of £94k due to subscriber checks, an essential software upgrade, which is unbudgeted and the effect of re-having staff salaries. Covert DSU is forecasting an overspend of £8k due to essential expenditure on a software licence, which is unbudgeted. Firearms Licensing is forecasting an overspend of £3k as a result of the need to temporarily increase a part time staff position to full time.  
These overspends are offset by underspend in FIB of £148k due to delays in recruiting to a number of vacant posts, new employees being paid on lower scales plus further recent employee resignations. PNC/PND Bureau are forecasting an underspend of £10k due to the extension of a secondment away from the team and a £9k underspend on overtime in Intelligence Command.
- 6) Operations Contingency – £309k has been committed to in-year operations/projects, resulting in an expected balance of £201k. Spend on Major Investigations is currently £26k below budget, net income from Mutual Aid is £53k with the balance relating to tight control over the allocation of the operational contingency element of the budget to in year operation/projects.

Operational Support – underspend £(185)k

The projected £185k underspend is due to the following items:

- 1) Operational Support Command is showing a £7k overspend due to a shortfall in the budget for CCTV provided by Northampton Borough Council.
- 2) Specialist Operations Income is showing a net £2k overachievement. Income for the British Grand Prix is £61k below the budgeted income level. Due to the current threat level in the UK, it was decided that Police support would once again be provided for the Moto GP at Silverstone and this generated un-expected income of £5k. Policing of Northampton Town Football Club has so far this year generated additional income of £56k. Policing of the BTCC at Rockingham has provided income of £2k.
- 3) The Force Control Room is predicted to overspend by £55k. Of this, £16k is due to an over establishment of staff. Officer overtime is forecast to overspend by £45k and staff overtime by £47k to meet demand and maintain performance levels. There is a £17k overspend on furniture (chairs) and additional overspend of £9k on miscellaneous smaller items. These are off-set by an over-achievement of vehicle recovery income of £41k and underspends of £28k on hardware purchases and £10k on external training.
- 4) Justice Department is forecast to underspend by £78k. This is due to overspends for the EMCJS contribution of £90k, detainee costs of £30k and DIR Support Charge of £13k. Off-set by Officer overtime underspend of £15k, court income of £96k and other income of £100k.
- 5) Prevention and Community Protection is forecast to underspend by £35k. This comprises of £43k underspend on IOM budget and £8k overspend on PCP budget. A delay in the start of the Chimp Management Ltd contract saved IOM £35k and another £8k relates to smaller under spends, to include underspend on staff due to late recruitment. PCP overspend is mainly due to extra salary costs to cover maternity.
- 6) Safer Roads Team – balanced budget.
- 7) Professional Standards Department is forecast to underspend by £132k. An overspend of £44k on vetting software is being offset by an underspend in salaries of £157k (delayed recruitment/restructuring) and additional income generation of £19k in the Information Unit.

Transformation Programme – overspend £380k

The projected £380k overspend is due to the following items:

- 1) Specials and Volunteers is forecast to underspend by £100k. The main underspends are expenses £70k and uniforms £50k. These are off-set by overspends of £10k on training and £10k on covert assets.
- 2) Cadets and Business Intelligence are both balanced budgets.
- 3) The overall forecast overspend of £480k within Transformation Programme (£118k), SDM (£275k including £145k for Op Evolution) and Niche represents the additional cost of the Change Programme and the revenue implications from the team returning to business as usual from capital projects (unbudgeted £205k). Following an overarching business case the appropriate costs and savings have been considered within the 2018/19 MTFP.

Business Support departments – underspend £(181)k

The projected £181k underspend is due to the following items:

- 1) Corporate Services is showing a projected underspend of £5k. This is due to underspends of £2k room hire, £2k lease car payments and £1k of other expenses.
- 2) CDD are showing an underspend of £74k as a result of vacancies totalling £40k, additional Victim Survey income received of £24k and a total conference and training underspend of £10k.
- 3) Planning Department is forecast to underspend by £16k. This is due to an underspend of £35k on staff pay off-set by overspends on staff overtime of £17k and miscellaneous expenditure of £2k.
- 4) News & Communications is forecast to underspend by £51k. £26k of this is due to an underspend against the marketing budget, £8k is due to Gang Culture Campaign funding and £36k relates to a new temporary agreement for NFRS to part fund a post. These off-sets a £19k over spend on staff pay.
- 5) Executive Support is forecast to overspend by £81k. This is due to a £26k Police Now 2017 charge, a £10k increase in NABIS fees, £10k conference fees, a £28k charge for transferee adverts for CI promotion boards, £4k NPCC subsistence costs, £5k Wellbeing event costs and an overspend of £4k against the EDHRB budget. This is reduced by an underspend against Force Chaplaincy of £6k.
- 6) Information Services Department – a balanced budget.
- 7) Human Resources are projected to overspend by £109k as a result of planned expenditure on external training. Any slippage in the programme will improve this financial position but this will impact on the ability of the Force to deliver required training.
- 8) Procurement is expected to underspend by £14k. £19k of efficiencies within the department have contributed to this and have also funded a £5k overspend in the uniform budget.
- 9) Design and Print are forecast to miss their income target by £12k for recharged printing services.
- 10) Financial Services is predicted to underspend by £129k as a result of staff vacancies £86k and the finalisation of software costs relating to old systems £14k. An allocation of £29k income has also been received in relation to Safer Roads contribution for the M1.
- 11) Estates and Facilities is currently forecasting an overspend position of £136k. This is as a result of £125k for business rates (WWJC), £45k grounds maintenance (gritting), £43k for utilities and £83k relating to security costs (CCTV/building security) This is off-set by an underspend in salaries of £160k.
- 12) Transport is forecast to underspend by £230k. There is a forecast overspend on Transport Collaboration Expenses of £36k. This is off-set by expected underspends on overtime of £8k, fuel of £108k, centralised supplies and services of £76k and overachieved income from garage services £36k, insurance received £7k and sale of surplus equipment £31k.

**Regional Collaboration – overspend £342k**

The projected £342k overspend is due to the following items:

- 1) EMOpSS – overspend £328k  
There are forecast overspends on overtime of £162k, maintenance equipment of £20k, additional Taser costs of £18k, office consumables of £37k, staff pay £13k, year 2 of agile working agreement £17k, ammunition of £37k and other operational expenditure totalling £10k. This is off-set by forecast underspends in relation to CBRN equipment of £49k, training of £71k and dog purchases of £10k. At the end of the financial year, we are currently forecasting an additional charge from the region of £144k and this is as a result of spending less than our percentage share of the collaboration costs.
- 2) Forensic Investigation is forecasting an underspend of £197k as a result of confirmed savings on the contribution to the forensic processing contract £113k, staff costs due to vacant post that will not be filled before the end of the financial year £69k and £15k on SOC consumables.
- 3) Regional Operational Collaboration is forecast to overspend by £14k and this primarily due to a decrease in the level of recharge to the region as a result of Officers returning to Force. Vacancies have been held within Police Pay base budget to cover this shortfall.
- 4) Regional Support Collaboration - overspend £306k  
EMSCU are forecast to overspend by £121k as a result of the timing of achieved contract savings against savings targets, monitoring and removal of budget for 2018/19 has been aligned to ensure the full savings will be realised in the financial year. Regional L&D is forecast to overspend by £44k as a result of a budget shortfall of £77k off-set by £33k of income from a staff secondment. ESN are forecast to overspend by £131k as a result of unbudgeted regional costs arising from a change in the management team, which has created an additional pressure in Northampton. Regional Business Support and Regional Legal Services are forecast to overspend by £7k and £3k respectively.
- 5) Tri-Force Collaboration is forecast to underspend by £119k as a result of vacancies within the management team and the current revenue costs associated with the IT collaboration. There is a risk that currently unbudgeted costs will occur within this collaboration as the 2017/18 costs are finalised.
- 6) The Multi Force Shared Service (MFSS) is forecast to overspend by £10k, as a direct result of the agreed change to the method of cost allocation. This is now based on overall head count rather than FTE which aligns to the actual license requirement.

**Funding and Capital Financing**

These budgets are forecast to underspend by £1,910k. Capital Financing is forecast to underspend by £1,404k as a result of changes to the capital programme which have both delayed and reduced overall borrowing. Council Tax funding is forecast to increase by £506k since the budget was set in January 2017.

**Capital**

The 2017/18 Capital Programme has remained at £85.76k and there are no material changes from the quarter two report (see Annex 2). Changes around Tri Force collaboration are having an impact on the capital assumptions, which will be refined during the final quarter. The plans for the HQ site and the overall Estates Master plan are in the process of being published. Following this and the formal design phase, all estimates will be updated.

It is assumed this be will funded through additional borrowing, subject to OPCC approval.

	Programme Forecast	Spend To Date	Spend To Date
<b>Change Programme</b>	190	160	(30)
<b>Information Services</b>	4,596	1,888	(2,708)
<b>Property</b>	7,364	6,759	(605)
<b>Vehicles</b>	1,322	1,041	(281)
<b>Operational Equipment</b>	263	131	(133)
<b>Potential Budgets for reallocation or removal</b>	0	0	0
	13,736	9,979	(3,756)

**Conclusion**

The projected revenue and capital outturns will change during the remainder of the financial year as a consequence of unforeseen pressures and/or savings opportunities arising. These will continue to be monitored closely on a monthly basis.

## MANAGING FINANCE GROUP - Revenue Outturn Forecast

Item No	Department	Cash Limit	Profiled Cash Limit	Expenditure	(Under)	Perf.	Forecast	Perf.
		2017/18	2017/18	To Date	Overspend		Variance	
		£000	£000	£000	£000		£000	
		(1)	(2)	(3)	(4)		(5)	
<b>POLICE OFFICERS &amp; PCSOs</b>								
1	Police Pay	50,895	42,465	42,197	(268)	●	99	●
2	Seconded Officers	0	15	(69)	(84)	●	0	●
3	PCSOS	3,195	2,681	2,462	(219)	●	(147)	●
4	SDM	1,004	836	347	(489)	●	(394)	●
5	Police Pensions	11,261	10,888	8,084	(2,804)	●	0	●
6	<b>Total Police Officers &amp; PCSOs</b>	<b>66,355</b>	<b>56,885</b>	<b>53,021</b>	<b>(3,865)</b>		<b>(442)</b>	
<b>CRIME, PP, INTEL &amp; LOCAL POLICING</b>								
7	Local Policing	424	353	391	38	●	(12)	●
8	Operational Policing Command	799	666	594	(72)	●	(83)	●
9	Crime	1,685	1,405	1,668	263	●	275	●
10	Public Protection	1,324	1,099	1,097	(2)	●	(66)	●
11	Public Protection Commissioning	0	0	0	0	●	0	●
12	Intelligence	3,297	2,744	2,737	(7)	●	8	●
13	Operations Contingency	511	425	186	(239)	●	(201)	●
14	<b>Total Crime, PP, Intel &amp; Local Policing</b>	<b>8,040</b>	<b>6,692</b>	<b>6,673</b>	<b>(19)</b>		<b>(79)</b>	
<b>OPERATIONAL SUPPORT</b>								
15	Operational Support Command	37	31	45	14	●	7	●
16	Specialist Operations - Income	(25)	(21)	(36)	(15)	●	(2)	●
17	Force Control Room	4,694	3,912	3,876	(36)	●	55	●
18	Justice Department	4,318	3,599	3,506	(93)	●	(78)	●
19	Prevention and Community Protection	769	641	609	(32)	●	(35)	●
20	Safer Roads Team	(33)	(28)	(26)	2	●	0	●
21	Professional Standards Dept	862	718	626	(92)	●	(132)	●
22	<b>Total Operational Support</b>	<b>10,622</b>	<b>8,852</b>	<b>8,600</b>	<b>(252)</b>		<b>(185)</b>	
<b>TRANSFORMATION PROGRAMME</b>								
23	Specials & Volunteers	500	417	287	(130)	●	(100)	●
24	Cadets	120	100	89	(11)	●	0	●
25	Transformation Programme	466	388	268	(120)	●	(118)	●
29	Service Delivery	0	0	267	267	●	275	●
27	Business Intelligence	0	0	0	0	●	0	●
28	Niche	173	144	413	269	●	323	●
29	<b>Total Transformation Programme</b>	<b>1,259</b>	<b>1,049</b>	<b>1,324</b>	<b>275</b>		<b>380</b>	
<b>BUSINESS SUPPORT</b>								
30	Corporate Services	54	45	101	56	●	(5)	●
31	Corporate Development Dept	448	373	263	(110)	●	(74)	●
32	Planning Department	471	392	449	57	●	(16)	●
33	News & Communications	425	355	284	(71)	●	(51)	●
34	Executive Support	329	274	315	41	●	81	●
35	Information Services Department	6,222	5,185	4,826	(359)	●	0	●
36	Human Resources	1,529	1,274	1,250	(24)	●	109	●
37	Procurement Department	448	374	345	(29)	●	(14)	●
38	Design & Print	1	(1)	9	10	●	12	●
39	Financial Services Department	882	737	595	(142)	●	(129)	●
40	Estates and Facilities	5,530	4,847	4,731	(116)	●	136	●
41	Transport Dept	2,588	2,156	1,970	(186)	●	(230)	●
42	<b>Total Business Support</b>	<b>18,927</b>	<b>16,011</b>	<b>15,138</b>	<b>(873)</b>		<b>(181)</b>	
43	<b>Total - Devolved Budgets</b>	<b>105,203</b>	<b>89,490</b>	<b>84,756</b>	<b>(4,734)</b>		<b>(507)</b>	
<b>COLLABORATION &amp; REGIONAL</b>								
44	Specialist Operations	651	542	699	157	●	328	●
45	Forensic Investigation	2,294	1,916	1,271	(645)	●	(197)	●
46	Regional Operational Collaboration	2,318	1,932	1,983	51	●	14	●
47	Regional Support Collaboration	970	808	1,080	272	●	306	●
48	Tri-Force Collaboration	321	267	108	(159)	●	(119)	●
49	Multi Force Shared Service	1,203	1,002	1,230	228	●	10	●
50	<b>Total Collaboration &amp; Regional Budgets</b>	<b>7,757</b>	<b>6,467</b>	<b>6,371</b>	<b>(96)</b>		<b>342</b>	
<b>Other Non-Devolved Budgets</b>								
51	Other Non-Devolved Budgets	441	378	(2)	(380)	●	76	●
52	Redundancy resulting from Restructuring	0	0	27	27	●	27	●
53	Levies	1,220	1,017	1,132	115	●	(110)	●
54	Legal Expenses	402	335	177	(158)	●	0	●
55	External Interest Payable	63	530	38	(492)	●	0	●
56	External Interest Receivable	(59)	(49)	(9)	40	●	28	●
57	Insurance Account	275	229	746	517	●	0	●
58	Budgets Returned to Centre	12	10	0	(10)	●	(12)	●
59	Unallocated Growth Bids	0	1,680	0	(1,680)	●	0	●
60	Pay & Prices	32	73	0	(73)	●	(32)	●
61	Savings Target	153	146	0	(146)	●	0	●
62	MRP & Gains and Losses	0	366	0	(366)	●	0	●
63	Budget Transfer to RCCO	0	0	0	0	●	0	●
64	Revenue Contribution to Capital	0	0	0	0	●	0	●
65	Specific Govt Grants	0	0	(5,973)	(5,973)	●	0	●
66	<b>Total Other</b>	<b>2,539</b>	<b>4,715</b>	<b>(3,864)</b>	<b>(8,579)</b>		<b>(23)</b>	
67	<b>Total for Managing Finance</b>	<b>115,499</b>	<b>100,671</b>	<b>87,263</b>	<b>(13,409)</b>		<b>(188)</b>	
<b>DEVOLVED FUNDING</b>								
	Precepts	(49,567)	(46,843)	(41,727)	5,116	●	(506)	●
	Police Grant	(48,872)	(55,340)	(35,473)	19,867	●	0	●
	NNDR	(24,180)	0	(19,868)	(19,868)	●	0	●
	OPCC Funding	4,047	3,373	3,180	(193)	●	0	●
	Capital Financing	1,702	0	0	0	●	(1,404)	●
	Transfers To/From Reserves	1,371	0	0	0	●	0	●
	<b>Total Devolved Funding</b>	<b>(115,499)</b>	<b>(98,810)</b>	<b>(93,888)</b>	<b>4,922</b>		<b>(1,910)</b>	
	<b>Revenue Budget Position</b>	<b>0</b>	<b>1,861</b>	<b>(6,626)</b>	<b>(8,487)</b>		<b>(2,098)</b>	



CAPITAL PROGRAMME											
	Assumed Asset Life	Total Schem £000	Prior Yr Exp £000	17-18 +/- Slippage £000	Forecast						
					Actuals 17/18 £000	Total 17/18 £000	18/19 +/- Slippage £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000
<b>Change Programme</b>											
<b>Transformation Investment</b>											
Interoperability Programme	3	1,343	1,269	62	32	62	13	0	0	0	0
Criminal Justice-Interoperable CJ NICHE	5	4,315	3,796	129	129	129	390	0	0	0	0
<b>TOTAL CHANGE PROGRAMME</b>		<b>5,658</b>	<b>5,065</b>	<b>190</b>	<b>160</b>	<b>190</b>	<b>403</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Information Services</b>											
Legacy - IT	3	133	94	14	0	14	25	0	0	0	0
Agile Working	3	4,032	875	327	256	327	1,695	607	528	0	0
IT Replacement Equip.	3	4,463	1,171	507	387	507	838	636	428	437	446
IT Infrastructure Hardware Replacement	3	2,851	770	138	58	138	750	275	301	306	311
Photocopier Replacement Programme	3	312	50	145	59	145	117	0	0	0	0
Emergency Services Network (Ariwaves replacement)	10	3,624	91	249	5	249	250	3,034	0	0	0
Business Intelligence	3	284	232	52	4	52	0	0	0	0	0
Tri Force Regional IT Transformation Fun	3	1,793	0	1,793	75	1,793	0	0	0	0	0
Clipa Statement of Accounts Tool (BRB)		19			19	19					
Fusion (Oracle re-implementation)	5	2,908	0	1,340	1,013	1,340	1,568	0	0	0	0
		<b>20,420</b>	<b>3,283</b>	<b>4,577</b>	<b>1,888</b>	<b>4,596</b>	<b>5,231</b>	<b>4,552</b>	<b>1,257</b>	<b>743</b>	<b>757</b>
<b>Property</b>											
21st Century Estate (NAH)	30	21,653	15,132	6,102	6,000	6,102	419	0	0	0	0
21st Century Estate (NAH) - AIRWAVES	30	320			0	0	320				
Accessibility Fund	30	150	0	25	0	25	25	25	25	25	25
Criminal Justice Centre	30	60	28	94	0	94	-62	0	0	0	0
Criminal Justice Centre (Cooling)	30	0	0	0	0	0	0	0	0	0	0
Op EVO Original Budget	30	77		74	74	74	3				
New Estates Strategy 2017-18 (Op EVO)	30	830	0	730	677	730	100	0	0	0	0
Northampton Headquarters (including Training facility (31 WHP))	30	18,200	0	0	0	0	6,600	6,600	5,000	0	0
Learning and Development Centre (LDC)	30	4			1	4					
Radio Mast	30	85	0	70	0	70	15	0	0	0	0
Property Enhancements	30	1,700	0	264	6	264	286	300	300	300	250
Brackley	30	0	0	0	0	0	0	0	0	0	0
Northern Accommodation Hub	30	0	0	0	0	0	0	0	0	0	0
Pytchley	30	30	0	0	0	0	0	30	0	0	0
Robert Street	30	30	0	0	0	0	0	0	30	0	0
Desborough	30	0	0	0	0	0	0	0	0	0	0
Earls Barton	30	20	0	0	0	0	20	0	0	0	0
Yardley Chase	30	10	0	0	0	0	10	0	0	0	0
Campbell Square	30	750	0	0	0	0	0	750	0	0	0
Criminal Justice Centre	30	350	0	0	0	0	200	0	150	0	0
Daventry	30	250	0	0	0	0	0	250	0	0	0
Firearms Range	30	1,700	0	0	0	0	500	0	1,200	0	0
Wellingborough	30	250	0	0	0	0	250	0	0	0	0
Weston Favell	30	1,500	0	0	0	0	0	1,500	0	0	0
Other Required Investment - Estates Plan	30	0	0	0	0	0					
		<b>47,969</b>	<b>15,161</b>	<b>7,360</b>	<b>6,759</b>	<b>7,364</b>	<b>8,685</b>	<b>9,455</b>	<b>6,705</b>	<b>325</b>	<b>275</b>
<b>Vehicles</b>											
Vehicle Purchases (mixed replacement)	3	7,704	995	1,256	1,041	1,256	1,106	1,086	1,083	1,121	1,057
SDM Corsas (5 Year replacement)	5	54					54				
Chief Officer Vehicles (4 year replacement)	4	60						60			
Contract Inflation	3	81						21	20	21	20
SRT Vehicles	3	396	0	66	0	66	66	66	66	66	66
<b>Operational Equipment</b>											
ANPR Equipment programme (RCU)	3	468	99	60	89	60	60	61	62	63	63
Procurement of Body Worn Video	3	1,364	643	106	11	106	92	261	87	87	87
Taser Uplift (Force)	5	324	2	97	30	97	130	0	0	0	95
Firearms Body Worn Video	5	152	0	0	0	0	76	0	76	0	0
<b>Potential Budgets for reallocation or removal</b>											
Digital Recording	3	67	67	0	0	0	0	0	0	0	0
Payroll*	5	443	443	0	0	0	0	0	0	0	0
Organisational Development	0	171	171	0	0	0	0	0	0	0	0
Tri Force (Strategic Alliance) (PBS)	0	430	430	0	0	0	0	0	0	0	0
<b>TOTAL OTHER SCHEMES</b>		<b>11,715</b>	<b>2,851</b>	<b>1,586</b>	<b>1,172</b>	<b>1,586</b>	<b>1,583</b>	<b>1,555</b>	<b>1,394</b>	<b>1,358</b>	<b>1,388</b>
<b>TOTAL</b>		<b>85,761</b>	<b>26,360</b>	<b>13,712</b>	<b>9,979</b>	<b>13,736</b>	<b>15,902</b>	<b>15,562</b>	<b>9,356</b>	<b>2,426</b>	<b>2,420</b>

	to 31/03/18	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
<b>Grant</b> <i>(provisional TBC and maybe subject to topslice)</i>		424	424	424	424	424	424	2,544
<b>Borrowing Requirement</b>		7,061	11,351	10,814	6,725	466	512	36,929
<b>Assumed Borrowing/ Re-Phasing of Borrowing</b>			0	0	0	0	0	0
<b>Capital Receipts-Property</b>		2,850	3,408	1,007	0	0	0	7,265
<b>Safer Roads Team Reserves</b>			66	66	66	66	66	330
<b>Anticipated Home Office Grants</b> <i>(ESN / Innovation Fund/Cyber )</i>		25	0	0	0	0	0	25
<b>Funded by long term Dilapidations</b>		25			590			615
<b>RCCO from unrequired borrowing underspend</b>		1,454	1,593	2,168	2,141	880	1,418	9,654
<b>Realignment of Receipts &amp; RCCO to move to offset 3 year borrowing</b>			-1,040	1,040	-590	590		0
<b>3rd Party Contributions</b>								
<b>Reserves</b>		1,897	100	43	0			2,040
<b>Capital Financing</b>			0	0	0	0	0	0
<b>Total Funding</b>		13,736	15,902	15,562	9,356	2,426	2,420	59,402



## Police and Crime Commissioner for Northamptonshire

### REVENUE BUDGET MONITORING FOR 2017/18

#### 1. INTRODUCTION

- 1.1 This report represents information on the total approved and allocated budget for the Office of the Police and Crime Commissioner in 2017 – 18, and the expenditure incurred up to the end of January with the forecasted outturn for the year end 2017-18.
- 1.2 The purpose of the report is to update the PCC, CEO and Directors with the current position on the total expenditure to end of January 2018, forecast expenditure to end of year and inform on any overspend or underspend along with justifications.

#### 2. OVERALL POSITION

- 2.1. For Financial Year 2017-18 the OPCC revenue budget was established as £3.890m and virements have taken place between the Force and OPCC during the year for Witness Care (transferred to Voice and forms part of Commissioning arrangements), insurances and custody in healthcare commissioning. Total Revised OPCC budget is now **£4.047m**.
- 2.2 The overall OPCC budget vs forecast position for January is represented below in Table 1. Current forecast is predicting **£360k** underspend for the OPCC of which £104k relates to income which is intended to be carried forward to 2018/19.

Table 1

Service Area	Total Budget £'000	Budget YTD £'000	Actual YTD £'000	Variance YTD £'000	YE Forecast £'000	YE Variance £'000
PCC (Northamptonshire)	1,766	1,472	1,290	(182)	1,564	(202)
Police & Crime Institute	295	246	200	(46)	220	(75)
Public Involvement	100	83	72	(11)	101	1
Early Intervention	752	627	224	(403)	224	(528)
Commissioning*	1,134	945	1,099	154	1,266	132
PCC Initiatives*	0	0	132	132	139	139
Agile Estates*	0	0	142	142	173	173
<b>Total</b>	<b>4,047</b>	<b>3,373</b>	<b>3,159</b>	<b>(214)</b>	<b>3,687</b>	<b>(360)</b>

\*costs recorded under these budgets are to be funded from earmarked reserves. See section 7

### 3. BREAKDOWN OF OPCC BUDGET

Current forecast is predicting £202k underspend for the OPCC, of which £104k relates to income to be carried forward into 2018/19.

#### 3.1. Accounts/Finance Consultants – Underspend £93K

The budget included two finance consultants, one has left and one is working on the implementation of the Fusion project which is shared 50% with Nottinghamshire.

#### 3.2. Salaries, Redundancy & Pension & Recruitment – Underspend £10K

This relates to vacant posts offset by redundancy, pension recruitment costs.

#### 3.3. Training Conferences and Seminars – Underspend £8k

Based on actual costs incurred to the end of period 10 and future plans for months 11 and 12, a saving is being predicted.

#### 3.4. Internal & External Audit Costs – Underspend £14k

This relates to actual costs being lower than budgeted, offset by a refund from public sector audit appointments and additional extra audit work done in relation to 2016-17 closedown.

#### 3.5. Subscriptions – Overspend £3k

These costs include annual subscription costs slightly higher than 2017-18 budget which have now been built in for future years.

**3.6 Legal Costs – Overspend £40K**

Legal costs relate to change of use for mereway site currently in progress.

**3.7 Consultants (Non-Finance) Fees – Underspend £6k**

These relate mainly to IT consultancy less than budgeted.

**3.8 Professional Fees – Underspend £7k**

Government Actuary charges for 2017-18 will be matched to this budget. The annual costs for these are estimated to be £5.2k. In addition, there will be another £500 charge due to a request for the Actuary's report to be provided sooner. Other costs against this budget are for reimbursement of expenses to legally qualified members for misconduct hearing meetings.

**3.9 Staff Travel and Hotel - £8k underspend**

These costs include mileage allowance and train tickets along with accommodation and subsistence costs for PCC staff.

**3.10 Return on Op FixIt – Refund of £104k**

An invoice has been raised to Northamptonshire County Council to return unspent funds received from PCC in earlier years towards Operation FixIt. These funds have already been earmarked for delivery of Dash Cam Capture Project (£44k) and Expansion of Community Speedwatch Scheme (£60k) and will be carried forward for budget setting for 2018-19.

**3.11 Partnership Projects – £8k costs**

The PCC authorised two following areas to be supported:

- Natural Rural Crime Network Survey - £2k
- Support prevention activity in relation to Asian gold burglary series - £6k

**3.12 Other Costs – (net) £3k underspend**

The underspend covers 9 separate budget headings such as, Treasury Costs, Hardware Purchase, Stationery & Printing, JIAC Member Allowances etc.

To note – hardware purchase budget £8k has been forecast as being spent, and if not spent in 2017-18, then will be carried forward to 2018-19. This is currently being looked at by director of Technology and Digital Transformation.

**4 POLICE AND CRIME INSTITUTE****4.1 Projected underspend of £75k**

Total budget for 2017-18 £295k has been agreed, which consists of £200k commission to the Institute and £95k salary for the director of the Institute.

Salary costs up to end of September 2017 are reflected in PCC staffing cost; additional £20k transfer will incur which resulting in overall underspend of £75k as stated above.

## **5 PUBLIC INVOLVEMENT**

### **5.1 Projected overspend of £1k**

This budget is to support the PCC's involvement with the public, running various campaigns and providing media support.

This budget is now showing slight overspend (under £1k). A departure of Communication and Engagement Manager in January 2018 has resulted in additional costs being spent on media and design consultancy.

## **6 EARLY INTERVENTION**

### **6.1 Projected underspend of £528k**

Overall budget of £752k has been allocated. The committed costs are as follows:

- Northamptonshire Safeguarding Children Board - £23k
- Northamptonshire Youth Offending Service - £201k

It has been decided that there will be no further work done specifically for early intervention in 2017-18 and this is included with the 2018/19 budget proposals.

## **7 COSTS FROM EARMARKED RESERVES – FORECAST £444K**

- 7.1 During the year, the PCC had agreed costs of £444k which were intended to be met from the PCC Reserve. This includes commissioning set up costs of voice, costs of force agile estates team until 31/3/18 and £139k of carry forwards approved from 2016/17. These costs are currently absorbed within the PCC budget as part of the £360k underspend, therefore this reserve has not yet been utilised and will be reviewed as part of the year end arrangements.

Currently in the OPCC, reserve transfers are made at each year end, however, is intended to increase visibility of reserves in 2018/19 in line with the Home Office requirements and reserves strategy published with the report to the Police and Crime Panel. Moving forwards, funds will be transferred to or from reserves at the point of decision.

## **8 CONCLUSION**

- 8.1 To note yearend forecast.

## **9 CARRY FORWARD REQUESTS/CONSIDERATIONS TO DATE**

- 9.1 The PCC is keen to consider carry forward requests from his budget which are consistent with the delivery of his Police and Crime Plan priorities. A process has been implemented to capture these in the OPCC and they will be considered in April 2018 by the PCC at his meeting with Directors, to enable decisions to be made.



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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**19 March 2018**

<b>REPORT BY</b>	CHIEF FINANCE OFFICER OPCC AND DIRECTOR OF FINANCE AND RESOURCES CC
<b>SUBJECT</b>	CAPITAL PROGRAMME
<b>RECOMMENDATION</b>	TO CONSIDER THE REPORT

**1. Capital Programme 2018/19 to 2022/23**

- 1.1 The Capital Programme is informed by operational need and requirements of the Force, however, ownership of the Capital Programme and Assets are rested with the PCC. Therefore, for 2018/19 and future years, the Capital Programme is produced, agreed and monitored jointly by both the OPCC and the Force and is subject to approval by the PCC.
- 1.2 The Capital Programme for 2018/19 to 2022/23 was considered as part of the budget process and was discussed at the PCC and Force Accountability Board on the 8 January 2018.
- 1.3 The Capital Programme was then included within the report to the Police and Crime Panel on the February 2018 (Appendix 3 of the Police and Crime Panel report attached, together with the full detail of the Programme also attached). For the JIAC, the 2017/18 information has been added to the Police and Crime Panel Appendix for reference.
- 1.4 The Budget and Precept Report supported by the Police and Crime Panel included the following extract in relation to the Capital Programme:

***“Capital Programme 2018/19 to 2022/23”***

- 15.1 *The Chief Executive, in conjunction with the Force has undertaken a detailed review of capital schemes and in particular, developing the Estates Strategy. This strategy has*



*been informed by the Force's operational delivery model and Operation Balance programme.*

- 15.2 *The strategy reflects the estate required to deliver an effective and efficient Police Force. Both the strategy and the capital programme reflect significant investment in headquarters, and other key locations.*
- 15.3 *The ICT strategy is currently being developed following the changes to its governance moving back within Northamptonshire. As a result of this, it is anticipated that the revised ICT strategy and any investment proposals from the Force to increase efficiency and/or capacity and manage demand will necessitate a review of the ICT element of the capital programme.*
- 15.4 *The capital programme is set out in Appendix 3. The revenue consequences of the proposed programme have been taken into account in the development of the revenue budget.*
- 15.5 *The Capital Programme was considered by PCC and the Force at their meeting on the budget on 8 January 2018 and this scrutiny will continue with detailed reviews of the programme on a quarterly basis moving forwards. “*
- 1.5 The Budget and Treasury Management Strategy is based on the approved Capital Programme as included within the Budget and Precept Report to the Panel. Additionally, the revenue budget and MTFP reflect the revenue costs of financing Capital Programme as supported by the Police and Crime Panel.
- 1.6 Capital Programmes are often subject to reprofiling and updating of costs, therefore, the Programme will be reviewed formally on a quarterly basis between the Force and OPCC, in line with consideration of the Budget Monitoring reports by the PCC and at the Accountability Board.
- 1.7 However, the Force do update Capital Programme information where possible on their monthly monitoring which enables consideration by the PCC of potential issues between formal reviews of the Programme.
- 1.8 The Capital Programme will be reviewed as at the end of March 2018 in line with the year-end position and it is intended this will include updates on the following:
- The ICT Strategy and detailed Capital programme requirements

- An update on the Emergency Services Network (ESN) position, to include regional requirements and updated timescales and profiling.
- A review of operational equipment
- A review of the capital receipts assumed timescales for 2017/18 and 2018/19.

1.9 Given the potential implications of the values involved in the ICT Strategy and ESN, it is envisaged that these would be the most significant changes to the Capital Programme which would be considered at the next quarter review.

1.10 Members are advised that the Treasury Management Strategy will be considered at the same time the Capital Programme is reviewed each quarter to ensure it reflects the identify whether any changes need to be proposed to the limits.

1.11 Whilst the Capital Programme and Treasury Management Strategy have been produced with regard to the 2017 Edition of the Prudential Code and includes a significant number of the requirements which are required within a Capital Strategy, a separate Strategy will be produced:

*“in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.”* (Source: CIPFA: The Prudential Code 2017 Edition, paragraph E13).

1.12 The Capital Strategy will be completed in line with the March quarterly review of the Capital Programme and a draft shared with JIAC members for discussion at the July 2018 meeting.

**APPENDIX 3 OF THE BUDGET AND PRECEPT REPORT TO THE POLICE AND CRIME  
PANEL 1 FEBRUARY 2018 (AMENDED TO REFLECT 2017/18 FOR JIAC)**

**CAPITAL PROGRAMME 2018/19 TO 2022/23**

**Background**

1. The Government support for capital spending includes the capital grant which directly supports the capital programme. Since 2004 the Prudential Code gave the former Police Authority and now the PCC the freedom to set its own borrowing limit subject to compliance with the Code.
2. The Prudential Code requirements are considered as part of the overall Treasury Management Strategy which will be produced by the 1<sup>st</sup> April 2018 and for which oversight is provided by the Joint Independent Audit Committee (JIAC).

**Proposed Capital Programme**

3. The capital programme has been prepared in consultation with budget holders on the basis of operational need and risk. The Estates programme has been totally reviewed and reflects the near final Estates Strategy.
4. The ICT programme will be reviewed in detail during 2018/19 to reflect the ICT Strategy and to reflect investment required to deliver not only business as usual but also efficiency and/or capacity and/or to reduce demand.
5. A summary of the proposed Capital Programme for 2018/19 is shown in the table below. The PCC has reviewed and scrutinised a more detailed programme relating to the financial years 2018/19 to 2022/23.

<i>Proposed Capital Programme 2018/19</i>			
<b>Expenditure</b>	<b>£m</b>	<b>Funding</b>	<b>£m</b>
Property	8.127	Capital Grant (provisional)	0.424
Information Technology	1.415	Borrowing Requirement	8.377
MFSS Fusion	1.568	Capital Receipts	3.408
Emergency Services Network	0.250	Use of Reserves	0.166
Vehicle Fleet	1.137	Revenue Contributions	0.495
Operational Equipment	0.373		
<b>Total</b>	<b>12.870</b>	<b>Total</b>	<b>12.870</b>

6. The Programme includes property schemes relating to investment in the development of the Headquarters site, together with investment in Wellingborough, the Northern Area Hub, Criminal Justice and Firearms estates requirements.
7. The information technology expenditure includes provision for agile and replacement equipment. However, this is subject to review in the early part of the year.

8. MFSS relates to the additional costs to upgrade HR and Finance services alongside other police partners. It is anticipated that the Emergency Services Network (ESN) costs will slip and are subject to further refinement in line with the national programme. Additionally, the impact of ESN on regional operations is currently under review.

### **Proposed Capital Programme 2018/19 to 2022/23**

9. The proposed capital programme for the years 2018/19 to 2022/23 as considered by the Panel (with 2017/18 included for members' information – which increases the total to £59.316m) is as follows:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
<b>Expenditure</b>							
Property	7.918	8.127	9.455	6.705	0.325	0.275	32.805
Information Technology	5.548	1.415	1.518	1.257	0.743	0.757	11.238
MFSS Fusion	1.340	1.568	-	-	-	-	2.908
Emergency Services Network	0.249	0.250	3.034	-	-	-	3.533
Vehicle Fleet	1.279	1.137	1.233	1.169	1.208	1.143	7.169
Operational Equipment	0.348	0.373	0.322	0.225	0.150	0.245	1.663
	<b>16.682</b>	<b>12.870</b>	<b>15.562</b>	<b>9.356</b>	<b>2.426</b>	<b>2.420</b>	<b>59.316</b>
<b>Funding</b>							
Capital Grant	0.424	0.424	0.424	0.424	0.424	0.424	2.544
Borrowing	10.107	8.377	10.814	6.726	0.442	0.514	36.980
Capital Receipts	2.85	3.408	1.007	-	-	-	7.265
Use of Reserves & Dilapidations	1.897	0.495	0.109	0.681	0.066	0.066	3.314
Revenue Contributions	1.404	0.166	3.208	1.525	1.494	1.416	9.213
	<b>16.682</b>	<b>12,870</b>	<b>15.562</b>	<b>9.356</b>	<b>2.426</b>	<b>2.420</b>	<b>59.316</b>

10. The programme shows the significant investment in the estate over the first three years, and the property element of the capital programme will continue to be reviewed as the strategy progresses. As highlighted above, the ICT Strategy will review the required ICT investment in the early part of 2018/19 to enable the costs and funding of this area to be further refined.

### **Funding Arrangements**

11. The provisional 2018/19 capital grant is £0.424m, the same as for 2017/18. After the utilisation of receipts arising from the sale of properties as part of the Estates Strategy, anticipated Home Office grants and the application of reserves and revenue contributions to capital schemes, the borrowing requirement is **£8.377m** for 2018/19.

### **Background Papers**

Home Office Settlement Notification via the Home Office website

## Capital Programme

CAPITAL PROGRAMME		Assumed Asset Life									
			Total Schem	Prior Yr Exp	17-18 +/- Slippage	17-18 Outturn	18/19 +/- Slippage	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23
			£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Change Programme</b>											
<b>Transformation Investment</b>											
	3		1,343	1,269	74	74	0	0	0	0	0
	5		4,315	3,796	489	489	30	0	0	0	0
<b>TOTAL CHANGE PROGRAMME</b>			<b>5,658</b>	<b>5,065</b>	<b>563</b>	<b>563</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Information Services</b>											
	3		133	94	14	14	25	0	0	0	0
	3		4,032	875	1,344	1,344	678	607	528	0	0
	3		4,463	1,171	959	959	386	636	428	437	446
	3		2,851	770	613	613	275	275	301	306	311
	3		312	50	211	211	51	0	0	0	0
	10		3,624	91	249	249	250	3,034	0	0	0
	3		284	232	52	52	0	0	0	0	0
	3		1,793	0	1,793	1,793	0	0	0	0	0
			0			0		0	0	0	0
	5		2,908	0	1,340	1,340	1,568	0	0	0	0
<b>Fusion (Oracle re-implementation)</b>			<b>20,400</b>	<b>3,283</b>	<b>6,574</b>	<b>6,574</b>	<b>3,233</b>	<b>4,552</b>	<b>1,257</b>	<b>743</b>	<b>757</b>
<b>Property</b>											
	30		21,653	15,132	6,521	6,521	0	0	0	0	0
	30		320				320				
	30		150	0	25	25	25	25	25	25	25
	30		60	28	32	32	0	0	0	0	0
	30		0	0	0	0	0	0	0	0	0
	30		77		77	77	0				
	30		830	0	830	830	0	0	0	0	0
			0								
<b>Northampton Headquarters (including Training facility (31 WHP))</b>			<b>18,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,600</b>	<b>6,600</b>	<b>5,000</b>	<b>0</b>	<b>0</b>
	30		0			(0)					
	30		85	0	70	70	15	0	0	0	0
	30		1,700	0	362	362	188	300	300	300	250
	30		0	0	0	0	0	0	0	0	0
<b>Northern Accommodation Hub</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	30		30	0	0	0	0	30	0	0	0
	30		30	0	0	0	0	0	30	0	0
	30		0	0	0	0	0	0	0	0	0
	30		20	0	0	0	20	0	0	0	0
	30		10	0	0	0	10	0	0	0	0
	30		750	0	0	0	0	750	0	0	0
	30		350	0	0	0	200	0	150	0	0
	30		250	0	0	0	0	250	0	0	0
	30		1,700	0	0	0	500	0	1,200	0	0
	30		250	0	0	0	250	0	0	0	0
	30		1,500	0	0	0	0	1,500	0	0	0
	30		0	0	0	0					
<b>Other Required Investment - Estates Plan</b>			<b>47,965</b>	<b>15,161</b>	<b>7,917</b>	<b>7,917</b>	<b>8,127</b>	<b>9,455</b>	<b>6,705</b>	<b>325</b>	<b>275</b>
<b>Vehicles</b>											
	3		7,704	995	1,279	1,279	1,083	1,086	1,083	1,121	1,057
	5		54				54				
	4		60					60			
	3		81					21	20	21	20
	3		396	0	66	66	66	66	66	66	66
					0	0	0				
	3		468	99	60	60	60	61	62	63	63
	3		1,303	643	51	51	87	261	87	87	87
	5		322	2	95	95	130	0	0	0	95
	5		152	0	76	76	0	0	76	0	0
					0	0	0				
					0	0	0				
<b>Potential Budgets for reallocation or removal</b>											
	3		67	67	0	0	0	0	0	0	0
	5		443	443	0	0	0	0	0	0	0
	0		171	171	0	0	0	0	0	0	0
	0		430	430	0	0	0	0	0	0	0
<b>TOTAL OTHER SCHEMES</b>			<b>11,652</b>	<b>2,851</b>	<b>1,627</b>	<b>1,627</b>	<b>1,479</b>	<b>1,555</b>	<b>1,394</b>	<b>1,358</b>	<b>1,388</b>
<b>TOTAL</b>			<b>85,675</b>	<b>26,360</b>	<b>16,682</b>	<b>16,682</b>	<b>12,870</b>	<b>15,562</b>	<b>9,356</b>	<b>2,426</b>	<b>2,420</b>

## Funding for the Capital Programme

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
<b>Grant</b> <i>(provisional TBC and maybe subject to topslice)</i>	424	424	424	424	424	424	2,544
<b>Borrowing Requirement</b>	<b>10,107</b>	<b>8,377</b>	<b>10,814</b>	<b>6,726</b>	<b>442</b>	<b>514</b>	36,980
Assumed Borrowing/ Re-Phasing of Borrowing		0	0	0	0	0	0
Capital Receipts-Property	2,850	3,408	<b>1,007</b>	<b>0</b>	<b>0</b>	<b>0</b>	7,265
Safer Roads Team Reserves		66	66	66	66	66	330
Anticipated Home Office Grants <i>(ESN / Innovation Fund)</i>		0	0	0	0	0	0
Funded by long term Dilapidations				615			615
RCCO from unrequired borrowing underspend	1,404	1,535	2,168	2,140	879	1,416	9,542
Realignment of Receipts & RCCO to move to offset 3 year borrowing		(1,040)	1,040	-615	615		0
<b>3rd Party Contributions</b>							
Reserves	1,897	100	<b>43</b>	<b>0</b>			2,040
Capital Financing		0	0	0	0	0	0
<b>Total Funding</b>	<b>16,682</b>	<b>12,870</b>	<b>15,562</b>	<b>9,356</b>	<b>2,426</b>	<b>2,420</b>	<b>59,316</b>





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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**19 MARCH 2018**

<b>REPORT BY</b>	CHIEF FINANCE OFFICER OPCC AND DIRECTOR OF FINANCE AND RESOURCES CC
<b>SUBJECT</b>	DRAFT TREASURY MANAGEMENT STRATEGY 2018/19
<b>RECOMMENDATION</b>	THAT THE COMMITTEE APPROVE THE STRATEGY

**1. Background**

- 1.1 The draft Treasury Management Strategy is attached.
- 1.2 This strategy would usually form part of the suite of documents considered by the Police and Crime Panel in their role considering the Budget and Precept.
- 1.3 In line with previous years, the report presented to the Panel advised members that the Treasury Management Strategy would be considered by the Joint Independent Audit Committee (JIAC) before approval by the PCC.
- 1.4 In line with the approach adopted by other PCCs, it is intended that the approved Treasury Management Strategy is available on the OPCC website together with all other key budget and precept documentation.

**2. Key Elements of the Strategy**

- 2.1 It is recognised that the Strategy is a lengthy document, however, to comply with the requirements of the CIPFA Prudential Code of Practice, the PCC is required to set a range of prudential indicators prior to the start of the financial year. The code states that prudential indicators for Treasury Management should be considered alongside the Investment Strategy. The content of this report addresses this requirement.
- 2.2 Under the Code, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the code.



2.3 For ease of reference, the rationale for a range indicators included in Appendix 3 of the Strategy for which members have previously sought further information is provided below:

**2.4 Net Borrowing Requirement (Capital Financing Requirement CFR Prudential Indicator).**

The Capital Financing requirement (CFR) measures the PCC's underlying need to borrow for capital purposes and ensures that borrowing is only undertaken for capital purposes and not to support revenue expenditure.

Members are advised that these figures comprise of the borrowing brought forward plus the in-year borrowing requirement as set out in the Capital Programme financing.

**2.5 Capital Financing Requirement (MRP)**

These sums equate to interest and Minimum Revenue Provision (MRP) which form the statutory obligations. They exclude Revenue Contributions to Capital Outlay (RCCO).

Minimum Revenue Provision (MRP) is charged in accordance with the guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003. All of the existing debt relates to historic debt liability and is charged at 4% in line with the guidance.

Expenditure funded by new borrowing will be charged over a period which is reasonable commensurate with the estimated useful life applicable to the nature of expenditure. The range of useful lives applied to assets are set out in the appendix to the Capital programme report.

**2.6 Authorised Limit and Operational Boundary**

*As detailed within paragraph E15 of the Code, "both the authorised limit and the operational boundary for external debt need to be consistent with the authority's plans for capital expenditure and financing.... the operational boundary should be based on the authority's estimate of most likely, i.e. prudent.... the authorised limit in addition needs to provide headroom over and above the operational boundary, sufficient for example for unusual cash movements."*

The proposed Operational Boundary is based on the assumed borrowing as aligned to the capital programme, it also includes scope for borrowing that may be required for revenue purposes that may be required in the short term for cash flow purposes during the year.

The Authorised Limit represents the limit beyond which borrowing is prohibited. The proposed limit includes scope to accommodate any changes to cash flow timings of capital receipts assumed in the Capital Programme.

## **2.7 Upper Limit for Principal Sums Invested for over 364 Days**

The guidance on Local Government Investments sets out both specified and non-specified investments. Sums invested over 364 days are known as non-specified investments (the guidance details a non-specified investment as “one not meeting the definition of a specified investment”).

Whilst members are advised that an investment of this nature is not currently planned by the PCC, in line with others, the PCC is required to set limits for both specified and non-specified investments, to ensure that if on the rare occasion the PCC had the opportunity and the wish to do so, he would be operating within his approved indicators and could evidence this within his Treasury Management Strategy.

## **3. Summary and Recommendation**

- 3.1 The draft Treasury Management Strategy is attached for members' consideration.
- 3.2 Members are advised, that in line with the Code, the PCC should ensure the prudential indicators are reviewed on a regular basis. These will be done in conjunction with the quarterly review of the Capital Programme.
- 3.3 It is recommended that the Committee approve the Strategy.
- 3.4 Subject to approval, the Strategy will be issued as final, supported by a Decision Record (in keeping with the other Budget and Precept documentation requirements) and placed on the OPCC website.

**NORTHAMPTONSHIRE POLICE AND CRIME  
COMMISSIONER**

**DRAFT  
1st April 2018**

**Treasury Management Strategy Statement  
2018-19**

Minimum Revenue Provision Policy Statement  
and  
Annual Investment Statement

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## **1. Introduction**

### **1.1 Background**

Treasury management is defined as:

"The management of the Commission's 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. "

The Commission is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Commission's low risk appetite, providing adequate liquidity initially before considering investment return.

We remain in a very difficult investment environment. Whilst counterparty risk appears to have eased, market sentiment has still been subject to bouts of, sometimes, extreme volatility and economic forecasts abound with uncertainty. As a consequence, the Commission are not getting much of a return from deposits. Against this backdrop it is, nevertheless, easy to forget recent history, ignore market warnings and search for that extra return to ease revenue budget pressures. Therefore, we need to look at the product not the return on investment.

### **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 first adopted by the former Northamptonshire Police Authority on 1<sup>st</sup> April 2010 and subsequently upon inception of the PCC.

The primary requirements of the Code are as follows:

The Commission is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year Treasury Management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### **Scrutiny**

The above reports are required to be adequately scrutinised before being recommended to the Commission. This role is undertaken by the JIAC Committee.

### **1.4 Treasury Management Strategy for 2018/19**

The strategy for 2018/19 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, Linked Asset Services.

The strategy covers Treasury Management issues:

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Commission;
- 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.

### Capital Issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

### **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.

## 2. Treasury Limits for 2018/19 to 2019/20, actual 17/18, to estimates 2021/22

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 in corporate 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 2018 comprises:

TABLE 1				Average rate
		£'m	£'m	%
Fixed rate funding:	-PWLB	£1.3		<b>4.79%</b>
	-Market	£0.0		
			£1.3	<b>4.79%</b>
Variable rate funding:	-PWLB	£0.0		
	-Market	£0.0		
Other long term liabilities:			<u>0.0</u>	
<b>Gross Debt</b>			£1.3	<b>4.79%</b>
Total investments			(£20.7)	0.76%
Net Borrowing			(£19.4)	(0.02%)

#### 4. Borrowing Requirement

The Commission's borrowing requirement is as follows:

TABLE 2	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Actual	Probable	Estimate	Estimate	Estimate
Opening Borrowing	1,300	1,300	9,677	20,491	27,217	27,659
New Borrowing	0	8,377	10,814	6,726	442	514
Alternative Financing Arrangements	0	0	0	0	0	
Replacement Borrowing	0	0	0	0	0	
<b>Repayment of Debt</b>						
<b>Total CFR (borrowing requirement)</b>	<b>1,300</b>	<b>9,677</b>	<b>20,491</b>	<b>27,217</b>	<b>27,659</b>	<b>28,173</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 2018-19 – 2021/22

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 2018	0.50
Jun 2018	0.50
Sep 2018	0.50
Dec 2018	0.75
Mar 2019	0.75
Jun 2019	0.75
Sep 2019	0.75
Dec 2019	1.00
Mar 2020	1.00
Jun 2020	1.00
Sep 2020	1.25
Dec 2020	1.25
Mar 2021	1.25

\*Linked Asset Services information as at 17<sup>th</sup> January 2018

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in its words warning that Bank Rate will need to rise. Recent Bank of England Inflation Reports have flagged up that they expected CPI inflation to peak at just over 3% in late 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 3.1% in November. The reason why the MPC became so aggressive with its wording in September and November around increasing Bank Rate was due to an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was

also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It was therefore no surprise that the MPC increased Bank Rate by 0.25% to 0.5% in November. However, their forward guidance of two more increases of 0.25% by 2020 was viewed as being more dovish than markets had expected. However, some forecasters are flagging up that they expect growth to improve significantly in 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weaker services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on more than one increase in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

## 7. Borrowing Strategy

### 7.1 Borrowing rates

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

-

Link Asset Services Interest Rate View													
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

**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 18 and 20 equate to £2m over the life of a potential 25 year loan (£0.1m per annum at 0.5%))
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 2018/19 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 the s151 Officer at the earliest opportunity for a decision on policy.

## 7.2 External v. internal borrowing

- This Commission currently has net investments (after deducting outstanding borrowing), of £22m.
- 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 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 2018/19 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 2018/19 treasury operations. The Chief Constable's S151 Officer financial department will monitor the interest rate market and adopt a pragmatic approach to changing circumstances.

It is anticipated that £9.948m of the £16.523m capital financing for 2017/18 will be internal borrowing.

## 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 £1.3m 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 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.

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 applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach with credit

ratings from all three rating agencies - Fitch, Moody's and Standard and Poors. 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 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         100 days
- 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.

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 is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

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.

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;

2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%

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**

At the start of 2017/18, there was £7.7m of the Commission's funds externally managed on a discretionary basis by Investec Asset Management.

The monies invested on our behalf by Investec were recalled following consultation with and approval by the OPCC in the first quarter 2017/18. Therefore, we no longer have an external fund Portfolio.

## **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 7.

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

See appendix 8.



## 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. Economic Background
7. Treasury management scheme of delegation
8. The treasury management role of the section 151 officer

## **APPENDIX 1**

### **Minimum Revenue Provision Policy Statement 2018/19**

The Commission implemented the new Minimum Revenue Provision (MRP) guidance, and will assess their MRP for 2018/19 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 18 of the MRP for 2018/19 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 that is funded by new borrowing 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.

## APPENDIX 2 Interest Rate Forecasts

The data below shows comparison of historic and forecasted rates.

### Capita: interest rate comparison and forecast

Bank Rate														
	NOV	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Capital Economics	0.50%	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.00%	2.25%	2.25%	-
5yr PVMB Rate														
	NOV	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	1.70%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	1.70%	1.70%	1.90%	2.10%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.65%	2.65%	2.90%	-
10yr PVMB Rate														
	NOV	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	2.18%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	2.18%	2.20%	2.40%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.05%	3.05%	3.30%	-
25yr PVMB Rate														
	NOV	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	2.69%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.69%	2.60%	2.90%	3.10%	3.30%	3.30%	3.30%	3.35%	3.35%	3.35%	3.60%	3.60%	3.80%	-
50yr PVMB Rate														
	NOV	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	2.39%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.39%	2.50%	2.70%	2.90%	2.90%	2.90%	3.05%	3.05%	3.15%	3.15%	3.40%	3.40%	3.65%	-

### APPENDIX 3 Prudential and Treasury Indicators –actuals 2017/18

TABLE 3: PRUDENTIAL INDICATORS	2017/18	2018/19	2019/20	2020/21	2021/22
Extract from budget and rent se	Forecast	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000
<b>Capital Expenditure</b>	<b>16,682</b>	<b>12,870</b>	<b>15,562</b>	<b>9,356</b>	<b>2,426</b>
<b>Net borrowing requirement</b>					
brought forward 1 April	1,300	1,300	9,677	20,491	27,217
Repayment of Debt					
in year borrowing requirement		8,377	10,814	6,726	442
carried forward 31 March	1,300	9,677	20,491	27,217	27,659
<b>Capital Financing Requirement as at 31 March</b>					
Non – HRA	298	1,266	1,824	2,641	3,113
<b>Annual change in Cap. Financing Requirement</b>					
Non – HRA	0	968	558	817	472
<b>Incremental impact of capital in</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase in precept per annum *	0.02	4.15	2.39	3.50	2.02

TABLE 4: TREASURY MANAGEMENT INDICATORS	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000
<b>Authorised Limit for external debt -</b>					
borrowing	12,000	12,400	23,900	30,900	31,400
other long term liabilities	0	0			
TOTAL	12,000	12,400	23,900	30,900	31,400
<b>Operational Boundary for external debt -</b>					
borrowing	10,000	10,400	21,900	28,900	29,400
other long term liabilities	0	0			
TOTAL	10,000	10,400	21,900	28,900	29,400
<b>Actual external debt</b>	1,300	9,677	20,491	27,217	27,659
<b>Capital Financing Requirement as at 31 March</b>					
Capital expenditure	298	1266	1824	2641	3113
<b>Upper limit for fixed interest rate exposure</b>					
Net interest re fixed rate borrowing /	3.90%	4.10%	4.40%	4.60%	4.80%
<b>Upper limit for variable rate exposure</b>					
expressed as either:-					
Net interest re variable rate borrowir	2.00%	2.00%	2.00%	2.00%	2.00%
<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*	33%	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 2018/19

## 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	£35m *	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 £35m 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 of 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 £32m (current cash flow assumes the busiest transactional day would be £6m Revenue Grant, £17m 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 £35m 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 OPCC Section 151 officer. 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).



**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\***

AAA

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

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (U.A.E)
- France
- Hong Kong
- UK

AA-

- Belgium
- Qatar

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).

## APPENDIX 6 ECONOMIC BACKGROUND

**GLOBAL OUTLOOK.** **World growth** looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution**.

### **KEY RISKS - central bank monetary policy measures**

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is

also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income**, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift UP in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

**UK.** After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 was disappointingly weak in the first half of the year; quarter 1 came in at only +0.3% and quarter 2 was +0.3%, which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income

and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure.

**EU.** Economic growth in the EU, (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1, 0.7% in quarter 2 and 0.6% in quarter 3. However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was only 1.2%. It is therefore unlikely to start on an upswing in rates until possibly towards the end of 2019.

**USA.** Growth in the American economy has been volatile in 2015 and 2016. 2017 followed that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%, the first time since 2014 that two successive quarters have been over 3%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1% in November, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on an upswing in rates with four increases since December 2016 to lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. In October, the Fed became the first major western central bank to make a start on unwinding quantitative easing by phasing in a start to a gradual reduction of reinvesting maturing debt.

## **APPENDIX 7 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 8      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.