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Date: 30 November 2018

#### Dear Member

#### JOINT INDEPENDENT AUDIT COMMITTEE

You are requested to attend a meeting of the Joint Independent Audit Committee on Friday 7 December 2018 in the Conference Hall, Police Headquarters South, Kidlington at **10.30am**.

Yours sincerely

Paul Hammond Chief Executive

To: Members of the Joint Independent Audit Committee

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Date of next meeting 15 March 2019 at 9.30am in the Conference Hall, Thames Valley Police Headquarters HQ South

MINUTES OF A MEETING OF THE JOINT INDEPENDENT AUDIT COMMITTEE HELD AT POLICE HEADQUARTERS, KIDLINGTON ON 21 SEPTEMBER 2018 COMMENCING AT 10.30AM AND CONCLUDING AT 12:15 PM

#### **Members Present:**

Dr L Lee (Chairman), Dr G A Woods, Richard Jones, Alison Phillips OBE

#### Present:

M Barber (Deputy Police & Crime Commissioner)

P Hammond (Chief Executive, OPCC)

I Thompson (Chief Finance Officer, OPCC)

F Habgood (Chief Constable)

J Campbell (Deputy Chief Constable)

R France (Chief Supt.)

A Cooper (Director of Information)

N Shovell (Chief Internal Auditor, OPCC)

A Shearn (Principal, Auditor, OPCC)

A Balmer (Manager, Ernst & Young)

M Horne (Governance & Service Improvement)

#### **Apologies:**

A Stansfeld (Police & Crime Commissioner)

M Day (Panel member)

L Waters (Director of Finance)

P King (Associate Partner, Ernst & Young)

C Roberts (Executive Assistant to the PCC/DPCC, OPCC)

#### 76 APOLOGIES/OTHER

The Chair welcomed attendees and gave apologies from the PCC, Anthony Stansfeld (PCC), Linda Waters (LW), Mike Day (MD), Paul King (PK) Ernst & Young and Charlotte Roberts (CR). CR had gone home unwell and today's meeting would be recorded but deleted after the minutes had been typed.

The first item to be discussed was not down as an agenda item and was referred to by the Chair as 'Agenda Item 0' and was a plea that the JIAC papers should be with the Committee members a week before the meeting. The Chair had noted the papers were getting later and pleaded with attendees to make sure that for the next meeting, the Committee have the papers in time to read. If the Force and PCC's office felt that this Committee was of importance, the papers should arrive on time to help provide assurances.

Deputy Chief Constable, John Campbell (JC) noted there were two processes in relation to providing agenda items and delivering on time. PH pointed out that due to sickness, the OPCC did not have the required cover in the office to make up for that gap.

The Chair also noted that the papers the Committee received seemed to have been rushed. The charts and spreadsheets had lines missing which was very frustrating for the reader if sentences and sections were not complete.

#### 77 PART I MINUTES OF THE LAST MEETING HELD ON 13 JULY 2018

Part 1 of the Minutes of the last meeting held on 13 July 2018 were gone through for accuracy.

The Chair signed the Minutes virtually as a true record as agreed by the Committee members.

#### Matters arising not otherwise on the Agenda

These were helpfully shown in 'red' as follows:

On page 5. Minute 60: There was a paper at the end of today's agenda which covered this action.

On page 7 - Minute 62: NS confirmed he had included in all Annual Reports a comparison against prior year assurance ratings and this was reflected in the paper today.

Page 7 - Minute 63: IT confirmed he had removed the incorrect sentence in paragraph 1.6 on page 184 and this was reflected in the paper today.

Page 7 - Minute 63: IT had reported back to the Committee with an explanation as to how the PCC had made improvements within the OPCC.

Page 8 - Minute 64: IT had revised the Capital Expenditure figure on page 28 of the Report prior to the Level 1 meeting and contained all the information the Committee requested. The Committee had no further questions on this.

Page 9 - Minute 66: MH confirmed that the 2018 work had been completed in relation to the status of the ISO work.

Page 9 - Minute 66: AC had provided the Committee with a revised spreadsheet of risks at the end of the last meeting and this was now complete.

Outstanding Action Page 13 - Minute 71: The Committee were awaiting Norma Brown (NB) to come back to them on a follow-up on how many BAME people get through the recruitment process other than non-BAME. This was an important issue and the Committee asked that NB provide this information to them by email.

Page 14 - Minute 73: NS confirmed he had provided a 'follow up' to the Committee and this was included in the Audit Report.

Page 14 - Minute 73: NS confirmed he had updated Amanda Cooper as to the overdue actions in the audit.

#### 78 ANNUAL REPORT OF THE SENIOR INFO RISK OWNER (SIRO) 2017/18

Amanda Cooper (AC) reminded the Committee that this paper was written in July and some items that have happened already happened but would be updated. AC reminded the Committee as to paragraph 1 of the history of the departments and the formation and governance that was currently going on. There was real improvement and AC and her team were now part of the Hampshire Constabulary team (which was equivalent to this meeting). There had been some really good work by Neil Shovell (NS) in working with the Chair of their Joint Audit Committee.

At the July JCOG meeting (shown at item 7 on page 18) there was a paper re-affirming the roles of the Information Asset Owners. All Chief Officers were in agreement across both forces which was approved. The JIMU had been working closely with both forces, particularly since GDPR and had the relevant training and resources in place to support them.

There were a number of regional projects and programmes going on both in the operational business area and also in the technology business area and key to the straight-forward and pragmatic delivery of these, was having common security and information assurance policies and principles wherever possible.

As to IT Health Checks (item 3.2), this was an audit action where the Force needed to make sure it was submitted this year but also that the checks were built into the timetable igoing forwards. That health check had now been completed and the reports came in at the end of July. This has been turned into an 'action plan'. As you would expect with any organisation, there was still a lot to do but have turned those into 'budget bids' that would go into the organisation's medium term financial planning process to ensure the organisation had the resources and the prioritisation to do that work. AC confirmed that at the JCOG meeting, the bids were coming up as 'high priority' and these were advocated.

AC updated the Committee on Protective Monitoring and informed the Committee there was a protective wrap-around for the majority of the external threats and that gave some of the data later on in the report. The other programme that was ongoing was working very closely with the Deputy's teams and Professional Standards which showed pro-active monitoring. This was looking more at the insider threat where again the Force were using same tool as used in Sussex and Surrey. There was an early bid for a targeted monitoring approach and late bids going in for a force wide approach to that also.

Item 3.6 Public Services Network (PSN) Compliance, AC reminded the Committee that there were no implications of not achieving the accreditation. PSN would be migrating, contracts were changing and the Home Office had a programme to run that hopefully linked activities of work with IT Health Checks.

Item 22 was the General Information Risk Return (GIRR). This had been completed and had been sent off to the National Police Information Risk Team who would process it. The responses were still currently awaited.

Item 3.7 was for the business area which crossed over into a lot of others but had already been covered by PSD, Security and Property Services. AC reported a much better engagement with both Forces in all departments.

Item 3.8 showed the activity that had taken place this year to address the actions identified towards the end of 2016/17 in the Internal Audit Reports. It had been very helpful in engaging with NS and the Senior Management teams as there were now regular meetings. AC had spoken to ICT SMT and confirmed this was a significant agenda item at their monthly meetings.

Item 3.9 was the Preparation for Data Protection Legislation changes (GDPR). AC received regular updates on where the Force were on GDPR and reports were still being received on performance in that area. It was really important that the Force showed visibility and auditable governance processes around that. As a precursor to that work, Marion Peuleve's (MP) team had provided a really visible decision tree and policy around how to make decisions about data that you confirm so that if there was any that needed to be retained, the Force could clearly show the thinking and decision making around that in an event of any challenge. This paper went to the JCOG meeting and had oversight of the data control yesterday.

AC gave a summary of the various Public Access requests which were summarised and shared with the Chief Constable's periodically through the JCOG and Performance of the Information Sharing Agreement. The one disappointing aspect relating to both this and GDPR was that the Force were waiting for some standardised training for GDPR to go out to all employees. The College of Policing had been slow in producing and releasing that training and there had been some technical problems with it. A situation arose at the beginning of the year and all Forces experienced problems in completing and returning this. The latest version they intend issuing to Forces would be in October and, in order to overcome the technical difficulty, they decided that the online training would not have a pass or fail mark. As (SIRO), AC did not think this was appropriate and so the training departments of Thames Valley and Hampshire used exactly the same training and under the 'Moodle Tool' which applied a 'pass' and 'fail' mark. The Force reported back to the National SIRO and believed that this was appropriate. This has now been prioritised as training and been given a deadline but was really disappointing as the organisation had everything lined up to complete this by the time the app came in. The Commissioner for the City of London was following this up with the College of Policing but in the meantime, AC wanted to assure the Committee members of the high standards that MP advocates and that staff do realise that this was important to do. This has resulted in an increase in workload for MP and her team but they were managing this well. AC felt reassured that people understood this as important and were aware of this in their own lives which had helped with the culture change within the Force.

Section 4 related to Information Security Incident Management. The data in the tables showed 'all security incidents' (see Appendix C). From a governance perspective, that was dealt with through meetings that sat under the Force Security Manager which was security information led. AC felt there was a bit of a gap between the SIRO and her business area and AC confirmed she would now join the Deputy Chief Constable's Force Security meetings to ensure there was closer involvement at a strategic level.

Item 4.2 summarised the various vulnerabilities or attack attempts which have reduced. AC wanted the Committee to be reassured that the Force understood this data which is assessed.

Item 5 showed a variety of SIRO decisions that AC made, some of which were about ensuring that programmes were delivered, others around making sure that the Force can get the niche capabilities that are

needed in for programmes and then others such as Cut & Paste are simply to challenge the Force around some of those security rules in order to assist operational users to enable those capabilities.

Section 6 showed the key areas for the coming year and where the areas of focus were.

The Chair commented that this was overall a good and easy to read paper which gave the Committee assurance that information management was being taken seriously by the Force.

The Chair then followed with questions, in particular on Page 10 of the Annual IT Health Check and indicated there was an action plan and budget bids as a result of this. The Chair asked whether this had been reflected in the risk register. AC confirmed that these were in the ICT Departmental Risk Register but this had not scored high enough to be considered for strategic risks. However, these were reviewed monthly at ICT meetings.

In relation to page 22 and without divulging any details, the Chair asked whether the case that was currently being appealed was complete or still ongoing. AC confirmed this had now been completed but she could not remember the outcome but would come back to the Committee with an update.

#### Action: AC to update the Committee as to the outcome of the appeal case set out on page 22.

The Chair pointed out that three complaints were upheld and five were not. The Chair wanted to know what lessons had been learned from the complaints upheld and whether processes and procedures had been tightened up. AC would provide a summary for both Forces that she received from the Information Management Board and would email these to the Committee.

The Chair was curious as to item number 34 where at the end of March, 87 ISAs were in place in Hampshire and asked AC whether that included any commercial organisation the force may work with which may have to share information. AC believed this was dealt with through the commercial contracting arrangements rather than partnership but would forward confirmation to the Committee members. However, some of the delay in the figures was getting a signed agreement back from the partners.

## Action: AC to provide a summary for both forces of the information received from the Information Management Board as to the Committee's query shown at item number 34.

The Chair wished to address the last sentence in Section 36, a 'culture of under-reporting'. AC confirmed that Hampshire were under-reporting. Thames Valley were in a more advanced place around closer working regarding force security and property. Hampshire did not have a Force Security Manager or a set department dealing with that and so it was scattered across Risk and PSD but had started to amalgamate and working more closely. AC noted that it was an absence of ease of process as much as a culture. What the Force have done in the 'service now tool' is to build in the ability to report security incident information through this to make it much easier for people to report.

Committee member, Richard Jones (RJ) wanted to explore this in just a little more detail referring to the summary of reported security incidents table shown on page 31 which showed a disproportionately large number of incidents in Thames Valley compared with Hampshire and the assertion that this was as a result of under-reporting from Hampshire but an alternative interpretation of this data was a culture of poor performance against the requirements of the policies in Thames Valley. RJ asked if there was any evidence to back up the assertion that this was under-reporting rather than poor conduct. AC referred the Committee to the national figures. The Force supplied all of this data nationally and it gets searched across a set number of data tables and was a mixed batch. Looking at the disclosure ones, the majority of these were CPS and around redaction of disclosure files and there was a programme that dealt with that. It was known that the CPS in Hampshire had not been reporting back to the Force so there was an unawareness of them. These were discussed at the Information Governance Board. Some of these would get better by using the 'Service Now Tools' and were working closely with Force Security to give reassurance.

JC confirmed he chaired the Force Security and to give offices and staff more IT equipment and to mitigate these risks around encryption which had recently been discussed this week. The discrepancy of loss or theft of technology assets between Hampshire and TV is not a true picture. A lost report is recorded as soon as someone has gone, the case for a large number of individuals, but the lost reported figure is not modified when the equipment is located. The high figure seen in the table goes on to the national return and are not necessary reflecting devices never seen again.

Action: AC to find out the figures and report back to the Committee members with an update.

RJ felt reassured with AC's update.

#### 79 TVP RISK MANAGEMENT REPORT

JC led on the issues for consideration for strategic risks and referenced the fact on the back of audit advice. The Force would be looking at risks and assessing them and adopting the 4T approach to risk management to record the current status of each risk as part of their recommendations as follows:

#### • TOLERATE, TREAT, TRANSFER, TERMINATE

JC went on to summarise the risks on SR56 LiveLink. The SharePoint Board's observations included the Project Board to continue to investigate viable technological contingencies, although a number of partners contacted had been unable or unwilling to quote for supporting LiveLink in its current form. ICT had now reviewed technical back-up options which were not straightforward. A number of areas of high operational risk should LikeLink fail for a week had been identified and these would be prioritised in terms of internal support. Three adopted recommendations at this stage were also presented in the report.

The current risk for SR65 Gazetteers was that the gazetteer currently in use in Charm + Oasis was out of date. This would be resolved when CMP rolls out live as the new ESRI GIS Mapping Gazetteer would be used by CMP. There was only one adopted recommendation at this stage where the activities remained at a level of low risk and other mitigating actions were tied to the RMS project.

As to SR69 Insufficient Funding, the level of funding received in future years may not be sufficient to maintain the current level of service. The increasing level of demand and the complexity of new and emerging crimes may require a level of resources which was unaffordable. The adopted recommendation of this was that the risk remained on the SRR and continued to be treated as per the mitigating actions outlined in this section.

SR74 Workforce Resilience was led by Dr Steven Chase. There was a significant number of officers below establishment whilst demand on the Force had risen. The primary drivers for this appeared to be natural loss i.e. retirement and resignation and transferring to other Forces. CCMT have agreed to three additional PC courses and one additional PCSO course. Additional resources and accommodation were currently being considered to achieve this. The risk continued to be treated through the actions proposed by monthly Gold Groups with regular updates going to CCMT.

JC went through section 2.2 of the new risks added to the strategic risk register at the September FRMG. At this stage the adopted recommendations was being managed. There had been a request that both risks should appear on both Force Strategic Registers and it was recommended that both risks were treated with FRMG taking the lead on oversight of the mitigating actions and monitoring project progress with the Force recommending that the CMP risks with the agreed working should be added to the Strategic Risk Register to bring the two Forces in line.

As to Investigation Management (Release under Investigation) this was due to a change in the Bail Act due to the number of people on bail when released from custody. What has been seen is that there has been a reduction in criminal justice outcomes in this area. This is a complex area of the Bail Act and has an increasing demand as well as resourcing issues. The risk is owned by ACC Tim De Meyer.

The Force are currently putting in place contingency plans in relation to the impact of Brexit which the government is helping and supporting with (Risk Radar Section 2.3) but to keep in mind a 'No Deal' Brexit and the potential operational difficulties and what the consequences would be.

As to section 2.4 Future Risk Work, the Force continued to develop work around revised risk processes and very keen to seek the input of the Committee to ensure that the future reporting of risk and business continuity meet their needs.

The Chair referred to the last bullet point on page 36 and asked if the risks increased, what were the mitigating factors that the Force would implement to manage this increase. AC confirmed that the re-scoring of ICT was around an assessment of bringing the risk up if it goes down. The consequences if that raised the risk, would be where the Force look at the mitigating actions and come to a decision around prioritisation of either money

or resources in order to rectify those risks. It also impacted on decisions if the work had not been done although this was not a numeric exercise.

In relation to SR74 Workforce Resilience on page 37, the Chair confirmed having read this that the Committee were aware of the potential delays in CMP until next year but the wording did not give the Committee further reassurance of no further delays. Chief Supt. Rob France (RF) tried to make the wording as up-to-date as possible with the latest date for CMP being relatively recent. The Committee knew there would be a delay but did not feel that reading the paper this had been taken into account in all the actions and risks etc. The delay was until May 2019 and perhaps the language could have been clearer. RF confirmed that this was a different delay with different risks but accepted that the paper could have been made clearer.

The Committee were surprised that CMP was only very recently recognised in September 2018 as being a 'Strategic Risk' and asked why this was not on the radar prior to September as this was an issue now rather than a risk. JC confirmed that this was an 'issue' now rather than a 'risk'.

As to the issues around re-baselining of the project, the PCC challenged the Force in holding them to account as to extending the deadline and asking the PCCs for additional funding. It was reported that this was the reasoning behind this but was also the tolerance around certain programmes of work around cost and delivery through normal business processes the force would manage but with the delay at this time, both Forces were managing the delays and have recognised it should now go on the Strategic Risk Register. The response was accepted by the Chair although he wanted to ensure that lessons were learned from this and wanted this noted as an observation.

Chief Constable Francis Habgood (FH) pointed out that you needed to be careful about putting every single programme on to the Strategic Risk Register because it is a programme which is complex. The Force manage the risks around programmes and has visibility in the Force Transformation Board and this was flagged up at regular meetings and was on the radar. The Committee reflected their views that assurance was required that risks were managed properly and in their opinion projects that were huge and affected a lot of departments was something the Committee needed to be aware of. It was for the PCC/CC to decide whether they wished a little bit more information to be presented to the Committee to be able to provide the assurance that was required.

One question of detail on CMP at item 2.2 showed two risks listed but only one was scored. The first risk was recorded fairly high but the second risk the CMP system had not been scored in anyway and had not been reflected in the paper. MH would look into this and find out what this was and update the Committee thereafter.

#### Action: MH to look at item 2.2 and update the Committee as to the risk that had not been scored.

In relation to the impact on Brexit and how to take a measured approach, Alison Phillips (AP) asked how confident were the Force given the very high percentage of people arrested in TV who were foreign nationals that might be impacted more than others by some kind of delay of failure or information sharing in European Parliaments.

FH noted that a meeting had taken place with the Chiefs and representatives. On the loss on certain powers the NCA were leading on this. There were alternative provisions that could be used for some countries. There were some provisions which are more complicated as well as time consuming. Some will require bilateral arrangements but often some of the Forces operations do not just involve two countries and this then becomes more complicated and slower but there were ways of working round that and part of the plan was to have an additional team at the centre to work through that whether it's a 'No Deal' or in the transitional period of whatever follows on from transmission which is funded by the Home Office. The second part was the operational impact on policing whether it is protests or disorder and there are planning arrangements in place for that as well. FH reassured the JIAC that measures have been taken and are in place.

#### 80 TVP BUSINESS CONTINUITY REPORT

The Business Continuity Update provided an annual overview of Thames Valley Police most recent quarterly processes adopted, covering issues such as training, learning from business continuity incidents and training exercises.

JC summarised the Force-wide incidents during the period May 2018 to July 2018 with the adverse weather causing a flood on 30 May in Milton Keynes Police Station which affected a number of areas but mainly the kitchen, corridors and loading bays. On 7 July 2018 there was a flood in the basement of High Wycombe Police Station from a burst water pipe and on 9 July 2018 a water outage at Slough Police Station which followed a period of low water pressure through the night. On 17 July 2018 a further flood occurred in High Wycombe Police Station caused by a secondary pipe failure. Both water and electricity supply were stopped for a number of hours and the plan invoked. There were learning observations from these events as staff were able to work from home.

There were three ICT incidents during the period May 2018 to July 2018 and ICT submitted two priority one incidents. There were no priority incidents which presented a significant issue or caused a business continuity plan to be invoked. An ICT incident took place on 16 May 2018 at 11:50 when the Control Room lost phone service and 999 calls were cut off and the CHARM and Command and Control systems froze. All services resumed within one minute and the root cause was due to a router being brought back on line following the resolution of another fault. On 24 July 2018 at 02:00 all telephones and the network in Slough failed which also affected both Control Rooms and the Police Enquiry Centre (PEC). As a result of supplier action this was corrected within ten minutes and phones, which had de-registered, were all re-registered.

At Section 2.2 the current business continuity activities were summarised by JC to include the exercise run for finance to test their plan on 6 August. A few lessons were learned around their adding priorities and deadlines to the plan. The second yearly exercise for Forensics to ensure compliance with their accreditation needs was booked for 20 September 2018. Business Continuity Training had been arranged for October for all corporate governance officers, corporate strategy researchers and the corporate governance manager. JC noted that going forwards and planned for the next period were the designs for the new business continuity plan and business impact analysis templates as well as designs for new reporting documents for CCMT and JIAC and People Directorate BC exercise would be taking place on 27 November 2018.

The Committee supported the pyramid on page 44 but would like to see a reference or a column of what the lowest numbers for P1 to P3 were.

Action: JC to include number reference points to the pyramid on page 44 of the agenda for each section P1, P2 and P3.

The Committee APPROVED the recommendations and noted the report as appropriate.

#### 81 OPCC RISK REGISTER

PH summarised the five risks in the register set out in Appendix 1 to the report.

OPCC18 - Funding may be insufficient to deliver the PCC's Police & Crime Plan strategic objectives. This risk mirrors and enforces the risk register. The PCC had not yet committed himself to the £12.00 Council Tax increase. A strategic planning exercise would be taking place next week.

OPCC19 - The demand for victims' services could exceed current supply. The new Victims First Hub went live in March 2018 and were still in the process of recruiting a Data Quality Officer to monitor service demand. The Hub had experienced retention issues with staff, mainly because of the nature of the work, which was currently still an issue.

OPCC20 – Unable to evidence delivery of strategic priorities and key aims in the PCC's Police and Crime Plan could cause reputational damage for the PCC. The OPCC were currently working with the Force to try and align the Forces Delivery Plan activities and outcomes with the PCC Police & Crime Plan strategic priority and internal strategic plan. The OPCC had been developing an infographic with all the updated information into the Police & Crime Plan to provide a 'go to' page on the website to get a position statement of how well the PCC was doing in delivery his aims.

OPCC21 – A review was being undertaken of the OPCC victims 'specialist counselling service' to identify potential weaknesses in internal management controls and administrative procedures e.g. non-compliance with GDPR, disclosure requirements that required significant investment in OPCC time, resource and cost to rectify. The consequences of this would be loss of service to victims, reputational damage to the PCC, fined under GDPR and pre-trial therapy/disclosure implications. It was felt that this was a bit too early to comment on this.

OPCC22 – The forthcoming upgrade of Niche RMS by TVP could lead to disruption of the data flow to provide a victim's data extract that could be uploaded on to Apricot CMS at the Victims First Hub. In turn this could cause loss of efficiency of working in the Hub, reputational damage and gap or loss of service for victims. Issues had been flagged up with the Force and plans put in place for an internal TVP communication plan in the event of a system failure and for victims to self-refer themselves. Not expecting any problems but there were internal and external plans in place.

The Committee noted that this was the second time the colours on pages 52, 53 and 54 needed to be rectified where the risk rating colour was shown as 'green' and in fact should be coloured 'red'. PH confirmed he would rectify the colourings on the Risk Register.

Action: PH to update the colours of the Risk Ratings from Green to Red as shown on pages 52, 53 and 54.

The Committed NOTED the five issues on the OPCC Risk Register and endorsed the proposed changes.

#### 82 ERNST & YOUNG ANNUAL AUDIT LETTER FOR YEAR ENDED 31 MARCH 2018

Adrian Balmer (AB) went through the report and highlighted some small changes and key elements in the Executive Summary and confirmed that the audit was now complete with no issues to report. Ernst & Young completed the audit completion certificate to the PCC and CC on 29 August 2018.

AB went through some of the significant risks, conclusions and the valuation methods applied in relation to (GAD) Government Actuary Department and the Local Government Scheme with Bucks County Council in relation to fund asset valuations. Ernst & Young were building into the audit plan for next year to liaise with Grant Thornton to get an earlier report completed because of the late reporting issues.

The Code of Practice on Local Authority Accounting in the UK has introduced the application of new accounting standards in future years. The impact on the PCC was also summarised by AB.

IT confirmed there would be no impact for TVP but the OPCC were aware. The deadline for consultation finished a month ago. However, a response had been submitted and officers now await an update from CIPFA, to see what the impact will be.

The OPCC was currently considering all leases but this did not come into effect until next year, a response was submitted, but awaiting CIPFA update.

#### 83 ERNST & YOUNG POLICE SECTOR AUDIT COMMITTEE BRIEFING

The Committee read the briefing and all were satisfied with the contents.

The Committee wished for the Force Management Statement to be added to the next agenda item in December 2018. However, FF confirmed that this was 'not' a public document as there were still some national issues to deal with. From what FF understood was that the Committee required the 'process' as opposed to how this was being used. The CMP paper to be provided in December for JIAC and to be agreed by TVP. It was confirmed that there would **not** be a separate paper for JIAC but a paper to show the oversighted governance although this would not go over the detail.

Action: TVP to provide the Committee the CMP paper for the December meeting to show the oversighted governance.

### PROGRESS ON 2018/19 INTERNAL AUDIT PLAN DELIVERY AND SUMMARY OF MATTERS ARISING FROM COMPLETED AUDITS

NS ran through the main points in the report that provided details of the progress made in delivering the 2018/19 Joint Internal Audit Plan and the findings arising from the audited which had been completed. There was a slight change made to the Joint Internal Audit Plan 2018/19 since the previous JIAC meeting in July based on ICT's current workload and priorities. It was agreed to remove the ICT Network Management audit but increase the coverage for the Asset Management audit as this was a greater area of risk. A Governance and Service Improvement Post Programme Review was also included in the changes.

The Cabinet Office's 2016/17 NFI exercise was completed with all priority matches being reviewed and no issues identified. Work on the 2018/19 NFI exercise has commenced and Amy Shearn (AS) is working on this, liaising with the relevant departments across the Force and the OPCC. The 2018/19 NFI matches would be made available from the 31 January 2019.

One recent issue had been notified by Professional Standards Department (PSD) relating to the mishandling of property (cash). This issue was investigated and a management report produced. The property was located and the report recommended actions which included a review of local procedures for handling and tracking property. There was no requirement to change the current Audit Plan.

#### 85 PROGRESS ON DELIVERY OF AGREED ACTIONS IN INTERNAL AUDIT REPORTS

AS reported that the report detailed progress made to date and target implementation dates for any current overdue actions, of which there were 17 (down from 21). There were currently 8 priority and 1 overdue actions with details being set out in Appendix 1. As to Priority 2 rated overdue actions, there were none specifically drawn to the attention of the Committee. There had been a couple of changes to the report format one on statistics analysis and trends and also a change in Appendix 3 on page 124 where figures have been introduced to show the overall agreed actions there were from the audit (Priority 1 and 2 only) and the number completed and over due to give a wider picture to the Committee.

AP confirmed that this was a very clear and informative document.

NS confirmed that in relation to the current position set out on page 125 to confirm that the bulk of the remaining People Directorate policies sat within People Services. The priority for People Services at the moment was recruitment as TVP was significantly under establishment (PCs, PCSOs and Police Staff in Contact Management) Policies were being updated as time and other priorities allowed. NS indicated this was on the radar but had received through the plan People Services were working to.

### WRITTEN UPDATE BY PHILIP PALING, HEAD OF HEALTH, SAFETY & ENVIRONMENT OF IMPROVEMENTS MADE

JC summarised the update provided to the Committee by Philip Paling (PP) to show continuing improvement.

Date of next meeting 7 December 2018 at 10.30am the Conference Hall, TVP Headquarters South



# JOINT INDEPENDENT AUDIT COMMITTEE FOR THAMES VALLEY POLICE



Report for Inform	mation	

Title: Risk Management Update - 6th December 2018

#### **Executive Summary:**

In accordance with the Operating Principles of the Committee agreed at its first meeting held on 27 March 2013, the Committee has the following responsibilities in respect of risk management.

- Consider and comment upon the strategic risk management processes; and
- Receive and consider assurances that organisational risks are being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

The attached report provides an overview of Risk Management policy and processes adopted by Thames Valley Police covering such issues as a strategic risk management framework, training, analysis of the Strategic Risk Register and potential risks to be considered.

#### Recommendation:

The Committee is invited to review and note the report as appropriate

#### **Chairman of the Joint Independent Audit Committee**

I hereby approve the recommendation above.

Signature Date

#### PART I - NON CONFIDENTIAL

#### 1 Introduction and background

- 1.1 Effective risk management is a cornerstone of good governance. A sound understanding of risks and their management are essential if Thames Valley Police is to achieve its objectives, use resources effectively, and identify and exploit new business opportunities. Consequently, in common with all significant public and private sector bodies, the Force has an established framework for ensuring that areas of risk are identified and managed appropriately across its activities.
- 1.2 This framework is derived from the application of national standards and guidance. The most recent publication to assist with Risk Management best practice is ISO31000: 2018 Principles and Guidelines which seeks to guide users regarding the principles, framework, processes and risk management activities with the aim of assisting the organisation to achieve its objectives.
- 1.3 A strategic framework based on ISO31000 was endorsed by the Force Risk Management Group (FRMG) on 24 July 2012 and revisions are monitored on an annual basis at FRMG. Revised versions of the Strategic Framework with its associated documents were presented for endorsement at the FRMG meeting on 27<sup>th</sup> February 17. This now takes account of the new structure. This provides guidance in the form of a:
  - Risk Management Strategy
  - Risk Management Policy
  - Risk Register Guide with an alternative 1 page guide available for quick reference.
  - Risk Management Communications Strategy which now accounts for Business Continuity
  - National Decision Model and reference to the Authorised Professional Practice (APP) Risk Principles
  - 1.4 The Deputy Chief Constable's portfolio covers a range of governance functions in the quarterly meetings of the FRMG where issues of strategic risk are considered. These issues, which may be prompted by entries in local departmental/operational command unit registers, are then scored and managed in accordance with the processes set out in the above framework.
  - 1.5 This report should adequately cover the key areas of interest to the Audit Committee. Members may also wish to consider any other areas where they might also wish to receive feedback in subsequent annual reports.

#### PART 2

#### 2 Issues for consideration – Strategic Risks

The Strategic Governance Unit have reviewed all existing strategic risks and updated the mitigating actions and risk scores.

In accordance with best practice, and the recommendations of internal audit, the 4T approach to risk management is used to record the current status of each risk as part of our recommendations:

- TOLERATE FRMG recognise the risk exists, but there is little that can be achieved, cost effectively, to mitigate the risk at a local or Chief Constable's Management Team (CCMT) level
- TREAT FRMG decide to lead on the risk, assigning a risk lead and having oversight of the risk as part of the strategic risk register
- TRANSFER FRMG request that further action to manage the risk is taken at a local level
- **TERMINATE** FRMG believe that at this stage the risk does not require further investigation or mitigating actions

As this paper does not cover a full quarter, we would not expect to see significant changes in risk scoring since although mitigating activities are taking place they have had less time to impact on the likelihood or impact of the risk. All information provided is accurate on 28/11/18

#### SR56 Livelink

"The Sharepoint project is underway. However, given the dependencies with the National Enablement Programme, Windows 10 and Office 365, migration of all material from Livelink (and therefore removal of the risk) is 8-12 months away. JIMU is continuing to engage with Information Asset Owners to ensure their business continuity plans are still fit for purpose. The Sharepoint project manager is also exploring the feasibility and costs of using the tools for migrating information from Livelink to Sharepoint to create a safe copy of the Livelink content which could provide an effective backup in the event of system failure"

The Sharepoint Project Board and Senior Record Manager have agreed the score will remain static at this stage, subject to review in January 2019 following implementation of the newly acquired bulk migration tool.

The Sharepoint Board's mitigating actions include:

 The Sharepoint Project Board have now procured a tool which will allow a bulk data migration out of Livelink, allowing recovery of key data. The work to do this commenced on 12/11/18. The Joint Information Management Unit (JIMU) and Joint ICT are identifying the highest risk areas in LiveLink and prioritising their backing up.  JIMU also now have a road map for migrating everything from Livelink to SharePoint. Sept 2019 will see the last of the documents moved to a new and supported environment.

#### The **adopted recommendations** at this stage are:

- The Sharepoint Project Board to have oversight of contingencies and risks connected to the project, updating FRMG on how the risk continues to be treated.
- That the risk remains on the Strategic Risk Register (SRR), with regular updates from the Sharepoint Project Board.

At this stage, the risk score remains static because there is insufficient information about the progress of the mitigation tool to realistically assess its impact. We are aiming to work with the Sharepoint Board in January to re-assess the level of risk.

#### **SR65 Gazetteers**

The current risk is that the gazetteer currently in use in Charm + Oasis is out of date. This will be resolved when the Contact Management Programme (CMP) is live as the new ESRI GIS Mapping Gazetteer will be used by CMP. It will not resolve the issue of different gazetteers still being used by Niche Records Management System (RMS) (and various other systems in TVP) until the ESRI Gazetteer is adopted by those systems and Niche RMS is moved to a single instance across both HC and TVP.

After speaking to stakeholders, and due to the ongoing complexities around the introduction of CMP, we have retained the risk score as low.

#### The **adopted recommendations** at this stage are:

 Since the existing local mitigating activities appear to be keeping the level of risk low, and other mitigating actions are tied to the RMS project, that this risk should be tolerated in the short term, but remain on the strategic risk register, as it creates force-wide risks.

SGU will be working with affected departments in Q3 to ensure that we remain confident that the local mitigating actions are effective and appropriate.

#### **SR69 Insufficient funding**

The level of funding received in future years may not be sufficient to maintain the current level of service. The increasing level of demand and the complexity of new & emerging crimes may require a level of resources which is unaffordable.

The risk and associated mitigating activities have been updated by the Finance Director, and it is observed that external factors have made the risk more likely and more severe. However, as the timescale of the grant settlement is short, it is felt that we should wait to review the impact until after we have a better understanding of the implications of the new grant settlement.

The current mitigating actions to manage the risk include:

- CCMT have had additional meetings in October and November to consider funding scenarios and prepare action plans to mitigate any future risk.
- Following the grant settlement in early December, the risk score will be reviewed and a new action plan agreed, until then, there is insufficient information for us to assess the effectiveness of the existing and future risk controls.

#### The **adopted recommendation** at this stage is:

 The risk remains on the SRR and continues to be treated, with a reviewed action plan to be implemented following the December meeting

#### **SR74 Workforce resilience**

At present the Force is a significant number of officers below establishment, whilst demand on the Force has risen significantly. The primary drivers appear to be natural loss (retirement and resignation), transfer to other forces. The police officer recruitment picture is improving, but challenges remain with recruitment of some staff groups

The ongoing work to manage recruitment and retention has been placed with the new Recruitment and Retention Programme, replacing the Gold Group

The mitigating actions delivered by the Board include:

Short-term aims: Monitor recruitment/course intakes and take action to ensure these remain full; supercharged wellbeing initiatives as agreed with CCMT; tutor payments reinstated to assist retaining and attracting tutors; changes to Op Model afoot which are hoped will improve morale and improve retention.

Key areas "in scope" of the Board include:

- Recruitment to reach agreed resourcing levels plus additional PC/PCSO/Contact Management recruitment initiatives to increase intakes
- Retention & Wellbeing initiatives
- Force-wide Supervisory Levels/Ratios building on levels work and enhanced supervisory skills
- Review of SE Allowance, Bonus Payment Scheme, and other affordability and reward incentives
- Changes around the process to Inspector level promotions (no interview)
- PCSO career pathways
- Branding and attraction (creating a culture for TVP)
- Contact Management Shift Pattern Review

#### The **adopted recommendation** at this stage is:

 the risk continues to be treated through the actions of the Recruitment and Retention Programme, with regular updates to CCMT

SGU will work with the Programme Board lead to re-assess the risk wording and scoring. The planned Board meeting in November was cancelled, which has delayed the start of some actions. Since this is a new approach to managing the risk, we will be able to assess it once it is underway.

#### SR75 – CMP Delay

If there is delay to the delivery of CMP, then there are a number of on-going impacts operationally, financially and reputational to the Force.

This is being managed as a collaborated risk between TVP and HC, with an agreed shared wording, and the following joint mitigating actions in place:

- Maintain Legacy system Support and Supplier engagement
- Manage Operational Expectations
- Ensure regular BCT windows for legacy systems
- Ensure all messages in respect of CMP delivery are communicated and controlled via appropriate Force channels

The Programme remains on track with delivery in March / April 2019

Future planned activities to reduce the risk of delay include:

- All programme risks are monitored through the programme board and the issues log and reported via programme meetings.
- All legacy systems are being extended to ensure that they remain supported until June 2019 at least and could be extended further if needed

#### SR76 – CMP failure

The CMP System fails shortly after deployment or is deemed too unstable to be fit for purpose

This is being managed as a collaborated risk, with the following joint mitigating actions in place:

- Validation of Infrastructure and application through appropriate and agreed levels of testing both Functional and Non-Functional
- Passage through agreed risk mitigation gates and feedback to Board
- Formal Test Sign-Off
- Appropriate testing prior to go live
- Effective training of staff
- Programme Board Level 'Good to Go' approval based upon agreed artefacts

All programme risks are monitored through the programme board and the issues log and reported via programme meetings.

#### The **adopted recommendation** at this stage is:

Both CMP risks are recorded and reported back to FRMG for consideration. SGU and Hants risk leads are working together to monitor the effectiveness of the risk management process.

#### **SR77 Investigation management (Release Under Investigation)**

Investigation drift due to release under investigation (RUI) resulting in a failure to get cases into court and obtain positive CJ outcomes

The current mitigating actions in place include:

- Service Improvement have developed a new tool, run fortnightly, which
  provides the local policing areas (LPAs) with an update in relation to the status
  of cases where the suspect has been released under investigation. This will
  allow us to more effectively manage the timeliness of investigations, helping us
  get more cases into court
- The paper presented to CCMT paper has been shared with the Programme Management Group, reporting into the Local Criminal Justice Board (LCJB), and Partner Agencies will be briefed on our awareness of the issue, and that further work is forthcoming. This in turn will be fed back through the LCJB and into the Court Listing Review

To assess the effectiveness of these measures, further exploratory work and analysis into the fortnightly LPA reports to identify those cases which remain open, is needed. This will allow for further clarification into the level of RUIs which are likely to go to court. Such evidence can be used if future consultations around court closures arise, and to assist with Criminal Justice System partner agency resource planning. It will also assist with plans to finalise Her Majesty's Courts System Thames Valley Court Pattern for 2019.

#### The **adopted recommendations** at this stage are:

- That the risk be treated
- Further work is done with LPAs to reflect and record their work on the issue
- Based on the additional input of the LPAs, SGU will work with the risk lead to redefine the risk and the range of its' consequences to further develop the mitigating actions

#### 3 The "Risk Radar"

As part of our ongoing work we consider a number of risks which may require future action. At present we are investigating the potential risks around:

(1) The impact of partnership capability – this is a development of the spending review risk and work is ongoing.

Three key thematic risks have been identified:

- A failure to maintain services which involve joint working with partners -(including Multi-Agency Safeguarding Hub (MASH), Appropriate Adults, information, and problem solving)
- Partner services being cut which have a direct impact on police operations (including adult social care services, early intervention / prevention, youth services, mental health)
- A fall in in contributions from partners who help fund specific services (including public space closed circuit television (CCTV), police community support officers (PCSOs)

Current position:

 An analysis of the feedback from Local Authorities has been undertaken, and there have been initial discussions with the LPA Commanders. Our future work will be geared towards assessing the extent of the risks in each area, looking at meeting statutory duties and liaising with LPA Commanders and Policing Strategy to identify and score risks at a local level.

#### (2) The impact of Brexit

Key decisions to be made through Government negotiation will impact directly on operational risks, and create tight timescales for delivering solutions.

The National Police Chiefs' Council (19/9/18) advised Chief Constables to focus on their core functions of preventing and detecting crime, responding to public disorder and the maintenance of law and order.

The Strategic Governance Unit (SGU) have developed a Brexit Working Group: and in addition there will now be a Brexit Gold Group, to be run in conjunction with the Hampshire Constabulary Gold Group.

The SGU group has focussed on three key areas:

Policing - Failure to have access to existing EU databases and key EU instruments post March 19 (although a transition period to Dec 20 may occur)

**Current position** (Ch Supt Force Intelligence and Specialist Operations 7/11/18)

The Association of Police and Crime Commissioners cross-party Brexit Working Group has commented that "considerable additional resources would be required for policing to operate using non-EU tools and that such tools would be sub-optimal – potentially putting operational efficiency and public safety at risk"

Brexit poses a threat to the following EU Instruments used by UK Policing:

Schengen Information System (SIS 2)

- Passenger Names Records
- Extraditions (European Arrest Warrants)
- ARCO Criminal Records Office ECRIS system
- Europol and Eurojust
- Supply chain Failure to protect the supply chain post Brexit

Current position (Head of Procurement 6/11/18)

Procurement looked at all 3rd party spend with suppliers for more than £100k in 2017-18 (around 89% of third party spend.) The assessment was undertaken in October 2018 and based on a single assumption, a hard BREXIT, a deal leading to a transition period was not assessed given it was assumed that no immediate changes would occur and as such any risk assessment would be better undertaken once the details of the transition deal was understood.

The assessment criteria was based on three categories:

Foreign exchange risk (based upon following assumptions - £ would fall in value relative to \$, £ and Euro would fall by equal amounts given negative impact upon both EU and UK economies, other currencies value changes would have little or no impact upon current import costs). This measures which suppliers are vulnerable to this risk and the impact of that risk to their prices to us. Potential financial impact - £2m. It should be recognised that the self-correcting nature of forex suggests that these costs may self-correct after a period of time and so cost increases may not be permanent. Utilities gas and electricity requirements are partially met from Europe. Prices are increasing due to market conditions and Forex issues (energy is traded in \$'s) will make this worse.

Impact upon contract values due to implications of BREXIT (reversion to World Trade Organisation terms (for finished goods and also for components going into goods then assembled within the UK) costs of labour being impacted due loss of EU nationals working for suppliers or the "domino" effect of UK nationals working on our contracts leaving working for us to backfill posts on non- TVP contracts vacated by EU nationals leaving the country). This measures which suppliers are vulnerable to this risk and the impact of that risk to their prices to us. Potential financial impact - £700k – it should be recognised that these costs are not likely to occur as a cliff edge but would more likely manifest themselves over a protracted period after any BREXIT.

"Port delays" -These will result in goods that are being imported into the UK from EU countries being delayed at the ports of entry. This assessment was based upon the origin of goods supplied. This identified the following categories as being exposed to risk:

Fleet – with the fleet predominantly constituting Vauxhall and BMW vehicles (with a smaller number of other vehicles manufactured within the EU). The supply of UK assembled Astras may be negatively impacted due to component supply delays but with exports to the EU

- being impacted (costs to export to the EU area forecast to rise by between £2k and £2.5k per car), existing resilience in the supply chain may be able to meet this reduced manufacturing demand.
- O Uniform most uniform originates from the far-east and as such is not impacted by BREXIT. Some specific items (ballistic body armour and hi-viz anoraks) originate from within the EU. All suppliers have been contacted to discuss their mitigation actions to offset potential delivery delays. Where actions cannot fully mitigate the risk, stock levels are being reviewed to look at building extra resilience.
- Firearms this area represents a greater risk of delay but given the very low historical levels of demand and standardisation across Hants/TVP this is deemed a low risk area. Hants are the procurement leads on firearms and so reassurance will be sought from Hants that adequate mitigation actions have been taken.
- Staffing and support services Failure to maintain direct and indirect staffing levels through lost and un-replaced staff.

#### Current position

A potential fall in suitable candidates for roles such as custody / detention staff and PCSOs, as EU nationals leave and are not refreshed due to new migration criteria. A fall in the available labour pool might increase worker costs, creating additional financial impact on the force. Although a relatively low number of our existing workforce are directly impacted, if there is increased competition in future recruitment this may increase costs.

• **Civil Contingencies** – Failure to prepare adequate business continuity plans to address potential EU national human welfare issues

#### Current position

May be unable to meet demands resulting from potential public disorder. Core policing services may be disrupted if TVP is overly affected by fuel or power shortages or communication systems are disrupted.

Work is being undertaken at a national level and through Local Resilience Forums to address these issues

SGU will feed this work into the Gold Group. At this stage, there remains insufficient clarity around national Brexit plans for us to be confident that the agreed mitigating actions will be fully effective.

#### 4 Future Risk work

The next quarter will involve significant work to embed the proposed risk process changes if agreed by CCMT. This will involve:

- Finalising the design of the new risk registers to maximise user friendliness
- The design and implementation of a communications programme to introduce the new processes and their benefits
- Timetabling one to one and group sessions to support the transition to the new processes

- Attendance at regional LPA meetings to introduce the new processes
- Working with risk leads to review the strategic risk scores based on new format
- Agreeing new reporting tools with FRMG

#### 5. Financial comments

5.1 The Strategic Force Risk Register identifies a specific risk around funding.

#### 6 Legal comments

6.1 There are no legal implications arising from this report

#### 7 Equality comments

7.1 There are no equality implications arising from this report.

#### 8 Background papers

#### **Public access to information**

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

#### Is the publication of this form to be deferred? Yes

#### Is there a Part 2 form?

Name & Role	Officer
Strategic Governance Unit	
Corporate Governance Manager	Patricia Wooding
Governance Officers (Risk Management & Business Continuity)	Sarah Holland
	Mark Horne
Legal Advice N/A	
Financial Advice - Director of Finance	Linda Waters
Equalities and Diversity N/A	

#### OFFICER'S APPROVAL

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Joint Independent Audit Committee.

Chief Executive	Date
Chief Finance Officer	Date



### JOINT INDEPENDENT AUDIT COMMITTEE FOR THAMES VALLEY POLICE



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Title: Business Continuity Update – 7 December 2018

#### **Executive Summary:**

In accordance with the Operating Principles of the Committee agreed at its first meeting held on 27 March 2013, the Committee has the following responsibilities in respect of business continuity:

- Consider and comment upon business continuity management processes, and
- Receive and consider assurances that business continuity is being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

The attached report provides an annual overview of Business Continuity Management policy and processes adopted by Thames Valley Police together with the most recent quarterly progress report covering such issues as training, learning from business continuity incidents and training exercises.

#### Recommendation:

The Committee is invited to review and note the report as appropriate.

#### **Chairman of the Joint Independent Audit Committee**

I hereby approve the recommendation above.

Signature Date

#### PART 1 – NON-CONFIDENTIAL

#### 1 Introduction and background

- 1.1 Business continuity is about ensuring that, as an organisation, we are able to continue providing important public services in the event of some major disruption to our organisation. Clearly if the Force is unable to maintain its own services, it will not be in a position to best serve the public.
- 1.2 The Civil Contingencies Act 2004 provides the statutory framework which places a responsibility on the police service, as "Category 1 Responders", to have in place effective Business Continuity Management (BCM) processes. Thames Valley Police (TVP) also follows the principles within BS25999 Business Continuity Code of Practice and has incorporated a number of key principles from "ISO22301 Societal Security Preparedness and Continuity Management Systems" which was published in May 2012.
- 1.3 Guidance on organisational resilience was published in November 2014 (BS65000:2014) which defines organisational resilience as the ability to anticipate, prepare for, respond and adapt to events both sudden shocks and gradual change.
- 1.4 A new standard, ISO22330 has now been published that focuses on the people aspect of Business Continuity.
- 1.5 Oversight of the management of Business Continuity (BC) is provided by the Strategic Business Continuity Co-ordinating Group, which is held bi-annually, and chaired by the Deputy Chief Constable. This Group includes senior members from Property Services, ICT, Corporate Communications, HQ Operations, the Corporate Governance Officers and Corporate Governance Manager.
- 1.6 Business Continuity Plans are maintained, tested and refreshed in respect of front line services and support functions. These are refreshed in order to reflect changes in personnel, dispositions, and core business processes. This proactive approach is supplemented by organisational learning from exercises and actual incidents.
- 1.7 This report is intended to cover the key areas of interest to the Audit Committee. Members may also wish to consider any other areas where they might also wish to receive feedback in subsequent reports.

#### 2. Issues for Consideration

#### Force-wide Incidents

During the period August 2018 to October 2018 the following incidents have been reported to Strategic Governance.

On 10 October 2018, HQ South lost water supply for approximately 3 ½ hours which was caused by burst water main in Kidlington. Some departments invoked their individual plans as part of the HQ South plan being invoked and the staff were set to work from alternative locations. Force Gold was advised and flexible working was offered where appropriate. A resolution to this regular occurrence has been offered by Thames Water which will provide resilience should a pipe burst in the future. This resolution is provided at no cost to TVP.

#### **ICT Incidents**

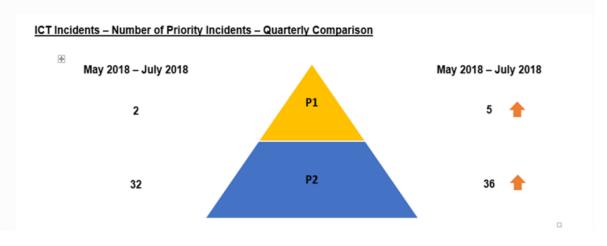
During the period August '18 to October '18 ICT submitted a total of five priority one incidents (last period P1: 2). Two incidents invoked business continuity plans or disaster recovery plans.

On 3<sup>rd</sup> August 2018, Abingdon Control Room lost phone, radio and network service for ten minutes. BT reported there was an issue with one of the routers. To resolve the issue they connected to the second router and cleared the errors. The business continuity plan to re-route the calls to Milton Keynes Control Room was invoked.

On 13<sup>th</sup> October 2018, during an operation, there were force wide connectivity issues with accessing external websites and PNC for a total of nine hours and 55 minutes. It was established that a fibre cable had been physically damaged in an external off-site cabinet. Once an engineer attended the cabinet and repaired the cable, service was re-established. Fibre termination at HQ South replaced as a counter measure. The standard service continuity was invoked and the PSN gateway was moved to HQ North.

#### ICT Incidents - Number of Priority Incidents - Quarterly Comparison

Please note that Priority 3 incident numbers have now been removed from this comparison as with the implementation of the new ServiceNow system, all ICT service desk calls are now automatically logged as Priority 3 as this would not reflect a true comparison to priority 3 incidents from the last quarter.



#### 2.2 Business Continuity – under review:

The current business continuity (BC) activities are:

- The current business continuity (BC) activities are:
- Debrief for Milton Keynes Flooding completed and actions and learning are being embedded/taken forward
- Business Continuity Training was completed
- People Directorate BC exercise based on a Peoplesoft failure scenario on 27 November
- Process Review activity completed (see proposed JIAC Report template attached)

#### 2.3 Business Continuity – going forward:

The business continuity activities planned for the next period are:

- Implement process review changes (if approved)
- Re planning exercise schedule in line with process changes
- Debrief for HQ South water loss incident and High Wycombe flooding

#### 3 Financial comments

3.1 There are no direct financial implications arising from this report.

#### 4 Legal comments

4.1 There are no legal implications arising from this report.

#### 5 Equality comments

5.1 There are no equality considerations arising from this report.

#### 6 Background papers

#### **Public access to information**

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#### Is the publication of this form to be deferred? No

#### Is there a Part 2 form? No

Name & Role	Officer
Strategic Governance Unit	Sarah Holland
Governance Officers (Risk Management & Business Continuity)	Mark Horne

Legal Advice	
N/A	
Financial Advice	Linda Waters
Director of Finance	
Equalities and Diversity	
N/A	

OFFICER'S APPROVAL			
We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.			
We are satisfied that this is an appropriate Independent Audit Committee.	• •	·	
Chief Executive	Date		
Chief Finance Officer	Date		

### **Executive Summary:**

In accordance with the Operating Principles of the Committee agreed at its first meeting held on 27 March 2013, the Committee has the following responsibilities in respect of business continuity:

- Consider and comment upon strategic risk management and business continuity management processes, and
- Receive and consider assurances that business continuity and organisational risks are being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

The attached report provides an annual overview of risk management and business continuity management policy and processes adopted by Thames Valley Police together with the most recent quarterly progress report covering such issues as training, learning from business continuity incidents and training exercises.

Recommendation:		
The Committee is invited to review and note the report as appropriate.		
Chairman of the Joint Independent Audit Committee		
I hereby approve the recommendation above.		
Signature	Date	

#### Risk Management Introduction

Effective risk management is a cornerstone of good governance. A sound understanding of risks and their management are essential if Thames Valley Police is to achieve its objectives, use resources effectively, and identify and exploit new business opportunities. Consequently, in common with all significant public and private sector bodies, the Force has an established framework for ensuring that areas of risk are identified and managed appropriately across its activities.

This framework is derived from the application of national standards and guidance. The most recent publication to assist with Risk Management best practice is ISO31000: 2018 Principles and Guidelines which seeks to guide users regarding the principles, framework, processes and risk management activities with the aim of assisting the organisation to achieve its objectives.

A strategic framework based on ISO31000 was endorsed by the Force Risk Management Group (FRMG) on 24 July 2012 and revisions are monitored on an annual basis at FRMG. Revised versions of the Strategic Framework with its associated documents were presented for endorsement at the FRMG meeting on 27th February 17. This now takes account of the new structure. This provides guidance in the form of a:

- Risk Management Strategy
- Risk Management Policy
- Risk Register Guide with an alternative 1 page guide available for quick reference.
- Risk Management Communications Strategy which now accounts for Business Continuity
- National Decision Model and reference to the Authorised Professional Practice (APP) Risk Principles

The Deputy Chief Constable's portfolio covers a range of governance functions in the quarterly meetings of the FRMG where issues of strategic risk are considered. These issues, which may be prompted by entries in local departmental/operational command unit registers, are then scored and managed in accordance with the processes set out in the above framework.

This report should adequately cover the key areas of interest to the Audit Committee. Members may also wish to consider any other areas where they might also wish to receive feedback in subsequent annual reports

### Risk Heat Map

This map is intended to help easily identify our key risks and lead further discussion about risk priorities. (this includes our current risks as an example, and would show movement in the future)

Impact Dikelihood	1 Very Low	2 Low	3 Moderate	4 High	5 Very High
5 Highly				SR69 Insufficient funding*	
Likely				SR74 Workforce Resilience	
4 Likely			SR56 Livelink	SR77 Investigation management	
3 Possible			SR65 Gazetteers		SR75 / SR 76 CMP Delay / Failure *
2 Unlikely					
1 Highly Unlikely					

### Strategic Risk Summary

The following table is intended to capture the travel of the risk score and current risk management status as agreed by FRMG (this is using current risks as an example)

Risk and score	Trend	Risk description	Risk lead	Current Risk action
SR69	$\longleftrightarrow$	The level of funding will be insufficient to maintain the current level of service against increasing and new demands	ACO Waters	TREAT
(20) SR74 (20)	$\longleftrightarrow$	Having inadequate staffing numbers across both specialist and general roles, which impacts our abilities to meet targets in the short-term and our longer term force resilience.	ACO Chase / Nicola Hyde (Programme Manager)	TREAT
SR 77 (16)	$\longleftrightarrow$	Impact of release under investigation Investigation drift due to RUI resulting in a failure to get cases into court and obtain positive CJ outcomes	ACC De Meyer	TREAT
SR75 (15)	$\longleftrightarrow$	If there is delay to the delivery of the Contact Management Programme (CMP), then there are a number of on-going impacts operationally, financially and reputationally to the Force.	ACC Hardcastle	TREAT
SR 76 (15)	$\longleftrightarrow$	The CMP System fails shortly after deployment or is deemed too unstable to be fit for purpose	ACC Hardcastle	TREAT
SR56 (12)	$\longleftrightarrow$	Livelink is required to remain functional until Sept 19, increasing the likelihood of operational issues.	ACO Cooper	TREAT
SR65 (11.25)	$\longleftrightarrow$	Out of date mapping is being used by the organisation, which could lead to a number of negative consequences: risk to public safety; risk to officer safety; and potential reputational damage	ACC Hardcastle	TOLERATE

# Current Strategic risk update

Based on the most recent information provided by risk leads, current risk scores, updated controls and agreed future actions for each risk are included below (single example provided, but will include all strategic risks in priority order)

**SR69:** The level of funding received in future years may not be sufficient to maintain the current level of service. The increasing level of demand and the complexity of new & emerging crimes may require a level of resources which is unaffordable. (Amended Feb 18)

Current status: TREATED		•	,	
Risk	Consequences	Risk Control	Risk Score Sept 18	Future actions
The level of funding will be insufficient to maintain the current level of service against increasing and new demands	Extra pressure will be placed on current numbers of officers with a growing workload  Changes made to service delivery to improve productivity through collaboration, restructure & the use of technology may impact public perception of the service and will reach saturation.  The increase in the complexity of cases may impact on performance by increasing the length of time it takes to resolve cases.	Update and score reviewed by ACO Waters Oct 18  CCMT have had additional meetings in October and November to consider funding scenarios and prepare action plans to mitigate any future risk.	<b>20</b> (4x5)	Following the grant settlement in early December, the risk score will be reviewed and a new action plan agreed

New risks added to the strategic risk register

Risk Radar

Would include risks on the horizon which will need further investigation, and are presented for note or feedback

Risk – Next period

The risk activities planned for the next period are:

# **Business Continuity Introduction**

Business continuity is about ensuring that, as an organisation, we are able to continue providing important public services in the event of some major disruption to our organisation. Clearly if the Force is unable to maintain its own services, it will not be in a position to best serve the public.

The Civil Contingencies Act 2004 provides the statutory framework which places a responsibility on the police service, as "Category Responders", to have in place effective Business Continuity Management (BCM) processes. Thames Valley Police (TVP) also follows the principles within BS25999 Business Continuity Code of Practice and has incorporated a number of key principles from "ISO22301 Societal Security – Preparedness and Continuity Management Systems" which was published in May 2012.

Guidance on organisational resilience was published in November 2014 (BS65000:2014) which defines organisational resilience as the ability to anticipate, prepare for, respond and adapt to events – both sudden shocks and gradual change.

A new standard, ISO22330 has now been published that focuses on the people aspect of Business Continuity.

Oversight of the management of Business Continuity (BC) is provided by the Strategic Business Continuity Co-ordinating Group, which is held bi-annually, and chaired by the Deputy Chief Constable. This Group includes senior members from Property Services, ICT, Corporate Communications, HQ Operations, the Corporate Governance Officers and Corporate Governance Manager.

Business Continuity Plans are maintained, tested and refreshed in respect of front line services and support functions. These are refreshed in order to reflect changes in personnel, dispositions, and core business processes. This proactive approach is supplemented by organisational learning from exercises and actual incidents.

This report is intended to cover the key areas of interest to the Audit Committee. Members may also wish to consider any other areas where they might also wish to receive feedback in subsequent reports.



During the period <Dates> the following incidents have been reported to Strategic Governance.

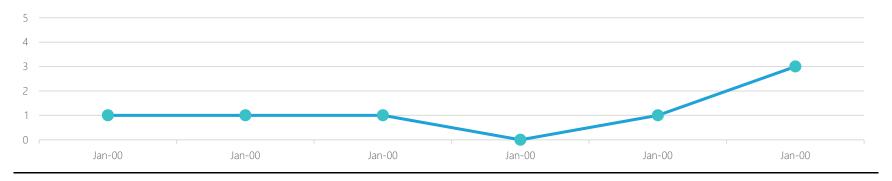
On <date>,



# ICT Priority Incidents

During the period <dates> ICT submitted two priority one incidents (last period, P1=0). There were no priority incidents which presented a significant issue or caused a business continuity plan to be invoked.

# **ICT P1 Incident Volume Trend**



Date & Time	P1 Incident Summary	Business Impact	Root Cause	Time to Restore	Business Continuity Invoked?
03/08/2018 02:07	Abingdon CR lost phones, Radios & Network for 10 mins	High- Abingdon CR unable to function at all as no radio, C&C or telephones. MK remained available ensuring service continuity.	Router load balancing issue, workaround implemented awaiting replacement.  Arranging downtime with business to replace.	10 mins	X
08/08/2018 16:30	MK CR & IRB lost all telephony & unable to access any desktop application	High- MK Control Room & IRB lost all telephony & unable to access any desktop applications. Abingdon remained available ensuring service continuity.	Caused by hardware fault on the main BT core circuit in Kidlington. Awaiting RCA and load balancing plan.	01:20:00	×
11/08/2018 08:05	FEC- Southampton lost network connection to all applications	High- Users unable to log any 999 or 101 calls. Basingstoke remained available ensuring continuity of service.	Local router hardware failure. Now replaced.	30 mins	$\checkmark$

# Business Continuity – under review

The current business continuity (BC) activities are:

• Focus on how the process has matured and what learning has been shared and embedded

# Business Continuity – next period

The business continuity activities planned for the next period are:

• Focus on embedding learning and process maturity activities

# Financial comments

There are no direct financial implications arising from this report.

# Legal comments

There are no legal implications arising from this report.

# **Equality comments**

There are no equality considerations arising from this report.

# Background papers

## Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

## Is the publication of this form to be deferred? No

Is there a Part 2 form? No

Name & Role	Officer
Strategic Governance Unit - Governance Officers (Risk Management & Business Continuity)	Sarah Holland
Strategic Governance Unit - Governance Unicers (Risk Management & Business Continuity)	Mark Horne
Legal Advice - N/A	
Financial Advice - Director of Finance	Linda Waters
Equalities and Diversity - N/A	

# OFFICER'S APPROVAL

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Joint Independent Audit Committee.									
Chief Executive	Date								
Chief Finance Officer	Date								



# JOINT INDEPENDENT AUDIT COMMITTEE



Annual Assurance Report 2018 from the Joint Independent Audit Committee to the PCC for Thames Valley and the Chief Constable of Thames Valley Police

#### Introduction

This Annual Assurance Report 2018 explains how the Committee has complied with each of its specific responsibilities, referred to in Appendix 1, during the last twelve months covering the period December 2017 to December 2018.

The Committee's last annual report, presented to the PCC and Chief Constable at the Joint Independent Audit Committee meeting held on 13<sup>th</sup> December 2017, provided an assurance opinion that the risk management and internal control environment in Thames Valley Police (TVP) and the Office of the Police and Crime Commissioner (OPCC) was operating efficiently and effectively. However, we did state that we would continue our scrutiny on force change management, the delivery of financial performance and operational effectiveness. We will explore these issues in more detail later in this report.

#### Financial management

We received and reviewed the separate Statement of Accounts for 2017/18 for the PCC & Group and the Chief Constable at our meeting on 13<sup>th</sup> July 2018, together with the external auditors 'Audit results report for the year ended 31<sup>st</sup> March 2018'.

We note with approval that the external auditor, Ernst & Young, issued an unqualified audit opinion and an unqualified value for money conclusion for both the PCC and Chief Constable. It was also pleasing to hear from the external auditor that TVP were one of their first clients nationally, including local policing bodies, to have their 2017/18 accounts formally closed and signed-off, and that this, they considered, was due to excellent project planning within and between the OPCC and Force Finance Departments and their effective working relationship with external audit staff. We received the Annual Audit Letter on 21st September.

In December 2017 we received a draft copy of the Annual Treasury Management Strategy Statement for 2017/18 which we reviewed and scrutinised robustly, before it was formally approved by the PCC in January 2018. We considered and noted the annual treasury report for 2017/18. This report explained how officers had complied with the annual treasury strategy statement. We were reminded that regular progress reports during the year were presented to the PCC and Chief Constable rather than the Committee.

Having considered all the information available to us we are satisfied that both the PCC's Chief Finance Officer and the Force Director of Finance have the necessary capability and capacity to ensure the proper administration of the PCC's and Force's financial affairs. Indeed, the experience and skills of the two individuals concerned, and the teams they lead, have been of real benefit to the PCC and the Force and we commend their efforts and achievements

#### Internal control and governance

In September we received an annual report from the Director of Information, as the Senior Information Risk Owner (SIRO), which provided a summary across HC and TVP for the information assurance and information governance during 2017/18 to provide assurance that information risks were being managed effectively and highlighted some of the key decisions that had been escalated to the SIRO during the year.

We have also attended appropriate meetings of the ICT 2020 Vision Board and the Force Transformation Board to see, for ourselves, the action being taken to ensure that the agreed 5 year ICT strategy, and other key projects and programmes are being managed effectively. We remain an observer on the joint Hampshire/TVP Bilateral Governance Board.

In July we received an update report on the new Enterprise Resource Planning (ERP) programme which provided information on the technical progress with development and implementation across the three forces (Surrey, Sussex and TVP), the tri-force programme governance arrangements and recent programme audit findings.

In March we received an initial draft of the 2017/18 Annual Governance Statement (AGS) for consideration. Although no significant governance issues had been identified the covering report explained the key issues that had been considered by the Governance Advisory Group before reaching this conclusion. We challenged a number of these areas and asked for further information to be provided in the subsequent report in July. Notwithstanding these reporting issues we were happy to endorse the accuracy of the AGS for inclusion in the annual Statement of Accounts.

We received an updated AGS for consideration and endorsement at our meeting in July. It was pleasing to note that following a review of the effectiveness of the present governance arrangements there were no significant governance issues that required immediate attention nor were there any potential issues that may have an adverse impact on the internal control environment during 2018/19.

In March we considered and scrutinised the updated Framework for Corporate Governance for 2018/19 which included the Statement of Corporate Governance, the Joint Code of Corporate Governance for the PCC and Chief Constable, and the Scheme of Corporate Governance which included Financial and Contract Regulations. Following a major re-write during 2016, only minor amendments were required this year to ensure that it remained relevant and fit for purpose.

In her Annual Audit Letter, published in August 2017, the external auditor stated 'We are required to consider the completeness of disclosures in the PCC's and CC's annual governance statement, to identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.'

Based on the information provided to the Committee during the last twelve months we can provide assurance that, to the best of our knowledge, the corporate governance framework within Thames Valley is operating efficiently and effectively.

#### Complaints, integrity and ethics

#### Force Oversight arrangements

We continue to attend, as observers, the bi-monthly meetings of the Complaints, Integrity and Ethics Panel to ensure that the Chief Constable's arrangements for, and the PCC's oversight of, the proper handling of complaints made against the Force and consideration of other integrity and ethics issues are operating effectively in practice. We note that there appears to have been a broadening of the Panel's considerations, away from its key remit, as laid down in the terms of reference. We understand why this has occurred and after careful consideration we can continue to endorse its activity, so long as it does **not** detract from the full and proper consideration of the complaint process

## Corporate risk management

We have reviewed regular quarterly updates from both the Force and the Office of the PCC (OPCC) in terms of their strategic risk management systems and processes.

This is an area of business we take very seriously, and question and challenge officers on a regular basis to ensure that we are sighted on all significant corporate risks and are satisfied that these risks are being dealt with in a timely, effective and appropriate manner.

The TVP Strategic risk register was presented in the confidential part of our papers in September 2018. The committee commented on these, in particular on the CMP risk register and observed that ERP risks were managed at the project and collaboration level and not recorded at the strategic risk level. We noted this approach and will continue our scrutiny of the risks associated.

We have kept the staffing position of the force under review given the vital importance of an effective complement of officers and civilian staff for force effectiveness. We thank the Chief Constable for his openness about the issues of retention and of integrating new recruits, and his clear explanations of the force's approach to these challenges. We look forward to hearing about people issues in more detail from the Director of People, Steven Chase, at a future meeting.

Based on the information provided to the Committee during the last twelve months it appears that the organisational risks in both the OPCC and Force are being managed effectively and that there is appropriate capability for their respective published goals and objectives to be achieved efficiently and effectively.

# **Business continuity management**

As with risk management we have considered quarterly updates from the Force on business continuity. We have made various recommendations to officers in order to improve the appropriateness and usefulness of these reports and are pleased that these have been acted upon.

We are content that business continuity is treated as a serious issue by senior officers within the Force and that regular and practical exercises are undertaken in order to test business continuity planning and to provide learning opportunities for key staff.

We are satisfied that the business continuity management processes are operating efficiently and effectively in identifying issues and capturing organisational learning and there are no significant issues that we need to draw to your attention.

To strengthen the Committee's oversight in this area, the JIAC also attends the bi-annual strategic business continuity meeting chaired by the DCC.

## **Internal audit**

We received and endorsed the Internal Audit Strategy and Annual Plan 2018/19 at our meeting on 16<sup>th</sup> March 2018. We noted that that the annual plan included all relevant financial systems, as well as other business critical functional areas and activities. We were pleased to note the wide range of audit activity, looking at high risk functions and operations across the organisation.

Although the costed audit plan does not include a specific allocation of days for use by the Committee, there is an extant agreement with the CC and PCC that the Committee may, at its discretion, draw on up to 10 audit days for its own specific use. We did not need to use this facility during 2018.

In December 2017 we were informed on the outcome of the Joint Internal Audit Team's Public Sector Internal Audit Standards (PSIAS) external assessment, as undertaken by CIPFA. This showed that 'the service generally conforms to all the requirements of the PSIAS and Local Government Application Note' which is the best outcome that the Team could have achieved. We were very pleased with this result. The report contained two recommendations and three suggestions, all of which have subsequently been addressed.

In July 2018 we received the annual report from the Chief Internal Auditor. We were pleased to note that all of the planned audits for 2017/18 were completed, subject to any in year changes to the originally approved plan. Of the 21 completed audits, 3 (15%) had received substantial assurance, 13 (65%) had received reasonable assurance and 5 (20%) had received limited assurance. It was pleasing to note the results of the additional sources of assurance that had been provided by independent internal functions or external bodies. Of the 15 sources identified (14 sources used in 2016/17), 6 (40%) were deemed to provide substantial assurance, 7 (46%) were deemed to provided reasonable, 1 (7%) was deemed

to provided limited assurance and 1 (7%) was deemed to have minimal assurance. The one area that received limited assurance was the ERP Programme (Position Statement) review completed by Sussex PCC and Sussex Police's Internal Audit Team. We received a briefing from officers on the ERP Programme at our July meeting. The area that received minimal assurance was the HMICFRS inspection on the Force's Crime Data Integrity. We challenged robustly, with internal auditors and appropriate officers, the reasons for the reported shortcomings in the assurance levels for some reports and the completion of the associated action plans. Based on the reviews completed during the year, the opinion on the organisation's system of internal control was that key controls in place are adequate and effective, such that an assessment of reasonable assurance could be placed on the operation of the organisation's functions. The opinion demonstrates a good awareness and application of effective internal controls necessary to facilitate the achievement of objectives and outcomes. There was, in general, an effective system of risk management, control and governance to address the risk that objectives are not fully achieved.

In March and September 2018 we received updates from the Chief Internal Auditor on progress with delivery of the annual internal audit plan, including a summary of key issues arising from recently completed audits. We continue to receive final audit reports which give us early sight of any key issues arising from completed audits that require management action. This is particularly useful for those few audits where limited or minimal assurance is given.

We have received and debated regular update reports each quarter on progress of agreed actions in internal audit reports. Although the number of overdue actions increased earlier this year we are pleased to note the recent downward trend and would hope that this continues next year, which would demonstrate that management continues to take the implementation of actions arising from internal audit reports very seriously. We shall, however, continue to monitor this situation rigorously in coming years.

We are satisfied that the system of internal audit in Thames Valley is operating efficiently and effectively and there are no specific issues or areas of concern that we would wish to highlight to the PCC and/or Chief Constable.

#### **External audit**

In March 2018 the external auditor, Ernst & Young [EY], presented its joint audit plan for the PCC and Chief Constable for the financial year ending 31<sup>st</sup> March 2018. This explained the context for the audit, as well as outlining the auditor's process and strategy. EY highlighted the various risks to the financial statements. We were pleased to note that the audit fee for 2017/18 was held at the same cash level as in 2016/17.

At the meeting on 13<sup>th</sup> July the External Auditor presented her Audit Results Report which summarised her audit conclusion in relation to the Group (i.e. PCC and Chief Constable) financial position and results of operations for 2017/18. This audit was designed to express an opinion on the 2017/18 financial statements for the PCC and Chief Constable, reach a conclusion on the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and

regulatory requirements. We were pleased to note that EY had not identified any significant errors or misstatements in the accounts and were able to issue an unqualified audit opinion. It was pleasing to note that the PCC (and TVP) had put in place proper arrangements to secure VFM in its use of resources. As in previous years we were informed that EY could not issue the final audit completion certificate due to delays at the Department for Communities and Local Government (DCLG) end in being able to submit the Whole of Government Accounts (WGA) work.

In September the External Auditor issued her Annual Audit Letter for the year ending 31<sup>st</sup> March 2018 to the PCC and Chief Constable which confirmed that she had issued an unqualified audit opinion in respect of the financial statements, an unqualified value for money conclusion and the audit completion certificate.

In terms of the financial statements and the year-end audit we are very pleased with the final outcome. We welcomed the efforts made by officers to close the accounts earlier again this year and were pleased to hear that TVP were one of the first local policing bodies nationally to have their 2017/18 accounts formally signed-off by external audit. This is an excellent achievement. We would also like to express our gratitude to the external auditors for their key role in the effective closedown and early audit sign-off process.

## **Health & Safety**

We received the 2017/18 annual report on Health & safety Management in July which helped to document the progress being made in the continuous improvement of TVP policies and procedures for the effective management of health and safety. We asked a number of challenging questions and these were answered at the meeting. We look forward to next year's report to incorporate changes suggested at the meeting.

We were pleased to note that TVP continues to be one of the best performing forces nationally for RIDDOR incidents (which are reportable to the Health & Safety Executive) but were concerned that the number of assaults against police officers and staff continues to rise year on year.

A follow-up report in December highlighted the continuous improvements that had been made by the Force during the previous 12 months.

We also received the separate Wellbeing Annual Report 2017/18 in July. This report explained the national journey for wellbeing and Force leadership is creating the correct environment in TVP. A number of metrics and examples were provided to evidence that the various wellbeing initiatives and activity are starting to make a positive impact in TVP.

#### **Equality & Diversity**

In July we received the 2017/18 equality, diversity and inclusion annual report which showcased the achievements from the past 12 months and planned activities for 2017/18. The report covered the following areas: strategic governance, providing a service to diverse communities, BAME representation, recruitment and attraction, retention and attraction,

retention and progression, development for women, development and recruitment engagement, other equality and diversity activity, and future plans and activities.

#### **Environmental Management**

In July we received the Annual Report on Environmental Management for 2017/18 which explained the range of environmental sustainability work the force had undertaken and gave an overview of relevant performance, focussing on the functional estate. It also provided an outline of the future work programme as part of its quest for continuous improvement.

#### **Inspection and review**

Her Majesty's Inspectorate of Constabulary, Fire and Rescue Service (HMICFRS) independently assesses police forces and policing across activity from neighbourhood teams to serious crime and the fight against crime – in the public interest. HMICFRS decides on the depth, frequency and areas to inspect based on their judgements about what is in the public interest.

We understand that the Chief Constable and his management team considers each report in detail, irrespective of whether it relates directly to Thames Valley Police and, where appropriate, agrees an appropriate action plan. We also understand that the PCC is required to consider and publish a response to each HMICFRS report relevant to Thames Valley Police. The Committee has asked to be provided with copies of the HMICFRS reports and responses of the PCC.

As far as we know HMICFRS has not issued any report during the last twelve months that has specifically referred to assurance on the internal control environment and/or highlighted governance issues for the PCC and Chief Constable to consider.

#### General

We are pleased to report that the arrangements agreed four years ago, as set out below, are working effectively:

- Be regularly briefed by the Chief Constable and PCC on the full range of activities falling within our specific responsibilities and attend other relevant internal meetings
- Have direct access to the oversight of professional standards and ethics matters by regularly attending the Complaints, Integrity and Ethics Panel as an observer
- Attend any training and conference events that will ensure members are up to date with the policing landscape and audit requirements
- Attend as an observer the regular Force Performance meetings

Some members attended the CIPFA conference for Police Audit Committee members or a similar conference hosted by Grant Thornton, discussing challenges faced by audit committees and proposed legislative changes that will impact on the work of audit committees.

Over the year we had meetings with the Chief Constable, PCC and senior staff for relevant organisational and functional updates between formal JIAC meetings.

These briefings and invitations to attend internal Force meetings, coupled with the sharing of appropriate CCMT reports of interest, continue to raise our awareness and knowledge of legislative, policy or operational initiatives that are relevant to the Committee's remit, such as organisational structural changes, service delivery initiatives, and financial and service planning issues. In turn, this is improving our collective understanding of how the Force and OPCC governance arrangements and control environments are operating in practice.

# CIPFA publication: Audit Committees, Practical guidance for Local Authorities and Police

In May 2018 CIPFA published their new guidance notes for audit committees. This document contained model terms of reference and a self-assessment for audit committees to complete. This self-assessment review was undertaken during June by the Committee Chairman (Dr Louis Lee), Chief Finance Officer (Ian Thompson) and Chief Internal Auditor (Neil Shovell).

## **JIAC** operating principles

As a result of the self-assessment process referred to above the following additions are proposed to the Committee's current Operating Principles in order to more closely align with the Model Terms of Reference as published by CIPFA

### Internal control and governance environment

- Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter fraud strategy, actions and resources
- To consider the governance and assurance arrangements for significant partnerships or collaborations

#### Internal Audit

- Annually review the internal audit charter and resource
- To consider the Head of Internal Audit's statement on the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) and the results of the Quality Assurance & Improvement Programme (QAIP) that support the statement

A tracked change version of the JIAC Operating Principles is attached at Appendix 1.

#### **Conclusions**

The purpose of the Joint Independent Audit Committee is to provide independent assurance to the PCC and Chief Constable regarding the adequacy of the risk management framework and the associated control environment within Thames Valley Police and the Office of the PCC.

Constructive challenges over the past twelve months on a wide range of topics have given us greater access to information and meetings; the positive relationship with the PCC and the Chief Constable and their senior staff has enabled us to contribute to improved audit, risk management and internal controls. We note that Chief Constable Francis Habgood will retire during 2019 and we hope his successor will continue this support of the Committee's work.

The year ahead (2019) will be a very testing/demanding one when a number of leading edge digital policing developments will be brought into service. No doubt we will continue to seek answers on costs and business benefits. We will continue our scrutiny on force change management, the delivery of force financial performance and operational effectiveness.

We will remain alert to the extent to which TVP and the OPCC are exposed to risks, from whatever source that might weaken the control environment or otherwise adversely affect overall performance. The coming months will be extremely challenging.

Based on the information that we have seen collectively or know about individually we can assure the PCC and Chief Constable that the risk management and internal control environment in Thames Valley is operating efficiently and effectively.

We hope that this report with the assurances it contains will enhance public trust and confidence in the governance of TVP and the OPCC.

#### **Joint Independent Audit Committee**

Members:

Dr Louis Lee (Chairman)
Mr Richard Jones
Mrs Alison Phillips OBE
Dr Gordon Woods
Mr Michael Day

7 December 2018

APPENDIX 1

#### **Joint Independent Audit Committee - Operating Principles**

# **Statement of Purpose**

- Our Joint Independent Audit Committee is a key component of the PCC and Chief Constable's arrangements for corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- The purpose of the Committee is to provide independent assurance to the PCC and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment within Thames Valley Police and the Office of the PCC. It will consider the internal and external audit reports of both the PCC and Chief Constable and advise both parties according to good governance principles. It has oversight of general governance matters and provides comment on any new or amended PCC polices and strategies with regard to financial risk and probity.
- These operating principles will summarise the core functions of the Committee in relation to the Office of the PCC and the Force and describe the protocols in place to enable it to operate independently, robustly and effectively.

The Committee will report directly to the PCC and the Chief Constable.

#### **Committee Composition and Structure**

The Committee will consist of five members who are independent of the PCC and Thames Valley Police. They will be appointed by the Chief Constable and the PCC (or their representatives).

The Chairman will be elected by the Committee on an annual basis.

The Committee will hold four formal meetings a year – in public - although there may be a requirement to hold additional meetings at short notice.

The PCC and Chief Constable will attend or be appropriately represented at formal meetings. Committee meetings will be held at key strategic times of the year to coincide with the budget process and publication of financial management reports and accounts:

- 1. **March** to consider the Internal Auditor's Internal Audit Plan and the External Audit Plan
- 2. **July** to consider the End of Year Reports, the Annual Governance Statement, Annual Statement of Accounts and to receive the Audit Results report
- 3. **September** to consider mid-year progress reports;
- 4. **December** to receive the Annual External Audit Letter and agree the Annual Assurance Report of the Committee.

The agenda, reports and minutes of all Committee meetings will be published on the PCC and Force websites. However, members of the press and public shall be excluded from a meeting whenever it is likely that confidential information will be disclosed. Confidential information is defined as:

- a) Information furnished to the Committee by a Government department upon terms (however expressed) which forbid the disclosure of the information to the public; and
- b) Information the disclosure of which to the public is prohibited by or under any enactment or by the order of a Court.

#### **Methods of Working**

The Committee will:

- Advise the PCC and Chief Constable on good governance principles
- Adopt appropriate risk management arrangements
- Provide robust and constructive challenge
- Take account of relevant corporate social responsibility factors when challenging and advising the PCC and Chief Constable (such as value for money, diversity, equality and health and safety)
- Be regularly briefed by the Chief Constable and PCC on the full range of activities falling within its specific responsibilities and attend other relevant internal meetings
- Have direct access to the oversight of professional standards and ethics matters by regularly attending the Complaints, Integrity and Ethics Panel as an observer
- Attend any training and conference events that will ensure members are kept up to date with the policing landscape and audit requirements
- Provide an annual assurance report to the PCC and Chief Constable

#### Specific responsibilities

The Committee has the following specific responsibilities:

### Financial Management and Reporting

- Provide assurance to the PCC and Chief Constable regarding the adequacy of the arrangements, capacity and capability available to their respective chief finance officers to ensure the proper administration of the Commissioner's and Force's financial affairs.
- Review the Annual Statement of Accounts. Specifically, to consider whether
  appropriate accounting policies have been followed and whether there are concerns
  arising from the financial statements or from the audit of the financial statements that
  need to be brought to the attention of the PCC and/or the Chief Constable.
- Consider the external auditor's report to those charged with governance on issues
  arising from the audit of the financial statements, and to give advice and make such
  recommendations on the adequacy of the level of assurance and on improvement as
  it considers appropriate.

#### Internal Control and Governance Environment

- Consider and endorse the local Code of Corporate Governance
- Consider and endorse the Annual Governance Statement (AGS)
- Monitor implementation and delivery of the AGS Action Plan
- Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- Consider and comment upon the adequacy and effectiveness of the assurance framework, and the specific governance and accountability polices, systems and controls in place, such as the Corporate Governance Framework; anti-fraud and corruption; whistle-blowing, declarations of interest and gifts and hospitality.
- Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter fraud strategy, actions and resources
- To consider the governance and assurance arrangements for significant partnerships or collaborations

#### Corporate Risk Management

- Consider and comment upon the strategic risk management processes; and
- Receive and consider assurances that organisational risks are being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

#### **Business Continuity Management**

- Consider and comment upon business continuity management processes, and
- Receive and consider assurances that business continuity is being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

#### Internal Audit

- Annually review the internal audit charter and resource
- Receive and consider the adequacy and effectiveness of the arrangements for the provision of the internal audit service
- Consider and comment on the Internal Audit Strategy and Plan
- Receive and review internal audit reports and monitor progress of implementing agreed actions
- To consider the Head of Internal Audit's statement on the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) and the results of the Quality Assurance & Improvement Programme (QAIP) that support the statement
- Consider and comment upon the annual report of the Head of Internal Audit
- Obtain assurance that an annual review of the effectiveness of the internal audit function takes place

#### External Audit

- Receive and review reports from the external auditors, including the annual audit letter and audit opinion
- Review the effectiveness of external audit
- Consider and comment upon any proposals affecting the provision of the external audit service
- · Consider the level of fees charged, and
- To undertake the future role of the Independent Audit Panel, as set out in the Local Audit and Accountability Act 2014, including considering and recommending appropriate arrangements for any future appointment of External Auditors

### Health & Safety

Satisfy itself on behalf of the PCC and the Chief Constable that an adequate and
effective policy and practice framework is in place to discharge legal duties in relation
to health and safety. In particular, having regard to the safety, health and welfare of
police officers and police staff, people in the care and custody of Thames Valley
Police and all members of the public on police premises or property

#### **Equality and Diversity**

 Satisfy itself on behalf of the PCC and Chief Constable that an adequate policy and practice framework is in place to discharge statutory requirements in relation to equalities and diversity

#### Inspection and Review

 To consider any HMIC report that provides assurance on the internal control environment and/or highlights governance issues for the PCC and/or Chief Constable

#### **Accountability Arrangements**

- On a timely basis report to the PCC and the Chief Constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.
- Report to the PCC and the Chief Constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements and internal and external audit functions.
- On an annual basis to review its performance against its operating principles and report the results of this review to the PCC and the Chief Constable.



#### JOINT INDEPENDENT AUDIT COMMITTEE



Report for Decision: 7" December 2018	
Title: OPCC Risk Register	

## **Executive Summary:**

The OPCC risk register identifies those risks that have the potential to have a material adverse effect on the performance of the PCC (and/or the Office of the PCC) and our ability to deliver our strategic priorities, as well information on how we are mitigating those risks.

There are currently five discrete risks, as shown in Appendix 1.

The issue with the largest combined residual risk impact and risk likelihood score is that "With crime becoming ever more complex and challenging to investigate and demand on policing services increasing, the level of funding forecast for the next three years is insufficient to deliver the planned outcomes in the PCC's Police and Crime Plan 2017 to 2021" (Risk OPCC 18)

# Recommendation:

That the Committee notes the five issues on the OPCC risk register, the actions being taken to mitigate each individual risk and endorse the proposed changes to the risk register.

Chairman of the Joint Independent Audit Committee							
I hereby approve the recommendation above.							
Signature	Date						

#### PART 1 - NON-CONFIDENTIAL

## 1 Introduction and background

1.1 The Office of the PCC (OPCC) risk register highlights those issues that could potentially prevent or be an obstacle to the PCC's ability to successfully deliver his strategic priorities and key aims, as set out in his current Police and Crime Plan 2017-2021.

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- 1.2 The risk register, attached at Appendix 1, has been produced in accordance with the Force Risk Management guide. All risks are scored on an ascending scale of 1-5 in terms of both 'Impact' (I) and 'Likelihood' (L). The assessed risk score is derived by multiplying the individual impact and likelihood scores. The maximum score is therefore 25 (highest risk). A copy of the risk impact and likelihood scoring criteria definitions and risk assessment matrix are attached at Appendix 2.
- 1.3 Two scores are provided for each risk issue. The first set of scores show the original 'raw' risk assessment, i.e. before any mitigating actions are identified and implemented. The second set of scores shows the adjusted 'residual' risk, i.e. after these mitigating actions have been implemented.

#### 2 Issues for consideration

- 2.1 The Committee needs to be satisfied that adequate and effective systems are in place to ensure all significant PCC risks have been identified and reasonably scored; that appropriate mitigating actions have been identified and are being implemented over a reasonable timeframe, and that both the raw and residual assessed risk scores appear sensible and proportionate.
- 2.2 The issue with the largest combined residual risk impact and likelihood score of 12.8 is the risk that 'With crime becoming ever more complex and challenging to investigate and demand on policing services increasing, the level of funding forecast for the next three years is insufficient to deliver the planned outcomes in the PCC's Police and Crime Plan 2017 to 2021' (i.e. OPCC18). The residual score for this risk has increased slightly (from 9.00) since the last meeting due to the current uncertainty over funding for the significant increase in cost of the employers contribution to the police officer pension scheme.
- 2.3 All five risks have been reviewed and updated accordingly.

## 3 Financial Implications

3.1 There are no specific financial implications arising directly from this report. Any costs incurred implementing some of the agreed mitigation actions can and will be contained within the existing PCC approved budget.

#### 4 Legal Implications

4.1 There are none arising specifically from this report

## 5 Equality Implications

5.1 There are none arising specifically from this report

#### **Background papers**

TVP Risk Management User Guide and Instruction

#### Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

# Is the publication of this form to be deferred? No

### Is there a Part 2 form? No

	Officer
Name & Role	
Head of Unit This report has been produced in accordance with the Force Risk Management guide	PCC Chief Finance Officer
Legal Advice No specific issues arising from this report	Chief Executive
Financial Advice No specific issues arising from this report. Any additional costs incurred in implementing mitigating actions will be contained within existing PCC approved budget	PCC Chief Finance Officer
Equalities and Diversity No specific issues arising from this report	Chief Executive

#### PCC CHIEF OFFICERS' APPROVAL

We have been consulted about the report and confirm that appropriate financial and legal advice has been taken into account.

We are satisfied that this is an appropriate report to be submitted to the Joint Independent Audit Committee.

Chief Executive Date 28 November 2018

Chief Finance Officer Date 7 November 2018

			ì								
URN	OPCC18	Date Raised	1.12.16	Raised By	lan Thompson	Risk Owner	lan Thompson	Review Date	5.11.18	OPCC/Force Objectives	1,2,3,4,5,6
	Risk Descrip	otion			Conseque	ences			E	xisting Control	s
With crime becoming ever more complex and challenging to investigate and demand on policing services increasing, the level of funding forecast for the next three			against inc 2 PCC una commitmer	reasing den able to demo nts and Poli		as delivered his objectives and	targets	monitoring 2 Close modelivery Pla	nitoring of Forc n	e Delivery Plan a	Regular in-year budget and OPCC Strategic PCC objectives,
planne	s insufficient ed outcomes and Crime Pla	in the PCC's	o. i aithers	working	does not take p	nace at the requ	arred level			nd by local autho	
	Before Mitig	ation									
Impact	Likelihood	Risk Rating									
5.0	4.5	22.5									
	Residual So	core									
Impact	Likelihood	Risk Rating									
4.3	3.0	12.8									
	Pro	oosed Action P	lan		Action Owner	Target Date		Current status			
		annual budget January 2019	and MTFP v	will be	TVP	Jan-19	value public sector £5.3m in 2019/20 level regarding the information will not term financial plar report on reserves presented to the F	or pension so and approxi- e level of gov of be known un (2017/18 to s, balances a PCC at his le	hemes. This ch 213m in 2020/2 rernment suppo until early Dece 2019/20), med nd provisions he vel 1 meeting o	nange implies ad 21. Negotiations ort to help fund the mber. The Finar dium term capital nave all been upon 26 November.	
	Future savings will be identified through the Productivity Strategy and Priority Based Budgeting process					Jan-19	The MTFP is currently being updated and includes £12.1m of productivity plan savings over the next 4 years, but further savings may be required to fund the increase in police officer pension costs.				
	& Crime Plan of action taken as	outcomes will be appropriate	closely mor	nitored and		-	Progress on the d	elivery of the			PCC internal Strategic each of his 'Level 1'

	GE	Mar-19	public meetings. The PCC's performance and progress in delivering his Police and Crime Plan is scrutinised by the independent Police and Crime Panel.
4. Spending against Local Authorities regarding Community Safety Fund (CSF) grants will be monitored very closely within the OPCC	SM	Mar-19	CSF Grant agreements for 2018/19 were sent to Local Authorities during June. Mid year grant returns have been received are currently being scrutinised. Possible loss of CSF if offered as saving to TVP in 2019-20 would impact on local authority ability to provide crime prevention, ISVA services, drug/alcohol services, and YOT early intervention.

URN	OPCC 19	Date Raised	13.6.18	Raised By	SM	Risk Owner	SIM	Review Date	5.11.18	Force Objectives		
	Risk Description			<u> </u>	Conseque	•		Existing Controls				
			1						Hub staffing (5 Victims First Officers, Manager and Data Quality Officer) was established above required estimate (via LPA pilots) to allow for increased external demand.			
			The quality o	f service p	rovided to victir	ms is adversely	affected	Temporary is	Temporary increases managed by pulling in OPCC policy officers to perform VFO functions.			
By promoting the Victims First service the demand for victim services could exceed the supply		ictims First d for victim d the supply	Reputational	damage fo	or the PCC			Formal public launch of Victims First postponed until several month after actual operational go-live date, and roll out of Victims First Connect (the community arm of VF) postponed until summer 2018. Roll out will be incremental.				
avanasi	available from PCC commissioned contracts											
	Before Mitiga	ation										
Impact	Likelihood	Risk Rating										
3.44	3.00	10.31										
	Residual So											
Impact	Likelihood	Risk Rating										
2.38	2.50	5.94										
	Prop	oosed Action P	lan		Action Owner	Target Date		Current status				
		approved (poson to make furthe			SM		Two new VFOs re progress.	ecruited but no	ot started, and	further recruitn	nent to 6th VFO post in	
	erm contracts i	o Officer and Hul n case posts nee			SM	31-Mar-19	Situation will be re Officer post soon			nd of each posi	tion. VF Communications	
		nteers is being e g form obtained.		TVP.	EF		This is not being	explored at th	is time.			
Close mo	nitoring of refe	rral rates and wo		e Hub	SM		Data Quality post SM and CM in int		ccepted (vettir	ng in progress)	. Role being undertaken by	
and other PCC services.  Excessive referrals of Young People leading to over-demand and waiting lists in Young Victims Service has been analysed and meetings requested by D/PCC with two local authority social services directors.				nalysed	МВ	30-Sep-18	Meetings have taken place and issues highlighted. SAFE waiting lists now slightly reduced.				aiting lists now slightly	
New Expl	New Exploitation/Complex Needs Service now in place and accepting referrals.						This will reduce d	emand on oth	er services wh	nich were reach	ing capacity.	
						<u> </u>						

URN	OPCC 20	Date Raised	I 13618 I	Raised By	SM	Risk Owner	I SM	Review Date	05/11/2018	Force Objectives	
	Risk Description				Conseque	ences		Existing Controls			
			Reputational damage for the PCC				OPCC perfo	rmance monito	ring regime		
									PCC performar ic 'Level 1' mee	nce monitoring reports presented tings	to the
								Good joint w department	-	Governance & Service Improvem	ent
strategi	le to evidence c priorities ar C's Police an	nd key aims in						Close monit	oring of CSP de	livery plans	
	Defens Mich	-t'									
Impost	Before Mitig	1									
Impact 3.63	3.00	Risk Rating 10.88									
	Residual S	core									
Impact	Likelihood	Risk Rating									
2.46	2.00	4.92									
	Pro	posed Action P	lan		Action Owner	Target Date			Current s	tatus	
	•	he Governance 8		Daliman				•		alignment of TVP plan to aid further	
		nt to better align ice & Crime Plar			SM	31-Oct-18	infographic may b	e supersede ng TVP and F	d by Q2 - neithe	f first performance infographic. Quern have yet been tested on a wider e Panel. Process to create infogra	r
		ements expected formance Policy		cruitment	СМ	31-Oct-18	Changes to repor Partnerships and			istent CSP attendance by dedicat	ed
OPCC De deliver Pla	•	sists evidencing	OPCC activi	ty to	GE	31-Mar-18	OPCC Strategic I and SMG.	Delivery Plan	2018-19 agreed	I and being monitored via team m	eetings

URN	OPCC 21	Date Raised	13.6.18	Raised By	SM	Risk Owner	I SM	Review Date	05/11/2018	Force Objectives	
	Risk Descrip	otion			Conseque	ences		Existing Controls			
			Loss of serv	vice to victim	ns			Other service	ces exist which	could step in.	
Povi	iew of the OPC	CC victims	Reputationa	al damage to	the PCC				pathways kept vices can refer i	intentionally narrow so that only existing in.	
'speci	ialist counsell es potential w		Fined under	GDPR				require cont	tains data prote	e data is recorded. Counsellor contracts ction requirments. Contract with Gallery is GDPR compliant.	
administ complia requir significa	trative proced ince with GDF ements, etc) t nt investment	ures (e.g. non- PR, disclosure hat requires in OPCC time,	Pre-Trial Th	erapy/Disclo	osure implicatio	ons		SM in discustasked to dr	ssions with TVF aft pre-trial then sign up to). Pol	about disclosure generally. Policy Office apy protocol (which counsellors will be icy Manager copied into and monitoring	
resc	ource and cos	t to rectify									
	Before Mitig										
Impact 3.65	Likelihood 3.00	Risk Rating 10.95									
lunu a a t	Residual So	1									
Impact 2.62	Likelihood 2.75	Risk Rating 7.20									
	Pro	posed Action P	l lan		Action Owner	Target Date		Current status			
managem	•	and data stored take place by O when in post.	•		SM	31-Jul-18	Quick assessmer monitoring inform			nents will be passed to reviewers. Lack of	
•	d, external cons ality and comp	sultant will be red liance review.	cruited to cor	duct end-	SM	30-Sep-18	Circles SE have b	peen recruited	d to undertake t	he review. Terms of Reference agreed.	
•	•	rvice performand monitored as par	•		SM	30-Sep-18	MoJ perfromance	framework r	eceived and to	be implemented with counsellors	
Consider counselling service manager option					SM	30-Sep-18	New Policy Officer post advertised and interviews taking place mid-Nov. This role will take over role of Counselling Service Coordinator in addition to strategic development of PCC approach to other specialist areas (mainly domestic and sexual abuse).				
Consider where day-to-day management of counselling service sits, whether within Hub, OPCC or outsourced, as part of wider commissioning strategy				- 1	SM	30-Sep-18	Dependent on 1 and 2 above				
	Oraft Pre-Trial Therapy protocol, to be agreed by TVP Prosecutions group.				WW	30-Sep-18	In progress.				

URN	OPCC 22	Date Raised	1 14 6 18 1	Raised By	SM	Risl Owne	I SM	Review Date	05/11/2018	Force Objectives	
,	Risk Descrip		Consequences					Existing Controls			
			Gap or loss of service for victims					Highlight of potential issue to ICT via Catherine Troup to ensure work is scheduled.			
			Reputational damage					Possible option to return to manual input provided some form of spreadsheet can be provided.			
		S by TVP leads						Other referral options in place, eg. referral through website, email etc, could be used by TVP officers.			
victims c											
Before Mitigation											
Impact	Likelihood	Risk Rating									
3.56	3.75	13.36									
Residual Score											
Impact	Likelihood	Risk Rating									
2.31	2.75	6.36									
Proposed Action Plan					Action Owner	Target Date		Current status			
Highlight	Highlight with TVP and monitor towards Niche upgrade go-live					Oct-18	Niche RMS upgra	liche RMS upgrade currently postponed until Dec 2018.			
Connect						Oct-18	Rollout plan prepared				
	Preparation of internal TVP communications, for instant use in worst case scenario.					Sep-18	Not yet started.				





30 November 2018

The Office of Police and Crime Commissioner and Chief Constable
Thames Valley Police
Kidlington
OX5 2NX
Dear Anthony and Francis,

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Joint Independent Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Police and Crime Commissioner (PCC) and Chief Constable (CC), and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Joint Independent Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 7 Dec 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

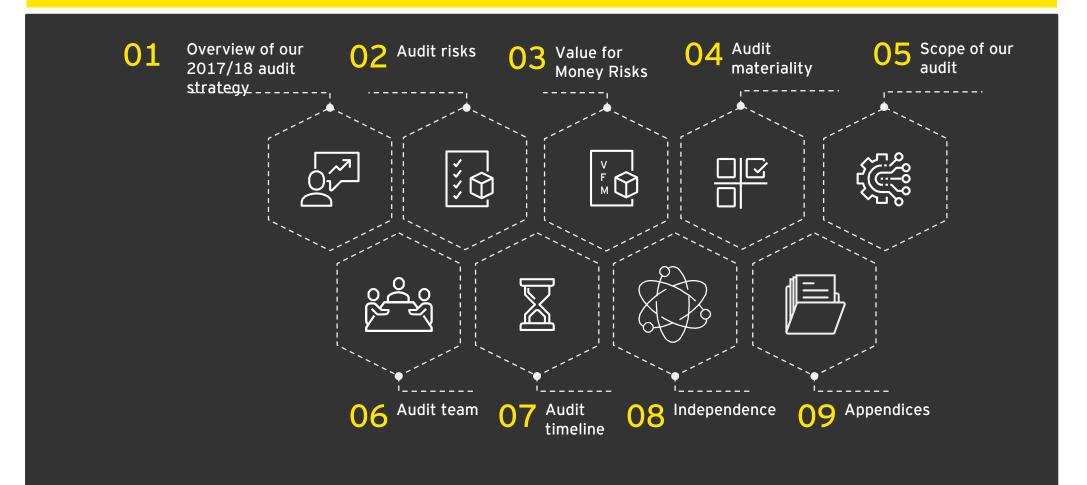
Paul King

Associate Partner

For and on behalf of Ernst & Young LLP

Enc

### **Contents**



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<a href="https://www.psaa.co.uk/audit-guality/statement-of-responsibilities/">https://www.psaa.co.uk/audit-guality/statement-of-responsibilities/</a>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Audit Committee and management of Thames** Valley Police in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the **Audit Committee, and management of Thames Valley Police** those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the **Audit Committee and management of Thames Valley Police** for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Police and Crime Commissioner (PCC) and Chief Constable (CC) with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

the current year.					
Risk / area of focus	Risk identified	Change from PY	Details		
Risk of fraud in revenue and expenditure recognition	Significant Risk / Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.		
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.		
IAS 19 Liability Valuation	Other Risk	No change in risk or focus	As part of the 2017/18 audit we raised as an issue that we felt that some of the actuarial assumptions being used could potentially lead to incorrect valuations in future years. This is an area where we need to do more to understand whether there is a risk or not and if so the implications of the risk.  Our approach will focus on:  Reviewing the key areas where we found issues in 2017/18 and engaging our EY Pensions experts to review the 2017/18 assumptions; and  Completing detailed testing of material IAS 19 Pension figures to ensure that these are materially correct. We have a Higher Inherent Risk on IAS 19 Valuations.		
PPE Valuations	Other Risk	No change in risk or focus	Property, Plant & Equipment (PPE) balances are some of the largest on the Balance Sheet. Small changes in key assumptions can have a significant and material impact in the financial statements.  Our approach will focus on:  ▶ Completing substantive testing of material balances within the Property, Plant and Equipment (PPE) note in the financial statements to ensure that all balances are materially correct. We have a Higher Risk on Valuations;  ▶ Assessing the key assumptions and judgements applied by the external valuer		

# Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Police and Crime Commissioner (PCC) and Chief Constable (CC) with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Impact of New Accounting Standards - IFRS 9 (Financial Instruments) & IFRS 15 (Revenue from customers)	Area of Audit Focus	Change in risk or focus	IFRS 9 brings revisions to the classification and impairment of financial assets.  IFRS 15 sets out a revised income recognition and measurement framework to bring clarity over accounting for complex transactions. Both standards are effective from 1st April 2018.



### Overview of our 2018/19 audit strategy

#### Materiality

Group Planning materiality

£10.088m

We have determined that materiality for the financial statements of the PCC Group, the subsidiaries (PCC and CC Single entity accounts) and the Police Pension Fund is: Group - £10.088m, PCC - £6.023m, CC - £9,884 m, PPF - £0.965 m, respectively. This represents 1.8% of the prior years gross expenditure on provision of services for the PCC Group and CC Single entity accounts, 1.8% of the prior year's gross assets for the PCC single entity accounts and 1% of the higher of benefits payable/contributions receivable for the Police Pension Fund.

> Performance materiality for the PCC Group, the subsidiaries and the Police Pension Fund has been set at £7.567m, £7.413 m, £4.517 m and £0.724 m which represents 75% of materiality.

£7.567m

Group

Performance materiality

> **Group Audit** differences

£0.504m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and police pension fund financial statements) greater than £0.529m for the Group. Other misstatements identified will be communicated to the extent that they merit the attention of the PCC and CC. The thresholds for the CC (Single Entity), the PCC (Single Entity) and the Police Pension Fund are £0.494m, £0.301 m and £0.048 m respectively.

### ©Overview of our 2018/19 audit strategy

#### Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of the PCC and CC for Thames Valley Police give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the PCC and CC's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the PCC's and CC's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the PCC and CC.

#### Audit team changes

Paul King, Associate Partner

Paul is taking over the Engagement Partner role for the audit for 2018/19, as Maria Grindley has rotated off the audit under our policy on the rotation of engagement partners.

Paul is an Associate Partner in our Government and Public Sector Assurance Team based in Reading, and joined EY in 2012 from the former Audit Commission, where he was a District Auditor. Paul has audited an extensive range of local public services bodies, including local authorities, NHS bodies, and police and fire bodies



# Audit risks

### Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition\*

#### Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

This risk has been associated to the following testing areas:

Balance Sheet PPE Land & Buildings - PCC - Existence

Balance Sheet PPE Other - CC - Existence

#### What will we do?

- Review and test revenue and expenditure recognition policies;
- Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- Develop a testing strategy to test material revenue and expenditure streams;
- Review and test revenue cut-off at the period end date; and
- Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised



### Our response to significant risks (continued)

Misstatements due to fraud or error - Management Override\*

#### Financial statement impact

Management override risk covers the risk that managements may be able to override the controls in relation to the financial statements resulting in misstatements.

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

#### What will we do?

- Identify fraud risks during the planning stages.
- Enquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider the effectiveness of management's controls designed to address the risk of fraud.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including tests of journal entries and other adjustments in the preparation of the financial statements.
- ► Review accounting estimates for evidence of management bias;
- Evaluate the business rationale for significant unusual transactions;
   and

# Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

#### What is the risk/area of focus?

#### Pension Liability Valuation & Actuarial Assumptions

The Local Authority Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Buckinghamshire County Council. The PCC must also do similar in respect of the Police Pension Fund.

The PCC and CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respective balance sheets of the PCC and CC. At 31 March 2017 this totalled £2.5 million and £4,294 million respectively.

The information disclosed is based on the IAS 19 report issued to the PCC and CC by the actuary to the County Council and also the Police Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Group accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

#### What will we do?

#### We will:

- Liaise with the auditors of Buckinghamshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Thames Valley Police;
- Assess the work of the LGPS Pension Fund actuary (Barnett Waddingham) and the Police Pension actuary (GAD) including the assumptions they have used by relying on the work of PWC Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the PCC and CC's financial statements in relation to IAS19.

- Consider the work performed by the PCC's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample testing key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements

# Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

### What is the area of focus?

#### IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- How financial assets are classified and measured:
- How the impairment of financial assets are calculated; and
- ▶ The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

#### IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on Police accounting is likely to be limited as large revenue streams like council tax and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

#### What will we do?

#### We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Consider the classification and valuation of financial instrument assets:
- Review new expected credit loss model impairment calculations for assets; and
- Check additional disclosure requirements.

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Check additional disclosure requirements.



# Value for Money

#### **Background**

We are required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

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

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

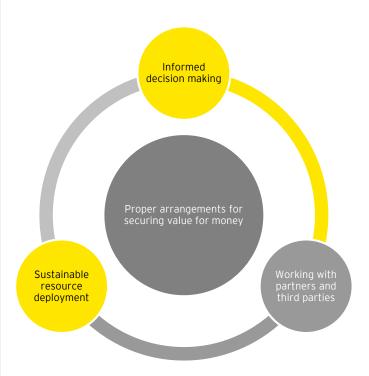
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is 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"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the PCC & CC to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At this stage we have identified the development of the new Enterprise Resource Planning (ERP) system as a potential area of focus for our Value for Money Conclusion work.



# Value for Money

# Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
New ERP System	Take informed decisions / Deploy resources in a sustainable manner/ Work with partners and other third parties	As part of our planning we are aware of the new Enterprise Resource Planning (ERP) system that is being implemented. This is a significant joint project with Surrey and Sussex Police which will modernise the key financial systems in effect at Thames Valley Police. The project is a multi-pound IT restructure and so is subject to a significant number of inputs and assumptions regarding delivery. As part of our review of the value for money conclusion we would like to understand the current status of the project versus the initial project timeline. In addition we would also like to further understand the current forecast budget versus initial budget and also the estimated likely outturn. Once we have completed this review we will then conclude on any impact on our value for money conclusion for 2018-19.

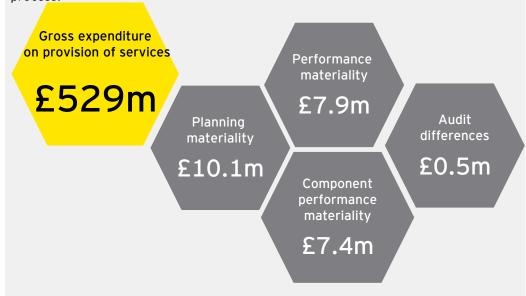


### **₩** Audit materiality

### Materiality

### **Materiality**

For planning purposes, materiality for the PCC Group and CC Single Entity for 2018/19 has been set at £10.1m & £9.8m respectively. This represents 1.8% of the PCC Group and CC Single Entity's prior year gross expenditure on provision of services. Materiality for the PCC Single Entity has been set at 1.8% of the PCC Single Entity's prior year gross assets. In the prior year we applied a threshold of 2%. We have applied a lower percentage on the basis TVP meets the Local Audit & Accountability Act 2014 criteria for a major local audit based on its size. We have also considered its overall risk profile against other audited bodies. Materiality for the Police Pension Fund has been set at 1% of the higher of the prior year contributions receivable/benefits payable of the Police Pension Fund. The basis for materiality is consistent with prior year. It will be reassessed throughout the audit process.



We request that the PCC and CC confirm their understanding of, and agreement to, these materiality and reporting levels.

#### **Key definitions**

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

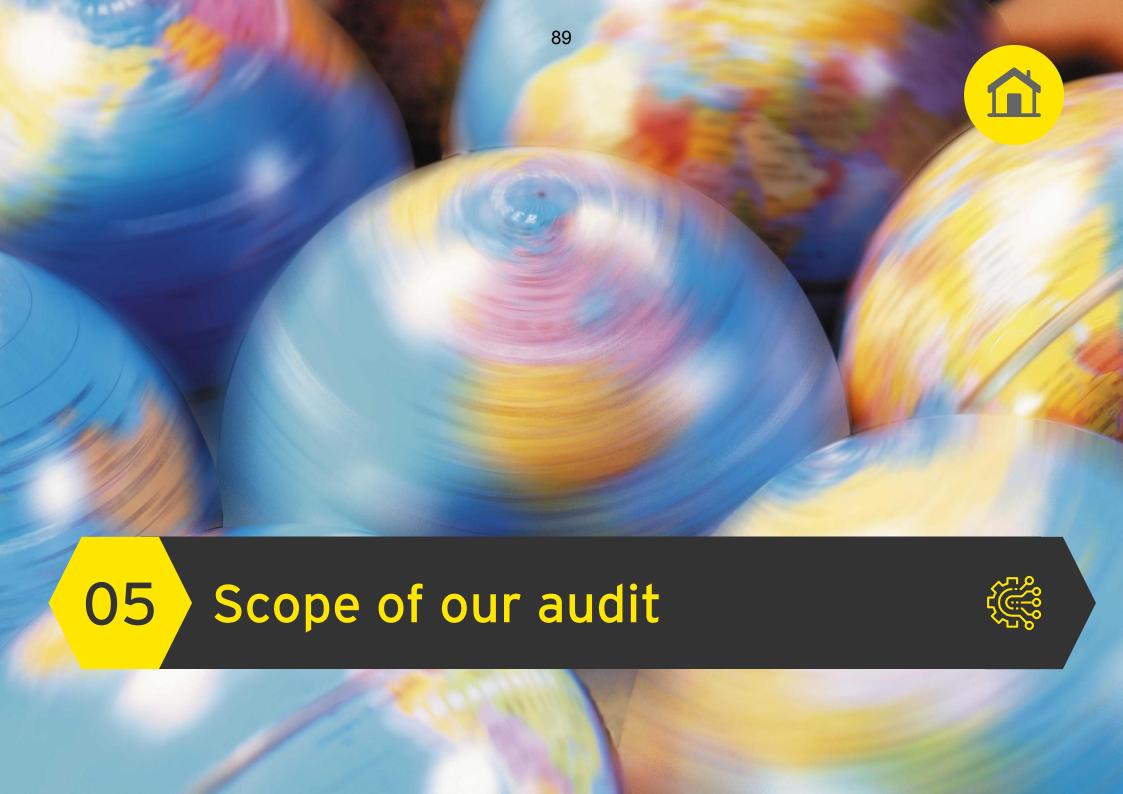
**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality for the PCC Group, Single Entity Accounts & Police Pension Fund at £7.933m, £4.686m, £7.68m & £1.338m which represents 75% of planning materiality. This basis for assessment is consistent with prior year and no factor has been identified suggesting a change in basis.

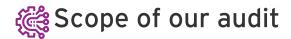
**Component performance materiality range** - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and the police pension fund financial statements that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the joint independent audit committee, or are important from a qualitative perspective.

**Specific materiality** - We can set a lower materiality for specific accounts disclosure e.g. remuneration disclosures, related party transactions and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this. Where we do this we will notify you.





### Our Audit Process and Strategy

#### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the PCC and CC's financial statements and arrangements for securing economy, efficiency and effectiveness in their use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### Procedures required by standards

- · Addressing the risk of fraud and error;
- · Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- · Auditor independence.

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- · Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the PCC and CC has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on their use of resources.



### Our Audit Process and Strategy (continued)

#### **Audit Process Overview**

#### Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated. This approach is consistent with that taken in previous years.

#### Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

#### Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



### Our Audit Process and Strategy (continued)

#### Earlier Deadline for Production of the Financial Statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

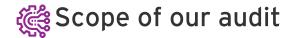
- The PCC and CC now have less time to prepare the financial statements and supporting working papers. Risks to the PCC and CC include....[should include relevant local factors, such as slippage in delivering data for analytics work in format and to time required, late working papers, internal quality assurance arrangements, changes to finance team etc1
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- ▶ appropriate PCC and CC staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.



### Scoping the group audit

#### **Group scoping**

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

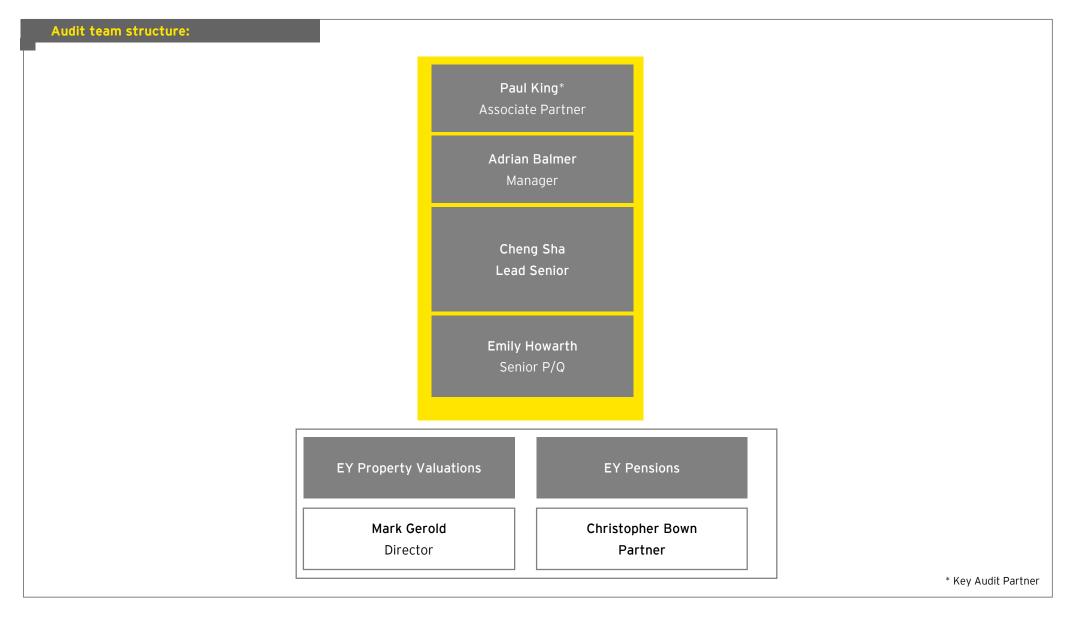
- 1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

We note here that all of the components at Thames Valley Police are considered significant. This includes the Chief Constable (Single Entity), the Police and Crime Commissioner (Single Entity) and the Police Pension Fund.



### ്ഷ് Audit team

### Audit team





# Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists	
Valuation of Land and Buildings	EY Property Valuations Team; Management Third party specialists - Lambert Smith Hampton	
Pensions disclosure	EY Actuaries; Management Third party specialists - Barnett Waddingham and Government Actuarial Department (GAD)	
Insurance Fund Valuation	Management Third party specialist - Marsh	
Pension Fund	Grant Thornton LLP – auditor at Buckinghamshire County Council Pension Fund (administrators of the Local Government Pension Scheme of which the PCC and Thames Valley Police is an admitted member )	
Pension Fund	EY Pensions Team PWC is commissioned by PSAA to undertake a review of Local Government Actuaries	

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the PCC and CC's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- ► Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





### Audit timeline

### Timetable of communication and deliverables

#### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the PCC and CC and we will discuss them with the Joint Independent Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning:	October		
Risk assessment and setting of scopes.			
	November		
Walkthrough of key systems and processes	December	Audit Committee	Audit Planning Report
	January		
Interim audit testing	February		
Interim audit testing	March	Audit Committee	Interim audit progress report
	April		
Year end audit	May		
Audit Completion procedures			
Year end audit	June		
Audit Completion procedures			
	July	Audit Committee	Audit Results Report
			Audit opinions and completion certificates
			Annual Audit Letter



# Independence

### Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

#### Required communications

#### Planning stage

- ► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence.
- Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]

#### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed:
- Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of any contingent fee arrangements for non-audit services provided by us or our network firms;
   and
- ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.



### Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

#### **Overall Assessment**

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Paul King, your audit engagement partner and the audit engagement team have not been compromised.

#### Self interest threats

A self interest threat arises when EY has financial or other interests in the PCC and/or CC. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.



### Relationships, services and related threats and safeguards

#### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

#### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the PCC and/or CC. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

#### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



### Other communications

#### **EY Transparency Report 2018**

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018





### Appendix A

### Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 20xx/xx accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£		£
Total PCC Fee - Code work	31,214	31,214	40,538
Total CC Fee - Code work	14,438	14,438	18,750
Total audit	45,652	45,652	59,288
Total other non-audit services	0	0	0
Total fees	45,652	45,652	59,288

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ► Our accounts opinion and value for money conclusion being unqualified;
- ► Appropriate quality of documentation is provided; and
- ► The PCC and CC have an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with management in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

All fees exclude VAT



# Required communications with the PCC and CC

We have detailed the communications that we must provide to the PCC and CC.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the PCC and CC of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.  When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report to be presented at the December 2018 Joint Independent Audit Committee.
Significant findings from the audit	<ul> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report to be presented at the July 2019 Joint Independent Audit Committee.

### Appendix B

### Required communications with the PCC and CC (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<ul> <li>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</li> <li>Whether the events or conditions constitute a material uncertainty</li> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee.
Misstatements	<ul> <li>Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>The effect of uncorrected misstatements related to prior periods</li> <li>A request that any uncorrected misstatement be corrected</li> <li>Corrected misstatements that are significant</li> <li>Material misstatements corrected by management</li> </ul>	Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee.
Fraud	<ul> <li>Enquiries of the PCC and CC to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>A discussion of any other matters related to fraud</li> </ul>	Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee.
Related parties	<ul> <li>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>Non-disclosure by management</li> <li>Inappropriate authorisation and approval of transactions</li> <li>Disagreement over disclosures</li> <li>Non-compliance with laws and regulations</li> <li>Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee.

### Appendix B

### Required communications with the PCC and CC (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence  Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:  The principal threats  Safeguards adopted and their effectiveness  An overall assessment of threats and safeguards  Information about the general policies and process within the firm to maintain objectivity and independence	Audit Planning Report to be presented at the December 2018 Joint Independent Audit Committee; and Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee.
Auditors report	<ul> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee.
Fee Reporting	<ul> <li>Breakdown of fee information when the audit plan is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Planning Report to be presented at the December 2018 Joint Independent Audit Committee; and Audit results report to be presented at the July 2019 Joint Independent Audit Committee.



# Required communications with the PCC and CC (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee
Consideration of laws and regulations	<ul> <li>Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>Enquiry of the PCC and CC into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the PCC and CC may be aware of</li> </ul>	Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee
Internal controls	► Significant deficiencies in internal controls identified during the audit	Annual Audit Letter and Audit Results Report to be presented at the July 2019Joint Independent Audit Committee
Group audits	<ul> <li>An overview of the type of work to be performed on the financial information of the components</li> <li>An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	Audit Planning Report to be presented at the December 2018 Joint Independent Audit Committee; and Audit Results Report to be presented at the July 2019 Joint Independent Audit Committee



## Additional audit information

#### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

# Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Dobtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Joint Independent Audit Committee reporting appropriately addresses matters communicated by us to the Joint Independent Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.



# Additional audit information (continued)

#### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

#### Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- ► The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Police sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Police sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



# EY ITEM Club - Local Government Economic Briefing Q3

The outlook for the UK economy appears to be worsening in 2018, as challenges continue for consumption, investment and trade. Local authorities, including Police authorities, are becoming increasingly under pressure to deliver local economic growth and improved services within this uncertain environment.

The UK has witnessed a recovery in services output and consumer activity, partially in response to the sunny weather and the World Cup; however, weaker overseas growth (exacerbated by escalating fears of global trade disputes) has contributed to a slowing momentum in some sectors.

The ultimate impact is a continued slowdown in real GDP growth during 2018, with the EY ITEM Club revising its forecast for GDP growth to 1.4% in July 2018, down from the 1.6% expected in April 2018. The increasingly uncertain global outlook has led the EY ITEM Club to also renew its interest rate position, predicting that there will be only one rate rise in 2018 rather than the two forecasted previously. Local authority short-term borrowing increased by 31% in 2017/18, meaning that such a delay in interest

rate hikes will likely be positive news to many local authorities. In August 2018, the Bank of England has since raised the interest rate by a quarter of a percentage point, from 0.5% to 0.75% – the highest level since March 2009, which will be re-considered by the EY ITEM Club in our next forecast.

Whilst it is still early days as far as predicting the 2018/19 fiscal performance, a downgraded forecast for GDP growth this year and next, compared to the expectation three months ago, implies a bigger fiscal deficit.

On the whole, a weaker outlook for the UK economy should signal caution for local authorities, including Police Authority.

We have seen some potential signs of slippage in the Government's fiscal austerity plans, with the Prime Minster announcing in June an uplift in NHS spending growth from 2019/20 onwards. As yet, it is unclear how much of this extra spending will be financed by higher taxes versus higher borrowing and consequently the implications for future deficits are unknown.

#### **Brexit**

A CIPFA survey has found that three quarters of public service leaders feel that central government is not engaged or has not communicated sufficiently over Brexit. CIPFA's Brexit Advisory Commission has commented that in order for local authorities to plan effectively and identify opportunities, communication channels need to be open between the government and public service leaders. Anticipating an increase in cost, public service leaders are purchasing more from suppliers now to prevent potential higher costs in the future.

Public service leaders are also anticipated a staffing pressures. Nationally it is estimated that 7% of the social care sector's workforce are non-UK EU nationals. However, in some regions of the UK non-UK EU nationals make up a significantly larger proportion.

Another major concern is regarding replacement of EU funding which is currently worth £8.4bn. In a recent white paper the Government has proposed a UK Shared Prosperity Fund (UKSPF) to replace the existing EU regional funding. Details of how local authorities can bid to secure this funding has yet to be determined.

# Home Office Awards Over £100 million to Police Transformation Projects

The Home Office has published the latest details of the projects which have been successful in obtaining funding from the Police Innovation Fund. The Police Transformation Fund (PTF) was launched in 2016 to support the efficiency and effectiveness of

police operations. The Home Secretary has approved £70 m of funding in 2018/19 to four large national programmes covering a range of projects across a number of different forces in England and Wales. The approved programmes will transform how the police uses technology in its engagement with the public and for addressing major threats. These programmes are expected to deliver cash savings and improve efficiency.

The four national police-led programmes awarded funding were:

- ► The National Enabling Programme which will aim to unify the IT system across policing services
- ► The Specialist Capabilities Programme which will improve knowledge and resource sharing in key crime areas
- ➤ The Digital Policing Portfolio which will result in the creation of a single online hub allowing the public to report low-level incidents
- Transforming Forensics which will improve biometrics and digital forensics

In addition to the four national led programmes, The Home Office has also announced 15 successful 'local' bids to the fund totalling £42.7m for completion across 2018/19 and 2019/20.



# EY's response to CIPFA consultation on implementation of the new adoption of IFRS 16

On 7 September CIPFA closed its consultation on proposals for developing the new edition of the Local Authority Accounting Code for 2019/20 in relation to implementing the new leasing accounting standard, IFRS 16.

IFRS 16 aims to increase the transparency of financial reporting on leases. It removes the previous lease classifications of operating and finance leases for lessees and it requires that a right-of-use asset (i.e. a lessee's right to use an asset over the life of a lease) be recognised for all leases (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. This will be a significant change for local authorities and present practical challenges for processes, systems and data collection.

IFRS 16 will mean that current value depreciation and depreciation is charged to the Surplus or Deficit on the Provision of Services. It will also impact on the statutory reporting and capital finance requirements for leased assets which currently refer to finance leases. The recognition of right-to-use assets will bring leases into the scope of the Prudential Framework. The cost (on initial recognition) of the right-to-use asset will meet the definition of capital expenditure in contrast to the current revenue treatment of operating leases.

We generally support the CIPFA proposals with the following matters to highlight:

- ▶ Clarification of what 'low value' is. There are exemptions under IFRS 16 for 'low value' leases but there is no clear definition. The proposals do not make reference to assets that may be of low value, but are only used or used to maximum effect by being part of a network e.g. photocopiers can be used off-line but are more usually used on-line; laptops could have a similar position. The Code needs to clarify what low value is and what being part of a network is as this would be a potential area of disagreement and inconsistency. A number of clients have suggested using their de minimis level for capitalisation as the 'low value'. The Code should emphasise that these are two different concepts.
- Measurement of the lease liability. The lease liability is calculated from the present value of the lease payments payable over the lease term. This is discounted at the interest rate implicit in the lease or the authority's incremental borrowing rate. In our experience many authorities do not have information on the rate implicit in their operating leases. For consistency and cost effectiveness mandating the use of the incremental borrowing rate for all leases would be a positive step.
- Subsequent measurement. To measure the right-of-use asset we support the approach of current value measurement with materiality based practical expedients. This would be consistent with the current approach for PPE assets. It would be unsupportable to have different valuation models for the same asset types based on whether they were controlled directly or controlled via lease.

# Consultation on proposed statutory overrides for IFRS 9

Local authorities will be required to implement the new IFRS 9 Financial Instruments standard for the 2018/19 financial year. The sector has made representations to the government on the anticipated negative impacts of the new standard which could result in income statement volatility, earlier recognition of impairment losses on receivables and loans and significant new disclosure requirements. Ministry of Housing Communities and Local Government (MHCLG) has set a response date of 28 September 2018 on for following matters:

# Time limited statutory override on fair value movements for pooled investment funds

One of the consequences of IFRS 9 is that fair value changes in pooled investments fund will be accounted for at fair value through profit and loss which will impact non-ringfenced revenue reserves, annual balanced budget calculations and ultimately mean there is less money available to fund services.

MHCLG is proposing a three year grace period to adapt to the accounting changes, requiring local authorities to reverse out fair value movements on pooled investments to unusable reserves until 1 April 2021. MHCLG believes this should give local authorities sufficient time to divest themselves of these types of funds or alternatively build up sufficient revenue reserves to mitigate the impact. To aid in transparency, fair value movements relating to IFRS 9 should be separately disclosed in the Unusable Reserves note.

# Earlier recognition of impairments on loans and trade receivables

MHCLG does not intend to mitigate the impact of early impairment recognition of loans and receivables, owing any substantial impairment a direct result to the authorities risk appetite. Local authorities will need to keep a close eye on the budgetary position to accommodate this accounting change

#### **Disclosure Requirements**

MHCLG does not intend to reduce any disclosure requirements, despite the administrative burden that may arise in first time implementation, as the new and enhanced disclosure requirements will benefit the users of the accounts.

#### The first year of local government faster close

After almost two years preparation, numerous discussions between auditors and finance teams, several reminders to audit committees and a significant amount of hard work, the end of July, the new deadline for local authorities to publish audited accounts,

came and went. Across the 150 EY local authority audit portfolio, the new deadline was me at 132 authorities (88%). Nationally, we hear, and it's an unaudited figure, the outcome was 15% missed the earlier deadline, compared with 5% that missed the previous year's end of September deadline.

Auditors are already meeting with finance teams to de-brief and learn lessons for FY19. We outline below our immediate views on the key factors for both authorities and auditors that contributed to meeting the faster close deadlines.

- 1. Project management: Authorities with a clear, well thought through, detailed and actively managed action plan, involving their auditors, were more likely to be successful in delivering closedown, accounts preparation and the audit to time. Project plans that made preparation of supporting working papers an integral part of the process resulted in better quality financial statements. When things were going off track, decisive action was taken to make a change and get progress moving in the right direction. Often project management resided with one or two key individuals in finance and audit teams who had the ability to influence others and make decisions on priorities and resource allocation.
- 2. Communication: Early and honest communication on progress, key judgements and potential problems enabled officers and auditors to find solutions and agree on matters promptly and efficiently rather than having limited time to deal with late and unexpected issues.
- **3. Capacity and contingency:** The shorter period between accounts preparation and publication of audited accounts increased pressure on teams and squeezed the time to deal with late issues. Successful delivery was more likely where officers and auditors built capacity and contingency into their respective scheduling plans.
- **4. Dealing with accounting estimates:** Authorities and auditors need to be clearer on their approach to preparing and auditing accounting estimates. Notably in respect of the two biggest estimates an authority makes relating to pensions and the valuation of property, plant and equipment. Both rely on the work of a specialist and are determined by an authority as part of closedown. Both are also estimates that auditors will always challenge and draw on the latest available information.
- **5. Streamlining the accounts:** We were surprised that we didn't see much evidence of authorities using the opportunity to review their accounts and taking out non-material disclosures. This may be an area that authorities and auditors would find it helpful to discuss as part of planning for 2018/19.

We encourage audit committees to consider the five key factors in relation to their plans for preparing their 2018/19 statement of accounts and supporting the associated audit.



#### Her Majesty's Inspector of Constabulary Inspection Programme & Framework 2018/19

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) has published its proposed Inspection Programme & Framework for 2018/19. The new programme & Framework will build on findings from 2017/18 and will also have a more risk based focus. Each force will still be inspected across Police Effectiveness; Efficiency and Legitimacy Assessments (PEEL) but will also be subject to other areas of inspection by HMICFRS according to where the force is assessed as being exposed to the greatest risk.

The risk assessment will be formed using a combination of data and analysis obtained from previous inspections and supplemented with any new information contained in the first Force Management Statements prepared by each force. In addition, HMICFRS has also indicated their intention to undertake a review into super-complaints once the relevant regulation has been passed.

Below we highlight the different types of inspection which HMICFRS plan to undertake:

#### 1. PEEL Inspections:

2018/19 will be the fourth year of the annual PEEL Inspections. Each force is independently assessed throughout the year across each of the three key strands of PEEL. Performance is awarded a grading ranging from outstanding to requires improvement. A full report is published for each individual force. Once the work is complete HMICFRS will also give a national assessment of the state of policing in England and Wales, making comparisons across years, and between forces.

#### 2. National Thematic Inspections:

In addition to PEEL, HMICFRS also undertake a number of National Thematic Inspections. These can be specifically commissioned by the Secretary of State or can develop as a result of HMICFRS ongoing monitoring and inspections. Not all forces will be subject to these inspections; however the results of the inspections would be deemed to be equally relevant to all 43 police forces in England and Wales. Proposed thematic inspections in 2018/19 will focus on hate crimes, counter-terrorism, fraud, cybercrimes, child protection, older people in criminal justice and crime data integrity.

# 3. Inspection of national agencies and non-Home Office Forces:

In relation to policing HMICFRS must also undertake assessments and inspections of the following:

- National Crime Agency
- Police Service of Northern Ireland
- British Transport Police

- The Police Forces of the Armed Services
- Ministry of Defence Police
- Civil Nuclear Constabulary
- ► Her Majesty's Revenue and Customs

Other potential inspections can include Joint Inspections as well as counter-terrorism and security related inspections. Joint inspections usually involve partner organisations such as HM Crown Prosecution Inspectorate Service, HM Inspectorate of Probation and HM Inspectorate of Prisons.

#### Appropriate Adult Police and Crime Commissioner – Local Authority Partnership Agreement: England

A new voluntary framework agreement has been established to enable Police and Crime and Commissioners (PCCs) and Local Authorities to work collaboratively to support vulnerable adults within their communities.

# The new agreement is called 'Appropriate adult PCC-local authority partnership agreement: England'

Appropriate adults play a crucial role in supporting vulnerable adults and children suspected of having committed an offence. They can often reduce the risk of miscarriages of justice.

The agreement sets out the impact on both PCC's and the respective local authorities.

For the PCC the new agreement focuses on a number of areas. These are specifically about:

- Nominating a Single Point of Contact (SPOC) within the office of the PCC to help facilitate a closer working relationship with local adult social services and develop an understanding of shared roles and responsibilities
- Taking responsibility for oversight of Appropriate Adult supervision. This will focus on working closely with custody management as well as understanding the operational needs of the force
- Establishing a demand led understanding of the local area to inform Local Authority or joint commissioning

For the Local Authority the new agreement focuses on:

- Developing a closer working relationship with the PCC through a SPOC which will develop a greater joint understanding of respective roles and responsibilities
- ➤ Facilitating better and more regular communication between the Local Authority and the PCC enabling better analysis which will allow the Local Authority to better understand the capacity within the local police and how to best utilise that as required
- Working in partnership with statutory and community groups supporting vulnerable people in the justice system

# Police Remuneration Review Body Report: 2018 England and Wales

The Police Remuneration Review Body (PBRB) has produced its latest recommendations into the police pay and award. The PBRB is an independent body tasked by the Home Secretary with reviewing police and making objective recommendations into future police pay and awards. The latest report was specifically tasked with looking at the police pay and awards for 2018/19. The remit of the PBRB this year was extended to look at chief officers pay in addition to rank and file police officers.

The PBRB draws on evidence from a number of sources when determining the amount of any award within their recommendations. These include for example evidence from the National Police Chief Council (NPCC) on the increased stresses and strains under which many rank and file police officers currently work as well as the affordability impact of any such recommendations.

Within their report PBRB have highlighted some of the difficulties they currently face in reaching consensus from the respective 43 police forces in England and Wales. Other issues highlighted have been around the resources currently dedicated to making a difference in respect of pay and award reform in England and Wales. The availability of good data is also a challenge which hampers the PBRB in their work.

For the 2018/19 financial year, the PBRB recommend that the time limited 1% non-consolidated pay award, currently received by the federated and superintending ranks, should be consolidated onto all pay points for officers at these ranks.

In addition to and following previous recommendations PBRB recommended a consolidated 2% increase to all police officer pay points at all ranks.



# Police Workforce Statistics: England and Wales 31 March 2018

The latest workforce statistics across the 43 police forces in England and Wales have been published by the Home Office. The data is compiled by the Office for National Statistics and figures are as at 31 March 2018. A new feature of this report is the inclusion of the number of Police Support Volunteers (PSV's).

The headline figures confirm that the total number of police staff is just under 200,000. The table below details the numbers by key staff type. The data shows that for the first time since 2010 the number of staff has increased by 0.5%. This is driven by an increase in the number of police staff and designated officers rather than an increase in the number of police officers.

Worker type	2017	2018	Percentage change (%)
Police officers	1,23,142	1,22,404	(0.6)
Police staff	61,065	62,820	2.9
Police Community Support Officers	10,213	10,139	(0.7)
Designated officers	4,255	4,380	3
Total workers (FTE)	1,98,686	1,99,752	0.5
Special constables5	13,502	11,690	(13.4)

Source: Home Office

One of the key national debates in recent years has been around the number of police officers engaged in a frontline policing role. The statistics tend to show that whilst the proportion of police engaged in frontline policing has remained fairly stable at 92%, there has been a small decline of 1,665 officers (or 1.6%) compared with the previous year.

Another key metric is the number of officers from a Black and Minority Ethnic (BME) background. The latest statistics show that 7% of all officers were BME. This is the highest percentage since records began. Whilst encouraging in some respects, this is still not representative of the population in England and Wales which has a BME population of 14%.

A similar picture can be seen with the number of female officers. Whilst the statistics show the highest percentage of female officers ever recorded at 30% this is still an under-representation when compared to the national percentage.

Lastly, the number of officers who are currently out of work on long term sick has remained fairly consistent year on year at around 2% of the police officer population.

#### EY cybersecurity strategies

There's a new way of thinking about cybersecurity. New security approaches are moving from thinking about cybersecurity as a defensive approach, to thinking about it as a source of transformation. Here are some ways to position your cybersecurity strategies for a distinct advantage.

#### Make it a team sport that everyone is a part of

The number one cause of large security breaches remains phishing, according to the 2017/18 Global Information Security Survey of over 1,200 companies. On mobile devices, phishing attacks have increased by an average of 85% year on year for the last seven years, so you are still more likely to be made vulnerable by a member of staff opening a rogue email than anything else.

This is often the result of a lack of cybersecurity awareness – whether about generic malware, scams related to fake LinkedIn profiles, or hacks on public Wi-Fi.

Therefore, developing a culture where staff at all levels understand how to protect data and systems, including mobile devices, through up-to-date training, drills and regular communication, will help build and maintain a cybersecurity advantage.

Cyber policies are vital as a living, breathing reference to help manage a fraught and fast-moving situation, yet these aren't effective if staff outside of the cyber function don't know about them.

Embedding a cyber conscious culture that heightens awareness and behaviours amongst all employees can help you pull ahead of the competition, instead of scoring an own goal.

#### Keep to a small window for damage control

The UK's national cyber security centre recently described a need to act collaboratively and collectively against cyber threats, urging organisations to raise the bar.

Cyber threats don't respect borders, jurisdictions or organisational boundaries, and there is a small window in which to minimise the damage.

Under GDPR, the new mandatory 72-hour breach reporting could be too long a timeline in the court of public opinion, and focusing on the first 2 to 5 hours instead could provide a much needed advantage.

Outlining key stages of your breach response in the first few hours across functions from IT, security, PR to legal, and identifying at which points to get an external view, could make the difference between a forgiving public or not

As we start to see more threats and regulations emerge across the world, how organisations come together, under extreme time pressures, will provide much needed collaborative gains.

#### Use different approaches for evolving risks

Cyber risks aren't constant. The nature of the risks are always changing – which means resources to fight them can't be allocated on a set basis.

Increasingly, cybersecurity requires bringing together a wide range of capabilities to deliver value.

Whether that be through enhancing cyber resources with new skillsets, leveraging emerging technology from hardware authentication, virtualised intrusion detection, or using AI and machine learning.

With cybersecurity increasingly becoming a competitive battleground, that's all the more reason to start thinking about how your organisation can build an effective cybersecurity advantage.

# **Key questions for the Audit Committee**

- 1. Has your authority considered the implications of Brexit? What plans does yourforce have in plan to mitigate potential risks associated with Brexit?
- 2. Has your Force been successful in obtaining any of the additional Transformation Funding? Are you clear of the intended benefits of this and the timelines involved?
- 3. How prepared Is your force for the changes in processes, systems and data collection as a result of CIPFA implementation of IFRS 16?
- 4. Has your Force assessed the impact of the new accounting standards IFRS 9 Financial Instruments and the potential statutory overrides on your budgets?
- 5. Are you aware of your Force's 'Force Management Statement'? Are the risks that this portrays consistent with your wider understanding of the force?

- 6. Do you knw if your PCC has adopted the principles of the new voluntary arrangements in effect with local authorities to facilitate better engagement with appropriate adults? If so, at what stage of engagement is the PCC currently at? If not, is it the intention of the PCC to engage or not? If engagement is not envisioned are you clear on the reasons for this non-engagement?
- 7. Have the pay recommendations been fully reflected in the assumptions under-pinning the 2018/19 budget?
- 8. Are you clear on the current statistics in relation to BME and female representation in your local force? Are you aware of the steps being taken to improve the relevant statistics where required?
- 9. Is your organisation still thinking about cybersecurity as a defensive approach or a source of transformation and distinct advantage?

### Find out more

#### **EY Item Club**

https://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections

#### **Brexit**

https://www.publicfinance.co.uk/news/2018/06/government-failing-engage-over-brexit

https://www.publicfinance.co.uk/news/2018/07/brexit-will-hit-public-finances-conference-hears

https://www.local.gov.uk/about/news/lga-responds-brexit-white-paper

# Home Office Awards £100 m to Police Transformation Projects

https://www.gov.uk/government/news/home-office-awards-over-100-million-to-police-transformation-projects

#### Consultation on the adoption of IFRS 16

https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/local-authority-leasing-briefings

# Consultation on proposed statutory overrides for IFRS 9

https://www.gov.uk/government/consultations/local-authority-budget-setting-mitigating-the-impact-of-fair-value-movements-on-pooled-investment-funds

# Her Majesty's Inspector of Constabulary Inspection and Framework Programme 2018/19

https://www.justiceinspectorates.gov.uk/hmicfrs/news/newsfeed/hmicfrs-publishes-its-policing-inspection-programme-and-framework-2018-19/

# Appropriate Adult PCC-Local Authority Partnership Agreement: England

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/730578/6.4526\_CPFG\_Appropriate\_Adult\_Partnership\_Programme\_v8\_web.pdf

# Police Remuneration Review Body Report: 2018 England and Wales

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/728358/Police\_ Renumeration\_Review\_Body\_Executive\_Summary\_2018.pdf

#### Police Workforce England and Wales: 31 March 2018

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/726401/hosb1118-policeworkforce.pdf

#### EY cybersecurity strategies

https://www.ey.com/uk/en/services/advisory/cybersecurity/ey-four-cybersecurity-strategies

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#### JOINT INDEPENDENT AUDIT COMMITTEE



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Title: Progress on 2018/19 Joint Internal Audit Plan delivery and summary of matters arising from completed audits

#### **Executive Summary:**

**Report for Information** 

The report provides details on the progress made in delivering the 2018/19 Joint Internal Audit Plan and on the findings arising from the audits that have been completed.

#### Recommendation:

The Committee is requested to note the progress and any changes in delivering the 2018/19 Joint Internal Audit Plan and audit service for Thames Valley Police (TVP) and the Office of the Police and Crime Commissioner (OPCC).

#### **Chairman of the Joint Independent Audit Committee**

I hereby approve the recommendation above.

Signature Date

#### PART 1 - NON-CONFIDENTIAL

#### 1 Introduction and Background

1.1 The report provides details on the progress made in delivering the 2018/19 Joint Internal Audit Plan for TVP and the OPCC and any findings arising from the audits that have been completed.

#### 2 Issues for Consideration

#### **Audit Resources**

2.1 There have been no changes to or impacts on the Joint Internal Audit Team's resource plan for 2018/19, with the plan being delivered by the Chief Internal Auditor, Principal Auditor and TIAA Ltd (ICT audit provider).

#### 2018/19 Audit Plan Status and Changes

2.2 The progress made in delivering the 2018/19 Joint Internal Audit Plan, as at the 29 November 2018, is shown in Appendix A and summarised in the table below.

Status	Number of Audits	% of Audits
To Start	5	20%
Scoping	2	8%
Fieldwork / Ongoing	7	28%
Exit Meeting	4	16%
Draft Report	1	4%
Final Report / Complete	3	12%
Complete (No Report)	1	4%
Removed	2	8%
TOTAL	25	100%

- 2.3 The following changes have been made to the Joint Internal Audit Plan 2018/19 since the previous JIAC meeting in September:
  - The Recruitment Process audit has been removed as a Service Improvement Review has recently been completed within this area. The audit has been replaced by an Attendance Management review.
  - The only other changes have been some minor audit title updates and day allocation alterations.

#### 2018/19 Performance Indicators

2.4 Local performance indicators are used by the section to ensure audits are completed promptly and to an acceptable standard. The table below summarises current performance against each indicator.

Ref.	Performance Indicator	Measurement and Target	Current Status	R/A/G
1	Testing Phase: Days between testing start date and file review.	4 x the agreed audit day allocation (original or revised).	86% (6 / 7)	Û
		Green: 100-85% Amber: 70-84% Red: >69%		
2	Reporting Phase: Days between Exit Meeting / Findings and Risk Exposure Summary and the Final Report.	40 days.  Green: 100-85%  Amber: 70-84%  Red: >69%	50% (2 / 4)	Û
3	Audit reviews completed within the agreed audit day allocation.	Each audit day allocation (original or revised).  Green: 100-85% Amber: 70-84% Red: >69%	100%	<b>\$</b>
4	Joint Internal Audit Plan delivered.	Each audit review completed, excluding any agreed changes (i.e. removed audits).  Green: 100% Amber: 90-99% Red: >89%	Year-end reporting	N/A
5	Annual Internal Audit Quality Questionnaire outcome.	Responses who strongly or tended to agree with the statements.  Green: 100-95% Amber: 85-94% Red: >84%	Year-end reporting	N/A

- 2.5 The detail to support the current performance levels are:
  - Six of the seven audits where testing has been completed were delivered within the performance target. The one that did not was 12 days over, due to annual leave within the team.
  - Two of the four final audit reports that have been issued were delivered within the performance target. The two that were not were four and seven days over, due to discussions in agreeing the report content.
  - The four audits that have been completed have all been delivered within the day allocation.
  - The remaining two performance indicators will be reported at year end.

#### **Completed Audit Outcomes**

- 2.6 Appendix A contains the details of each audit, the scope and current status. Since the previous meeting and as at 29 November 2018, two audits have been completed:
  - Oversight and Governance of the CTC limited assurance.
  - Force Project Lessons Learnt and Benefits Realisation process design (reasonable assurance) / process effectiveness (limited assurance).
- 2.7 Copies of Section 2 (Executive Summary) of the final reports have been circulated to the JIAC members, in advance of the meeting.

#### **Fraud**

- 2.8 Work on the 2018/19 NFI exercise is ongoing, which has involved liaison with the relevant departments across the Force and the OPCC. Progress to date is:
  - All the necessary communications have been issued, in accordance with the NFI's guidance.
  - The required data has been submitted and is currently being matched by the NFI team.
- 2.9 The 2018/19 NFI matches will be made available from the 31 January 2019.
- 2.10 The Joint Internal Audit Team have not been notified of any internal control issues by the Professional Standards Department (PSD) or Corporate Finance since the previous JIAC meeting in September.

#### 3 Financial comments

3.1 The Joint Internal Audit Plan can be delivered within existing budgetary provisions.

#### 4 Legal comments

4.1 No known legal issues arise from the contents of this report.

#### 5 Equality comments

5.1 No known equality issues arise from the contents of this report.

#### 6 Background papers

6.1 Internal Audit Strategy and Annual Plan 2018/19.

#### **Public access to information**

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website as soon as practicable after approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

#### Is the publication of this form to be deferred? No

#### Is there a Part 2 form? No

Name & Role	Officer
Head of Unit	
This report provides the Committee with management information on the progress of delivery of the 2018/19 audit plan.	Chief Internal Auditor
This report has been produced in compliance with United Kingdom Public Sector Internal Audit Standards (PSIAS).	
Legal Advice	
No known legal issues arise from the contents of this report.	PCC Governance Manager
Financial Advice	
No known financial issues arise from the contents of this report.	PCC Chief Finance Officer
Equalities and Diversity	
No known equality issues arise from the contents of this report.	Chief Internal Auditor

#### **OFFICER'S APPROVAL**

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Joint Independent Audit Committee.

PCC Chief Finance Officer (OPCC) Date: 20 November 2018

Director of Finance (TVP)

Date: 20 November 2018

#### **APPENDIX A**

**Disclaimer:** Any matters arising as a result of the audits are only those which have been identified during the course of the work undertaken and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that could be made. It is emphasised that the responsibility for the maintenance of a sound system of management control rests with management and that the work performed by the Joint Internal Audit Team on the internal control system should not be relied upon to identify all system weaknesses that may exist. However, audit procedures are designed so that any material weaknesses in management control have a reasonable chance of discovery. Effective implementation of management actions is important for the maintenance of a reliable management control system.

Audit Review	Scope / Objective	Area	Planned Days (March 2018)	Planned Days (November 2018)	November 2018 Status	Actual Days
Body Worn Video (Strategy, Use and Storage)	The scope of the audit is yet to be determined.	ACC Crime & Criminal Justice	12 days	12 days	To start February 2019	N/A
County Drug Lines	The audit scope will focus on the following areas:  - Strategy, Roles and Responsibilities.  - Force Wide Arrangements and Communications.  - Governance and Partnership Working.	ACC Crime & Criminal Justice	13 days	13 days	Exit Meeting	N/A
Force MASH Arrangements	The audit scope will focus on the following areas:  - MASH Processes, Induction and Training.  - MASH Demand Management.  - MASH Governance and Oversight.	ACC Crime & Criminal Justice	15 days	15 days	Fieldwork	N/A
LPA Financial Controls	The audit scope will focus on the following areas:  - Income Collection and Banking.  - Requisitioning / Ordering of Goods.	ACC Local Policing	13 days	13 days	Fieldwork	N/A
Partnership Arrangements – Information and Data Sharing	The audit scope will focus on the following areas:  - Data Sharing Arrangements.  - Data Sharing Processes and Analysis.  - Partnership Governance and Monitoring.	ACC Local Policing	15 days	12 days	Exit Meeting	N/A

Audit Review	Scope / Objective	Area	Planned Days (March 2018)	Planned Days (November 2018)	November 2018 Status	Actual Days
Counter Terrorism Policing South East – Financial Management	The audit scope will focus on the following areas:  - Budget Monitoring Budget Reconciliations Delivery of Savings Targets.	ACC Regional Crime and Counter Terrorism	12 days	12 days	Fieldwork	N/A
ICT Asset Management	The scope of the audit is yet to be determined.	Chief Information Officer	10 days	12 days	To start January 2019	N/A
ICT Knowledge Transfer	The audit scope will focus on the following areas:  - Framework and Risk Management.  - System Documentation.  - Transitional Arrangements.	Chief Information Officer	10 days	10 days	Exit Meeting	N/A
ICT Network Management	The scope of the audit is yet to be determined.	Chief Information Officer	10 days	0 days	Removed	N/A
ICT Protective Monitoring Process	The scope of the audit is yet to be determined.	Chief Information Officer	0 days	8 days	To start January 2019	N/A
Information Management - General Data Protection Regulation	The audit scope will focus on the 14 themes identified by TVP and HC to ensure compliance with the ICO's GDPR checklists. Detailed assurance will be provided on six specific themes:  - Consent Children Data breaches Data processing contracts Transfers outside EEA Retention/deletion of personal information.	Chief Information Officer	12 days	12 days	Fieldwork	N/A

Audit Review	Scope / Objective	Area	Planned Days (March 2018)	Planned Days (November 2018)	November 2018 Status	Actual Days
Oversight and Governance of the CTC	The audit scope will focus on the following areas:  - Financial Management.  - Service Performance and Risk Management.  - Governance Structure and Reporting.	Deputy Chief Constable	12 days	10 days	Final Report – Limited Assurance	10 days
Force Risk Management and Business Continuity Arrangements	The scope of the audit is yet to be determined.	Deputy Chief Constable	8 days	8 days	Scoping	N/A
Force Delivery Plan Performance and Monitoring	The audit scope will focus on the following areas:  - Delivery Plan Performance.  - Delivery Plan Oversight.	Deputy Chief Constable	15 days	12 days	Fieldwork	N/A
Force Project Lessons Learnt and Benefits Realisation	The audit scope will focus on the following areas:  - Lessons Learnt Process.  - Benefits Realisation Process.	Deputy Chief Constable	15 days	12 days	Final Report - Process Design: Reasonable Assurance Process Effectiveness: Limited Assurance	12 days
G&SI - Post Programme Review	The audit scope will focus on the following areas:  - G&SI Benefits Profile Achievement.  - G&SI Management Oversight and Monitoring.  - G&SI Effectiveness and Added Value – Customer Experience.	Deputy Chief Constable	0 days	13 days	Draft Report	N/A

Audit Review	Scope / Objective	Area	Planned Days (March 2018)	Planned Days (November 2018)	November 2018 Status	Actual Days
Contract Management	<ul> <li>The audit scope will focus on the following areas:</li> <li>Policies and Procedures.</li> <li>Contract Management and Monitoring Arrangements.</li> <li>Reporting, Monitoring and Oversight</li> </ul>	Director of Finance	15 days	13 days	Final Report – Reasonable Assurance	13 days
Key Financial Controls	The audit scope will focus on the following areas:  - Follow Up on Previously Identified Risks.  - Finance Process Change Management.  - Departmental Risk and Performance Management.	Director of Finance	13 days	13 days	Fieldwork	N/A
Actings and Promotions Process	The audit scope will focus on the following areas:  - Acting Officer appointment process.  - Management of Acting Officers.  - Development for Promotion.	Director of People	11 days	11 days	Exit Meeting	N/A
Recruitment Process	The scope of the audit is yet to be determined.	Director of People	11 days	0 days	Removed	N/A
Attendance Management	The scope of the audit is yet to be determined.	Director of People	0 days	11 days	To start December 2018	N/A
OPCC Statutory Responses (FOI, GDPR and Subject Access Requests)	The scope of the audit is yet to be determined.	Chief Executive Officer	10 days	10 days	To start February 2019	N/A
Victims First Hub	The scope of the audit is yet to be determined.	Chief Executive Officer	12 days	12 days	Scoping	N/A
Limited Assurance Audit Follow Up	The review will follow up on any limited assurances audits issued in 2016/17.	General	8 days	8 days	Complete	8 days
External Sources of Assurance	The review will capture any additional external sources of assurance which will contribute to the Annual Internal Audit Report 2018/19, including the Chief Internal Auditor's Annual Opinion Statement.	General	8 days	8 days	Ongoing	N/A

Audit Review	Scope / Objective	Area	Planned Days (March 2018)	Planned Days (November 2018)	November 2018 Status	Actual Days
		Total Planned Days	260 days	260 days		
JIAC Days	An agreed number of days for the Joint Independent Audit Committee to utilise should they require a specific piece of audit work being completed.	Other	10 days	10 days	To be Resourced	N/A
	(Note: these days are not currently resourced within the plan).					



#### JOINT INDEPENDENT AUDIT COMMITTEE



Report for Information
Title: Progress on delivery of agreed actions in Internal Audit reports
Executive Summary:
The report provides details of the progress made by managers in delivering the agreed actions in internal audit reports.
Recommendation:
The Committee is requested to note the report.
Chairman of the Joint Independent Audit Committee
I hereby approve the recommendation above.
Signature Date

#### PART 1 - NON-CONFIDENTIAL

#### 1 Introduction and background

- 1.1 The report provides details of the progress made by managers in delivering the agreed actions in internal audit reports.
- 1.2 This report details progress made to date and target implementation dates for any current overdue actions. Of the 17 actions that are currently overdue:
  - 6 actions are due for completion by the end of December 2018;
  - 8 actions are due for completion by the end of January 2019; and
  - 3 actions are due for completion by the end of February 2019.

#### 2 Issues for consideration

- 2.1 Appendix 1 sets out an analysis of the position with regard to the number of overdue actions as at 31<sup>st</sup> October 2018 in relation to the years 2015/16 to 2018/19. It shows that in total there were 17 overdue actions at this date; these relate to 10 audits. The overdue actions are split by priority. Also shown is the number of overdue actions that had previously been reported which has risen from 10 to 11 since the last report to this Committee in September 2018.
- 2.2 Appendix 2 shows the changes in the number of overdue actions since the previous report to this Committee in September 2018. The total number of outstanding overdue actions reported has remained at 17.
- 2.3 Appendix 3 sets out the information provided by managers in respect of those actions that are now overdue. It includes all agreed actions that should have been completed by 31st October 2018. The information is based on responses from managers received up to and including 26th November 2018. If required, a verbal update will be provided to the Committee on any further information received since this report was written.

#### Priority 1 rated overdue actions

- 2.4 There are 9 priority 1 overdue actions.
- 2.5 Appendix 1 sets out details of which audits these actions relate to and further details of each of the actions can be found in appendix 3 of this report.

#### Priority 2 rated overdue actions

2.6 Of the priority 2 actions that are overdue none are specifically drawn to the attention of the Committee.

#### 3 Financial comments

3.1 No known financial issues arise from the contents of this report.

#### 4 Legal comments

4.1 No known legal issues arise from the contents of this report.

#### 5 Equality comments

5.1 No known equality issues arise from the contents of this report.

#### 6 Background papers

#### 6.1 None.

#### Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website as soon as practicable after approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

#### Is the publication of this form to be deferred? No

#### Is there a Part 2 form? No

Name & Role	Officer	
Head of Unit	Chief Internal	
This report provides the Committee with essential management	Auditor	
information on the number and status of current overdue actions		
from internal audit reports.		
Legal Advice	PCC	
No known legal issues arise from the contents of this report.	Governance	
	Manager	
Financial Advice	PCC Chief	
No known financial issues arise from the contents of this report.	Finance Officer	
Equalities and Diversity	Chief Internal	
No known equality issues arise from the contents of this report.	Auditor	

#### OFFICER'S APPROVAL

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Joint Independent Audit Committee.

PCC Chief Finance Officer (OPCC) Date: 26/11/18

Director of Finance (TVP)

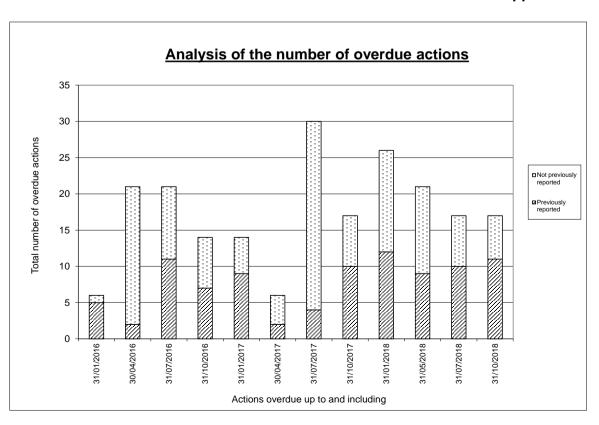
Date: 30/11/18

Appendix 1

ANALYSIS OF OVERDUE ACTIONS AS AT 31st OCTOBER 2018

Audit Subject/Location	Outstanding Overdue	Priority 1	Priority 2	Previously Reported		
2015/16						
Fuel Cards	1	-	1	1		
TOTAL	1	0	1	1		
2016/17						
Organisational Programme Governance	1	1	-	1		
TOTAL	1	1	0	1		
2017/18						
Cyber Crime	2	1	1	2		
Ethics and Cultural Learning	1	-	1	1		
Firearms Licensing (Administration and Management)	2	2	-	2		
Force Risk Management and Business Continuity Arrangements	4	3	1	2		
Information Management: Data Security and Transfer	1	-	1	1		
Intranet and Internet Content Management	1	-	1	1		
TOTAL	11	6	5	9		
2018/19						
Contract Management	1	-	1	-		
Force Project Lessons Learnt and Benefits Realisation	3	2	1	-		
TOTAL	4	2	2	0		
OVERALL TOTAL	17	9	8	11		

#### Appendix 2



# Appendix 3

# **UPDATE ON PROGRESS IN DELIVERING OVERDUE AGREED ACTIONS**

Control weakness and risk exposure		Agreed action	Original completion	Priority	Current position	Revised completion
			date			date
Contract Management	Fi	nal report issued on: 21/08/18		ı	CCMT Lead: Linda Waters	
Total number of agreed actions: 12	Number completed	d: 9 (75%) Nu	ımber not yet dı	ue: 2 (17%)	Number overdue: 1 (8%)	
ICT contract Monitoring  ICT software and hardware contracts are monitoring contracts. Developing this approach is aimed at representing best practice.  Awarded TVP contracts are captured on the Blue Database (BLPD), which acts as the Force's consystem is a web based tool that enables contramonitoring arrangements) to be captured in a sifound that not all ICT contracts are listed on the Blue also not used to store contract information (i.e. preeting notes, etc.). This is a known issue with a of PST currently uploading details of all ICT contract Once the ICT contracts have been uploaded on Commercial Team will be trained to use the Blue contracts.  Risk exposure: Lack of a central record of all redocumentation to support effective contract mo	conitored by ICT's or categorising and s work in progress, a Light Procurement tract database. The ract data (including rigle place. Testing LPD and the system erformance reports, temporary member racts onto the BLPD. ICT's LPD to manage its	PST are currently uploading all the necessary ICT contracts onto the BLPD, which will include copies of all relevant contract documentation.  Once this work has been completed, training for ICT's Commercial Team on how to use the BLPD will be arranged.	30/09/18	2	262 ICT contracts identified, 156 currently uploaded onto BLPD.  Training delayed due to ICT VM recruitment as well as delays in uploading documents. Training to be provided before December 2018.	28/02/19
contract management or continuity issues.						
Cyber Crime		inal report issued on: 16/01/18		CCMT Lead: ACC Tim De Meyer		
Total number of agreed actions: 17	Number completed		ımber not yet dı	ue: 0 (0%)	Number overdue: 2 (12%)	
Supporting policies and SOPs  During a review of the intranet pages, as well available on the Cyber Crime page, two policies/S which required review.  There is also Cyber Crime APP Guidance. He referenced on the Cyber Crime intranet site.  Risk exposure: Lack of up to date guidance leads ineffective actions being taken.	OPs were identified owever this is not	The SOP and the Policy detailed will be reviewed and updated.	31/03/18	2	As a result of the Option 3 process, a DS Regional Coordinator has now been recruited and is in post.  Due to a change with Action Fraud's system and therefore NFIB processes, alongside the tasking process review as dictated by Option 3, a new SOP is being drafted for Forces to agree and implement. This tasking SOP should be in place by the end of 2018.	31/12/18
Cyber Crime Toolkit  There is a Cyber Crime toolkit in place. However Detective Sergeant confirming that it needs a receive during the audit identified that some of the need reviewing.  Risk exposure: Lack of up to date guidance leads	view/updating, brief links do not work or	There is a corporate move to transform the Force Toolkits into Operational Guidance. This is being led by the Policing Strategy Unit in liaison with the Detective Sergeant. As part of this work the content will be reviewed and updated as	30/04/18	1	Due to delays with this piece of work alongside operational commitments, it is now hoped to publish the content to date ASAP with further content to be added when it is finalised to avoid any further delays releasing this material.  In addition, TVP are trialling an App as part of the Newbury mobile phone pilot. There are also	28/02/19

Control weakness and risk exposure	Agreed action	Original completion date	Priority	Current position	Revised completion date
ineffective actions being taken.	appropriate for inclusion in the Operational Guidance.			products available in Forces for officer use which are being looked at. The results of the trial will be available in due course and will inform decisions re. the future of Apps for front line staff.	
Ethics and Cultural Learning F	nal report issued on: 06/03/18		l	CCMT Lead: Dr Steven Chase	
Total number of agreed actions: 10 Number complete		ımber not yet dı	ue: 0 (0%)	Number overdue: 1 (10%)	
PSD Lessons Learnt  As part of the audit, PSD's Lessons Learnt process was reviewed. Testing found that the process is driven by the outcomes of any PSD investigations, with lessons learnt being recorded in the Investigation Officer's final report. However, the process does not include other organisational factors (i.e. staff investigation outcomes, staff survey issues, etc.), the summaries are not widely publicised, they do not appear to include ethical dilemmas or behaviour and there is no link in with the Code of Ethics Network meetings to promote and disseminate lessons learnt.  Testing also found that the last published PSD Lessons Learnt document was July 2017. Additionally, the last publicised IPCC lessons learnt summary is March 2017.  The new Exit Interview form also includes questions about team and organisational culture. Any future analysis or lessons learnt could include responses raised at Exit Interviews.  The issue of lessons learnt was raised as part of HMIC's PEEL: Police Legitimacy 2016 inspection, which asked "how well does the force ensure that its workforce behaves ethically and lawfully?" An area for improvement was that TVP should improve how its workforce understands the issues identified from lessons learned.	PSD's Lessons Learnt process will be reviewed to ensure it is effective and adds value in communicating ethical learning.	30/06/18	2	PSD are now in the process of producing a monthly newsletter which they are hoping to get published within the organisation by the middle of December. PSD have arranged a meeting with the Strategic Governance Unit in order to increase publications of all lessons learnt across the force and to help identify trends which may be seen outside of our department in order for the force to get a better understanding of force failures. In the next month we will be creating links to the IOPC webpage, specifically the lessons learnt on our internal webpage and will refresh the page to accommodate this information.	31/12/18
<b>Risk exposure:</b> The Force lacks a comprehensive and joined up approach to promoting lessons learnt, leading to any issues not being addressed or positive news being publicised.					
	nal report issued on: 06/06/18		2 (400/)	CCMT Lead: ACC Tim De Meyer	
Total number of agreed actions: 24 Number complete	` '	mber not yet du	ue: 3 (13%)	Number overdue: 2 (8%)	04/04/40
Policies  There are a number of policies in place which guide the work of the Firearms Department. During the audit the following issues/queries were identified in relation to the policies in place:  a. There is a 'Non visit policy' in place which was agreed by CCMT, but which is marked as last reviewed in March 2015 and requires updating.	(a) This is due to be actioned by the newly appointed SFEO. To be completed by 30/06/2018 and submitted to the next CCMT after that date.  FLA/FLO application processes to be documented into training packages.	30/06/18	1	The FLO application process training package is still being reviewed in line with the Non-visit policy. These two have to mirror each other so it has required more consultation with the FEO/FLO team. The Non-visit policy will be submitted to the next CCMT meeting on 6th December for a decision.	31/01/19
b. There is no policy in place regarding at what point an applicant has to provide a new referee where contact cannot be made and no performance data is produced to monitor contentious	F-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1				

Control weakness and risk exposure	Agreed action	Original completion date	Priority	Current position	Revised completion
applications e.g. to flag applications which may need managerial		uale			date
review/decision to avoid extended delays.					
c. There are a number of areas where TVP policy or approach does					
not comply with the Home Office Guidance. Although these had					
been agreed internally, there is no process for periodically					
reviewing these policies for continued appropriateness.					
Whilst it was clear that processes within the Department have been					
under review due to the pressures of the peak renewal period, there is					
no stated process in place for periodic review of policies outside of this					
peak renewal period. It may be that the policies continue to remain					
relevant given the establishment level for the Firearms Department,					
but outside of the demands of the peak renewal period it may be					
possible/desirable to lower the level of risk which has been accepted					
with some of the current policies and in light of any emerging trends					
e.g. levels of undeclared medical issues.					
Risk exposure: Out of date policies, and lack of a robust system for					
updating, leads to confusion around processes and inappropriate or					
ineffective actions being taken.					
<u>Process notes</u>					
There are a number of process notes in place which detail the actions					
taken by the Firearms Licensing Administrators (FLAs). It was noted					
that these require updating as they do not cover all of the current					
steps and they do not reflect a recent change in personnel.					
The Shotgun grant / renewal application signing off process notes					
used by the Firearms Licensing Officers (FLOs) were also noted as					
out of date as the process has recently changed.					
Risk exposure: Out of date process notes lead to confusion around					
processes and inappropriate or ineffective actions being taken.					
Force Project Lessons Learnt and Benefits Realisation Fi Total number of agreed actions: 12 Number completed	nal report issued on: 27/09/18	mber not yet d	7 /F00/\	CCMT Lead: DCC John Campbell  Number overdue: 3 (25%)	
Guidance and Documentation	The Force change content on	30/09/18	ue. 7 (36%)	Knowzone contains basic information about major	31/01/19
Outdance and Documentation	the Knowzone is being reviewed	30/03/10		programmes. Targeted communication around	31/01/18
As part of the audit, the change delivery content of the Governance	and will be updated to reflect the			change process and governance has been delivered	
and Service Improvement's (G&SI) Knowzone page was reviewed.	current Change Portfolio and			via CCMT and Department SMTs. Force	
The audit noted the following:	high level guidance on the			Transformation SPOCs have been briefed on the	
dada noto a no romo ming.	Force's Transformation process,		ĺ	latest portfolio update for cascading down.	
- The current list of projects was out of date.	templates, roles and			access per action appears for accounting down.	
- The "Change Delivery Process - Part 1 - Governance" and "Change	responsibilities.			Knowzone content requires updating to include	
Process – Part 2 – Change Delivery" lacked references to lessons	p		1	guidance on process, templates, roles and	
learnt. The "Change Process – Part 3 – Service Improvement" referred	Targeted communications will		1	responsibilities.	
to Service Improvement documenting decisions and lessons learned.	also take place.			·	
			1		I

Control weakness and risk exposure	Agreed action	Original completion date	Priority	Current position	Revised completion date
documentation (i.e. Project Business Case, PID, Status Report, End of Project Report, Lessons Learnt Log, etc.) will be published on the Knowzone as well as communications on the process and the role of the Change Delivery team.  Risk exposure: Up to date change process documentation has only been shared with Chief Officers and specific teams / Boards, leading					
Corporate Management of Lessons Learnt  As part of the audit, the Force's approach to capturing lessons learnt in a "corporate memory" was reviewed. It was noted that the "corporate memory" of lessons learnt is currently a shared folder in the G&SI Dept. Any Project Manager assigned to a project could review the content, although the process is not particularly effective with issues around access, classification and search-ability being noted. The longer term plan is to have the information available via SharePoint, once Windows 10 has been rolled out.  The audit did identify examples of lessons learnt being captured and reported at the End of Project stage, shared with the G&SI Dept. and reported to the Force Change Part 2 and Transformation Board meetings. At the Force Change Part 2 meeting, there are discussions around any lessons learnt, what action has been taken as a result and whether lessons learnt have been shared with the relevant parties. However, there lacks a regular forum for the actions to be tracked and monitored on an ongoing basis.  The Head of Change has been asked by the Transformation Board to provide an update on recent lessons learnt across the Force and establish what steps have been taken to address these. At the end of the audit, a draft list of lessons learnt for 2017/18 had been collated and was being evaluated. It was commented that the future plan is to conduct an annual assessment of lessons learnt, adopt a regular governance process for monitoring lessons learnt, adopt a regular governance process for monitoring lessons learnt and ensure that lessons are shared with Project Managers or form part of any new Project / Programme Manager induction.  There could also be an option to capture and share lessons learnt during the life of a project and not only at the End of Project reporting phase, which would result in lessons being shared on a more timely basis (see finding 5).  Risk exposure: Limited corporate oversight, monitoring or sharing of lessons learnt, leading to a risk of pro	Ensure the Lessons Learnt archive is complete, up to date and available to all relevant people in the Department.	31/10/18	1	Lessons learnt archive has been reviewed and updated with the latest documents.  Access issues still require addressing.	31/01/19
Project Business Case / PID Templates	Update templates for Business Case and PID to list direct and	31/10/18	1	Templates have been reviewed. New content needs to be agreed with HC and Joint ICT and updated.	31/01/19

Control weakness and risk exposure	Agreed action	Original completion date	Priority	Current position	Revised completion date
At the time of the audit, the Force was collating a new Project Business Case and Project Initiation Document (PID). The current format refers to expected benefits and dis-benefits, but it was commented during the audit that the documents could be clearer in relation to direct and enabling benefits.  It was also commented that although the templates will detail high level guidance, there could be further improvements by carrying out specific training or producing further guidance.  Additionally, feedback from Project Managers noted that the Force needs to ensure it is not over-promising at the start of a project (i.e. a need to be more realistic at the beginning about the likely benefits) as well as not double counting benefits from enabling or dependent projects and programmes. Without a Corporate PMO function within the Force's Change Delivery team, there is a gap in the independent assurance of benefits, which could be an area for improvement.  Risk exposure: The Force lacks a structured or consistent approach to capturing the full range of project benefits, leading to the potential for benefits to be identified or reported incorrectly.  Force Risk Management and Business Continuity	enabled benefits more distinctly and include reference to this in guidance.  See action 2.1 for details of any future PMO function.			CCMT Lead: DCC John Campbell	
Arrangements	·				
Total number of agreed actions: 21	(BC) - The business continuity Knowzone content will be reviewed to ensure that it is all current and up to date.  The current version of the Flu Plan was due for review in February 2018. This will be updated once the 2017/18 data analysis has been completed and presented to the Autumn SBCCG.  The most recent minutes for the SBCCG will be updated by the end of March 2018.	mber not yet di 30/09/18	2 2	Number overdue: 4 (19%)  The SBCCG minutes were updated and are currently showing the March meeting minutes. The October 31st meeting minutes are currently being written and therefore these will be updated once they have been approved.  The Flu Pandemic framework is being reviewed following the latest review of our flu response and this will be finalised and will be consulted on by the Force Resilience & BC Practitioners Group and G&SI SMT before being sent to DCC Campbell for the February FRMG/CCMT. It will be published once signed off.	28/02/19

Control weakness and risk exposure	Agreed action	Original completion date	Priority	Current position	Revised completion date
engagement or compliance by LPAs, OCUs or Depts.		uate			uate
Bi-Lateral Collaboration Arrangements  During the audit, the arrangements and visibility of bi-lateral collaboration RM and BC processes were reviewed. There is an informal acknowledgement between TVP and Hampshire Constabulary (HC) that collaborated functions follow the lead Force's RM and BC approaches. TVP lead on ICT and Information Management, with HC leading on the Joint Operations Unit (JOU) and Contact Management Unit Senior Management Team (CMU SMT).  Business Continuity  TVP has previously lacked assurances that HC led collaborated functions have up to date business continuity plans and appropriate arrangements in place. The Corporate Governance Officer has been liaising with her counterpart at HC to increase the understanding, corporate visibility and sharing on collaborated function's business continuity arrangements. There is also the potential to share learning experiences and best practice ideas between the two Forces.  Non-Collaborated Functions  The audit also raised the issue of how TVP's non-collaborated JOU functions manage risk and business continuity (i.e. Protection Group, Mounted, Contract Vehicle Recovery, Fixed Penalty and Safe Roads Unit) and whether they follow TVP's or HC's process. It was commented that there was a lack of clarity on what process these functions were following.  Risk exposure: Unclear arrangements and processes for how HC led collaborations manage risk and business continuity, which could lead to a lack of assurance and visibility for TVP that arrangements are effective.	(BC) – The aim is to implement quarterly meetings with HC counterpart to discuss collaborated unit BC Plan provisions and incident management in a Lead Force model. We will also share learning and best practice.  We also aim to establish closer links with the Surrey / Sussex Lead.  HC are looking to implement a strategic level group to discuss their plans, which the Strategic Governance Unit would attend.	30/09/18	1	We are working with HC BC lead on the ICT Prioritisation of Services and with SySx on the ERP BC work therefore between this work and the SE Regional BC meetings, there is sufficient time in place to share learning etc at this time. The focus is currently on this will be monitored as we move forward.  We can and will, however do more to establish more sight of the HC led work and deconstruct any non-collaborated units (mounted) from this)  The HC Strategic Group has not yet been established.  We will be sharing the outcomes of our process review with HC once they have been through CCMT (Nov).	31/12/18
LPA, OCU and Dept. Business Continuity Plan Availability  As part of the audit, testing was completed to ensure that each Force LPA, OCU or Dept. had an up to date BC Plan. It is acknowledged that the Corporate Governance Officer is currently facilitating an exercise to ensure that a full complement of plans exists. Testing did observe the following:  - There are three Depts. within the Deputy Chief Constable's area of responsibility that do not have a current plan (i.e. Corporate Communications, G&SI and Legal Services).  - Almost all the OCUs within Crime & Criminal Justice do not have a current plan.  - Local Policing does not have a plan.  - Plans for SEROCU and Sulhamstead are not in place.	The majority of the plans identified as missing are all in hand with the Business Leads (with support from the SGU) or are awaiting sign off.  Discussions are ongoing for Langford Locks to identify any gaps for the TVP unit based there. However, due to the sensitivity, it has not been published (similarly with CTPSE and SEROCU).	30/06/18	1	Legal Services have completed however it is currently in a different format. Whilst I am happy with this format, we will discuss further with the department before publishing internally.  Forensics is under review due to having just completed their second yearly exercise.  SEROCU are still working on their overarching departmental plan but the underpinning unit plans have been completed.  The Comms plan is in progress and will be finalised shortly and Force CID remains outstanding at this time and are being chased.	31/01/19

Control weakness and risk exposure	Agreed action	Original completion date	Priority	Current position	Revised completion date
Risk exposure: LPAs, OCUs or Depts. lack an up to date and					
documented approach to resolving any business continuity incidents,					
leading to the potential for service and operational impacts.	The Decade Discourse DO Disc	00/00/40	1	The second of the second of the second of	04/04/40
LPA, OCU and Dept. Business Continuity Plan Content  The audit also tested the content of the currently available plans to ensure they followed the corporate template, are up to date, had been signed off by the Head of Dept. and reviewed by the Corporate Governance Officer. Testing found the following:  - Three plans that do not appear to have been signed off as reviewed by the Corporate Governance Officer (i.e. Property Services, Joint Information Management Unit and People Directorate).  - Two LPAs have plans that are due a review (i.e. Cherwell & West Oxfordshire and South & Vale).  - One LPA whose available plan is a condensed version (Windsor & Maidenhead).  - Two plans that do not follow the corporate template (ICT and ICT — Critical Systems). Both plans also lack Head of Dept. and Corporate Governance Officer review sign off.  - The HQ North and HQ South plans are both due a review.	The People Directorate BC Plan is still being reviewed, I will sign off the final version.  I will review the others and ensure sign off. The two LPA ones have been reviewed so, I will ensure the dates are amended.  I have requested an ICT update on their plans to include a sign off section with a deadline of the end of April 2018.  The site plans will be reviewed, once all the relevant department plans have been updated and submitted.	30/06/18	1	The process to review BC Plans, update the content and ensure they are in the correct format is ongoing with the Property Services, JIMU, People Directorate, Cherwell & West Oxfordshire and South & Vale LPA plans have all been reviewed and / or updated.  The W&M, HQ South and HQ North plans are still outstanding at this time. W&M and the outstanding departments for both sites are being chased.	31/01/19
As reported previously, it is acknowledged that the Corporate Governance Officer is currently supporting the Force in reviewing and updating all plans.  Risk exposure: Current Force plans are not up to date, approved or do not follow the corporate requirement, which could lead to less effective responses to continuity incidents.					
Fuel cards Fi	nal report issued on: 25/05/16	•		CCMT Lead: DCC John Campbell	
Total number of agreed actions: 16 Number complete	d: 14 (88%) Nu	ımber not yet dı	ue: 1 (6%)	Number overdue: 1 (6%)	
Fuel spend/card usage monitoring  Monthly data is being issued to LPAs/OCUs/Departments showing their fuel spend, broken down by vehicle, but there is no guidance issued with the data to indicate the key points e.g. trends, anomalies etc. which recipients should be considering.  Risk exposure: Management data is not suitably analysed to identify	The monthly data being issued will be reviewed to determine if the right data is being issued to the right people, and what guidance is then needed depending on the job role of those receiving it.	30/09/16	2	As previously reported, the action has been delayed due to vacancies and a subsequent decision to restructure the Transport Team.  Fleet Services Officer now appointed who will review fuel management data requirements in line with audit action plan and in conjunction with the forthcoming new fuel card contract and ERP.	31/12/18
and address potential issues/anomalies in usage/spend.				Any future reporting process or requirements will	
				also be built into the new ERP system.	
Information Management: Data Security and Transfer Fi	nal report issued on: 30/08/17		•	CCMT Lead: Amanda Cooper	
Total number of agreed actions: 15 Number complete	d: 13 (86%) Nu	ımber not yet dı	ue: 1 (7%)	Number overdue: 1 (7%)	
Information Sharing Agreements  During the audit, TVP's and HC's approach to managing Information Sharing Agreements (ISAs) was reviewed. The JIMU have an ongoing	The issue of having out of date ISAs is accepted. ISAs are currently reviewed and updated when the JIMU has capacity to	31/03/18	2	The JIMU have completed their review of the high risk ISAs using the new regional template introduced to comply with GDPR.	31/12/18

Control weakness and risk exposure	Agreed action	Original completion date	Priority	Current position	Revised completion date
process to review and update ISAs, based on risk. The current status of ISA reviews at each Force was:  - TVP: 29% are currently under review, with examples of ISAs that have been subject to review since 2016 (13 ISAs) and 2015 (two ISAs). There are 6% of ISAs that are due a review, but the review is yet to commence.  - HC: 13% of ISAs are under review, with 32% of ISAs being due a review, which is yet to commence.  In terms of monitoring progress of completing reviews, this is managed at a JIMU team level, with high level statistics being reported to the TVP / HC Collaboration Governance meeting. There is currently no information on the status of ISA reviews presented to the Information Governance Board. There was a comment during the audit that the priority is getting ISAs in place. Once adopted, the risk of them not being up to date is relatively small.  Risk exposure: Out of date agreements, leading to data being shared	do so, but this is not deemed a priority. We will evaluate our current approach to facilitating the production and review of ISAs, to determine whether any process improvements can be made.  We will also consider whether any ISA performance data needs to be reviewed by the Information Governance Board.  At HC, the ISA review is on hold with the risk posed being low as most will have been reviewed at least once in the last year. Reviews will be resumed once the new template has been			The review of medium risk ISAs is underway and is on track to complete by the end of December.  Progress on ISA reviews is included in the performance pack that is presented to JCOG and the Collaboration Governance Board.	
inappropriately.	drafted and implemented.				
Intranet and Internet Content Management Fi Total number of agreed actions: 34 Number completed	nal report issued on: 09/01/18	mber not yet d	0 (00()	CCMT Lead: DCC John Campbell  Number overdue: 1 (3%)	
Messaging oversight  Lead LPA TV Alert Administrators have recently been nominated for each LPA. They have been encouraged to promote local contacts and look at plans to ensure consistent TV Alert support for their LPAs. It was noted however that there is no detail setting out exactly what the Leads are responsible for going forward to ensure that they are clear on their responsibilities and are as effective as possible.  The Community Engagement Communications Officers, who are new in post, are in the process of implementing a number of changes and improvements to the processes in relation to TV Alerts to provide increased oversight and guidance. At the time of the audit, this work had not been assigned a firm timescale. Against this, it is appreciated that the Corporate Communications Department restructure has only recently been completed and the above is therefore a work in progress.  Risk exposure: Lack of oversight of messages being sent out leads to inappropriate messages/practices not being highlighted and promptly addressed and potential failure to fully maximise benefits of	To ensure the responsibilities of the Lead LPA TV Alert Administrators are clear a role document is being created and will be communicated to all relevant parties.	31/01/18	2	A review is currently being undertaken into roles and responsibilities of local administrators in relation to Alert and will be included in operational guidance which is being produced by the Policing Strategy Unit.  An audit of administrators is currently being undertaken by Corporate Communications to review local information senders and identify any training and support gaps.	31/01/19
TV Alerts.					
	nal report issued on: 21/04/17			CCMT Lead: DCC John Campbell	
Total number of agreed actions: 12 Number completed		mber not yet d	ue: 0 (0%)	Number overdue: 1 (8%)	<u> </u>
<u>Change Framework Terms of References</u> Within the new Change Process and Framework, a number of	The Terms of References for the Force Change Review Part 1, Force Change Review Part 2,	31/07/17	1	The Terms of Reference for the Force Change Review Part 2 and Force Transformation Board have been completed and signed off. The ToR for FCR	31/12/18

Control weakness and risk exposure	Agreed action	Original completion date	Priority	Current position	Revised completion date
meetings take place to manage change from proposal through to	Joint Moderation Panel and			Part 1 and the Joint / Central Moderation Panel	
delivery and lessons learnt. As part of the audit, the Terms of	Force Transformation Board will			involve interoperability with Hants Constabulary and	
References for each meeting were reviewed. Testing found that some	be reviewed and updated.			will take longer to complete.	
of the ToRs required updating or where draft versions.					
				A process alignment meeting has taken place	
Discussions during the audit identified that the Terms of References				between the two Forces. Further work is likely to be	
for the key meetings listed in the Change Framework were being				pended as both Forces commence the annual	
reviewed and updated to ensure that they accurately reflected the aim				capital / revenue change planning process. Progress	
and objectives of the meetings, the list of required attendees was				in relation to ToRs will recommence in the autumn.	
correct and the decision making power of the meeting was clearly					
documented.				The existing ToRs are fit for purpose, but it is	
				recognised that further process alignment could be	
Risk exposure: Out of date or inaccurate meeting Terms of				achieved through completion of the activity detailed	
References, leading to a lack of clarity on the role, attendees and				in the agreed action. The risk is mitigated in relation	
decision making power of each meeting.				to FCR Parts 1 & 2 and Transformation Board; the	
				risk is partially mitigated in relation to the Joint /	
				Central Moderation Panel.	



#### JOINT INDEPENDENT AUDIT COMMITTEE



REPORT	FOR	<b>DECISION:</b>	7th Decer	nhar 2018
REPURI	FUR	DEGISION.	/ Decei	IIDEI ZUIO

Title: Draft Treasury Management Strategy Statement 2019/20

# **Executive Summary:**

This report presents the draft 2019/20 Treasury Management Strategy Statement for consideration and endorsement before it is presented to the PCC for approval at the Level 1 public meeting on 22<sup>nd</sup> January 2019.

The draft Strategy Statement includes the proposed borrowing and investment strategies, and also sets out the prudential indicators and treasury management activity limits for the period 2019/20 to 2021/22 that provide the Office of the Police and Crime Commissioner's (OPCC) treasury service with an operational performance and control framework within which the relevant functions are undertaken.

The overall strategy is very similar to that adopted by the PCC in the current 2018/19 financial year.

#### Recommendation:

The Committee is asked to consider the draft Treasury Management Strategy Statement for 2019/20 and then recommend it to the PCC for approval at the Level 1 public meeting on 22<sup>nd</sup> January 2019.

Chairman of the Joint Independent Audit Committee				
I hereby approve the recommendation above.				
Signature	Date			

#### PART 1 - NON-CONFIDENTIAL

# 1 Introduction and background

- 1.1 The PCC is required to operate a balanced budget which broadly means that cash income 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 PCC's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the PCC's capital investment plans. These capital plans provide a guide to the PCC's borrowing need, especially the longer term cash flow planning to ensure that the PCC can meet his capital spending obligations.

#### 2 Issues for consideration

- 2.1 The attached Treasury Management Strategy Statement and supporting documents will enable the PCC to fulfil and discharge the following primary legislative requirements to receive and adopt:
  - a) An over-arching annual **Treasury Management Strategy Statement** which sets out how the treasury service will support the PCC's capital investment decisions, the day to day treasury management and the limitations on activity through treasury prudential indicators.
  - b) A **Borrowing Strategy** which sets out the operational limits to borrowing activity, including the statutory Affordable Borrowing Limit, or **'Authorised Limit'**.
  - c) An **Investment Strategy** which sets out the PCC's criteria for choosing investment counterparties and limiting exposure to the risk of loss.
  - d) A **Minimum Revenue Provision (MRP) Policy Statement** which sets out how the PCC will pay for capital assets through revenue each year.
  - e) Treasury management **Prudential Indicators and Activity Limits**, setting out the operational performance parameters applicable to the PCC's capital finance and treasury management activities.
- 2.2 The above policies and parameters will also provide an approved framework within which officers will undertake and account for the PCC's day-to-day capital and treasury activities.
- 2.3 The Committee needs to be satisfied that the draft Strategy is relevant and appropriate and, following approval in January 2019, will enable the PCC to discharge his statutory obligations in this key policy and financial management area.

#### 3 Financial comments

- 3.1 The attached Treasury Management Strategy Statement is fully consistent with the draft revenue budget for 2019/20, the draft medium term financial plan (2019/20 to 2022/23) and the draft medium term capital plan as presented to the Level 1 public meeting on 26<sup>th</sup> November 2018. Any changes to the draft revenue budget or capital programme will inevitably mean changes to the capital, prudential and treasury management indicators before they are presented to the PCC for formal approval on 22<sup>nd</sup> January 2019.
- 3.2 The individual capital prudential indicators and the treasury management activity limits are clearly set out in the Statement, as is the annual borrowing and investment strategy.

#### 4 Legal comments

4.1 The PCC is required to approve an annual treasury management and investment strategy. Quarterly monitoring reports will be provided directly to the PCC.

# 5 Equality comments

5.1 No specific implications arising from this report

## 6 Background papers

Link Asset Services draft Treasury Management Strategy Statement

#### Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

# Is the publication of this form to be deferred? No

#### Is there a Part 2 form? No

Name & Role	Officer
Head of Unit This document is consistent with the draft annual revenue budget and draft capital programme. It also meets all the legal requirements set out below	PCC Chief Finance Officer
Legal Advice This document complies fully with the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG Minimum Revenue Provision guidance, the CIPFA Treasury Management Code of Practice and CLG Investment Guidance.	Chief Executive
Financial Advice The draft Treasury Management Strategy Statement is fully consistent with the draft revenue budget and draft capital programme. Quarterly monitoring reports will be prepared and presented to the PCC	PCC Chief Finance Officer
Equalities & Diversity No specific implications arising from this report	Chief Executive

# PCC's STATUTORY OFFICERS' APPROVAL

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Chief Executive Date 28 November 2018

Chief Finance Officer Date 27 November 2018



# **Treasury Management Strategy Statement 2019/20**

incorporating the Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2019/20

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# 1 INTRODUCTION

#### 1.1 Background

The Police and Crime Commissioner (PCC) is required to operate a balanced budget, which broadly means that cash income 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 PCC's low risk policy and appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the PCC's capital plans. These capital plans provide a guide to the PCC's borrowing need, essentially the longer term cash flow planning to ensure that the PCC can meet his capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet the PCC's risk or cost objectives.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority'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."

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

#### 1.2 Reporting requirements

#### 1.2.1 Capital strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities (including Police) are to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that the PCC fully understands the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will be presented to the PCC at his budget setting meeting on 22<sup>nd</sup> January 2019.

# 1.2.2 Treasury Management reporting

The PCC 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 the PCC with progress on the capital position, amending prudential indicators as necessary, and will indicate whether the treasury operation is meeting the strategy or whether any policies require revision. In addition, this PCC will receive quarterly update reports in July and January.

**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 PCC. As and when appropriate this role will be undertaken by the Joint Independent Audit Committee.

# 1.3 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

# **Capital issues**

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

#### **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the PCC;
- · prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- · the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

# 1.4 Training

The CIPFA Code requires the responsible officer to ensure that members (*sic*) with responsibility for treasury management receive adequate training in treasury management. This especially applies to members (*sic*) responsible for scrutiny.

The PCC and all five members of the Joint Independent Audit Committee have been provided with appropriate training. Further training will be provided if required.

The training needs of treasury management staff are reviewed periodically.

#### 1.5 Treasury management consultants

The Office of the PCC uses Link Asset Services as its external treasury management advisors.

The PCC 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.

The PCC 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 PCC 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.

# 2 THE CAPITAL PRUDENTIAL INDICATORS 2017/18 – 2022/23

The PCC's capital expenditure plans are the key driver of treasury management activity. The output from the capital expenditure plans are reflected in prudential indicators.

# 2.1 Capital expenditure and financing

The PCC is asked to approve the summary capital expenditure and financing projections. Any shortfall in resources results in a funding borrowing need. This forms the first prudential indicator.

Table 1	2017/18	2018/19 Revised	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Capital Expenditure	23.417	32.264	24.957	21.818	13.969	8.012
Financed by:						
Capital receipts	4.965	17.470	5.640	3.130	1.375	3.260
Capital grants	1.200	3.788	13.458	9.089	7.886	0.000
Revenue Reserves	9.973	1.619	0.000	0.000	0.000	0.000
Revenue contributions	7.067	4.678	7.000	8.100	10.000	4.602
3 <sup>rd</sup> party contributions	0.212	0.150	0.150	0.150	0.150	0.150
Other Income	0.000	0.000	0.000	0.000	0.000	0.000
Capital Reserves	0.000	0.000	0.000	0.000	0.000	0.000
Improvement &	0.000	1.687	0.050	0.825	0.000	0.000
Performance Reserve						
Optimisation Bias	0.000	2.872	0.000	0.000	0.000	0.000
Reserve						
Cashflow – timing	0.000	0.000	-1.341	-4.476	-5.442	0.000
issues <sup>1</sup>						
Net financing need	0.000	0.000	0.000	-5.000	0.000	0.000
for the year						

<sup>1.</sup> If all capital expenditure is incurred as scheduled in the Medium Term Capital Plan then we may not have sufficient capital resources in 2019/20, 2020/21 and 2021/22 to cover the expenditure as it is incurred. Should this situation arise, which is unlikely, we would use general balances or general cashflow until the capital resources are received e.g. from the sale of assets

#### 2.2 The PCC's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the PCC's Capital Financing Requirement (CFR). 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 PCC's underlying borrowing need. Any capital expenditure included in the table above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as 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 other long term liabilities such as PFI schemes and finance leases. Whilst these increase the CFR, and therefore the borrowing requirement, these types of scheme include a borrowing facility and so the PCC is not required to separately borrow for these schemes. The PCC currently [2018/19] has £5.478m of such schemes within the CFR.

The PCC is asked to approve the following CFR projections.

Table 2 Opening CFR	2017/18 Actual £m 46.407	2018/19 Revised Estimate £m 45.283	2019/20 Estimate £m 44.137	2020/21 Estimate £m 42.967	2021/22 Estimate £m 46.772	2022/23 Estimate £m 45.449
Net financing need for the year (per Table 1 above)	- 0.863	- 0.863	- 0.863	- 0.863	- 0.963	-0.963
Net Borrowing	0.000	0.000	0.000	5.000	0.000	0.000
Less MRP/VRP and other financing movements	- 0.261	- 0.283	- 0.307	- 0.332	- 0.360	-0.390
Movement in CFR	-1.124	-1.146	-1.169	3.805	-1.323	-1.353
Closing CFR	45.283	44.137	42.967	46.772	45.449	44.096

#### 2.3 Minimum revenue provision (MRP) policy statement

The PCC is required to pay off an element of the accumulated capital spend each year (the CFR) and make a statutory charge to revenue for the repayment of debt, known as the minimum revenue provision (MRP). The MRP policy sets out how the PCC will pay for capital assets through revenue each year. The PCC is also allowed to make additional voluntary payments (voluntary revenue provision - VRP).

CLG regulations have been issued which require the PCC to approve an MRP Statement in advance of each year. A variety of options are provided, so long as there is a prudent provision.

The PCC is recommended to approve the following MRP Statement:

- For capital expenditure incurred before 1 April 2008, MRP will be based on the Regulatory Method. MRP will be written down over a fixed 50 year period
- For capital expenditure incurred from 1 April 2008, the MRP will be based on the 'Asset Life Method', whereby MRP will be based on the estimated life of the assets in accordance with the regulations.
- For finance leases, an 'MRP equivalent' sum will be paid off each year.

# 2.4 Core funds and expected investment balances

Investments will be made with reference to the core balances, future cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Table 3 below provides an estimate of the year end balances for each resource and anticipated day to day cash flow balances.

Table 3	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Year End Resources	Actual £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
General balances	18.650	18.829	18.829	18.612	17.961	17.961
Earmarked revenue reserves	26.024	19.064	14.097	8.040	5.988	4.643
Capital grants and reserves	20.533	10.827	-0.712	-2.947	-3.913	2.963
Insurance provision	8.078	8.078	8.078	8.078	8.078	8.078
Total core funds	73.285	56.798	40.292	31.783	28.114	33.645
Working capital*  Expected investments	4.100 <b>77.385</b>	4.100 <b>60.898</b>	4.100 <b>44.392</b>	4.100 <b>35.883</b>	4.100 <b>32.214</b>	4.100 <b>37.745</b>

<sup>\*</sup> The working capital balance is the average difference between cash investments and core cash balances from the last 5 financial years. The actual figure will obviously vary from day to day according to circumstances.

#### 2.5 Affordability prudential indicators

The previous sections cover the overall capital expenditure and control of borrowing prudential indicators but, within this framework, prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the PCC's overall finances. The PCC is asked to approve the following indicators:

#### 2.6 Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

Table 4					
Ratio of Financing	2017/18	2018/19	2019/20	2020/21	2021/22
Costs to Net	Actual	Estimate	Estimate	Estimate	Estimate
Revenue Stream	%	%	%	%	%
Ratio	0.36	0.35	0.40	0.43	0.49

# 2.7 Incremental impact of capital investment decisions on PCC council tax.

This indicator is calculated by identifying those revenue costs which appear separately in the medium term financial plan (e.g. changes in DRF, capital financing costs and revenue consequences of capital investment) and then expressing those cash changes in terms of band D council tax.

Table 5 Impact of Capital Investment Decisions on PCC Council Tax	2018/19	2019/20	2020/21	2021/22
	Estimate	Estimate	Estimate	Estimate
	£	£	£	£
Band D council tax	2.47	6.51	1.44	2.01

# **3 BORROWING**

The capital expenditure plans set out in Section 2 provide details of the service activities of the PCC. The treasury management function ensures that the PCC's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.1 Current portfolio position

The PCC's borrowing portfolio position at 31 March 2018, with forward projections, is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

Table 6 PCC Borrowing Portfolio	2017/18 Actual %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
External Debt					
Debt at 1 April	14.843	22.478	27.478	29.978	37.478
Expected change in Debt	7.635	5.000	2.500	2.500	2.500
Other long-term liabilities (OLTL) at 1 <sup>st</sup> April	5.739	5.478	5.195	4.888	4.556
Expected change in OLTL	-0.261	-0.283	-0.307	-0.332	-0.360
Actual gross debt at 31 March	27.956	32.673	34.866	42.034	44.174
The CFR	45.283	44.137	42.967	46.772	45.449
Under / (over) borrowing	17.327	11.464	8.101	9.738	1.275

Within the prudential indicators there are a number of key indicators to ensure that the PCC operates their activities within well defined limits. One of these is that the PCC needs to ensure that their gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Chief Finance Officer reports that the PCC has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

#### 3.2 Treasury Indicators: limits to borrowing activity

The **operational boundary** for external debt is based on 'probable' debt during the year and is a benchmark guide, not a limit. Actual debt could vary around this boundary for short periods during the year. It should act as a monitoring indicator to initiate timely action to ensure the statutory mandatory indicator (the 'Authorised Limit', per Table 8 below) is not breached inadvertently.

Table 7 Operational boundary	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Debt	27.478	29.978	37.478	39.978
Other long term liabilities	5.478	5.195	4.888	4.556
Short Term liabilities	10.000	10.000	10.000	10.000
Total	42.956	45.173	52.366	54.534

The **authorised limit** for external debt is a key prudential indicator which provides control on the overall level of affordable borrowing. It represents a limit beyond which external debt is prohibited and needs to be set and/or revised by the PCC. It reflects the level of external debt which, whilst not necessarily desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority (or PCC), although this power has not yet been exercised.

The PCC is asked to approve the following authorised limit:

Table 8	2018/19	2019/20	2020/21	2021/22
Authorised limit				
Debt	47.478	49.978	57.478	59.978
Other long term liabilities	5.478	5.195	4.888	4.556
Short Term liabilities	10.000	10.000	10.000	10.000
Total	62.956	65.173	72.366	74.534

## 3.3 Prospects for interest rates<sup>1</sup>

The PCC has appointed Link Asset Services as his treasury advisor and part of their service is to assist the PCC to formulate a view on borrowing interest rates. The following table and subsequent paragraphs give the Link forecast view.

Table 9	Bank Rate		PWLB Borrowing Rates (including certainty rate adjustment)			
		5 year	25 year	50 year		
	%	%	%	%		
Dec 2018	0.75	2.00	2.90	2.70		
Mar 2019	0.75	2.10	2.90	2.70		
Jun 2019	1.00	2.20	3.00	2.80		
Sep 2019	1.00	2.20	3.10	2.90		
Dec 2019	1.00	2.30	3.10	2.90		
Mar 2020	1.25	2.30	3.20	3.00		
Jun 2020	1.25	2.40	3.30	3.10		
Sep 2020	1.25	2.50	3.30	3.10		
Dec 2020	1.50	2.50	3.40	3.20		
Mar 2021	1.50	2.60	3.40	3.20		
Jun 2021	1.75	2.60	3.50	330		
Sep 2021	1.75	2.70	3.50	3.30		
Dec 2021	1.75	2.80	3.60	3.40		

"The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5%

#### 1. As of 26 November 2018

to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 - 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10 year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

# Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018-19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

These interest rate forecasts are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

#### The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

# Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Brexit if it were to cause significant economic disruption and a major downturn in the rate of growth.
- Bank of England monetary policy takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis, possibly in Italy, due to its high level of government debt, low rate of economic growth and

vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. At the time of writing, the EU has rejected the proposed Italian budget and has demanded cuts in government spending which the Italian government has refused. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.

- Weak capitalisation of some European banks. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- German minority government. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result. the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- Other minority eurozone governments. Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with.
- Austria, the Czech Republic and Hungary now form a strongly antiimmigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a sudden flight of investment funds from more risky assets e.g. shares, into bonds yielding a much improved yield. In October 2018, we have seen a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of US corporate debt which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.

• **Geopolitical risks**, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

# Upside risks to current forecasts for UK gilt yields and PWLB rates

- Brexit if both sides were to agree a compromise that removed all threats of economic and political disruption.
- The Fed causing a sudden shock in financial markets through misjudging
  the pace and strength of increases in its Fed. Funds Rate and in the pace and
  strength of reversal of QE, which then leads to a fundamental reassessment
  by investors of the relative risks of holding bonds, as opposed to equities.
  This could lead to a major flight from bonds to equities and a sharp increase
  in bond yields in the US, which could then spill over into impacting bond
  yields around the world.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

#### 3.4 Borrowing strategy

The PCC 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 PCC's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as, currently, investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances, e.g.:

- 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, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- 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 an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any urgent decisions taken by the Chief Finance Officer will be reported to the PCC at the next available opportunity.

For budget planning purposes we have included £5.000m of borrowing in 2018/19, and that an additional loan of £2.500m in 2019/20 will be taken out in order to reduce the current level of under-borrowing. This is important given the plans currently in place to utilise a significant proportion of the currently held revenue and capital

reserves in coming years to help support one-off expenditure initiatives, including investment in new technology and change programmes.

At this stage we are planning to borrow £5.000m in 2020/21 to help fund long-term property initiatives in the Medium Term Capital Plan (2019/20 to 2022/23).

Adopting this approach will mean that the level of under-borrowing will fall from its current (31st March 2018) level of £17.327m to £1.275m by the end of 2021/22, due to the statutory annual transfer of monies from the revenue account (i.e. the Minimum Revenue Provision) that will reduce the CFR, all other things remaining equal.

#### Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies the maximum limit for variable interest rates for both borrowing and investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The PCC is asked to approve the following treasury indicators and limits:

Table 10	2019/20	2020/2	1 2021/22		
Interest rate exposures					
	Upper	Upper	Upper		
Limits on fixed interest rates:					
<ul> <li>Debt only</li> </ul>	100%	100%	100%		
<ul> <li>Investments only</li> </ul>	100%	100%	100%		
Limits on variable interest rates					
<ul> <li>Debt only</li> </ul>	50%	50%	50%		
<ul> <li>Investments only</li> </ul>	100%	100%	100%		
Maturity structure of fixed interest rat	te borrowing	2019/20			
		Lower	Upper		
Under 12 months		0%	50%		
12 months to 2 years		0%	50%		
2 years to 5 years		0%	50%		
5 years to 10 years		0%	50%		
10 years and above		0%	100%		
Maturity structure of variable interest	rate borrow	ing 2019/20			
		Lower	Upper		
Under 12 months		0%	100%		
12 months to 2 years		0%	100%		
2 years to 5 years		0%	100%		
5 years to 10 years		0%	100%		
10 years and above		0%	100%		

#### 3.5 Policy on borrowing in advance of need

The PCC 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 within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the PCC can ensure the security of such funds.

### 3.6 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 (premiums incurred).

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 treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Any rescheduling undertaken will be formally reported to the PCC in the next quarterly performance update.

# 4 ANNUAL INVESTMENT STRATEGY

#### 4.1 Investment policy

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments are covered in the Capital Strategy (a separate report).

The PCC's investment policy has regard to the following:

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code").
- CIPFA Treasury Management Guidance Notes 2018

The PCC's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the PCC applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets.

To this end the PCC will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in appendix 5.2 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

# 4.2 Creditworthiness policy

The PCC applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

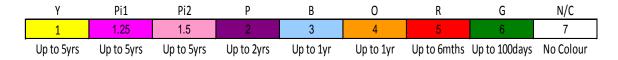
- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

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 used by the PCC to determine the suggested duration for investments. The PCC will therefore use counterparties within the following durational bands.

Yellow 5 yearsPurple 2 years

• Blue 1 year (only applies to nationalised or semi nationalised UK Banks)

Orange 1 year
Red 6 months
Green 100 days
No colour not to be used



The Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the PCC uses will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The PCC is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service:

- if a downgrade results in the counterparty / investment scheme no longer meeting the PCC's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the PCC will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the PCC's lending list.

Sole reliance will not be placed on the use of this external service. In addition the PCC will also use market data and market information, information on any external support for banks to help support its decision making process.

# UK banks - ring fencing

The largest UK banks (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits) are required by UK law to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The PCC will continue to assess the newformed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

#### 4.3 Country limits

The PCC has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.3. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

The UK is excluded from any stipulated minimum sovereign rating requirement.

#### 4.4 Investment strategy

Investments will 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). The majority of funds will be placed in call accounts, money market funds or short-term deposits. Alternatively, tradable certificates of deposit (CDs) will be acquired.

Investments of up to 2 years will also be allowed with the Royal Bank of Scotland Group. No material change in Government ownership is expected during that period. This policy will potentially enable the PCC to lock in investment returns whilst continuing to adopt a low risk approach.

Bank Rate is forecast to rise steadily up to 2.00% by quarter 4 2021/22. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

**Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the PCC's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. A limit of £20m is recommended in order to provide officers with flexibility to take advantage of time and cash limited offers, which sometimes exceed 364 days when initially offered, or to place deposits for up to 2 years in order to lock in investments returns whilst continuing to adopt a low risk approach.

The PCC is asked to approve the treasury indicator and limit:

Table 11 - Maximum principal sums invested > 364 days			
	2019/20	2020/21	2021/22
Principal sums invested	£20m	£20m	£20m

#### 4.5 Investment risk benchmarking

The PCC has approved benchmarks for investment Security, Liquidity and Yield.

These benchmarks are simple guideline targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position, and amend the operational strategy depending on any changes.

The proposed benchmarking targets for 2019/20 are set out below:

- a) **Security** the PCC's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is:
  - 0.25% historic risk of default when compared to the whole portfolio.
- b) **Liquidity** in respect of this area the OPCC seeks to maintain:
  - Bank overdraft limit £0.1m
  - Liquid short term deposits including the receipt of government grants, council tax precept income and use of short-term borrowing - of at least £5m available within one week.
  - Weighted Average Life' benchmark 9 months (270 days), with a maximum of 2 years.
- c) Yield performance target is to achieve:
  - an average return above the weighted average 7 day and 12 month LIBID rates (i.e. the bespoke TVP benchmark)

Any breach of the indicators or limits will be reported to the PCC, with supporting reasons, in the quarterly performance monitoring reports. Members of the Joint Independent Audit Committee will also be notified.

#### 4.6 End of year investment report

At the end of the financial year the Chief Finance Officer will report on the investment activity as part of his Annual Treasury Report.

# **5** Appendices

# **5.1 Economic background** (as provided by Link on 26.11.2018)

**GLOBAL OUTLOOK. World growth** has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

**Inflation** has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

#### **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. A new period has already started in the US, and more recently in the UK, of 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 a 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 also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories are vulnerable to a sharp downward 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, conversely, 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.

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt. In addition, the European Central Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

**UK.** The flow of positive economic statistics since the end of the first quarter this year has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1%

growth in GDP was followed by a return to 0.4% in quarter 2; quarter 3 is expected to be robust at around +0.6% but quarter 4 is expected to weaken from that level.

At their November meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also <u>raise</u> Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor has held back some spare capacity to provide a further fiscal stimulus if needed.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring next year. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

**Inflation.** The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.4% in October. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's inflation report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the **labour market** figures in September, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.2%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 0.8%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

**Eurozone.** Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards the end of 2019.

**USA.** President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in guarter 1 to 4.2% in guarter 2 and 3.5%, (3.0% y/y), in guarter 3, but also an upturn in inflationary pressures. In particular, wage rates were increasing at 3.1% y/y in October and heading higher due to unemployment falling to a 49 year low of 3.7%. With CPI inflation over the target rate of 2% and on a rising trend towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being the fourth increase in 2018. They also indicated that they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to the Fed having to start on cutting rates. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually increasing the amount of monthly maturing debt that it has not been reinvesting.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation. The results of the mid-term elections are not expected to have a material effect on the economy.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

**JAPAN.** They have been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

**Emerging countries.** Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

#### 5.2 Credit and Counterparty Risk Management

#### **Specified and Non-Specified Investments and Limits**

#### **Specified Investments**

'Specified' investments are sterling investments of not more than one year maturity made with any institution meeting the minimum 'high' quality criteria where applicable

#### **Non-Specified Investments**

These are any investments which do not meet the specified investment criteria. A maximum of 50% will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

Investments of up to 2 years will continue to be allowed with the Royal Bank of Scotland (RBS) Group, since no material change in Government ownership is expected during that period. This policy will potentially enable the PCC to lock in investment returns whilst continuing to adopt a low risk approach.

The proposed criteria for (a) Specified and (b) Non-Specified investments are presented below for approval.

#### a) Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the PCC has the right to be repaid within 12 months if it wishes.

•	1	T	1
	Minimum credit	Maximum	Maximum
	criteria / colour	investment per	maturity
	band	institution	period
The PCC's own banker if it fails		Minimal	
to meet the basic credit criteria. In			
this instance balances will be			
minimised as far as is possible.			
DMADF – UK Government	N/A	No limit	6 months
Money Market Funds (MMF) –	AAA by at least 2	£25m or 1% of	Liquid (instant
(Low Volatility Net Asset Value)	rating agencies	total asset base	access)
	and minimum	per institution	
	asset base of	whichever is the	
	£500m	lower figure	
Local authorities	N/A	£10m	1 year
Term deposits with RFB banks	Blue	£40m	Up to 1 year
and building societies	Orange	£30m	Up to 1 year
_	Red	£20m	Up to 6 months
	Green	£15m	Up to 100 days
CDs or corporate bonds with RFB	Blue	£40m	Up to 1 year
banks and building societies	Orange	£30m	Up to 1 year
· ·	Red	£20m	Up to 6 months
	Green	£15m	Up to 100 days
			•

#### b) Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as 'specified' above). The identification and rationale supporting the selection of these other investments, and the maximum limits to be applied, are set out below.

Non-specified investments would include any sterling investments with:

	Minimum credit criteria / colour band	Maximum investment per institution	Maximum maturity period
Local authorities	N/A	£10m	5 years
Term deposits with banks and building societies	Purple	£30m	Up to 2 years
	Blue (RBS)	£20m	Up to 2 years
CDs or corporate bonds with banks and building societies	Purple	£30m	Up to 2 years
	Blue (RBS)	£40m	Up to 2 years

#### 5.3 Approved Countries for investments

#### AAA

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

#### AA+

- Finland
- U.S.A.

#### AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

#### AA-

- Belgium
- Qatar

**THIS LIST IS AS AT 26.11.18** 



#### JOINT INDEPENDENT AUDIT COMMITTEE



Report for Decision: 7 December 2018	

Title: Joint Anti-Fraud, Bribery and Corruption Policy

#### **Executive Summary:**

The aim of the policy is to help prevent fraud and corruption within Thames Valley Police and the Office of the PCC. The policy will assist individuals and their line managers in ensuring that their decisions and actions are both legal and appropriate, and can therefore withstand review and scrutiny. Adherence to this policy will help maintain the reputation and integrity of Thames Valley Police and the PCC.

The detailed Anti-Fraud, Bribery and Corruption Policy is attached as Appendix 1.

#### Recommendation:

To consider the updated anti-fraud, bribery and corruption policy and endorse its use by all police officers and staff working for the PCC and/or Thames Valley Police

Chairman of the Joint Independent	Audit Committee
I hereby approve the recommendation	n above.
Signature	Date

#### PART 1 - NON-CONFIDENTIAL

#### 1 Introduction and background

- 1.1 Fraud and corruption can have a severe impact on the operation, status and reputation of an organisation, particularly the Office of the PCC for Thames Valley and the police service given their statutory roles and responsibilities for upholding the rule of law and reducing crime, and should therefore be prevented at every opportunity.
- 1.2 The PCC for Thames Valley and the Chief Constable of Thames Valley Police are committed to a culture of honesty, integrity and propriety in the holding of public office and the use of public funds. The Code of Ethics is fully embedded within the organisation and sets out the principles and standards of professional behaviour expected from everybody in the wider policing family. Adherence to the Code is vital in order to maintain and enhance the public's trust and confidence in Thames Valley Police.
- 1.3 Fraud and corruption are an ever-present threat to our organisations. They undermine our ability to police in a professional and cost effective way and may affect the way we utilise our finite resources. Neither the Force nor the PCC will tolerate fraud or corruption in the discharge of our responsibilities, whether they are from inside or outside our organisations. Both will seek to apply all available sanctions, including civil, criminal and disciplinary, in the case of fraud or corruption being identified. The economic climate continues to put increasing pressure on the resources available to fund public services and there is an ever-growing need to be robust in deterring and detecting fraud and corruption. There is untold damage that can be caused to our collective reputation by any of our employees or business partners being involved in fraud or corrupt practices, as it can be seen by the public as a diversion of scarce public funds for personal gain.

#### 2 Issues for consideration

- 2.1 The policy was last updated in December 2016 when it was considered and endorsed by the Joint Independent Audit Committee before being formally published
- 2.2 The policy has since been reviewed and further updated to ensure it remains up to date and fit for purpose.
- 2.3 The main change has been to incorporate 'bribery' within the title and to include extensive references to, and explanation of this issue throughout the report. Other minor changes to relevant legislation or organisations have been made.
- 2.4 A tracked change version has been sent by email to Committee members.

#### 3 Financial comments

3.1 No specific issues arising from this report

#### 4 Legal comments

- 4.1 In March CIPFA published its 2018 version of 'Audit Committees: Practical Guidance for Local Authorities and Police'. According to this document one of the core functions of an Audit Committee is to:
- 4.2 'Monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption'

#### 5 Equality comments

5.1 No specific issues arising from this report. This policy applies equally to the PCC, Deputy PCC, Chief Constable, all OPCC and TVP employees, commercial partners and all external persons with whom the PCC and TVP conduct business.

#### 6 Background papers

Previous Anti-Fraud and Corruption Policy – December 2016

#### Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

#### Is the publication of this form to be deferred? No

#### Is there a Part 2 form? No

	Officer
Name & Role	
Head of Unit	
This policy has been updated to reflect the latest police governance arrangements	PCC Chief Finance Officer
Legal Advice Complies with the requirement in the CIPFA publication 'Audit Committees: Practical guidance for local authorities' to demonstrate anti-fraud and anti-corruption arrangements	Chief Executive
Financial Advice No specific issues arising from this report.	PCC Chief Finance Officer
Equalities and Diversity No specific issues arising from this report	Chief Executive

#### **OFFICER'S APPROVAL**

We have been consulted about the report and confirm that appropriate financial and legal advice has been taken into account in the preparation of this report.

We are satisfied that this is an appropriate report to be submitted to the Joint Independent Audit Committee.

Chief Executive Date X December 2018

Chief Finance Officer Date 6 December 2018





# JOINT ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY

POLICY EFFECTIVE DATE: December 2018

POLICY REVIEW DATE: December 2020

## ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY

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#### 1. AIM OF THIS POLICY

The aim of this policy is to prevent fraud, bribery and corruption within Thames Valley Police and the Office of the PCC. The policy will assist individuals and their line managers in ensuring that their actions can withstand scrutiny. The overall aim is to maintain the reputation and integrity of Thames Valley Police and the PCC.

#### 2. POLICY STATEMENTS / INTENTIONS

#### The principles and scope of the policy

Fraud, bribery and corruption can have a severe impact on the operation, status and reputation of an organisation, particularly the Office of the Police and Crime Commissioner for Thames Valley (OPCC) and its police service, and should therefore be opposed at every opportunity.

The Police and Crime Commissioner (PCC) for Thames Valley and the Chief Constable of Thames Valley Police (TVP) are committed to a culture of honesty, integrity and propriety in the holding of public office and the use of public funds. The ethics of the organisation are based on Honesty, Professionalism, Respect, Integrity, Dedication and Empathy which further builds on the public's trust and confidence which we currently enjoy.

Fraud, bribery and corruption are an ever-present threat to our organisations. They undermine our ability to police in a professional and cost effective way and may affect the way we utilise our finite resources. Neither the Force nor the PCC will tolerate fraud, bribery or corruption in the administration of our responsibilities, whether they are from inside or outside our organisations. Both will seek to apply all available sanctions, including civil, criminal and disciplinary in the case of fraud or corruption being identified. The current world economic climate is putting pressure on our society and there is an ever-growing need to be robust in deterring and detecting fraud and corruption within the organisations. There is untold damage that can be caused to our reputation by any of our employees being involved in fraud or corrupt practices, or any diversion of public funds for personal gain.

In this document the generic term 'employees' shall refer to police officers, police staff, police community support officers, members of the special constabulary, volunteers and other members of the wider police family.

For the purposes of this policy Fraud, Bribery and Corruption have been defined as follows:

**Fraud:** The intentional distortion of financial statements or other records and/or the misappropriation of assets or otherwise for gain. This may include: falsifying travel and subsistence claims, falsifying overtime or flexi claims, and obtaining employment through false qualifications.

**Bribery:** Giving or receiving a financial or other advantage in connection with the "improper performance" of a position of trust, or a function that is expected to be performed impartially or in good faith. Bribery does not have to involve cash or an actual payment exchanging hands and can take many forms such as a gift, lavish treatment during a business trip or tickets to an event. See also "Legal Basis"

**Corruption:** The offering, giving, soliciting or acceptance of an inducement or reward which may influence a person to act against the interests of the organisation, and can be simply described as 'the misuse of power for a private gain'. This may include: gifts and hospitality, inappropriate association, drugs misuse, computer misuse, sexual misbehaviour against the public, pecuniary interests of the police and Chief Constable, PCC, Deputy PCC and staff, and disposal of assets.

This policy applies to the PCC, Deputy PCC, OPCC, all TVP employees, volunteers, commercial partners and all external persons with whom the PCC and TVP conduct business.

It should be read in conjunction with the Police Officer Conduct Policy, the joint Corporate Governance Framework, the Public Interest Disclosure Act 1998 and the Employment Rights Act 1996, which supports and encourages all employees to report suspected illegal activity without fear of victimisation or detriment as a result of making a disclosure.

#### 3. INTRODUCTION / LEGAL BASIS

#### The origins/background information

The integrity of the Force has a massive impact upon public confidence. The introduction of the Bribery Act 2010 reinforces the need to have in place policies that ensure all transactions it undertakes are carried out with integrity. This policy will go some way to address the standards expected and should be read in conjunction with the 'Business Interests of Police Officers and Police Staff' Policy and the 'Gifts, Hospitality, Discounts, Travel Concessions and Other Potential Conflicts of Interest' Policy.

#### Responsibilities

The Force has a strong commitment to preventing fraud, bribery and corruption, with responsibility to minimise the risk shared by all staff. This section briefly outlines the responsibilities of specific roles.

Senior officers and senior managers of the organisation are required to deal swiftly and firmly with those who contravene the principles of the Bribery Act 2010, defraud or who are corrupt.

All members of the OPCC and Force (including commercial partners on business for Thames Valley Police) have a duty to report any suspected improper, fraudulent or corrupt practice affecting the PCC or the Force at the earliest opportunity.

Members of outside bodies and members of the public are also encouraged to report any suspected fraudulent, improper or corrupt behaviour.

Individuals and organisations such as suppliers, contractors, service providers that the PCC and Force conduct business with are expected to act towards the PCC and Force with integrity and a total absence of improper fraudulent or corrupt practices.

The PCC's Chief Finance Officer and the Chief Constable's Director of Finance both have statutory duties and responsibility for financial administration (para. 6 of Schedule 1 and para. 4 of Schedule 2 of the Police Reform and Social Responsibility Act 2011 and the Financial Management Code of Practice issued under section 17 of the Police Reform and Social Responsibility Act 2011) and therefore must be informed of any initial report, giving rise to any suspected fraud or corruption.

In those cases where sufficient evidence is available, criminal and/or disciplinary action will be taken by the organisations. Civil recovery (including civil court action) of funds lost by fraud and corruption will be considered in all established cases.

Senior officers and senior managers of the organisations will ensure that effective procedures, practices and controls are in operation in their areas of responsibility to minimise the opportunities for bribery, fraud and corruption.

The PCC and the Force will demonstrate that it is creating a strong deterrent effect by publicising successful cases of bribery, fraud and corruption and any successful recovery of losses.

#### Motivators/Driving Forces

The prevention of fraud, bribery and corruption is an essential element in maintaining the reputation of the Force and the PCC. The Force needs to ensure that through its policies and procedures, behaviours that affect the integrity and reputation of the Force are highlighted and addressed appropriately.

The Bribery Act 2010 requires organisations to have in place adequate procedures to prevent bribery occurring.

#### General Principles of the Policy

The policy aims to address fraud, bribery and corruption within the Force by compliance with the Bribery Act 2010. The policy also sets out a clear pathway for prevention, reporting and investigation of such issues.

#### Anti-fraud, bribery and corruption strategy

TVP is committed to promoting the six principles of the Bribery Act 2010:

- 1. **Proportionality** We will take action to prevent and eliminate bribery, proportionate to the risk and size of our organisation.
- 2. **Top level commitment** Those in senior positions are committed to ensuring the organisation conducts business without bribery.
- 3. **Risk Assessment** Where risk of bribery is identified, we will risk assess the nature or extent of exposure to bribery.
- 4. **Due Diligence** TVP will have a risk based approach to business relationships with those with whom we deal and those who provide services for us.
- 5. **Communication** TVP will communicate our policies and procedures to staff and others who perform services, and will include additional training to help raise awareness, where appropriate.
- 6. **Monitoring and Review** As risks to the organisation may change, we are committed to carrying out regular reviews and re-assessments over time.

Specifically, the PCC and Force are committed to an effective anti-fraud, bribery and corruption strategy based around the following strands:

- Honest culture
- Encourage prevention
- Promote detection and timely reporting
- Identify a clear pathway for investigation
- Training
- Provide support and guidance for staff that may be in financial difficulty. These staff members are most at risk of fraudulent or corrupt practices
- Record of TVP employees who have been the subject of any County Court judgements or who have been declared Bankrupt for example. These notices are securely stored in the Professional Standards Department (PSD).
- Promoting adherence to the Nolan Principles (see Section 5)

There is a high level of **external** scrutiny of organisational affairs by a variety of bodies including:

- The External Auditor (the external, independent, auditor appointed by Public Sector Audit Appointments (PSAA) Ltd).
- The Police and Crime Panel, which scrutinises the actions and decisions of the PCC and makes sure information is available for the public, enabling them to hold the PCC to account.
- Her Majesty's Inspectorate of Constabulary, which carries out Force inspections via a phased, thematic inspection programme.
- The Independent Office for Police Conduct. If the complaint is complex or serious it could be that the IOPC will carry out or monitor the investigation to ensure impartiality.
- The public, including council taxpayers, via the annual inspection of accounts and through

enquiries made under the Freedom of Information Act 2000, and questions in response to the information published by the PCC, such as that in the Council Tax leaflets and on our website in accordance with recommended practice concerning data transparency requirements.

- HM Revenue and Customs, on matters concerning Value Added Tax and the taxation of employee income through payroll.
- The Health and Safety Executive, which investigates serious breaches of Health and Safety legislation.
- The press and other media. The Freedom of Information Act 2000 provides for transparency of the decisions and actions taken by Thames Valley Police

There is also a significant degree of internal scrutiny, the key elements of which are provided by:

- The Joint Independent Audit Committee, the Members of which receive and act upon reports from both the internal and external auditors.
- The Professional Standards Department, who investigate complaints and allegations of impropriety against officers (and staff if criminal activity is alleged).
- The Complaints, Integrity and Ethics Panel monitors and challenges the way complaints, integrity, ethics and professional standards issues are handled by the Force and overseen by the PCC, to help ensure that TVP has clear ethical standards and achieves the highest levels of integrity and professional standards of service delivery.
- The Quality of Service Unit (QSU) whose role is to find out if things are going wrong, and
  to carefully investigate what has happened to find the best way of putting them right. The
  unit also monitors positive comments about our service to help us learn from things that
  are working well.
- Regular monitoring of risk assessments relating to bribery, fraud or corruption.
- The Force Security Unit, including staff and contractor vetting and monitoring all aspects of security, including information and IT security.
- The Joint Internal Audit Team, which reviews the effectiveness of the internal control framework, reporting their findings to the Joint Independent Audit Committee.
- The PCC's Monitoring Officer who ensures the legality and propriety of proposed action by the OPCC.
- Performance Group, which holds the LPA Commanders and departments and operational units accountable for the performance of their area on a regular basis.
- The Service Improvement Department includes the provision of management information. HMICFRS Liaison and Force Crime Registrar / Crime Audit functions are incorporated within the Strategic Governance Unit. Performance Group, along with thematic Oversight Board and Thematic Risk Meetings all form part of the Service Improvement internal audit and inspection framework.
- The Force Change Review meeting and the Force Transformation Board have governance oversight of all change programmes.

The External Auditor, in addition to carrying out an annual audit of the accounts of the Chief Constable, PCC and the PCC Group, is also required to assess whether or not the Chief Constable and PCC have adequate arrangements for the prevention and detection of fraud and corruption. These arrangements are reviewed annually as part of the external audit process.

Application of this policy applies to the PCC, Deputy PCC, OPCC and all Force employees under the direction and control of the Chief Constable. Detection, prevention and reporting of fraud, bribery and corruption is the responsibility of the PCC, Deputy PCC, the OPCC and all Force employees. The PCC and Chief Constable offer reassurance that any concerns will be treated in confidence and properly investigated without fear of reprisal or victimisation. All suspected fraud, bribery and corruption will be investigated in accordance with this strategy and policy.

#### 4. CULTURE & VALUES

The TVP values are to:

- Take Pride in delivering a high quality service and keeping our promises
- Ethics (the Code)
- Engage, listen, and respond
- Learn from experience and always seek to improve.

The PCC and Chief Constable are determined that the culture and tone of the organisation is one of honesty and opposition to fraud, bribery and corruption.

There is an expectation and requirement that all individuals and organisations associated in any way with the PCC and/or TVP will act with integrity, and that the PCC and Chief Constable will lead by example in these matters. All employees are positively encouraged to raise any concerns they may have as it is often the alertness of such individuals that enables detection to occur and the appropriate action to be taken against fraud or corruption. Concerns may be about something that:

- Is unlawful
- Is against the organisation's Corporate Governance Framework or policies
- Falls below established standards or practices
- · Results in waste or loss to the organisation
- · Amounts to improper conduct.

The national Code of Ethics sets and defines the exemplary standards of behaviour for everyone who works in policing placing an absolute duty on staff. The Code applies to everyone in policing: officers, staff, volunteers and contractors. It applies both on and off duty. It guides behaviour within the organisation as much as it informs how to deal with those outside.

#### 5. STANDARDS IN PUBLIC LIFE - THE 'NOLAN PRINCIPLES'

The Committee on Standards in Public Life is an independent public body which advises government on ethical standards across the whole of public life in the UK (also known as the Nolan Committee). The Committee believes that 'Seven Principles of Public Life' should apply to all in the public service. The PCC and Chief Constable will seek to develop their working behaviours around these principles (see below). All such declarations will be recorded in a public Register maintained by the Chief Executive and made available to the public on request.

#### Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

#### Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in their performance of the official duties.

#### Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

#### **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

#### **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

#### Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

#### Leadership

Holders of public office should promote and support these principles by leadership and example.

The PCC, Deputy PCC and all OPCC and TVP employees are required to declare in a public Register any offers of gifts or hospitality which are in any way related to the performance of their duties in relation to the organisation. The PCC Register will be held by the PCC's Chief Executive and the TVP register will be held by the Force's Head of Professional Standards.

Significant emphasis has been placed on the thorough documentation of financial systems, and every effort is made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls. The adequacy and appropriateness of the organisation's financial systems is independently monitored by both Internal and External Audit. Senior management places great weight on the timely implementation of audit report actions.

Arrangements are in place to continue to develop and encourage the exchange of information between the PCC, police force and other agencies on national and local fraud and corruption activity in relation to PCCs and police forces.

#### 6. PREVENTION

The PCC and Force recognise that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff, in terms of their propriety, integrity and honesty. In this regard temporary and contract staff should be treated in the same manner as permanent staff. Vetting and security clearance are therefore a prerequisite to appointment.

The PCC and Force are committed to working and co-operating with other organisations to prevent organised fraud, bribery and corruption. Wherever possible, the PCC and Force will be prepared to help and exchange information with other PCCs, forces and organisations to deal with fraud.

The PCC and Force will assess the possibility of fraud within their risk management processes. This will include consideration of the following:

- Three key fraud risk factors (opportunity, motive and rationalisation)
- · Likelihood, significance and pervasiveness of fraud risks
- The risk of management over-ride of control
- Mitigating programmes and controls to each identified fraud risk.

The organisations are committed to raising the awareness of the key fraud risks with appropriate staff.

All PCC and Force employees are expected to follow any Code of Conduct related to their personal professional qualifications and also abide by any Rules of Conduct as published.

Any personal information will be handled in accordance with approved TVP policies and standards, including all data protection legislation

#### **Internal Control Systems**

It is the PCC and Chief Constable's joint objective that all its systems shall operate in such a manner as to minimise the risk of fraud, bribery and corruption. To this end the PCC and Chief Constable have agreed Financial Regulations that place a requirement on staff, when dealing with PCC and Force affairs, to act in accordance with best practice. The Financial Regulations include sections on Contract Regulations (E) and External Arrangements (F), covering

partnerships, external funding and work for third parties. Financial Regulations are accessible on PCC website <a href="https://www.thamesvalley-pcc.gov.uk/information-hub/opcc-policies/">https://www.thamesvalley-pcc.gov.uk/information-hub/opcc-policies/</a> and the Force Intranet site by following the link: <a href="http://knowzone/kz-depts-homepage/kz-depts-fin.htm">http://knowzone/kz-depts-homepage/kz-depts-fin.htm</a> and clicking on 'Financial Regulations'. Section C4 'Preventing Fraud and Corruption' should be read in conjunction with this policy document.

The two Chief Finance Officers both have a statutory responsibility under the Police Reform and Social Responsibility Act 2011 to ensure the proper arrangements of the PCC and Chief Constable's financial affairs. The Chief Constable's Financial Instructions underpin Financial Regulations and outline the systems, procedures and responsibilities of staff in relation to the Chief Constable's financial activity. Financial Instructions may be viewed on the Force Intranet by following the link: <a href="http://knowzone/kz-depts-homepage/kz-depts-fin.htm">http://knowzone/kz-depts-homepage/kz-depts-fin.htm</a> and clicking on 'Chief Constable's Financial Instructions'.

The PCC and Chief Constable have developed, and are committed to continuing with, systems and procedures which incorporate efficient and effective internal controls. These include adequate separation of duties to ensure that the risk of error and impropriety is minimised. Under Financial Regulations chief officers are required to ensure that such controls, including those in a computerised environment, are properly maintained, effective and adequately documented. The existence, appropriateness and effectiveness of these internal controls are independently reviewed by the Joint Internal Audit Team and by the External Auditor.

Each year an Annual Governance Statement (AGS) must be published with the separate statutory accounts of the PCC and Chief Constable. The preparation of the AGS requires evidence to be gathered, to demonstrate that effective governance, risk and internal controls are operating. Sources of evidence, including the assurance statement in the annual report of the Chief Internal Auditor, are gathered throughout the year. The two AGS will be audited by the External Auditor as part of the annual audit cycle.

LPA and OCU Commanders and Heads of Department must ensure that appropriate levels of internal control are incorporated into working procedures, particularly those pertaining to finance. It is important that duties are organised in such a way that no one person has complete control over a financial transaction. Whenever possible the key actions in a financial system should be carried out by different people i.e. there should be effective separation of duties. Where this is not possible some form of checking process should be built into the system.

#### The Force ensures

Before both temporary and permanent staff are appointed, approved vetting procedures must be followed. This applies also to staff employed by contractors engaged by Thames Valley Police. A formal vetting policy is in place for this.

#### Combining with others

The PCC and Chief Constable are committed to working and co-operating with other organisations to prevent organised fraud and corruption. Wherever possible, the PCC and Chief Constable will be prepared to help and exchange information with other PCCs, forces and organisations to deal with fraud.

Arrangements are in place, and continue to be developed, to encourage the exchange of information between the PCC, Chief Constable and other agencies on national and local fraud and corruption activity. The PCC is required by statute to participate in the biennial national data matching exercises, known as the 'National Fraud Initiative' (NFI), run under the auspices of the Cabinet Office.

Whilst the majority of public sector frauds are not committed against police organisations, it is essential to maintain vigilance in the light of the rapid increase in recent years of frauds perpetrated against a variety of local authorities, which usually involve fraudulent persons having multiple identities and addresses. The necessity to liaise between organisations has become paramount and some of these include:

#### Other police organisations:

Association of Police & Crime Chief Executives (APAC<sup>2</sup>E)

- Police Treasurers (PACCTS)
- Police Audit Group.
- National Police Chiefs Council (NPCC)
- College of Policing.
- Public Sector Audit Appointments (PSAA) Ltd

#### 7. <u>DETECTION & INVESTIGATION</u>

The array of preventative systems, particularly internal control systems within the organisation, has been designed to provide early indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

It is the responsibility of management to prevent and detect fraud, bribery and corruption. However, it is often the alertness of staff and the public that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may have been committed or is in progress.

Despite the best efforts of managers, supervisors and auditors, many frauds are often discovered by chance or 'tip-off', and the PCC and Chief Constable have arrangements in place to enable such information to be properly dealt with.

The staff of TVP and the PCC are required by the Chief Constable's Financial Instructions to report all suspected instances of loss or fraud relating to any asset in the custody of the Force to the Director of Finance. If the loss or fraud involves a Member of the Force, an employee of the PCC, a relative of one of these, or a contractor, the Professional Standards Department should be notified before any action is taken. Early reporting is essential to the anti-fraud strategy and ensures:

- consistent treatment of information about fraud and corruption;
- proper investigation by experienced and professional investigators;
- the optimum protection of the organisations interests: and
- any corrective action to minimise the risk of recurrence is taken at the earliest opportunity.

A working relationship exists between the Director of Finance, the Head of Professional Standards and the Chief Internal Auditor to ensure that loss and potential fraud is fully investigated and dealt with correctly. The relationship requires the Professional Standards Department to liaise with the Chief Internal Auditor after the matter has been investigated, so that the Chief Internal Auditor may identify any weaknesses in internal control that allowed the irregularity to occur and to ensure that corrective action is taken to minimise the risk of recurrence of the irregularity within the Force or the OPCC.

Disciplinary procedures will be invoked where the outcome of the investigation indicates misconduct. Proven cases of gross misconduct may result in the dismissal of the employee. Misconduct includes fraud committed by a member of staff against another organisation.

Where financial impropriety is discovered, the presumption is that arrangements will be made, where appropriate, for the prosecution of offenders by the Crown Prosecution Service.

The External Auditor also has powers to investigate fraud and corruption independently and the PCC and/or the Chief Constable will make use of these services in appropriate cases.

In addition to a proactive approach to the prevention of fraud and corruption, the PCC and/or Chief Constable will ensure that they learn from any mistakes made which permitted fraud or corruption to occur and to go unnoticed. Procedures therefore need to be in place to ensure that system weaknesses and other factors which contributed to cases of fraud and corruption are identified and addressed. The production of an audit report following every investigation by the Joint Internal Audit Team into financial irregularities will ensure that system weaknesses are identified. Every report will include appropriate management actions to ensure that the risk of recurrence elsewhere in the organisation is minimised. For their part managers must ensure that the actions agreed in these reports are acted upon within the agreed timescale.

#### 8. RAISING A CONCERN

The PCC and Chief Constable's employees (officers, police community support officers and staff) are a key element in their stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on these issues, where they are associated with TVP activities. They can do this in the knowledge that such concerns will be treated in confidence and be properly investigated. If necessary, a route other than a line manager, where they are believed to be implicated, may be used to raise such concerns. Examples of possible routes are:

Force Staff

Deputy Chief Constable (01865 541898) Director of Finance (01865 541479) Head of Professional Standards (01865 846010)

PCC Staff

Chief Finance Officer (01865 541959) Chief Executive (01865 541960) Chief Internal Auditor (01865 541947)

Concerns that employees have may also be brought directly to the attention of the Professional Standards Department, which has its own policy entitled 'Professional Standards Reporting', which may be viewed by following this link: <a href="http://knowzone/kz-psd-homepage-policies-owned-reporting">http://knowzone/kz-psd-homepage-policies-owned-reporting</a> and is a key part of the National Police Chiefs Council Corruption Prevention Strategy. Alternatively employees may report their concerns through Integrityline (I-line), a confidential reporting line for use by employees who have witnessed, or are aware of, any wrongdoing or breaches of professional standards. This is an internal service run by Crimestoppers that protects the anonymity of the caller and may be contacted on 0800 555 111. For more information on I-line please follow this link <a href="http://knowzone/kz-psd-homepage.htm">http://knowzone/kz-psd-homepage.htm</a>

In addition to the above routes employees may invite their trade union or the Police Federation to raise the matter on their behalf.

If employees feel unable to raise their concerns through any of the internal routes, they may wish to raise them through Public Concern at Work (telephone 020 7404 6609), a registered charity and an independent authority on public interest confidential reporting, whose services are free and strictly confidential. Visit <a href="https://www.pcaw.org.uk/">www.pcaw.org.uk/</a> for further information.

All members of the Police Service can also raise concerns with the Independent Office of Police Conduct (IOPC). This is an independent body whose purpose is to see that whenever a complaint is made about a police officer's conduct by a member of the public, it is dealt with thoroughly and, above all, fairly. Complaints to the IOPC may be made in several ways:

Phone: 0300 020 0096

By e-mail: enquiries@policeconduct.gov.uk

**On-line:** www.policeconduct.gov.uk. Following this link enables an online complaint form to be downloaded. Other ways of making a complaint are also listed on the website.

The Public Interest Disclosures Act 1998 protects employees from reprisals as long as:

- the disclosure is made in good faith;
- the employee believes the disclosure to be substantially true;
- the employee is not acting maliciously or making false allegations; and
- the employee is not seeking personal gain.

Whilst every effort will be made to protect employees who raise legitimate concerns, those making unfounded malicious allegations are liable to disciplinary action and may also leave themselves open to an action for defamation. Although staff are not expected to prove the truth of an allegation, they will need to demonstrate to the person contacted that there are sufficient grounds for concern. The earlier a concern is expressed, the easier it is to take action.

Members of the public and contractors are also encouraged to raise concerns via the PCC, Chief Constable, and officers and staff listed above, Public Concern at Work, or the Independent Office for Police Conduct.

Concerns are better raised openly, as anonymous allegations are much more difficult to pursue. Those who do not feel able to put their concern in writing may telephone or meet the appropriate person (see above). Ideally the background and history of the concern should be conveyed as well as the reason(s) why the individual is particularly concerned about the situation.

Senior managers are responsible for following up any allegation of fraud, bribery or corruption received and will do so through agreed procedures. They will

- deal promptly with the matter;
- record all evidence received;
- ensure that evidence is sound and adequately supported;
- ensure the security of all evidence collected;
- immediately notify the Chief Finance Officer, the Head of Professional Standards or the Director of Finance.

The Professional Standards Department will normally carry out the investigation into the allegation, but may determine to refer the matter to local CID.

In those instances where the person raising a concern has provided contact details, the Monitoring Officer or designated officer will write to him/her to acknowledge receipt of the concern within ten working days of the receipt of the concern.

The PCC and Chief Constable accept that people who make an allegation of fraud or corruption need to be assured that the matter has been properly addressed. Subject to legal constraints they will therefore be informed of the outcome of any investigation in due course.

#### 9. TRAINING

The PCC and Chief Constable both recognise that the continuing success of their joint Anti-Fraud, Bribery and Corruption Policy and its general credibility will depend largely on the effectiveness of programmed training and the responsiveness of the PCC, Chief Constable and their respective employees throughout the organisation.

To facilitate this, the PCC and Chief Constable support the concept of induction and training and appraisal and development for employees, particularly those involved in internal control systems, to ensure that a thorough understanding of their responsibilities and duties in this respect are regularly highlighted and reinforced.

There is a Force-wide commitment to induction and ongoing training, which includes sections covering ethics and integrity.

LPA and OCU Commanders, Heads of Department and other line managers should ensure that employees have access to the relevant rules and regulations and that they receive suitable training.

Employees must make sure that they read and understand the rules and regulations that apply to them and act in accordance with them. Employees who do not comply with these rules and regulations risk disciplinary action being taken against them.

#### Legislative Compliance

This document has been drafted to comply with the principles of the Human Rights Act 1998.

Public disclosure is approved unless otherwise indicated or justified.

Adherence to this policy will ensure compliance with all relevant legislation and internal policies.

#### Legal Basis

The precise definitions of fraud are set out in the Fraud Act 2006 and cover fraud by false representation, fraud by failing to disclose information and fraud by abuse of position.

The Bribery Act 2010 creates offences of:

(a) Bribing another person to induce a person to perform improperly a relevant function or activity or to reward a person for the improper performance of such a function or activity.

and

(b) Requesting, agreeing to receive, or accepting a financial or other advantage intending that a function or activity should be performed improperly whether by that person or another.

This is a common sense approach for individuals and line managers. However responsibilities under the Bribery Act 2010 should be in line with the 'Business Interests of Police Officers and Police Staff' Policy and the 'Gifts, Hospitality, Discounts, Travel Concessions and Other Potential Conflicts of Interest' Policy.

#### Human Rights Considerations/Articles Engaged

Application of this policy has the potential to engage Articles 3 and 8 of the European Convention of Human Rights (ECHR), i.e. prohibition of degrading treatment and right to respect for private and family life. Such an interference must have a legitimate aim which in this case is:-

- a) The prevention of crime and disorder.
- b) The protection of the rights and freedom of others.

Where there is a potential interference with an individual's rights there must always be sufficient reason and the interference must be justified, proportionate and least intrusive.

Proportionate means that the action taken in pursuit of the policy must be proportionate to its aims. In this case the policy seeks to ensure that the force complies with the disclosure requirements of the legislation and the described revelation methods are proportionate to achieving that aim. It is also relevant that revelation to CPS does not automatically mean disclosure to the defence and use in court. Proportionality will also be addressed in the decision as to whether material revealed in accordance with the policy is actually disclosed.

The courts have demonstrated time and again that ensuring defendants have the right to a fair trial, Article 6 ECHR is of paramount importance and this policy reflects that.

#### 10. MONITORING ARRANGEMENTS

The PCC and Chief Constable have in place a clear framework of systems and procedures to assist in the fight against fraud, bribery and corruption. It is determined that these arrangements will keep pace with any future developments, in both prevention and detection techniques regarding fraudulent or corrupt activity, that may affect its operation or related responsibilities.

To this end the PCC and Chief Constable maintain a continuous overview of such arrangements and, in particular, through the Governance Advisory Group, their joint Corporate Governance Framework, the Chief Constable's Financial Instructions, various codes of practice, Police Regulations and audit arrangements. All chief officers, police officers and staff are required to have regard to this policy.

The Chief Internal Auditor will monitor the operation of this policy statement and will report any identified cases of fraud and/or corruption to the Joint Independent Audit Committee. The PCC's Chief

Finance Officer will report to the Committee any proposed changes to this Policy Statement.

Date policy effective from: December 2018 Date policy last updated: December 2018

Review date: December 2020

Responsibility for maintaining this policy rests with: PCC's Chief Finance Officer: lan

Thompson (01865 541959)



#### JOINT INDEPENDENT AUDIT COMMITTEE



Report for [	Decision:	7 <sup>th</sup> December	2018
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Title: Public Sector Audit Appointments consultation on their proposed work programme and scale of fees 2019/20

#### **Executive Summary:**

On 25<sup>th</sup> October 2018 Public Sector Audit Appointments (PSAA) launched its consultation on the scale of fees for the audit of the accounts for 2019/120 It also includes PSAA's intentions and indicative estimates for the five years of the appointing period, from 2018/19 to 2022/23.

For 2019/20 it is proposed that the scale fee for all opted-in bodies be held at the same level as in 2018/19. This follows a reduction of 23% in 2018/19.

The combined audit fee will therefore be £45,652.

#### Recommendation:

That the Committee supports the Public Sector Audit Appointments recommendation to hold the scale fee for the audit of the 2019/20 accounts at the current 2018/19 level.

Chairman of the Joint Independent Audit Committee		
I hereby approve the recommendation above.		
Signature	Date	

#### PART 1 - NON-CONFIDENTIAL

#### 1 Introduction and background

- 1.1 PSAA is specified under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 as the appointing person for principal local government bodies in England, including local police bodies.
- 1.2 PSAA's responsibilities include appointing auditors to opted-in bodies, setting fees, and monitoring the quality of auditors' work.
- 1.3 At the time of issuing this consultation, there are 494 bodies eligible to opt into PSAA's national scheme, of which 485 (98%) have opted in for the current appointing period, covering the accounts for 2018/19 to 2022/23.
- 1.4 The full consultation document is attached at Appendix 1.

#### Scale fees

- 1.5 PSAA operates on a not-for-profit basis. Fees are therefore set with a view to covering the amounts they need to pay to audit firms, following their auditor procurement exercise, and the expected operating costs of PSAA. Any surplus arising from the scale fees set following consultation will be distributed back to opted-in bodies during the appointing period.
- 1.6 Following a 23 per cent reduction in 2018/19 PSAA propose that the scale fees for 2019/20 be held at the current level.

#### 2 Issues for consideration

2.1 The consultation paper sets out the fees that local policing will be expected to pay for the audit of the 2019/20 accounts.

#### 3 Financial comments

3.1 Individual scale fees for 2019/20 (for local police bodies) are attached at Appendix 2. The PCC will pay £31,214 with the Chief Constable paying £14,438. The combined fee is £45,652.

#### 4 Legal comments

4.1 Scale fees are being set in accordance with the Local Audit and Accountability Act 2014.

#### 5 Equality comments

5.1 None directly arising from this report

#### 6 Background papers

6.1 None

#### Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? No

#### Is there a Part 2 form? No

	Officer
Name & Role	
Head of Unit	B00 01 : 1
The Audit Commission is consulting of proposed changes to the	PCC Chief Finance Officer
scale of audit fee for 2019/20	1 mance Officer
Legal Advice	01.15
These fees are being set in accordance with the Local Audit and	Chief Executive
Accountability Act 2014.	
Financial Advice	PCC Chief
Fees are being held at the current 2018/19 level The combined	Finance Officer
audit fee for TVP is £45,652.	
Equalities and Diversity	Chief Executive
No specific issues arising from this report	

#### **OFFICER'S APPROVAL**

We have been consulted on this report and confirm that appropriate financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate report to be submitted to the Joint Independent Audit Committee.

Chief Executive Date 23 November 2018

Chief Finance Officer Date 23 November 2018



# Consultation on scale of audit fees for 2019/20

Opted-in local government and police bodies

October 2018

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

In 2015 the Secretary of State for Communities and Local Government delegated a number of statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis. These responsibilities draw to a conclusion in 2018/19 with completion of the 2017/18 audits of relevant authorities.

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government authorities for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

From 2018/19, PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.

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#### Consultation on 2019/20 scale of fees

#### Introduction

- 1 This consultation sets out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2019/20 financial statements at authorities that have opted into Public Sector Audit Appointments' (PSAA) national auditor appointment scheme.
- 2 The consultation also provides an indication of the outlook for scale fees for the five years of the current appointing period, covering the audits of accounts from 2018/19 to 2022/23. We review and update our estimates each year, and consult opted-in authorities and other stakeholders annually on our proposals before publishing the confirmed fee scale on our website.
- 3 Scale fees are based on the expected work auditors will undertake under the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.
- 4 We hope the information set out in this consultation is helpful to opted-in authorities and other stakeholders in considering our proposals for the 2019/20 fee scale, as well as supporting longer-term financial planning.

#### **Background**

- 5 PSAA is specified by the Secretary of State for Housing, Communities and Local Government under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 as the appointing person for principal local government bodies in England, including local police bodies.
- 6 PSAA's responsibilities include appointing auditors to opted-in bodies, setting fees, and monitoring the performance of auditors and the quality of their work. More information about PSAA is available on our website.
- 7 At the time of issuing this consultation, there are 495 bodies eligible to opt into PSAA's national scheme, of which 485 (98%) have opted in for the current appointing period, covering the accounts for five years, from 2018/19 to 2022/23.

#### Scale fees

- 8 PSAA's approach to setting scale fees for the appointing period, and the specific proposals for scale fees for 2019/20, are set out in the remainder of this document.
- 9 PSAA averages firms' costs, so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular opted-in body.
- 10 PSAA operates on a not-for-profit basis. Fees are therefore set with a view to covering the amounts we need to pay to audit firms and the expected operating costs of PSAA. Any surplus arising from the scale fees set following this consultation will be distributed back to opted-in bodies during the appointing period.

#### Consultation on 2019/20 scale of fees

#### Responding to this consultation

We welcome comments on the proposals contained in this document. Please send comments by email to:

workandfeesconsultation@psaa.co.uk

The consultation will close on Monday 17 December 2018.

#### Proposed fee scale for 2019/20

- 11 The Local Audit (Appointing Person) Regulations 2015 (the Regulations) require PSAA to specify, before the start of the financial year to which the fees relate, the scale of fees for the audit of the accounts of opted-in authorities.
- 12 We propose that the scale of fees for 2019/20 should be the same as the scale of fees applicable for 2018/19. PSAA was able to reduce scale fees for 2018/19 by 23 per cent compared to the fees applicable for 2017/18 as a result of the favourable prices secured from firms in our audit services procurement and having regard to planned savings in PSAA's own operating costs. We have reviewed our costs in preparation for this consultation and are pleased to confirm that we are able to sustain 2018/19 fees for a second year.
- 13 The proposed scale of fees for 2019/20 reflects the cost of the expected work programme outlined below.
- 14 The proposed scale fee for each opted-in local government and police audited body is <u>available on our website</u>. Paragraphs 21 to 25 below explain the arrangements that apply to the variation of fees in certain circumstances.

#### Work programme

- 15 Under the provisions of the Local Audit and Accountability Act 2014 (the 2014 Act), the National Audit Office (NAO) is responsible for publishing the statutory <a href="Code of Audit Practice">Code of Audit Practice</a> and supporting guidance for auditors. Audits of the accounts for 2019/20 will be undertaken in accordance with the requirements of the Code.
- 16 The Code requires the auditor to give an opinion on the financial statements of a body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money. Further information on the Code and supporting guidance is available on the <a href="NAO">NAO</a> website.
- 17 Auditors tailor their work to reflect local circumstances and their assessment of audit risk. They do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks.
- 18 The scale of fees set out in this consultation is based on the assumption of no significant changes in NAO guidance for auditors, professional standards, or CIPFA/LASAAC financial reporting requirements that would affect materially the amount of audit work to be undertaken for 2019/20 audits. A previous example of such a material change in audit work was the implementation of international financial reporting standards (IFRS) for local government bodies for 2010/11.

#### **Audit quality**

19 PSAA is very aware of the need to maintain and, where possible, strive for improvements in, audit quality. Our responsibilities in this area were a major driver in our audit services procurement and are emphasised in the contracts we have entered into with successful firms.

#### Consultation on 2019/20 scale of fees

We have developed new arrangements for monitoring and reporting on auditor performance and audit quality under the contracts for the appointing period 2018/19 to 2022/23. The new arrangements will be implemented to coincide with the start of the audits of 2018/19 accounts. Further information is available on the <u>audit quality</u> pages of our website.

#### Fee variations

- 21 PSAA has the power to determine the fee above or below the scale fee, where it considers that substantially more or less work was required than envisaged by the scale fee. Scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.
- The proposed scale of fees for 2019/20 is based on the individual scale fees applicable for 2018/19 because these represent the most accurate reflection available of auditors' current assessments of audit risk and complexity for each opted-in body. Where it becomes clear that audit risk or complexity have changed, the auditor may request a variation to the scale fee. We would only expect variations to occur for 2019/20 where these factors are significantly different from those identified and reflected in the 2018/19 scale fee.
- Variation requests must be made to PSAA by the auditor using a standard process and cannot be invoiced to an audited body by the auditor until they have been approved by PSAA.
- PSAA obtains updated fee information, and explanations for any proposed variations from the scale fee, from appointed auditors on a regular basis. We consider the reasonableness of the explanations provided by auditors, and require the auditor to confirm that they have discussed the reasons for the additional fee with the audited body before we finalise our decision on any variation to the scale fee.
- 25 PSAA will charge fees for considering objections as a variation to the scale fee, from the point at which auditors accept an objection as valid, or for any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998.

#### Value added tax

26 All the 2019/20 fee scales exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

### Scale fees during the appointing period 2018/19 to 2022/23

- We published the fee scale for opted-in bodies for 2018/19, the first year of the current five-year appointing period, in March 2018. We were able to reduce scale fees for 2018/19 by 23 per cent, compared to the fees applicable for the previous year, as a result of the favourable prices secured from firms in our audit services procurement and planned reductions in PSAA's own operating costs.
- 28 When we published the 2018/19 fee scale, we explained that PSAA hopes to be able to maintain the 23 per cent reduction for the first three years of the appointing period, based on assumptions at that time about inflation and the amount of work auditors are required to undertake.
- 29 In advance of consulting on the fee scale for 2019/20, the second year of the appointing period, we have reviewed our assumptions and estimates. Our review has confirmed that we are able to sustain the 23 per cent reduction for the 2019/20 audits.
- 30 We currently expect to maintain the 23 per cent reduction for the third year of the appointing period (for audits of the 2020/21 accounts), and may be able to maintain the same level for all five years of the appointing period, but it is not possible to be certain at this early stage. At present we are making cautious assumptions about the likely level of inflation during the appointing period, having regard to the clear uncertainties and potential risks in the longer-term economic outlook.
- 31 Scale fees must cover both the cost of auditors' work at individual opted-in bodies and PSAA's own costs. PSAA has undertaken a significant review of its own costs and staffing structure, and has implemented changes to reduce its cost base for the appointing period.
- 32 The most significant factors that could have an impact on the level of scale fees required during the appointing period relate to:
- Inflation: there is uncertainty about the expected level of inflation but a generally rising trend. The contracts with audit firms include an increase for inflation in the later years of the appointing period.
- Code of Audit Practice: the National Audit Office is required to publish a new Code
  every five years. The next Code will be applicable from 2020/21, the third year of the
  appointing period. Any changes to the scope of auditors' work, whether this increases or
  decreases the work required, must be reflected in scale fees.
- Changes in financial reporting requirements: current scale fees reflect the audit work
  needed based on current financial reporting requirements. Changes to these
  requirements may have an impact on scale fees.
- 33 It is not PSAA's intention to generate or retain any surplus from scale fees. If any surplus arises, it will be distributed back to opted-in bodies. The most recent distribution of this type was made in December 2017. The scale of any future distribution is likely to be modest at individual authority level.

Consultation on 2019/20 scale of fees

#### **Next steps**

- 34 PSAA has a statutory duty to prescribe a scale of fees for the audit of accounts of bodies that have opted into its national auditor appointment arrangements. Before prescribing scale fees, we are required to consult opted-in authorities, representative associations of relevant authorities and bodies of accountants.
- We welcome comments from audited bodies and stakeholders on the proposals contained in this document. The consultation will close on **Monday 17 December 2018**.

Please send comments or questions by email to:

workandfeesconsultation@psaa.co.uk

- 36 Following responses to this consultation, the PSAA Board will approve the final 2019/20 scale of fees for publication in March 2019.
- 37 If you have complaints about the way this consultation has been conducted, these should be sent by email to <a href="mailto:generalenquiries@psaa.co.uk">generalenquiries@psaa.co.uk</a>.