

**Joint Independent Audit Committee
Agenda**

Monday 25 February 14:00

**Training Room 3
Newcastle City Centre Police Station
Forth Banks**

OPEN SESSION UNDER THE FREEDOM OF INFORMATION ACT 2000

- 1. Introduction**
- 2. Declaration of Interest**
- 3. Minutes of Previous Meeting Held 19.11.18**
(Attached)
- 4. Matters Arising**
(Action list attached)
- 5. Audit Strategy Memorandums (CC & PCC)**
External Auditor, Mazars
 - a. Chief Constable for Northumbria**
(Paper attached)
 - b. Police and Crime Commissioner for Northumbria**
(Paper attached)
- 6. Treasury Management Strategy**
Report of Head of Finance
(Paper attached)
- 7. Annual Governance Review Assurance Framework 2018/19**
Report of Head of Finance
(Paper attached)
- 8. Summary of Recent External Inspection Reports**
Report of Head of Corporate Development
(Paper attached)
- 9. Joint Strategic Risk Register**
Report of Head of Corporate Development
(Paper and appendices attached)
- 10. Internal Audit Charter, Strategy Statement 2019-2022 and Annual Audit Plan 2019/20**
Report of Internal Audit Manager
(Paper and appendices attached)



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**NORTHUMBRIA
POLICE**

NORTHUMBRIA POLICE MINUTES

Title
Joint Independent Audit Committee (JIAC)

Meeting Number
04/2018

Date
19 November 2018

Location
Meeting Room 2
Forth Banks

Duration
14:00-15:40

Present:

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

1. INTRODUCTION

The Chair opened the meeting, providing thanks to those present for their attendance.

2. DECLARATION OF INTEREST

Nothing to declare from members.

3. MINUTES OF JOINT INDEPENDENT AUDIT COMMITTEE

Agreed as a true and accurate record.

4. ACTION LIST FOR FUTURE MEETINGS

3/2018 Minute 13viii

N Mundy reiterated the importance of server patching, highlighting concerns in this area are a real threat. M Tait advised an update would be provided at the next meeting.



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Agreed:

- **An update concerning patching and Force position to be provided to the February JIAC for assurance.**

Action: M Tait

N Mundy confirmed the action list had been updated.

5. JIAC ANNUAL REPORT

N Mundy presented the JIAC Annual Report. He gave thanks to J Cooke for authoring the report. Members advised they were satisfied the contents of the report provided an accurate summary of the committee and its work.

Update **noted**.

6. ANNUAL AUDIT LETTERS

C Waddell presented both the Chief Constable and Police and Crime Commissioner (PCC) Annual Audit letters. He assured members all expectations had been met in terms of what was provided within both. C Waddell highlighted the financial outlook is likely to present challenges to all police forces.

N Mundy thanked Mazars for its work in producing the reports.

Update **noted**.

a. CHIEF CONSTABLE FOR NORTHUMBRIA

Update **noted**.

b. POLICE AND CRIME COMMISSIONER FOR NORTHUMBRIA

Update **noted**.

7. EXTERNAL AUDITORS REPORT

C Waddell informed members lessons had been learned from the previous year in terms of efficiency of approach to audit. He advised testing had been undertaken in October, with no fundamental issues noted. C Waddell stated one of the focuses moving forward was the impact of Brexit on the staff Local Government Pension Scheme; this is likely to have an impact on pension asset valuations which are currently in the last year of tri-annual evaluation. An outline planning report on the approach to the statutory audit and key risks will be provided to the JIAC in February. N Mundy thanked C Waddell for the cautionary information.

Concerning the timetabling of the audit, K Laing confirmed a lessons learned workshop had taken place to look at the previous year's process, in order to improve the audit planning for the forthcoming year.

Agreed:

- **Audit Strategy Memoranda to be brought to the February JIAC meeting, outlining the approach to the 2018/19 audit, including the approach to auditing the Brexit impact on pension valuations.**

Action: C Waddell



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8. AUDIT COMMITTEES: PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES AND POLICE

K Laing presented the report, highlighting the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. K Laing and A Buckingham conducted an initial review of the guidance; there was no impact on the JIAC Terms of Reference (ToR) following this. K Laing moved on to make some recommendations to the ToR in order to make processes explicit and ensure the ToR are fit for purpose.

N Mundy stated it was of benefit to have the guidance translated to the ToR. P Angier made reference to point 10 of the ToR regarding quorum and decision making, querying if the JIAC was vulnerable whilst not at capacity. R Durham confirmed the vacancy for a new member was currently being advertised; it is expected a new member will be in situ by February therefore membership will be at full complement.

Agreed:

- ***The revised JIAC ToR***

9. SUMMARY OF RECENT EXTERNAL INSPECTION REPORTS

P Godden presented the quarterly update of external inspections. He advised in the quarter since the last JIAC, three inspection reports had been published by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Despite Northumbria Police not being assessed, reviews had taken place against recommendations identified nationally.

P Godden stated a recommendation register was in development by HMICFRS with an estimated implementation date of January 2019; the register will track all recommendations and improvements nationally. P Godden advised HMICFRS should update the register periodically; it is expected this will tie in with JIAC reporting schedules.

Committee members discussed ways in which they can be satisfied they have an understanding of ongoing work in Force to complement their role as committee members, particularly around complaints and their wider impact. N Mundy advised it would be beneficial to receive an outline of certain processes in order to appreciate the work which comes out of reports provided to the JIAC and which would impact on the Strategic Risk Register. N Mundy asked this to be considered further outside of the JIAC forum with a response provided at the next meeting.

K Amlani queried if a post-inspection review had taken place. P Godden confirmed it had; an action plan has been created as a result.

Agreed:

- ***A response to the request for further information to be provided to members at the next meeting.***

Action: M Tait

10. JOINT STRATEGIC RISK REGISTER

P Godden presented the Joint Strategic Risk Register (JSRR), noting three new risks had been added since the previous meeting. He advised the risk concerning failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget was of note. D Best advised the risk status is dependent on the work of the national group; however the risk can be mitigated at present. M Tait stated there is currently no risk of Northumbria Police airwave equipment becoming unserviceable prior to implementation of the ESN.



P Angier requested further clarity to Risk 25: Significant increase in the cost of Employers Pension Contribution, which M Tait provided. M Tait noted in a worst case scenario, the Force would be expected to deliver a significant level of budget savings at a cost of £11million; this level of financial resource is not currently in reserves therefore if the Home Office position does not change, any action taken will present further risk. A settlement is expected, after which the Force position will be clearer. N Mundy requested any significant news concerning the settlement should be articulated to committee members in advance of the next meeting. N Mundy gave thanks to P Godden for the report.

Update *noted*.

11. TREASURY MANAGEMENT MID-YEAR REPORT 2018/19

K Laing presented the report and associated appendices. P Angier queried if figures provided concerning gross debt above Capital Financing Requirement (CFR) are a reflection of capital spend, to which K Laing advised they were. P Wood queried if there were difficulties in meeting parameters regarding stress testing; he was assured the Force only invests in UK Triple A rated banks however acknowledged there is a risk that ratings could drop following Brexit. K Amlani requested if the report could be provided to the JJAC on a quarterly basis. K Laing advised the report is published quarterly on the PCC website.

Agreed:

- ***To provide members with the Treasury Management report at future meeting.***

Action: K Laing

12. EMERGENT AUDIT PLAN 2019/20 – 2021/22

A Buckingham presented the report, advising meetings would be arranged with Chief Officer's in due course to ensure all significant changes and risks within the Force have been identified and consulted on for inclusion. N Mundy thanked A Buckingham for the early opportunity to review the emergent audit plan, and queried if there was value in including patch management within the audit plan on an annual basis, rather than biennially.

M Tait stated there had been a shift in key areas of audit activity, noting he was happy to reallocate time to areas of current and future risk. P Wood queried if the Force insures against cyber risk, with K Amlani querying within which audit area the licensing of software sits. N Mundy suggested an emphasis should be placed on cyber due to an increase in external cyber risks.

Agreed:

- ***The emergent audit plan to be presented at the next meeting, including cyber risks, and clarity of where software licence sits to be provided.***
- ***Clarity to be provided concerning Force insurance against cyber risks,***

Action: A Buckingham / M Tait

13. EXCLUSION OF THE PRESS AND PUBLIC – EXEMPT BUSINESS

The press and public were excluded from the meeting.

14. DATE, TIME AND VENUE OF NEXT MEETING

25 February 2019, 14:00, Meeting Room 2, Forth Banks



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AGENDA ITEM 4

SOURCE Meeting / date / minute ref.	ACTION	ASSIGNED TO	UPDATE Cleared or update
4/2018 Minute 4	An update concerning patching and Force position is to be provided to the February JIAC.	M Tait	Update to be provided.
4/2018 Minute 7	Audit Strategy Memoranda to be brought to the February JIAC meeting, outlining the approach to the 2018/19 audit, including the approach to auditing the Brexit impact on pension valuations.	C Waddell	Update under agenda item 5a & 5b.
4/2018 Minute 9	Officers will consider the request relating to committee briefings/presentations and will report back at the next meeting.	M Tait	Further update to be provided.
4/2018 Minute 11	To provide members with the Treasury Management report at future meetings.	K Laing	Update under agenda item 6.
4/2018 Minute 12	The emergent audit plan to be presented at the next meeting, including cyber risks, and clarity of where software licence sits to be provided.	A Buckingham	Update under agenda item 10.
	Clarity to be provided concerning Force insurance against cyber risks.	K Laing	Update to be provided.
4/2018 Minute 14	Appendix D – Fleet Management Revisit JBM minutes to ascertain if an amendment is required to highlight adoption of the fleet strategy.	M Tait / R Durham	Update to be provided.
	Feedback regards use of Tranman to be provided to members for assurance it is being used to its full potential.	M Tait	Update to be provided.



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Audit Strategy Memorandum

Chief Constable for Northumbria

Year ending 31 March 2019



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CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for Money
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

Appendix C – Mazars' client service commitment [optional]

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

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

February 2019

Dear Mr Keenen

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for the Chief Constable for Northumbria (the Chief Constable) for the year ending 31 March 2019.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Chief Constable which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0781 375 2053.

Yours faithfully

Signed: { _es_:signer1:signature }

Cameron Waddell, Partner

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of the Chief Constable for Northumbria (the Chief Constable) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Chief Constable for the year.

Value for Money

We are required to conclude whether the Chief Constable has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Chief Constable and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Chief Constable is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Chief Constable as those charged with governance.

2. YOUR AUDIT ENGAGEMENT TEAM



- Cameron Waddell, Partner
- cameron.Waddell@mazars.co.uk
- 0781 375 2053



- Jim Dafter, Senior Manager
- jim.dafter@mazars.co.uk
- 0781 587 6042



- David Hasnip, Senior Auditor
- david.hasnip@mazars.co.uk
- 07387 242 038

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Significant risks and key judgements

5. Value for Money

6. Fees

7. Independence

8. Materiality and misstatements

Appendices

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

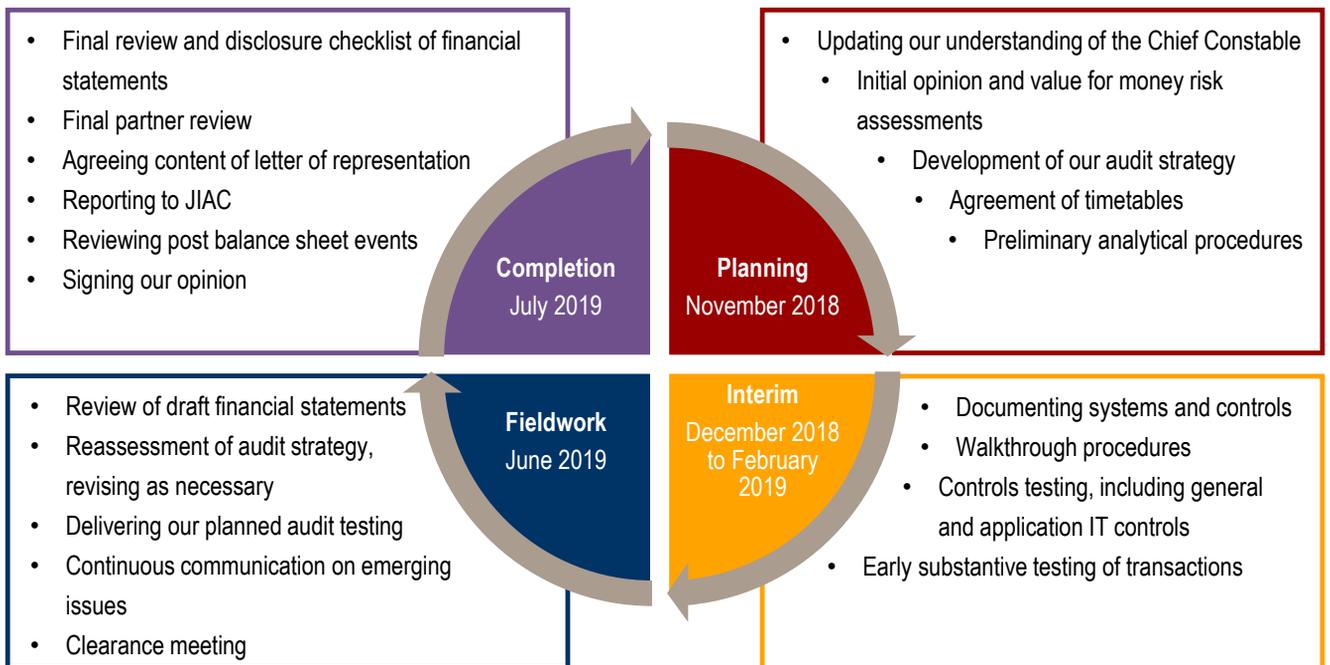
Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Chief Constable's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability and associated IAS 19 entries and disclosures	<p>Actuaries:</p> <ul style="list-style-type: none"> Government Actuary's Department (GAD) for police officers; and AON Hewitt Limited for all other employees. 	National Audit Office, prepared by PwC.

Service organisations

International Auditing Standards define service organisations as third party organisations that provide services to the Chief Constable that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

There are no material entries in your financial statements where the Chief Constable is dependent on an external organisation.

Group audit approach

The group consists of the Chief Constable and PCC. We are responsible for the direction, supervision and performance of the group audit. We are also the external auditor for the PCC.



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

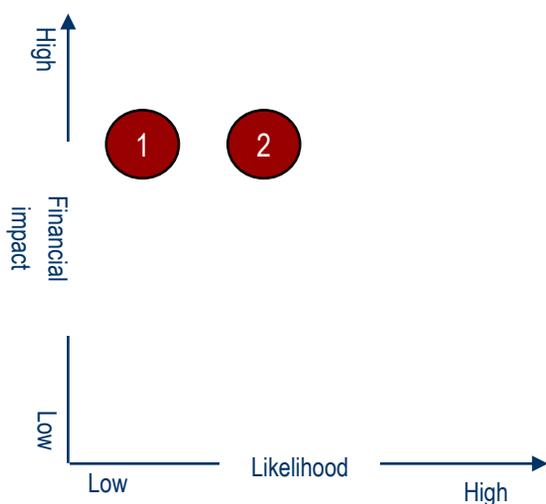
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Defined benefit liability valuation



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Joint Independent Audit Committee.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>
2	<p>Defined benefit liability valuation</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will discuss with key contacts any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we will:</p> <ul style="list-style-type: none"> • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; and • consider the reasonableness of the actuaries outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	<p>Year end leave Accrual</p> <p>Accounting standards require that an estimate be made of the value of accumulated absences awarded but not taken as at 31 March 2019. We expect that, as in previous years, this will be a material estimate.</p> <p>As this is an area of significant management judgement we are required to regard this as an enhanced risk.</p>	<p>We will evaluate the arrangements you have in place to produce the year end leave accrual estimate.</p>

5. VALUE FOR MONEY

Our approach to Value for Money

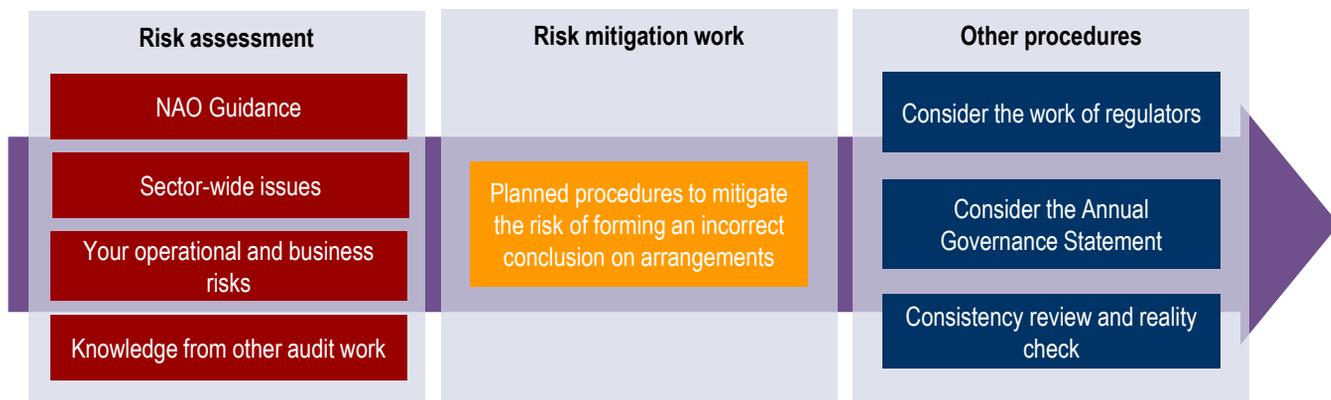
We are required to form a conclusion as to whether the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Chief Constable being inadequate. As outlined above, we draw on our deep understanding of the Chief Constable and its partners, the local and national economy and wider knowledge of the public sector.

For the 2018/19 financial year, we have not identified any significant risks to our VFM work



6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Chief Constable's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 9 April 2018.

Service	2017/18 fee	2018/19 fee
Audit of the accounts and VFM conclusion – Chief Constable for Northumbria	£18,750	£14,438

Fees for non-PSAA work

At this stage, there is no non-PSAA work we plan to carry out. Before agreeing to carry out any additional work, Cameron Waddell would consider whether there were any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold (£'000s)
Overall materiality	8,510
Performance materiality	6,808
We have set specific materiality in the following areas:	
• Officer remuneration	£1k
• Exit Packages	£1k
Trivial threshold for errors to be reported to the Chief Constable	255

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Our provisional materiality is set based on a benchmark of Gross Revenue Expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Chief Constable.

We consider that Gross Revenue Expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We expect to set a materiality threshold of 2% of Gross Revenue Expenditure

Based on the prior year audited financial statements we anticipate the overall materiality for the year ending 31 March 2019 to be in the region of £8.510m (£6.440m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Chief Constable that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £255k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Cameron Waddell.

Reporting to Chief Constable

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Chief Constable:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments: the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the Chief Constable's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Chief Constable will continue to measure the majority of its financial assets at amortised cost.

For Chief Constable's that hold instruments required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Chief Constable's general fund balance.

IFRS 15 Revenue from Contracts with Customers: the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most Chief Constables.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2019/20	<p>We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Chief Constable is party to.</p>

APPENDIX C – MAZARS' CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.



Audit Strategy Memorandum

Northumbria Police and Crime
Commissioner

Year ending 31 March 2019



VERA BAIRD_{OC}
POLICE & CRIME COMMISSIONER





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for Money
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

Appendix C – Mazars' client service commitment

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

Mrs V Baird
Police and Crime Commissioner for Northumbria
Victory House
Balliol Business Park
Newcastle upon Tyne
NE12 8EW

February 2019

Dear Mrs Baird

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for the Police and Crime Commissioner for Northumbria (the PCC) for the year ending 31 March 2019.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the PCC which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0781 375 2053.

Yours faithfully

Signed: {`{_es_:signer1:signature }`}

Cameron Waddell, Partner

For and on behalf of Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of the Police and Crime Commissioner for Northumbria (the PCC) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the PCC for the year.

Reporting to the NAO

We report to the NAO on the consistency of the PCC's financial statements with its Whole of Government Accounts (WGA) submission.

Value for Money

We are required to conclude whether the PCC has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the PCC and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The PCC is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the PCC as those charged with governance.



2. YOUR AUDIT ENGAGEMENT TEAM



- Cameron Waddell, Partner
- cameron.Waddell@mazars.co.uk
- 0781 375 2053



- Jim Dafter, Senior Manager
- jim.dafter@mazars.co.uk
- 0781 587 6042



- David Hasnip, Senior Auditor
- david.hasnip@mazars.co.uk
- 07387 242 038

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Significant risks and key judgements

5. Value for Money

6. Fees

7. Independence

8. Materiality and misstatements

Appendices

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

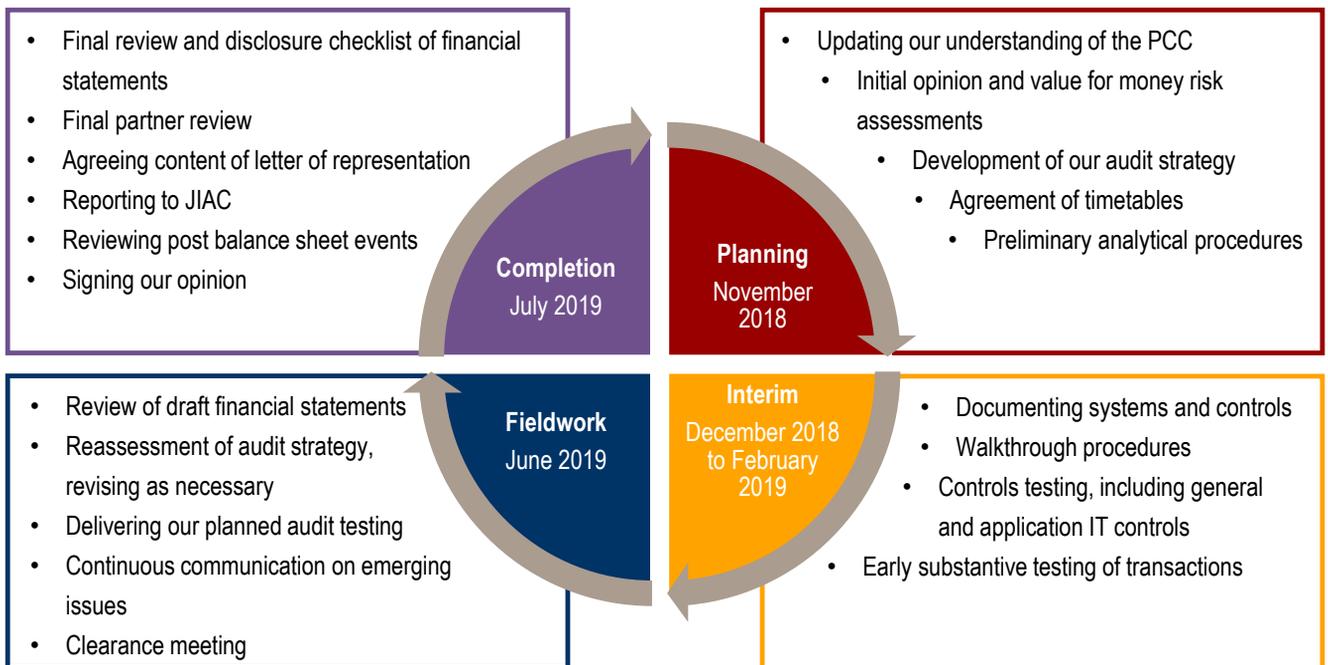
Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the PCC's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Actuaries: <ul style="list-style-type: none"> Government Actuary's Department (GAD) for police officers; and AON Hewitt Limited for all other employees. 	National Audit Office, prepared by PwC.
Property, plant and equipment	Your Internal Valuer	National Audit Office, prepared by Gerald Eve.
Financial instrument disclosures	Link Asset Services	National Audit Office

Service organisations

International Auditing Standards define service organisations as third party organisations that provide services to the PCC that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

There are no material entries in your financial statements where the PCC is dependent on an external organisation.

Group audit approach

The group consists of the PCC and Chief Constable. We are responsible for the direction, supervision and performance of the group audit. We are also the external auditor for the Chief Constable.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

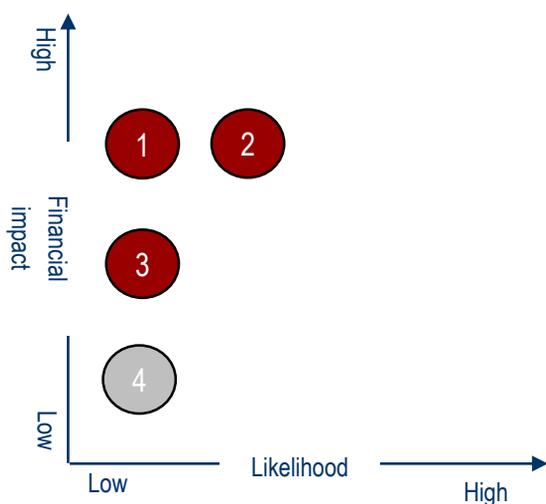
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Defined benefit liability valuation
3	Property, Plant and Equipment valuation
4	Accumulated absences

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the PCC.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls (relevant to single entity and group accounts)</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>
2	<p>Defined benefit liability valuation (relevant to group accounts only)</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will discuss with key contacts any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we will:</p> <ul style="list-style-type: none"> • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; and • consider the reasonableness of the actuaries outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.
3	<p>Valuations of buildings (relevant to single entity and group accounts)</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the PCC's holding of buildings.</p> <p>Although the PCC employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of buildings due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of buildings to be an area of increased risk of material misstatement.</p>	<p>We will consider the PCC's arrangements for ensuring that buildings values are reasonable and, if required, will engage our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the PCC's valuer. We will also assess the competence, skills and experience of the valuer.</p> <p>Where necessary we will also perform further audit procedures on individual assets to ensure that the basis and level of valuation is appropriate.</p>

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	Year end leave Accrual (relevant to group accounts only) Accounting standards require that an estimate be made of the value of accumulated absences awarded but not taken as at 31 March 2019. As this is an area of significant management judgement we are required to regard this as an enhanced risk.	We will evaluate the arrangements you have in place to produce the year end leave accrual estimate.



5. VALUE FOR MONEY

Our approach to Value for Money

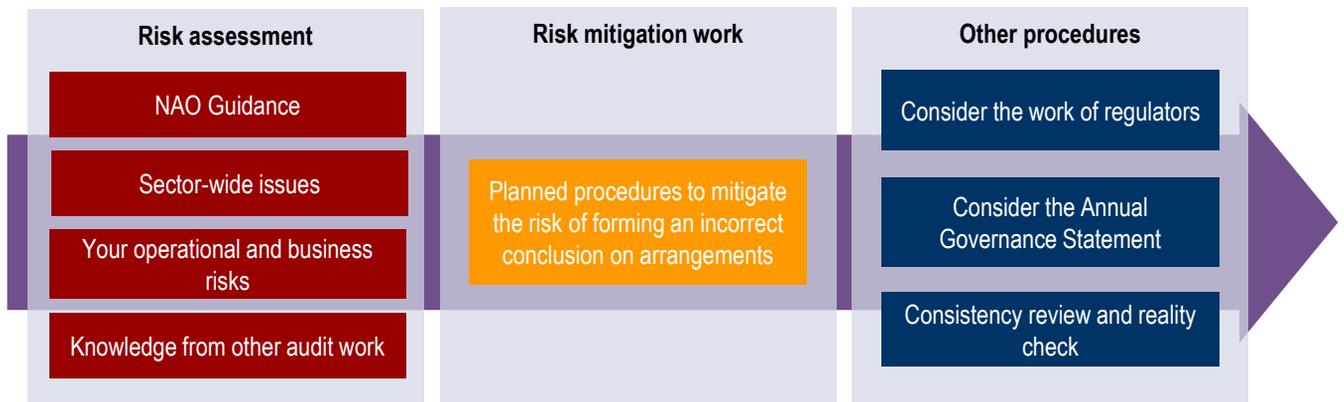
We are required to form a conclusion as to whether the PCC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the PCC being inadequate. As outlined above, we draw on our deep understanding of the PCC and its partners, the local and national economy and wider knowledge of the public sector.

For the 2018/19 financial year, we have not identified any significant risks to our VFM work



6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the PCC's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 9 April 2018.

Service	2017/18 fee	2018/19 fee
Audit of the accounts and VFM conclusion – Police and Crime Commissioner for Northumbria	£37,050	£28,529
Audit of the accounts and VFM conclusion – Chief Constable for Northumbria	£18,750	£14,438

Fees for non-PSAA work

At this stage, there is no non-PSAA work we plan to carry out. Before agreeing to carry out any additional work, Cameron Waddell would consider whether there were any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold PCC (£'000s)	Initial threshold Group (£'000s)
Overall materiality	5,831	8,639
Performance materiality	4,665	6,911
We have set specific materiality in the following areas –		
• Officer remuneration	£1k	£1k
• Exit Packages	£1k	£1k
Trivial threshold for errors to be reported to the PCC	175	259

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Our provisional materiality is set based on a benchmark of Gross Revenue Expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Chief Constable.

We consider that Gross Revenue Expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We expect to set a materiality threshold of 2% of Gross Revenue Expenditure

Based on the 2017/18 audited statements we anticipate the overall materiality for the year ending 31 January 2019 to be in the region of –

- PCC - £5.831m (£5.771m in the prior year)
- Group - £8.639m (£6.509m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £175k for PCC and £259k for Group based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Cameron Waddell.

Reporting to PCC

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the PCC's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the PCC will continue to measure the majority of its financial assets at amortised costs.

For PCCs that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the PCC's general fund balance.

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local authorities.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2019/20	<p>We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the PCC is party to.</p>

APPENDIX C – MAZARS' CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.



JOINT INDEPENDENT AUDIT COMMITTEE	25 FEBRUARY 2019
TREASURY POLICY STATEMENT & TREASURY STRATEGY 2019/20 TO 2022/23	
REPORT OF: THE JOINT CHIEF FINANCE OFFICER	

I PURPOSE

- 1.1 To review and recommend the adoption by the Commissioner of the attached four year 2019/20 to 2022/23 Treasury Policy Statement and Strategy.

2 RECOMMENDATION

- 2.1 To recommend the adoption by the Commissioner of the attached four year 2019/20 to 2022/23 Treasury Policy Statement and Strategy.

3 BACKGROUND

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced the Code of Practice on Treasury Management (the Code) which represents best practice in Treasury Management. By adopting the attached Treasury Policy Statement and Strategy for 2019/20 to 2022/23 - see Appendices - the Commissioner contributes towards achieving best practice.
- 3.2 Part I of the Local Government Act 2003 specifies the powers of local authorities to borrow for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. For the purpose of the Local Government Act 2003 Police and Crime Commissioners are classified as local authorities. The CIPFA Prudential Code for Capital sets out a range of prudential and treasury indicators that must be calculated to ensure borrowing is affordable, prudent and sustainable. The Prudential Code also refers to the need for a clear and integrated Treasury Strategy.
- 3.3 In addition, under Section 15 of the Local Government Act 2003, local authorities are required to have regard to the MHCLG's Guidance on Local Government Investments. This document stipulates the requirement for an annual investment strategy to be integrated into the Commissioner's Treasury Strategy.

4. TREASURY POLICY AND TREASURY STRATEGY

- 4.1 The Treasury Policy 2019/20 to 2022/23 is set out in Appendix I, and details the overarching approach to the provision of Treasury Management which includes the Treasury Strategy, Investment Strategy and appropriate delegations.
- 4.2 The Treasury Strategy for 2019/20 to 2022/23 covers the specific activities proposed for the next four years in relation to both borrowing and investments and ensures a wide range of advice is taken to maintain and preserve all principal sums, whilst obtaining a reasonable rate of return, and that the most appropriate borrowing is undertaken. The primary objective of the investment strategy is to maintain the

security of investments at all times. The Strategy is attached at Appendix 2 to this report.

- 4.3 The Treasury Strategy complies with the requirements of the Code, the Prudential Code for Capital Finance in Local Authorities and Part I of the Local Government Act 2003.
- 4.4 In addition, there are further Appendices 3 to 7, which set out the current interest rate forecasts, Prudential Treasury Indicators, Specified Investments, Maximum Maturity Periods, and details of foreign countries that could be invested with, all of which underpin the core approach detailed in the Strategy.

5 FURTHER INFORMATION

5.1 The following documents have been used in preparation of the report:

- Local Government Act 2003.
- MHCLG Guidance on Local Government Investments.
- CIPFA’s Prudential Code for Capital 2017.
- CIPFA’s Code of Practice on Treasury Management 2017.
- The approved Treasury Management Practice Statements as used for day to day management purposes.
- Link Asset Services Treasury Management Strategy template 2019/20.

6 CONSIDERATIONS

Freedom of Information	NON-EXEMPT
Consultation	Yes
Consultation has taken place with external treasury advisers Link Asset Services.	
Resource	Yes
There are no financial implications directly arising from the contents of this report. Any income and expenditure within the scope of the report is already included in the agreed revenue budget.	
Equality	No
Legal	No
Risk	Yes
The Treasury Policy and Strategy recommended for approval have been prepared with the aim of maintaining the security and liquidity of investments to ensure that the Commissioner’s principal sums are safeguarded. Maximising income is considered secondary to this main aim.	
Communication	No
Evaluation	No

Treasury Policy 2019/20 to 2022/23

I. Introduction

I.1 The Commissioner has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) and maintains:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of our treasury management activities.
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the policies and objectives are carried out, and prescribing how the activities will be managed and controlled.

I.2 CIPFA defines Treasury Management as:

'The management of the organisation's borrowing, 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.'

I.3 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 will be approved by the Police and Crime Commissioner as part of the budget setting process for 2019/20.

I.4 The Police and Crime Commissioner for Northumbria has not engaged in any commercial investments and has no non-treasury investments.

I.5 The Police and Crime Commissioner for Northumbria has delegated responsibility to the Chief Finance Officer (CFO) for the treasury management function and the undertaking of investment and borrowing on behalf of the Commissioner, ensuring that all activities are in compliance with the CIPFA Code of Practice for Treasury Management in the Public Services.

2. Treasury Strategy

2.1 The Commissioner regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Commissioner.

2.2 The Treasury Strategy encompasses the requirements of CIPFA's Treasury Management Code of Practice, CIPFA's Prudential Code and the MHCLG's Guidance on Local Government Investments. This document stipulates the requirement for an annual investment strategy to be integrated into the Commissioner's Treasury Strategy Statement.

- 2.3 The Treasury Strategy covers the following:
- a) Treasury limits in force which will limit the treasury risk and activities of the Commissioner, including prudential and treasury indicators.
 - b) Prospects for interest rates.
 - c) The borrowing strategy.
 - d) Debt rescheduling.
 - e) Policy on borrowing in advance of need.
 - f) Management of interest rate exposure.
 - g) The investment strategy.
 - h) Creditworthiness policy.
 - i) The policy on the use of external service providers.

2.1 The strategy for 2019/20 to 2022/23 is attached at Appendix 2.

3. Prudential and Treasury Indicators

3.1 Under Part I of the Local Government Act 2003 the Commissioner may borrow money:

- a) For any purpose relevant to its functions under any enactment; or
- b) For the purposes of the prudent management of its financial affairs.

3.2 Under the requirements of the Prudential Code and Code of Practice on Treasury Management in the Public Services the following indicators have been adopted:

- Compliance with the Code of Practice on Treasury Management in the Public Services.
- Calculations of:
 - Authorised limit.
 - Operational boundary.
 - Actual external debt.
 - Maturity structure of borrowing.
 - Upper limits for principal sums invested for periods of over 365 days.
 - Gross debt and Capital Financing Requirement.

3.3 Given the link to the budget and capital programme, these indicators were approved by the Commissioner on 21 February 2019 as part of the 2019/20 Budget and council tax precept report. For completeness, the approved indicators are also attached to the Treasury Strategy at Appendix 4.

3.4 Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2019/20 is included in appendix 4.

4. Annual Investment Strategy

4.1 Part I of the Local Government Act 2003 relaxed the investment constraints for local authorities.

- 4.2 The MHCLG has issued guidance to supplement the investment regulations contained within the Local Government Act 2003. It is also referred to under Section 15 (1) of the 2003 Local Government Act which requires authorities to “have regard (a) to such guidance as the Secretary of State may issue and (b) to such other guidance as the Secretary of State may by regulations specify”. The guidance encourages authorities to invest prudently but without burdening them with the detailed prescriptive regulation of the previous regime.
- 4.3 Central to the guidance and the Code is the need to produce an annual investment strategy. This is included as Section 6 of the Treasury Strategy in Appendix 2.
- 4.4 The annual investment strategy document will include:
- The Commissioner’s risk appetite in respect of security, liquidity and return.
 - The definition of ‘high’ and ‘non-high’ credit quality to determine what are specified investments and non-specified investments.
 - Which specified and non-specified instruments the Commissioner will use, dealing in more detail with non-specified investments given the greater potential risk.
 - The categories of counterparties that may be used during the course of the year e.g. foreign banks, nationalised/part nationalised banks, building societies.
 - The types of investments that may be used during the course of the year.
 - The limit to the total amount that may be held in each investment type.
 - The Commissioner’s policy on the use of credit ratings, credit rating agencies and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list and how the Commissioner will deal with changes in ratings, rating watches and rating outlooks.
 - Limits for individual counterparties, groups and countries.
 - Guidelines for making decisions on investments and borrowing.

5. Policy on Interest Rates Exposure

- 5.1 The Commissioner’s approach to managing interest rate exposure is described at section 4.11 of the Treasury Strategy 2019/20 to 2022/23.
- 5.2 The use of any financial instruments, such as derivatives, to mitigate interest rate risks will be considered on an individual basis and the CFO will require approval from the Commissioner prior to entering into any arrangement of this nature.

6. Policy on External Managers

- 6.1 Treasury management advisers (Link Asset Services, Treasury Solutions) assist the Commissioner in achieving the objectives set out in the Treasury Policy Statement. This contract is reviewed annually. The CFO has not appointed external investment fund managers to directly invest the Commissioner’s cash.

7. Policy on Delegation, Review Requirements and Reporting Arrangements

- 7.1 It is the Commissioner’s responsibility under the Code to approve a Treasury Policy Statement.

- 7.2 The Commissioner delegates the review and scrutiny of the Treasury Management Strategy and Policies, along with monitoring performance by receiving the mid-year review and annual report, to the Joint Independent Audit Committee, and the execution and administration of Treasury Management decisions to the CFO. Any proposals to approve, adopt or amend policy require the consent of the Commissioner and are matters for the Commissioner to determine.
- 7.3 The Commissioner will receive:
- a) A four year Treasury Strategy report, including the annual Investment Strategy, before the commencement of each financial year.
 - b) A mid-year report on borrowing and investment activity.
 - c) An annual report on borrowing and investment activity by 30 September of each year.
 - d) A Capital Strategy report providing 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.

Treasury Strategy 2019/20 to 2022/23**I. Introduction**

- I.1 The Treasury Strategy has been prepared in accordance with the Treasury Management Code of Practice (the Code). The Code emphasises a number of key areas including the following:
- a) The Code must be formally adopted.
 - b) The strategy report will affirm that the effective management and control of risk are prime objectives of the Commissioner's treasury management activities.
 - c) The Commissioner's appetite for risk, including the appetite for any use of financial instruments in the prudent management of those risks, must be clearly identified within the strategy report and will affirm that priority is given to security of capital and liquidity when investing funds and explain how that will be carried out.
 - d) Responsibility for risk management and control lies within the organisation and cannot be delegated to any outside organisation.
 - e) Credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support.
 - f) A sound diversification policy with high credit quality counterparties which considers setting country, sector and group limits.
 - g) Borrowing in advance of need is only to be permissible when there is a clear business case for doing so and only for the current capital programme or to finance future debt maturities.
 - h) The main annual treasury management reports must be approved by the Commissioner.
 - i) There needs to be a mid-year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved.
 - j) Each Commissioner must delegate the role of scrutiny of treasury management strategy and policies to a specific named body.
 - k) Treasury management performance and policy setting should be subjected to prior scrutiny.
 - l) Commissioner's and scrutiny members dealing with treasury management activities should be provided with access to relevant training as those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
 - m) Responsibility for these activities must be clearly defined within the organisation.
 - n) Officers involved in treasury management must be explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Commissioner.
- I.2 The management of day to day working capital (cash flow) including the requirement for temporary borrowing and/or investment will be monitored along with the limits noted below.

The Commissioner will adopt the following reporting arrangements in accordance with the requirements of the revised Code:

Area of Responsibility	Commissioner/ Committee/ Officer	Frequency
Treasury Management Policy & Strategy / Annual Investment Strategy	Commissioner with review delegated to Joint Independent Audit Committee	Annually before the start of the year
Annual Report	Commissioner with review delegated to Joint Independent Audit Committee	Annually by 30 September after the end of the year
Scrutiny of treasury management performance via mid-year report	Commissioner with review delegated to Joint Independent Audit Committee	Mid-Year
Scrutiny of treasury management strategy, policies and procedures	Joint Independent Audit Committee	Annually before the start of the year
Treasury Management Monitoring Reports, including any amendments to Treasury Management Practices	CFO	Monthly report, bi-monthly monitoring meeting

1.3 The revised Treasury Management Code covers the following Prudential Indicators which were approved by the Commissioner on 21 February 2019:

- Authorised limit for external debt.
- Operational boundary for external debt.
- Actual external debt.
- Upper and lower limits to the maturity structure of borrowing.
- Upper limits to the total principal sums invested longer than 365 days.
- Gross debt and Capital Finance Requirement.

1.4 In addition to the above indicators, where there is a significant difference between the net and the gross borrowing position the risk and benefits associated with this strategy will be clearly stated in the annual strategy.

1.5 The strategy covers:

- a) Prospects for interest rates.
- b) Treasury limits in force which will limit the treasury risk and activities of the Commissioner, including prudential and treasury indicators.
- c) The borrowing strategy.
- d) Sensitivity forecast.

- e) External and internal borrowing.
- f) Debt rescheduling.
- g) Policy on borrowing in advance of need.
- h) The investment strategy.
- i) The policy on the use of external service providers.

2. Prospects for Interest Rates

- 2.1 The table shown below outlines the Commissioner's view of anticipated movements in interest rates, based on guidance received from the Commissioner's treasury management advisers Link Asset Services. (*LINK Updated Interest Rate Forecast report 07/01/2019*) (Includes a 20 basis point PWLB 'certainty rate' discount effective 1/1/2012) A more detailed interest rate forecast is shown in Appendix 3.

	March 2019	June 2019	Sept 2019	Dec 2019	March 2020	March 2021	March 2022
Bank Rate	0.75%	1.00%	1.00%	1.00%	1.25%	1.50%	2.00%
5 yr PWLB*	2.10%	2.20%	2.20%	2.30%	2.30%	2.60%	2.80%
10 yr PWLB	2.50%	2.60%	2.60%	2.70%	2.80%	3.00%	3.20%
25 yr PWLB	2.90%	3.00%	3.10%	3.10%	3.20%	3.40%	3.60%
50 yr PWLB	2.70%	2.80%	2.90%	2.90%	3.20%	3.20%	3.40%

* (PWLB) Public Works Loan Board is a statutory body operating within the UK Debt Management Office, which is an executive agency of HM Treasury. The PWLB's function is to lend money to other prescribed public bodies.

Economic Background

- 2.2 The Monetary Policy Committee (MPC), increased Bank Rate from 0.50% to 0.75% on 2 August 2018. At their November quarterly Inflation Report meeting, the MPC stated that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or 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 raise 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 could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.
- 2.3 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. However, in view of the hawkish stance of the MPC at their November 2018 meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases

are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

- 2.4 The overall balance of risks to economic growth in the UK is probably neutral.

Investment and Borrowing Rates

- 2.5 Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- 2.6 The interest rate forecasts provided by Link Asset Services are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in 2020 which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.
- 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.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has now substantially diminished.

- 2.7 The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably 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.
- 2.8 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.
- 2.9 There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3. Treasury Limits for 2019/20 to 2022/23 including Prudential Indicators

- 3.1 It is a statutory requirement of the Local Government Finance Act 1992, for the Commissioner to produce a balanced budget. In particular, Section 31(a), as amended by the Localism Act 2011, requires the Commissioner to calculate the budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This

means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from increases in interest charges and increases in running costs from new capital projects are limited to a level, which is affordable within the projected income of the Commissioner for the foreseeable future.

- 3.2 It is a statutory duty under Section 3 of Part I of the Local Government Act 2003, and supporting regulations, for the Commissioner to determine and keep under review how much it can afford to borrow. The amount so determined is termed the Affordable Borrowing Limit. The Authorised Limit represents the legislative limit specified in the Act.
- 3.3 The Prudential Code for Capital Finance in Local Authorities is a professional code that sets out a framework for self-regulation of capital spending, in effect allowing Commissioners to invest in capital projects without any limit as long as they are affordable, prudent and sustainable.
- 3.4 The Commissioner must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires the Commissioner to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is affordable.
- 3.5 To facilitate the decision making process and support capital investment decisions the Prudential Code and the Treasury Management Code requires the Commissioner to agree and monitor a minimum number of prudential indicators. 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.
- 3.6 The following indicator provides a debt related activity limit:
 - Maturity structure of borrowing. These gross limits are set to reduce the Commissioner's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- 3.7 The treasury limits and prudential indicators have been reviewed and updated and approved by the Commissioner on 21 February 2019. They can be found attached at Appendix 4.
- 3.8 Minimum revenue provision (MRP): Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2019/20 is included in appendix 4.
- 3.9 The CFO has systems in place to monitor the treasury limits and will report to the Commissioner instances where limits are breached, with the exception of short-term breaches of the Operational Boundary. The Operational Boundary is set so that if breached it acts as an early warning of the potential to exceed the higher Authorised Limit and as such temporary breaches due to debt restructuring and temporary borrowing are acceptable, providing they are not sustained.

4. **Borrowing Strategy**

- 4.1 The Local Government Act 2003 does not prescribe approved sources of finance, only that borrowing may not, without the consent of HM Treasury, be in other than Sterling.
- 4.2 The main options available for the borrowing strategy for 2019/20 are PWLB loans, market loans and a potential option to use the Municipal Bond Agency. The interest rate applicable to either PWLB or markets loans can be fixed or variable.
- 4.3 Variable rate short term borrowing is expected to be cheaper than long term fixed borrowing and therefore may be considered throughout the financial year. Due to the expectation that interest rates will rise, the risk of the potential increase in interest rates will be balanced against any potential short term savings.
- 4.4 There are different types of market loans available, including variable and fixed interest rate loans. These loans are usually offered at an interest rate lower than the corresponding PWLB loan rate to try to encourage local authorities and other public sector bodies to use as an alternative to PWLB. They may only be attractive if they are forward starting i.e. to secure the rate at an earlier point than actually drawing down the funds to mitigate interest rate risk and avoid the cost of carry.
- 4.5 To mitigate variable interest rate risk a limit is placed on the total level of borrowing that can be taken as variable interest rate loans. To provide scope to utilise new market products should they become available as well as minimise the cost of borrowing and increase the diversification of the debt portfolio it is proposed that the limit on variable rate loans should be 40% of total borrowing 2019/20.
- 4.6 The Commissioner is in the process of rationalising the estate and is expecting around £23m from the sale of assets over the term of this strategy. In light of this any borrowing decisions will need to take this into account.
- 4.7 The main strategy is therefore:
- Consider the use of short term borrowing as a bridge until receipts are received.
 - Consideration will be given to borrowing market loans which are at least 20 basis points below the PWLB target rate, where they become available.
 - When PWLB rates fall back to or below Link Asset Services trigger rates borrowing should be considered, with preference given to terms which ensure a balanced profile of debt maturity.
- 4.8 In addition, reserve and fund balances may be utilised to limit the new external borrowing requirement, or to make early debt repayments, as an alternative to investing these resources. Reducing investment balances rather than increasing external borrowing could reduce interest payable, as short term rates on investments are likely to be lower than rates paid on external borrowing, and limit exposure to investment risk.

Sensitivity of the Forecast

- 4.9 The Commissioner, in conjunction with Link Asset Services, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to any changes. The main sensitivities of the forecast are likely to be the two scenarios below:

- *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.*

4.10 Against this background, caution will be adopted in the management of the 2019/20 treasury operations. The CFO will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances having delegated powers to invest and manage the funds and monies of the Commissioner.

Interest Rate Exposure

4.11 Interest rate exposure is managed and monitored through the use of forward balance sheet analysis. This approach requires consideration of the level of the Commissioner's underlying borrowing requirement (CFR) compared to its actual external borrowing position, to ensure the Commissioner remains comfortable with the level of interest payable budget subject to movements in interest rates. Borrowing decisions will be made with reference to the capital plans and core cash position of the Commissioner in association with both the interest rate forecast (section 2.1), and maturity profile of the current portfolio. Investment decisions will be made with reference to the core cash balances, cash flow requirements and the outlook for short-term interest rates.

External and Internal Borrowing

4.12 As at 31st January 2019 the Commissioner has net debt of £83.515m; this means that borrowing is currently higher than investments with total borrowing of £102.969m and investments of £19.454m.

4.13 Investment interest rates are expected to be below long term borrowing rates throughout 2019/20 therefore value for money considerations indicate that best value can be obtained by delaying new external borrowing and by using internal cash balances to finance new capital expenditure in the short term (this is referred to as internal borrowing). A close watch will be kept on interest rate movements to ensure that interest rates do not rise quicker than forecast. The Commissioner has set trigger rates for long term borrowing and when these rates are attained consideration will be given to long term borrowing. Any short term savings gained by deferring long term borrowing will be weighed against the potential for incurring additional long term costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be higher.

4.14 The CFO has examined the potential for undertaking early repayment of some external debt to the PWLB in order to benefit from lower interest rates currently available. The significant difference between early redemption rates and interest rates payable on PWLB debt means that large premiums are likely to be incurred by such action. This situation will be monitored in case the differential is narrowed by the PWLB.

Borrowing in advance of need

- 4.15 The Commissioner will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. In accordance with the revised Code, any decision to borrow in advance will be considered carefully to ensure value for money. Specifically, there will be a clear link to the capital investment programme, which supports the decision to take funding in advance of need.

5. Debt Rescheduling

- 5.1 Any rescheduling opportunities will be considered in line with procedures approved under the Treasury Management Practice Statements and will include a full cost/benefit analysis of any proposed variations. Any positions taken via rescheduling will be in accordance with the strategy position outlined in Section 4 above and will also take into account the prudential and treasury limits.
- 5.2 The reasons for any proposed rescheduling will include:
- The generation of cash savings at minimum risk.
 - In order to amend the maturity profile and/or the balance of volatility in the Commissioner's borrowing portfolio.
- 5.3 The CFO in line with delegated powers outlined in the approved Treasury Management Practice Statement will approve all debt rescheduling.
- 5.4 As short term borrowing rates are expected to be lower than longer term rates, there may be opportunities to generate savings by switching from long term debt to short term debt. Opportunities identified will take into consideration the likely cost of refinancing these short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.
- 5.5 Consideration will also be given to the potential for making savings by running down investment balances by repaying debt prematurely as short term rates on investments are likely to be lower than rates paid on currently held debt. However, this will need careful consideration in the light of premiums that may be incurred by such a course of action and other financial considerations.
- 5.6 All rescheduling will be reported to Commissioner in the mid-year and annual reports.

6. Investment Strategy 2019/20 to 2022/23

Introduction

- 6.1 The Commissioner has regard to the MHCLG's Guidance on Local Government Investments and CIPFA's Code of Practice. The Commissioner must produce a strategy on an annual basis which covers the subsequent four year period.
- 6.2 This annual strategy maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below and in Appendix 5. The policy also ensures that it has sufficient liquidity in its

investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These are detailed in Appendix 6.

- 6.3 The Commissioner will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Commissioner may use, rather than defining what types of investment instruments are to be used.
- 6.4 Specified investments are denominated in Sterling, are for periods of 365 days or less and do not involve the acquisition of share or loan capital in any body corporate. Such an investment will be with either:
- The UK Government or a local authority, parish or community council, or
 - A body or investment scheme which has been awarded a high credit rating by a credit rating agency.
- 6.5 Non-specified investments are deemed more risky and guidance on local government investments requires more detailed procedures. Such procedures are required in order to regulate prudent use and establish maximum amounts which may be invested in each category.
- 6.6 Both specified and non-specified investment types currently utilised by the Commissioner are detailed in Appendix 5, along with approved limits. In addition to these numerous other investment options are available for use and these may be considered suitable for use in the future. Should this be the case then the options will be evaluated in line with the procedures contained within the approved Treasury Management Practice Statement.

Investment Objectives

- 6.7 All investments will be in Sterling.
- 6.8 The Commissioner's primary investment objective is the security of the capital investment. The Commissioner will also manage the investments to meet cash flow demands and to achieve a reasonable return commensurate with the proper levels of security and liquidity. The risk appetite of the Commissioner is low in order to give priority to security of its investments.
- 6.9 The borrowing of monies purely to invest is unlawful and the Commissioner will not engage in such activity.

Changes to the Credit Rating Methodology

- 6.10 The rating element of our own credit assessment process focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.
- 6.11 The Police and Crime Commissioner will continue to use UK banks irrespective of the UK sovereign rating and will continue to specify a minimum sovereign rating of AA+ for non-UK

banks. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background, will still have an influence on the ratings of a financial institution.

Creditworthiness Policy

- 6.12 The creditworthiness service provided by Link Asset Services is used to assess the creditworthiness of counterparties. The service provided by Link Asset Services uses a sophisticated modelling approach with credit ratings from the three main rating agencies - Fitch, Moody’s and Standard and Poor’s, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following information as overlays which are combined in a weighted scoring system:
- Credit watches and credit outlooks from credit rating agencies.
 - Credit Default Swap spreads, financial agreements that compensate the buyer in the event of a default, which give an early warning of likely changes in credit ratings.
 - Sovereign ratings to select counterparties from only the most creditworthy countries.
- 6.13 The end product of this modelling system is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Commissioner to determine the duration for investments and are therefore referred to as durational bands. The Commissioner is satisfied that this service gives the required level of security for its investments. It is also a service which the Commissioner would not be able to replicate using in-house resources.
- 6.14 Sole reliance will not be placed on the use of this external service. In addition the Commissioner will also use market data and information, information on government support for banks and the credit ratings of the government support.
- 6.15 The Commissioner has also determined the minimum long-term, short-term and other credit ratings it deems to be “high” for each category of investment. These “high” ratings allow investments to be classified as **specified investments**, where they are sterling denominated and of 365 days or less. The Commissioner’s approved limits for the “high” credit rating for deposit takers are as follows:

High Rated	Fitch	Moody’s	Standard & Poor’s
Short term (ability to repay short term debt)	FI+	P-1	A-1+
Long term (ability to repay long term debt)	AA-	Aa3	AA-
MMF Rating	AAAmf	AAA-mf	AAAm

- 6.16 To ensure consistency in monitoring credit ratings throughout 2019/20 the Commissioner will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties, as the credit rating agency issuing the lowest rating could change throughout the year as agencies review the ratings that they have applied to countries, financial institutions and financial products. The ratings of all three agencies will be considered, with Fitch being used as a basis for inclusion on the lending list.

In addition to this the Link Asset Services creditworthiness service will be used to determine the duration that deposits can be placed for. This service uses the ratings from all three agencies, but by using a scoring system, does not give undue consideration to just one agency's ratings.

- 6.17 The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Link Asset Services weekly credit list of worldwide potential counterparties. The maximum maturity periods and amounts to be placed in different types of investment instruments are detailed in Appendix 6.
- 6.18 UK Government nationalised/part nationalised banks will have a maximum limit of 25% or £20m of total investment, all other counterparties will not exceed a maximum limit equal to 20% of total investments or £20m. Unless there are major changes in the level of investment balances throughout the year this limit will be reviewed prior to the commencement of each financial year.
- 6.19 Where more than one counterpart, from a group, is included on the counterparty list the group in total will be controlled by the above limits with the maximum limit being that of the parent company. Within the group each counterparty/subsidiary will have individual limits based on their creditworthiness although the total placed with the subsidiaries will not exceed the limit of the parent company. Subsidiaries that do not satisfy the minimum credit criteria will not be included.
- 6.20 A number of counterparties are also approved by the CFO for direct dealing. These counterparties are included on the approved list and dealing will be within agreed limits. Direct dealing with individual counterparties must be approved by the CFO prior to investments being placed.

Nationalised/Part Nationalised Banks

- 6.21 Where the bank has not been fully nationalised but receives substantial support from the UK Government (greater than 40% ownership) the individual rating of the bank will not be taken into consideration and the relevant banks will be included on the Commissioner's lending list as prescribed by the Link Asset Services creditworthiness list as detailed in 6.14.

Foreign Banks

- 6.22 We will continue to use UK banks irrespective of the UK sovereign rating, however non-UK banks domiciled in countries with a minimum sovereign rating of AA+ will be considered for inclusion on the approved list. They must also meet the high rated lending criteria and have operations based in London. Limits will be prescribed by the Link Asset Services creditworthiness list and limited to 365 days or less. Each non-UK country will be limited to the maximum investment limit of £20m or 20% of the Commissioner's total investments. A list of those countries with a minimum sovereign rating of AA+ is set out in Appendix 7.

Local Authorities

- 6.23 The Commissioner invests with other Local Authorities on an ad hoc basis; each investment is considered on an individual basis and agreed by the CFO, prior to funds being placed. Limits are detailed at Appendix 6.

Non-specified Investments

- 6.24 In addition to the above specified investments, the Commissioner has also fully considered the increased risk of **non-specified investments** and has set appropriate limits for non-high rated deposit takers. These are as follows:

Non High Rated	Fitch	Moody's	Standard & Poor's
Short term	F1	P1	A1
Long term	A-	A3	A-

Limits for non-high rated counterparties are detailed at Appendix 6.

- 6.25 The Commissioner has also set appropriate limits for non-specified investments with “high” rated deposit takers and UK Local Authorities where investments can be out to a maximum of 3 years. The Commissioner’s approved limits for the “high” credit rating for deposit takers are set out at 6.17 above and investment limits are detailed at Appendix 6.
- 6.26 The credit ratings will be monitored as follows:
- All credit ratings are reviewed weekly. In addition, the Commissioner has access to Fitch, Moody’s and Standard and Poor’s credit ratings and is alerted to changes through its use of the Link Asset Services creditworthiness service. On-going monitoring of ratings also takes place in response to ad-hoc e-mail alerts from Link Asset Services.
 - If counterparty’s or deposit scheme’s rating is downgraded with the result that it no longer meets the Commissioner’s minimum criteria, the further use of that counterparty/deposit scheme as a new deposit will be withdrawn immediately.
 - If a counterparty is upgraded so that it fulfils the Commissioner’s criteria, its inclusion will be considered for approval by the CFO.
- 6.27 Sole reliance will not be placed on the use of this external service. In addition the Commissioner will also use market data and information on government support for banks and the credit ratings of government support.

Investment Balances / Liquidity of investments

- 6.28 The Commissioner deposits funds beyond 365 days to a maximum of three years. This will continue where the counterparty is deemed to be a low credit risk to ensure a good rate of return is maintained in the current market conditions. Deposits beyond 365 days will only be considered when there is minimal risk involved. With deposits of this nature there is an increased risk in terms of liquidity and interest rate fluctuations. To mitigate these risks a limit of £15m (20% of total investments) has been set and a prudential indicator has been calculated (See Appendix 4). Such sums will only be placed with counterparties who have the highest available credit rating or other local authorities.
- 6.29 Deposits for periods longer than 365 days are classed as **non-specified investments**.

Investments defined as capital expenditure

- 6.30 The acquisition of share capital or loan capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as **'non-specified investments'**.
- 6.31 A loan or grant by the Commissioner to another body for capital expenditure by that body is also deemed by regulation to be capital expenditure by the Commissioner. It is therefore important for the Commissioner to clearly identify if the loan was made for policy reasons or if it is an investment for treasury management purposes. The latter will be governed by the framework set by the Commissioner for 'specified' and 'non-specified' investments.

Internal Investment Strategy

- 6.32 The CFO will monitor the interest rate market and react appropriately to any changing circumstances.
- 6.33 The Commissioner takes the view that base rate will remain at 0.75% until quarter 2 2019. Future increases to base rate are estimated at 0.25% in quarter 1 and Q4 in 2020. 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%
- 6.34 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.
- 6.35 The Commissioner will avoid locking into longer term deals while investment rates are down at historically low levels. Long term deposits, beyond 365 days, will only be used where minimal risk is involved and the counterparties are considered to be supported by the UK Government.

Investment Risk Benchmark

- 6.36 The Commissioner will use an investment benchmark to assess the investment performance of its investment portfolio against the 7 day LIBID.

Money Market Fund (MMF) Reforms in Europe

- 6.37 In June 2017 the Money Market Fund Regulation was published in the EU Official Journal, formally commencing the compliance process for new and existing funds. Whilst the regulation came into force for new funds created from 21 July 2018, existing funds were required to be compliant by no later than 21 January 2019.

- 6.38 The regulation provides for two types of MMFs, (i) Short-term and (ii) Standard. In addition there are three structural options:
- Public Debt Constant Net Asset Value (CNAV) – must invest 99.5% of their assets into government debt instruments, reverse repos collateralised with government debt, cash, and are permitted to maintain a constant dealing NAV.
 - Low Volatility Net Asset Value (LVNAV) – permitted to maintain a constant NAV provided that certain criteria are met, including that the market NAV does not deviate from the dealing NAV by more than 20 basis points (bps).
 - Variable Net Asset Value (VNAV) – Funds which price their assets using market pricing and therefore offer a fluctuating dealing NAV.
- 6.39 The Regulation requires that MMF managers perform a rigorous internal credit quality assessment of money market instruments, as well as implementing a prudent stress testing regime. Moreover, such credit analysis is to be undertaken by individuals separate from the team responsible for the day-to-day management of the MMF portfolio.
- 6.40 The advice from Link Asset Services is that “given our understanding of the market, via detailed discussions with existing fund managers, we do not believe that this change will materially alter current investment approaches.”
- 6.41 The Commissioner will therefore maintain the existing approach to utilise only those short term MMFs with the highest credit rating of AAA and with fund assets over £1bn, as set out above and in Appendices 5 and 6. As expected the MMF’s currently used by the commissioner have all moved to LVNAV and have maintained their AAA ratings.

End of year investment report

- 6.42 By the end of September each year the PCC will receive a report from Joint Audit Committee on its investment activity as part of its annual treasury report.

Policy on use of external service providers

- 6.43 The Commissioner uses Link Asset Services, Treasury Solutions as its external treasury management advisers.
- 6.44 The Commissioner 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.
- 6.45 The Commissioner recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Commissioner will ensure that the terms of appointment of any such service provider, and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Scheme of Delegation

- 6.46 As required by the Guidance Notes for Local Authorities the Treasury Management Scheme of Delegation is detailed below:

Commissioner

- Set and approve treasury management policy and strategy prior to the start of each financial year.
- Approve prudential and treasury indicators and any subsequent amendments if required.
- Agree and approve annual treasury management budgets.
- Approve any proposed variations in treasury strategy or policy.
- Agree annual report.
- Monitor Prudential and Treasury Indicators.
- Receive and review monitoring reports including the annual report and act on recommendations.

Joint Independent Audit Committee

- Scrutinise the treasury management strategy, policies and practices and make recommendations to the Commissioner
- Receive, scrutinise and approve mid-year monitoring report and annual report.

Role of the Section 151 Officer (Chief Finance Officer)

As required by the Guidance Notes for Local Authorities the role of the Section 151 Officer in relation to treasury management is detailed below:

- Recommending the Code of Practice to be applied, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.

7. Other Issues

Heritable Bank Deposits

- 7.1 The former Police Authority had a deposit of £5.238m invested in Heritable Bank, a wholly owned subsidiary of Icelandic Bank, Landsbanki, when it entered administration in October 2008. The full deposit in Heritable was due to mature by the end of 2008/09 with interest

- 7.2 To date dividends totalling £5.194m have been received representing 98p in the £.
- 7.3 The balance of the investment sum outstanding is therefore £0.044m.
- 7.4 The most recent update from the administrators, Ernst and Young, in August 2018, confirmed the detail of all dividends received to date. They proposed to apply for a further extension to the administration for a period of one year. This is to allow sufficient time for the ongoing investigations to proceed to a conclusion, and they hope to be in a position to resolve matters in the foreseeable future. No further dividend is expected until the administrators conclude their work.

Interest Rate Forecasts 2019 to 2022

Appendix 3

PWLB rates set out in the table below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
Capital Economics	0.75%	1.00%	1.25%	1.50%	1.70%	1.75%	2.00%	2.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
Capital Economics	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-	-	-	-	-

Prudential Indicators – Treasury Management

Prudential Indicators

In line with the requirements of the CIPFA Prudential Code for Capital Finance, the various indicators that inform whether capital investment plans are affordable, prudent and sustainable, are set out below.

Authorised Limit for External Debt

There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.

Authorised Limit - this represents a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Operational Boundary - this is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the Capital Financing Requirement (CFR), but may be lower or higher depending on the levels of actual debt.

The key difference between the two limits is that the Authorised Limit cannot be breached without prior approval of the PCC. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, “invest to save” projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls, as well as an assessment of risks involved in managing cash flows. The Operational Boundary is a more realistic indicator of the likely position.

Authorised Limit for External Debt

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Borrowing	175,000	175,000	180,000	175,000
Other Long Term Liabilities	0	0	0	0
Total	170,000	180,000	180,000	180,000

Operational Boundary for External Debt

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Borrowing	150,000	150,000	155,000	150,000
Other Long Term Liabilities	0	0	0	0
Total	145,000	155,000	155,000	155,000

The latest forecast for external debt indicates that it will be within both the authorised borrowing limit and the operational boundary set to 2022/23. The maturity structure of debt is within the indicators set.

Upper and Lower Limits for the Maturity Structure of Borrowing

The upper and lower limits for the maturity structure of borrowing are calculated to provide a framework within which the Commissioner can manage the maturity of new and existing borrowing to ensure that debt repayments are affordable in coming years.

Maturity structure of borrowing – these gross limits are set to reduce the Commissioner’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Upper and Lower Limits for the Maturity Structure of Borrowing

Following the changes in guidance issued by CIPFA the maturity structure of borrowing is required to cover variable as well as fixed rate debt. The maturity structure of borrowing set out below applies to all borrowing by the Police and Crime Commissioner, both fixed and variable.

	Upper Limit	Lower Limit
Under 12 months	60%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and above	80%	0%

Upper Limit on Principal Amounts Invested Beyond 365 Days

The purpose of the upper limit on principal amounts invested beyond 365 days is for the Commissioner to contain the exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

Upper limit on principal amounts invested beyond 365 days	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Investments	15,000	15,000	15,000	15,000

Gross Debt and Capital Financing Requirement (CFR)

In order to ensure that over the medium term debt will only be for a capital purpose, the Police and Crime Commissioner should ensure that debt does not, except in the short term, exceed the total of capital financing in the previous year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with external debt.

This is a key indicator of prudence. Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy.

Gross Debt and CFR	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Forecast Borrowing as at 31 March	93,713	102,237	111,362	110,637
Capital Financing Requirement as at 31 March	108,744	108,435	111,444	110,719
Amount of borrowing (over) / under CFR	15,031	6,198	82	82

Forecast borrowing is within the CFR estimates for 2019/20 to 2022/23.

Affordability

The impact of the capital programme on the revenue budget is shown in the table below:

Affordability	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Revenue Budget	280,082	284,200	284,000	287,600
Capital Expenditure	17,248	18,279	14,065	6,739
Capital Financing Requirement as at 31 March	108,744	108,435	111,444	110,719
Interest Cost	3,270	3,415	3,664	3,764
Minimum Revenue Provision	6,422	5,908	5,777	5,801
Revenue Financing Costs	9,692	9,323	9,441	9,565
Ratio of financing cost to revenue stream %	3.46%	3.28%	3.32%	3.33%

Minimum Revenue Provision (MRP) Statement 2019/20

The MRP charge for 2019/20 for capital expenditure incurred before 01 April 2008 (prior to the new regulations) or which has subsequently been financed by supported borrowing will be based on the previous regulatory method of Capital Financing Requirement at a minimum of 4% of the opening balance less prescribed adjustments.

For all unsupported borrowing, exercised under the Prudential Code, the MRP Policy is based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge will not be made until the year after the asset becomes operational.

The estates rationalisation programme will see £23.2m capital receipts generated through the sale of assets over the period of the MTFS. The receipts will be used to finance in years capital expenditure and reduce the overall capital financing requirement.

Specified Investments (All Sterling Denominated)

Investment type	Share/ Loan Capital	Repayable/ Redeemable within 12 months	Security / Minimum Credit Rating	Capital Expenditure	Circumstance of use	Maximum period
Term deposits with the UK Government (DMO) or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 365 days.	No	Yes	High security although LA's not credit rated. <i>See section 6</i>	No	In-house	365 days
Term deposits / Certificates of Deposit with credit rated deposit takers (banks and building societies), including callable deposits with maturities up to 365 days.	No	Yes	Secure Varied minimum credit rating <i>See section 6</i>	No	In-house	365 days
Money Market Funds (CNAV & LVNAV (not VNAV)) These funds are instant access and therefore do not have a maturity date.	No	Yes	Secure AAA Money Market Fund rating with assets > £1bn	No	In-house	The investment period is subject to liquidity and cash flow requirements. It is assumed that funds are placed overnight and will be returned and reinvested the next working day (although no actual movement of cash may take place).

Non-Specified Investments (All Sterling Denominated)

Investment type	(A) Why use it (B) Associated risks	Share/ Loan Capital	Repayable/ Redeemabl e within 12 months	Security / Minimum credit rating	Capital Expenditure	Circumstance of use	Max % of overall investments	Maximum maturity of investment
Term deposits / Certificates of Deposit with rated deposit takers (banks and building societies) which do not meet the Commissioner’s “high” credit rating	(A) To improve ability to place smaller amounts (B) Greater risk than “high” credit rating counterparties but advance warning by rating agency of potential problems. The Commissioner has fully considered this investment category and set appropriate investment and maturity limits in order to minimise risk.	No	Yes	Secure Varied minimum Credit rating <i>Minimum: Fitch Long term A- Short term F1</i>	No	In-house	75%	6 months (but set on an individual counterparty basis)
Term deposits with UK Government, UK Local Authorities or credit rated banks and building societies, with maturities over 1 year	A) To improve the ability to “lock in” at times of high interest rates to secure a higher return over a longer period should rates be forecast to fall. B) Lower liquidity and greater risk of adverse interest rate fluctuations. The Commissioner has fully considered this investment category and set appropriate investment and maturity limits in order to minimise risk.	No	No	Secure Varied minimum credit rating	No	In-house	20%	3 years

Maximum Maturity Periods and Amounts

Organisation	Criteria	Max Amount	Max Period	Not to Exceed Limit or %
High Rated (Specified Investments – High rated and up to 365 days see Appendix 5)	Minimum Fitch rating of F1+ short term and AA- long term. Consideration to be given to Moody's minimum rating of P-1 short term backed by Aa3 long term and S&P minimum rating of A-1+ short term and AA- long term.	£20m	3 years	25% (Government Backed) 20% (Non-Government Backed)
Foreign Banks	Must meet the minimum high rated criteria above and have a minimum sovereign rating of AA+	£20m country limit	365 days	20%
Non-High Rated	Minimum Fitch rating of F1 short term and A- long term. Consideration to be given to Moody's minimum rating of P-1 short term backed by A3 long term and S&P minimum rating of A-1 short term and A- long term.	£7.5m	6 months	20%
UK Local Authorities	(i.e. local authorities as defined under Section 23 of the 2003 Act) Each investment is considered on an individual basis	£10m	3 years	n/a
Money Market Funds	CNAV or LVNAV (<i>not VNAV</i>) AAA Money Market Fund rating with assets >£1bn	£7.5m per counter party	Overnight	£25m in total

Approved countries for investments

This list is based on those countries which have non-UK sovereign ratings of AA+ or higher at 21/01/2019. The list shows the lowest rating from Fitch, Moody's and S&P as provided by external treasury advisers Link Asset Services.

AAA

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

AA+

- Finland
- U.S.A.

AA

- U.K.

JOINT INDEPENDENT AUDIT COMMITTEE	25 FEBRUARY 2019
ANNUAL GOVERNANCE REVIEW - ASSURANCE FRAMEWORK – 2018/19	
REPORT OF THE JOINT CHIEF FINANCE OFFICER	

1. Purpose of the Report

- 1.1 Each financial year a review of the effectiveness of the system of internal control is undertaken and Annual Governance Statements (AGSs) are prepared for both the Police and Crime Commissioner (PCC) and the Chief Constable (CC).
- 1.2 The following sets out the processes to be undertaken to review the systems of internal control and prepare the draft AGSs for presentation to the Joint Independent Audit Committee (JIAC) for review.

2. Recommendation

- 2.1 The Committee are asked to agree an assurance framework for the production of an Annual Governance Statement for both the Police and Crime Commissioner (PCC) and CC for 2018/19.

3. Background

- 3.1 The Accounts and Audit Regulations 2015 require that the PCC and CC both conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement. These will be reviewed by the Joint Independent Audit Committee before approval by the PCC and CC. The statements will then accompany the Annual Statement of Accounts for each body.

4. Assurance Framework

- 4.1 The assurance framework is made up from a number of sources that provide assurance on governance arrangements and controls in place to achieve each body's strategic objectives.
- 4.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance based around a framework that sets out the steps by which assurance should be gathered to enable the production of an Annual Governance Statement for both the PCC and CC.
- 4.3 In preparation it will be necessary to review evidence from the following sources of assurance that the systems of internal control are operating as planned:
 - Governance arrangements
 - Senior managers

- The system of internal audit
- Risk management arrangements
- Performance management and data quality
- Views of the external auditor, HMICFRS and other external inspectorates.
- The legal and regulatory framework
- Financial controls
- Partnership arrangements and governance
- Other sources of assurance as appropriate.

4.4 The following sections outline how suitable assurance will be obtained from the above identified sources of assurance:

4.5 Governance arrangements

4.5.1 The PCC and CC have responsibilities for governance within the Office of the Police & Crime Commissioner (OPCC) and the Force in their own right. This means that there will be two freestanding processes within the Police Service for ensuring good governance. In most respects the principles and implementation will be the same for the PCC and the CC. There may be however, areas specific to each corporation sole which will need to be reflected.

4.5.2 The PCC and CC have established a Joint Internal Governance Group (JGG) which meets on a quarterly basis and whose work is fully aligned with that of the JJAC. The Group is resourced by individuals who have the appropriate knowledge, expertise and levels of seniority to consider all necessary and mandatory governance requirements on behalf of both corporate bodies.

4.5.3 The permanent members of this Group are:

- Joint Chief Finance Officer
- Chief of Staff
- Deputy Chief Constable
- Head of Corporate Development
- Head of Finance
- Internal Audit Manager

4.5.4 This Group will:

- Consider the extent to which the organisations comply with the principles and elements of good governance set out in the framework
- Identify systems, processes and documentation that provide evidence of compliance.
- Identify the individuals or mechanisms responsible for monitoring and reviewing the systems, processes and documentation

- Identify any governance issues that have not been addressed and consider how they should be addressed.
- Identify the individuals who would be responsible for undertaking any actions that are required.

4.6 Senior managers

- 4.6.1 All Heads of Department and Area Commanders for the Force and the Chief of Staff of the OPCC will complete a self-assessment assurance statement detailing the level of assurance they feel they can place on their key control and governance processes. The JIAC will receive a report giving the overall opinion of senior managers on the adequacy of arrangements they have in place.

4.7 The system of internal audit

- 4.7.1 The Internal Audit Service, provided under a support agreement with Gateshead Council, is responsible for ensuring that the key systems, both financial and non-financial, of both bodies are subject to regular audit as part of the risk based internal audit plan.

- 4.7.2 In addition, a review of the effectiveness of internal audit is required under the Accounts and Audit Regulations 2015. This is defined by CIPFA as “a framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in understanding its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation”. This review will also include evaluating the effectiveness of the Joint Independent Audit Committee.

- 4.7.3 Assurance in this area will be provided through the overall independent opinion of the Internal Audit Manager based on the work undertaken by the Internal Audit Service during the year and reported to the Joint Independent Audit Committee in the Internal Audit Annual Report 2018/19.

4.8 Risk management

- 4.8.1 The PCC and CC have established a joint approach to the consideration and management of risk, which ensures that both bodies have management arrangements in place. Updates on risk are provided to JIAC on a quarterly basis and assurance in this area will be provided in the Corporate Risk Management Annual Report for 2018/19.

4.9 Performance management and data quality

- 4.9.1 The performance management framework forms part of the assurance of senior managers on the key controls operating in their areas.

- 4.9.2 In addition, there is a framework for reporting corporate performance management information, including oversight by the PCC. The Head of Corporate Development will provide assurance to the JIAC in respect of this framework.

4.10 Views of the external auditor and other external inspectorates

4.10.1 The external auditor will issue an Annual Audit Letter to both the PCC and CC, providing a review of the value for money arrangements in each body and reporting any significant issues arising from the audits of their financial statements.

4.10.2 There are also a number of other external inspectorates, including HMICFRS, which report from time to time on management and governance arrangements within the Police Service.

4.11 Legal and regulatory framework

4.11.1 Assurance will be sought from the PCC's Chief of Staff and the CC's Head of Legal who have a legal duty within their own bodies to ensure the lawfulness and fairness of decision-making and ensure compliance with established policies, procedures, laws and regulations.

4.12 Financial controls

4.12.1 Assurance will be sought from the Joint Chief Finance Officer (JCFO) to the PCC and CC, who is designated as the responsible officer for the administration of each body's financial affairs under section 151 of the Local Government Act 1972.

4.13 Partnership arrangements and governance

4.13.1 Assurance is also required in respect of any significant partnership arrangements, as they are key to the delivery of each body's objectives. Each arrangement will be assessed against guidance produced by the Audit Commission (Bridging the Accountability Gap, 2005)

4.14 Other sources of assurance as appropriate

4.14.1 Any other occurrence during the financial year that allows for or provides an opinion on the internal control environment or governance arrangements for either body, will be included in the evidence provided to support the Annual Governance conclusion.

4.14.2 The annual assurance statements will also take due account of adherence to the CIPFA Code of Practice on managing the risk of fraud and corruption.

4.15 Review of Governance Arrangements

4.15.1 The actual review of evidence from these assessments will be undertaken by the JGG who will prepare the statements covering 2018/19 for review and approval by the JIAC. Before recommending them to the PCC and CC for approval.

5. CONSIDERATIONS

Freedom of Information	<i>Non-exempt</i>
Consultation	Yes
Resource	No

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There are no additional financial considerations arising from this report.	
Equality	No
There are no equality implications arising from the content of this report.	
Legal	No
There are no legal considerations arising from the content of this report.	
Risk	No
There are no additional risk management implications directly arising from this report.	
Communication	Yes
To be reported to the PCC and CC in-line with the Accounts and Audit Regulations 2015	
Evaluation	No

Joint Independent Audit Committee	25 February 2019
Summary of Recent External Inspection Reports	
Paul Godden, Head of Corporate Development Department	

I. PURPOSE

- 1.1 To provide members with details of recent external inspection reports and an overview of the process in place to manage the Force's response to inspection recommendations and findings.

2. BACKGROUND

- 2.1 The following inspection reports have been published by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) since the last Joint Independent Audit Committee:

[Protecting children from criminal exploitation, human trafficking and modern slavery: an addendum](#)

[Policing and Mental Health - Picking Up the Pieces](#)

- 2.2 Corporate Development Department acts as the central liaison point for all HMICFRS related matters.
- 2.3 All HMICFRS inspection reports and other external inspection reports are considered by the Executive Team. A lead is appointed to consider inspection findings and prepare an action plan in response to any recommendations and areas for improvement identified. These action plans are agreed by the Executive Team and by the Police and Crime Commissioner (PCC).
- 2.4 Project teams are appointed to support implementation of the action plan, as appropriate. All activity is regularly reviewed by the respective owners. Delivery is overseen at Executive Team level and reported to the Scrutiny Meeting of the Office of the Police and Crime Commissioner. Appendix A provides an overview of the action plans in response to HMICFRS findings.
- 2.5 In 2018, action plans have been developed in response to HMICFRS PEEL Effectiveness and Legitimacy inspections; the National Child Protection Inspection; and Hate Crime. A further plan is in development in response to Policing and Mental Health.
- 2.6 All actions within the Legitimacy action plan are now complete and significant progress has been made against actions within the remaining plans. Almost 50% of the actions within the Effectiveness action plan have been completed; some outstanding actions involve longer term change plans and cultural change. The PEEL inspection action plan updates will be presented to the Scrutiny Meeting on 18th February and activity will be reviewed as part of the PEEL inspection that the force will be subject of for two weeks commencing 18th February. This inspection will cover the three pillars of PEEL (Effectiveness, Efficiency and Legitimacy) in one inspection.
- 2.7 A centralised recommendations database is under development by HMICFRS. All recommendations from inspection activity since 2013 are included. In due course it is anticipated that a version will be made available to the public.

- 2.8 Since 2013, 209 recommendations have been aligned to Northumbria Police and 51 recommendations are currently recorded as being open. Of these, seven (14%) will be updated with the results from the post inspection review of child protection that took place in January 2019 and 16 (31%) will be updated as a result of the Integrated PEEL Inspection taking place at the end of February 2019. The majority of the remainder are either newer recommendations e.g. Policing and Mental Health, or require sign off by a specialist team e.g. Crime Data Integrity. In addition to the aforementioned 51, there are a further 17 recommendations that relate to undercover policing that are on hold until the findings from an independent Undercover Policing Inquiry are known.

Protecting children from criminal exploitation, human trafficking and modern slavery: an addendum (published 14 November 2018)

- 2.9 The report considers the most significant learning from three inspections of the local areas of Greenwich; Southend-On-Sea; and Dorset with a focus on criminal exploitation of children, reviewing practice in children's social care, education, health services, the police, youth offending services and probation services.
- 2.10 It was recognised that much had been done to address child sexual exploitation, but agencies were called upon to learn the lessons of the past in responding to criminal exploitation of children and county lines.
- 2.11 Criminally and sexually exploited children were found in all of the areas inspected. Inspectors found that some agencies were identifying risks to children and responding well; however, some agencies were too late in recognising the scale or extent of the problem which resulted in the risks not being addressed quickly enough.
- 2.12 The report makes no formal recommendations for police forces or partners but does highlight areas for consideration and shares significant learning. It concluded that all agencies needed: effective and efficient 'front door' services that prioritise training on exploitation for staff; to plan how to respond and prevent criminal exploitation in partnership; to 'stay with' the child to protect and safeguard them; and to ensure a highly coordinated approach with an awareness of risks of exploitation in their local area.
- 2.13 The report has been considered in the context of Northumbria Police and a report outlining the force position will be presented to Joint Business Meeting following discussion at the Protecting Vulnerable People Operational Delivery Group on 13th February 2019.

Policing and Mental Health - Picking Up the Pieces (published 27 November 2018)

- 2.14 In 2017, as part of the PEEL (police effectiveness, efficiency and legitimacy) inspection programme, HMICFRS examined how effective police forces are at protecting and helping those with mental health problems.
- 2.15 HMICFRS examined how well forces: identified people with mental health problems when they first contact the force; identified and recorded the number of cases involving people with mental health problems to provide the right support; and make sure expert help is available from other organisations, in particular health professionals.
- 2.16 The findings indicated that the police approach to people with mental health problems is generally supportive, considerate and compassionate. However, concern was raised that too many aspects of the broader mental health system were broken and that the police were being left to pick up the pieces and responsible for the safety and welfare of people

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that other professionals would be better placed to deal with. The RESPOND training devised by Northumbria Police and partners was included within the report as best practice.

- 2.17 The report highlighted five recommendations. These are being considered and an action plan prepared. This will be reported to the Joint Business Meeting on 21st February 2019.

National Child Protection Inspection – Northumbria Police

- 2.18 In January 2019, the force was subject of a post-inspection review to examine the progress being made in response to the recommendations made following the child protection inspection in January 2018.

- 2.19 The force has made progress in response to the recommendations and is awaiting formal feedback in advance of publication on the HMICFRS website.

3. FINANCIAL CONSIDERATIONS

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

4. LEGAL CONSIDERATIONS

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

5. EQUALITY CONSIDERATIONS

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

6. RISK MANAGEMENT

- 6.1 The Force prepares action plans in response to HMICFRS findings, as appropriate, and delivery will be monitored through the Northumbria Police governance structure and by the Office of the Police and Crime Commissioner.

- 6.2 HMICFRS expects that progress is made in response to the recommendations and uses progress against previous recommendations to assess risk when considering future inspection activity.

7. RECOMMENDATIONS

- 7.1 The Committee is asked to note the recent external inspection reports and that there are no matters of exception to report for existing action plans in response to previous inspections.

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APPENDIX A - Action plans in response to HMICFRS reports

Report title	Published	Reported to JIAC	Business Lead	Executive Lead	Action Plan		Scrutiny Last update	Scrutiny Next update*
Making it fair - a joint inspection of the disclosure of unused material in volume Crown Court cases	18/07/2017	18/09/2017	Head of Criminal Justice & Custody	ACC Bacon	Y	JBM 22/01/2018	06/12/2018	14/03/2019
Living in fear - the police and CPS response to harassment and stalking	05/07/2017	18/09/2017	Head of Safeguarding	ACC Bacon	Y	JBM 27/07/2017	06/12/2018	14/03/2019
Stolen freedom: the policing response to modern slavery and human trafficking	24/10/2017	04/12/2017	Head of Safeguarding	ACC Bacon	Y	JBM 30/11/2017	06/12/2018	Completed at Scrutiny on 6th December 2018
PEEL: police efficiency 2017 - Northumbria Police	09/11/2017	04/12/2017	Head of ICT	Mike Tait	Y	JBM 06/09/2018	N/A	15/04/2019
A progress report on the police response to domestic abuse	14/11/2017	04/12/2017	Head of Safeguarding	ACC Bacon	Y	Public facing action plan published April 2018. Updated action plan presented to JBM 15/11/2018	N/A	14/03/2019
PEEL: Police legitimacy 2017 - Northumbria Police	12/12/2017	19/02/2018	Multiple	DCC Best	Y	JBM 22/01/2018	18/02/2019	16/05/2019
PEEL: Effectiveness 2017	22/03/2018	14/05/2018	Multiple	DCC Best	Y	JBM 19/04/2018	18/02/2019	16/05/2019
CJJI : Out-of-court disposal work in youth offending teams	28/03/2018	14/05/2018	Head of Criminal Justice & Custody	ACC Bacon	Y	JBM 28/06/2018	N/A	N/A
Northumbria – National child protection inspection	28/06/2018	23/07/2018	Head of Safeguarding	ACC Bacon	Y	JBM 26/07/2018	06/12/2018	15/04/2019

Report title	Published	Reported to JIAC	Business Lead	Executive Lead	Action Plan		Scrutiny Last update	Scrutiny Next update*
Understanding the difference: the initial police response to hate crime	19/07/2018	19/11/2018	Superintendent Central AC	ACC Ford	Y	JBM 10/01/2019	N/A	15/04/2019
Joint inspection of the handling of cases involving disability hate crime	09/10/2018	19/11/2018	Superintendent Central AC	ACC Ford				
Protecting children from criminal exploitation and modern slavery: An addendum	14/11/2018	25/02/2019	Head of Safeguarding	ACC Bacon	tbd	JBM 21/03/2019	N/A	tbd
Policing and Mental Health: Picking up the Pieces	27/11/2018	25/02/2019	Head of Safeguarding	ACC Bacon	Y	JBM 21/02/2019	N/A	tbd

* Dates subject to review of the forward plan.

Short Report for Information

Joint Independent Audit Committee	25 February 2019
Joint Strategic Risk Register	
Report of Paul Godden, Head of Corporate Development Department	
Author: Tanya Reade, Corporate Development Department	

I. PURPOSE

- 1.1 To present the current Strategic Risk Register.

2. BACKGROUND

- 2.1 The Office of Police and Crime Commissioner (OPCC) and Northumbria Police share a joint Strategic Risk Register. Each strategic risk is assigned a Chief Officer/ Director and an OPCC owner, who has responsibility for the management of controls and the implementation of new controls where necessary.

Governance of Strategic Risk Register

- 2.2 The risk register (Appendix A) identifies each risk and the consequences if it were to happen. The register also provides a summary of existing controls and the risk rated on the likelihood of the risk occurring and the impact it would have. All risks are regularly reviewed by the respective owners and additional controls identified or changed, where necessary.
- 2.3 Area Commanders, Department Heads and OPCC are responsible for the identification of emerging risks which cannot be controlled locally, and have the potential to prevent the Force and PCC from achieving objectives. These risks are escalated to the PCC and Chief Officers via the relevant Operational Delivery Group or Board, and recorded on the Joint Strategic Risk Register.
- 2.4 The register is presented to Joint Business Meeting between the PCC and the Chief Constable on a quarterly basis. The Joint Independent Audit Committee and the Joint PCC/ Chief Constable Governance Group provide additional scrutiny and governance on a quarterly basis.
- 2.5 Current risk management processes and procedures continue to help to ensure the effective management of those risks which have the potential to adversely affect the delivery of the Force and PCC strategic aims and objectives.

Changes to Strategic Risk Register

- 2.6 The key changes to the risk register since the last quarter are outlined below.
- 2.7 Appendix B provides an overview of the RAG status of the risks.

Existing RisksOperational**Risk 9 - Operational/ law enforcement risks arising as a result of exit from European Union**

Short Report for Information

- 2.8 The summary of controls have been updated to reflect ongoing updates to the transition process which includes the use of Authorised Professional Practice (APP), media campaigns, EU tools, regional meetings, system conversions and a 24/7helpline.
- 2.9 Likelihood medium (3) and impact medium (3) remain unchanged.

Public Confidence

Risk 13 – Death in custody/ death or serious injury following police contact

- 2.10 The summary of controls have been updated to reflect adoption of the HM Inspectorate of Prisons (HMIP) and HM Inspectorate of Constabulary (HMIC) Expectations of Police Custody.
- 2.11 Likelihood low (2) and impact high (4) remain unchanged.

Regulations and Standards

Risk 19 - Failure to comply with the requirements of the General Data Protection Regulation in respect of the management and storage of documentation

- 2.12 The potential consequences have been updated to include financial penalties should the force fail to handle personal and sensitive personal data in accordance with General Data Protection Regulations (GDPR).
- 2.13 Likelihood low (2) and impact high (4) remain unchanged.

Financial

Risk 20 – Further cuts to Home Office Police Grant Funding

- 2.14 The summary of controls have been updated to reflect the latest provisional settlement and precept flexibility.
- 2.15 Likelihood low (2) and impact very high (5) remain unchanged.

Risk 23 – Financial Risks arising as a result of exit from European Union

- 2.16 The summary of controls have been updated to include senior Finance and Procurement involvement in the “Gold Group” which has been established to consider the wider implications of Brexit.
- 2.17 Likelihood medium (3) and impact medium (3) remain unchanged.

Risk 25 – Significant increase in the cost of Employers Pension Contributions

- 2.18 The rationale has been updated as the immediate risk of financial impact for 2019/20 has been mitigated within the 2019/20 Provisional settlement.
- 2.19 Likelihood has been re-assessed as medium (3) from high (4); impact remains very high (5).

Information Technology

Risk 30 – Loss of Critical ICT Services

Short Report for Information

- 2.20 The title of the risk has been updated from 'ageing IT infrastructure and implementation of future strategy' as ageing IT is one potential cause of loss of critical ICT services.
- 2.21 The summary of controls has therefore been updated to include progression around project management and supplier management/ procurement processes.
- 2.22 Likelihood medium (3) and impact medium (3) remain unchanged.

3. CONSIDERATIONS

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

No.	Theme	Governance and Oversight	Strategic Risk	Rationale	Potential Consequence	Summary of Controls	RAG	Likelihood (1-5) Impact (1-5)	Owner COT/Director	Owner OPCC
1	Strategy	Strategic Management Board	Failure to deliver against objectives set out in the Police and Crime Plan.	Ongoing Risk	Government intervention. Loss of public confidence. Failure to target resources towards changing performance and crime trends.	Force Performance Management Framework. Force Governance and Decision-making Structure. (Strategic Management Board, Operational Delivery Groups and other boards, such as Confidence and Standards Board). Joint Business Meeting and OPCC Scrutiny Meeting.	8	Likelihood 2 Impact 4	Chief Constable	Police and Crime Commissioner
2	Operational	Major Events - Operational Delivery Group	Inability to deliver continuity of service.	Prolonged industrial action by key members of staff. Pandemic outbreak. Prolonged fuel shortages. Adverse weather. Ongoing Risk	Reduced staffing and service provision across some or all business areas.	Uninterrupted Power Supply' is fitted at key sites to protect ICT equipment from damage. Health & Well-Being Programme. Force fuel reserves are maintained. Availability of remote access devices. Remote access to IT systems. The Force has three machine rooms, two of which can be used to deliver critical ICT services. Business Continuity Plans.	2	Likelihood 1 Impact 2	ACC Protective Services	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
3	Operational	Major Events - Operational Delivery Group	Critical incident or other external incident that has a sustained and significant demand on policing resources.	Terrorist incident. Prolonged industrial action by key external organisations. Ongoing Risk	Inability to deliver services as a result of reduced staffing and service provision across some or all business areas.	Contingency planning and testing of plans in partnership with key agencies. Ongoing support with Local Resilience Forum (LRF). BT review of 999 services.	6	Likelihood 2 Impact 3	ACC Protective Services	N/A
4	Operational	Investigation - Operational Delivery Group	An ineffective Criminal Justice System within the region.	Significant impact on the delivery of the Police and Crime Plan and public confidence. Ongoing Risk	Uncoordinated criminal justice activity. Inability to work effectively in partnership with other criminal justice agencies to provide services to victims and witnesses.	Alignment with the national protocol for LCJB. Terms of reference and appropriate membership. LCJB business plan. Effective sub group and reporting process. Performance management framework.	6	Likelihood 2 Impact 3	ACC Citizen Focus	Police and Crime Commissioner
5	Operational	Prevention and Deterrence - Operational Delivery Group	Reduction in partnership services due to financial constraints and/or lack of integrated planning.	Ongoing Risk	Gaps in the Force's ability to reduce and prevent crime and anti-social behaviour (ASB). Reduced ability to identify and respond to local priorities. Fewer crime prevention schemes.	'Effective partnership governance arrangements and joint partnership plans based on Threat, Harm and Risk, through Community Safety Partnerships (CSPs), Children & Adult Safeguarding Boards & Local Multi Agency Problem Solving (LMAPS) groups are in place, which include clear roles and responsibilities. A revised Neighbourhood Policing model has been agreed following a review by Force Improvement Team which will be introduced in conjunction with changes to the Force Operating Model following completion of the Force Management Statement. Strategic understanding of the current position in respect of relationships and interdependencies. Sharing best practice and problem solving knowledge through events with partners.	6	Likelihood 2 Impact 3	ACC Citizen Focus / ACC Local Policing	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
6	Operational	Digital Oversight Board	Failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget.	National delays anticipated with delivery of Emergency Services Network. December 2016	Late delivery of ESN radio system to support operational policing. Increase in forecast revenue budget as predicted savings will not be made as planned. ESN solution fails to supply adequate coverage or capacity to support operational policing in Northumbria Police. No formal confirmation of future years funding has been provided by Home Office as some payment and funding decisions are still to be finalised. Often will only be made on an annual basis just ahead of the financial year in question and subject to final confirmation as part of the normal funding allocation / notification processes.	The Home Office will negotiate with Airwave Solutions Limited about the extension of the National Airwave contract. Northumbria has a contingency plan for the support of user and vehicle Airwave terminals. Worst case forecast to be reflected in the Force MTFS. Ensure close liaison with Home Office to receive early indication of programme slippage. Undertake early review of predicted coverage and test actual coverage as soon as devices and coverage are available. Investigate alternative solutions to provide additional coverage or capacity. Liaise with Home Office regarding allocation of funding for future years.	15	Likelihood 5 Impact 3	ACC Citizen Focus	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

7	Operational	Protecting Vulnerable People Operational Delivery Group	Service failures with the regional contract for the provision of Interpreting Services.	Significant impact on large scale investigations. June 2018	Increase in complaints. Shortage of suitably qualified interpreters. Inadequate interpreting service for victims and witnesses. Reputational impact on confidence in Northumbria Police. Reduction in Force performance.	Scheduled meetings with representatives from Durham and Cleveland Constabularies. Consultation with the CPS and national working group. Tracking of cases where interpreting services were utilised. Risk based approach to determine cases where an evaluation of interpreting standards is required. Live cases which have utilised interpreting services are being monitored by Criminal Justice and CPS. Full audit of the qualifications held by registered interpreters. Suspension of some aspects of the current contract. Use of the National Register of Public Service Interpreters in large scale operations or serious crime. Complete procurement of new contract for the provision of interpreting services in Autumn 2018.	8	Likelihood 2 Impact 4	ACC Citizen Focus	Police and Crime Commissioner
8	Operational	Investigations - Operational Delivery Group	Historic biometrics, DNA and fingerprints from voluntary attenders.	Ongoing Risk	Missed opportunities for further detections. Offenders who have escaped punishment or arrest. Further crimes which are undetected but would have been detected if samples were taken. Reduction in public confidence.	Review of the current system. Systems and a performance framework. Media strategy under development in liaison with Legal. Reporting to Strategic Management Board. Reporting to Investigations Operational Delivery Group. Control strategy under development.	12	Likelihood 3 Impact 4	ACC Protective Services	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
9	Operational	Investigations Operational Delivery Group	Operational/ law enforcement risks arising as a result of exit from European Union.	Continued operational uncertainty as a result of exit from the European Union.	Loss of the key European law enforcement statutory instruments.	A national meeting process is in place, Head of Intelligence provides representation Transition process being agreed and Europol systems, processes and legislation being reviewed Authorised Professional Practice (APP) and guidance for forces around the loss of EU tools being drafted and delivery estimated by end of February 19 The International Crime Co-ordination Centre (ICCC) will run a national media campaign on the loss of EU tools T/ACC Protective Services has met with ICCC BREXIT Lead Supt Pearson and discussed the ongoing national issues and potential local impact Two regional SPOCs appointed, working for Supt Pearson to support the Northern force's with Criminal Justice processes post Brexit, assist forces in preparedness for the loss of EU tools and to improve international co-operation around Criminal Justice A regional meeting process is in place with force leads discussing the loss of EU tools/International criminality to share best practice and learning and offer peer support The Force has begun reviewing records held on Europol systems (Schengen) with a view to conversion to alternative systems 4 International Tactical Advisors (iTACs) to be identified and trained per force. Their role will advise frontline and senior officers on international policing topics and policy change post Brexit A 24/7 helpline will be made available post Brexit to offer support to forces from the ICCC	9	Likelihood 3 Impact 3	ACC Protective Services	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
10	Workforce	Strategic Resourcing Board	Insufficient resources, in terms of capacity and capability (skills), to meet current or future policing demands.	Ongoing Risk	Reduction in service quality/ delivery leading to reduced public trust and confidence.	A comprehensive recruitment plan has been put in place to meet forecast resourcing and talent requirements whilst ensuring affordability against the Medium Term Financial Strategy (MTFS). Alternative routes into policing being explored to enrich the workforce mix and maximise benefit of national schemes (e.g. apprenticeships, Police Now, use of volunteers / students). Periodic review of Training Profiles, monitoring and ensuring compliance with training programmes (SRB). Workforce wellbeing programme / Health and Safety Management System in place to maximise use of available resource, and reduce loss through accident, injury and ill-health. Equality Board Action Plan.	8	Likelihood 2 Impact 4	Director of People and Development	Police and Crime Commissioner

11	Workforce	Strategic Resourcing Board	Insufficient resources, in terms of capacity and capability (health and wellbeing), to meet current or future policing demands.	Ongoing Risk	Reduction in service quality/ delivery leading to reduced public trust and confidence.	Workforce wellbeing programme / Health and Safety Management System in place to maximise use of available resource, and reduce loss through accident, injury and ill-health. Attendance management and monitoring of adverse sickness absence trends. Monitoring of ill-health dismissals (Force Health Management Group / SRB).	8	Likelihood 2 Impact 4	Director of People and Development	Police and Crime Commissioner
12	Public Confidence	Confidence and Standards Board	Litigation, legal action and/or prosecution of the Force and/ or individuals by former officers or staff members.	Ongoing Risk	Litigation, legal action and/ or prosecution of the Force and / or individual staff. Reputational consequences, in addition to associated costs of dealing with litigation. Negative impact on workforce.	Health and Safety Management system utilising 'Plan, Do, Check, Act' model to ensure compliance with legislation. Access to competent Health and Safety advice. Health and Safety training profile applied in place to support supervision in effectively managing risk. Health and Safety investigations and the review of critical incidents ensures lessons learned are identified and embedded (Confidence and Standards Board). 7 point plan in place for investigative approach (assaults against staff) agreed by Chief Constable and Northumbria Police Federation. Clear reporting mechanism is now in place for use of force. Risk management approach in place whereby review of all civil claims received (DCC and PCC). Adverse trends reported (Confidence and Standards Board). Effective media management.	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
13	Public Confidence	Confidence and Standards Board	Death in custody/death or serious injury following police contact.	Ongoing Risk	Litigation, legal action and/or prosecution against the Force and/or individual officers. Negative impact on employees. Reputational impact on confidence in Northumbria Police.	Health and Safety Management system. Continual Risk Assessments whilst in custody Pre-release risk assessment design with Newcastle University. Safety checks. Role specific training. Incident Review Process ensures lessons learned are identified and embedded. Healthcare provision. Lessons learned are shared, along with the dissemination of updates by functional leads, and awareness development sessions. Inspectors have also carried out attachments to Professional Standards Department (PSD) on a rolling basis. Electronic Custody records are in place. Custody audit process. Digital wipe boards utilised in custody suites. The Investigation - Operational Delivery Group provides oversight for Custody related matters. Ongoing implementation of HMIC Custody Inspection recommendations. Adoption of the 'Expectations of Police Custody' into all on-going Continuous Professional Development (CPD) training and within the Custody Action Plan. Effective media management. Family liaison support. Analytical support to inform key trends/themes.	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner
14	Public Confidence	Confidence and Standards Board	Other adverse or critical incident, as a result of police action or omission.	Ongoing Risk	Litigation, legal action and/or prosecution against the Force and/or individual officers. Negative impact on employees.	Health and Safety Management system. Risk Assessments. National Decision Making model. Role specific training. Critical Incident Review Process ensures lessons learned are identified and embedded. Lessons learned are shared at the relevant Operational Delivery Group.	9	Likelihood 3 Impact 3	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

15	Public Confidence	Confidence and Standards Board	Corrupt behaviour by an officer or police staff member.	Ongoing Risk	Abuse of authority for financial or sexual purpose, fraud or theft.	<p>Counter Corruption Strategy.</p> <p>Training in relation to Professional Standards of Behaviour and Code of Ethics.</p> <p>Vetting procedures at point of entry and in accordance with National Code of Practice.</p> <p>Integrity Health Check in place as part of the Professional Development System (PDS) process.</p> <p>Effective media and communication management.</p>	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
16	Public Confidence	Confidence and Standards Board	Ineffective response to complaints or service recovery.	Ongoing Risk	Resulting in poor levels of service and increased public dissatisfaction	<p>Complaints and service recovery monitored at the Confidence and Standards Board.</p> <p>OPCC Scrutiny Meeting.</p> <p>DCC/ HR/ PSD/ Legal monthly meeting .</p> <p>Monthly analysis of complaints, addressing any emerging issues with Area Commands/ Departments.</p> <p>Complaints Triage, based at the OPCC, ensuring all complaints are administered, monitored and managed by the appropriate staff and in a timely manner.</p> <p>Monitoring of the Code of Ethics for all police officers.</p>	4	Likelihood 1 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
17	Regulation and Standards	Investigations - Operational Delivery Group	Failure to achieve ISO/IEC 17025 accreditation for digital device examination and impact on digital forensic examinations.	Requirement to achieve ISO/IEM accreditation. February 2017	<p>Lack of reputation and credibility.</p> <p>Negative impact on criminal justice system.</p> <p>Internal inefficiency.</p> <p>Provision of evidence is undermined.</p> <p>Forensic Regulator intervention and consequences including the possible cessation of E-Forensics.</p> <p>Risks associated with devices currently awaiting examination are not assessed or understood.</p> <p>Negative impact on investigations, victim care and safeguarding.</p> <p>Negative impact on criminal justice system.</p> <p>Public confidence.</p>	<p>Implementation of monthly governance and scrutiny oversight.</p> <p>Appointment of an Information Security Officer (ISO) manager.</p> <p>ISO work plan being devised.</p> <p>Digital Forensics Unit (DFU) infrastructure.</p> <p>The Force has received its first Grant of Accreditation from UKAS. The next stages for extension to scope are underway.</p> <p>Validation and assessment by UKAS in further areas in Digital Forensics (still to be fully documented) including:</p> <ul style="list-style-type: none"> • Specialist evaluation and interpretation of digital data from hard disk drives, solid state drives, Memory Cards and USB Flash Drives. • Logical extraction and processing of mobile phones centrally provided and centrally controlled kiosks. • Physical extraction and processing of mobile phones. • Specialist processing and enhancement of CCTV. <p>Due to be assessed by UKAS in April/May 2019.</p> <p>Full connection of the Force with the NPCC lead to ensure progress/mitigation of risk.</p>	9	Likelihood 3 Impact 3	ACC Protective Services	N/A

18	Regulation and Standards	Confidence and Standards Board	Force/ OPCC or an associated individual acts in a discriminatory way.	Ongoing Risk	Litigation, legal action against the Force/ OPCC. Inequality of service delivery across discriminated groups. Loss of trust and confidence.	<p>Agreement and delivery of Joint Equality Objectives (OPCC and Force).</p> <p>Governance Structure - Gold and Silver Boards.</p> <p>Monitoring and analysis of protected characteristic data (employee lifecycle).</p> <p>Equality Impact Assessments (EIA) in place.</p> <p>OPCC Advisory Group Meetings.</p> <p>Forcewide Training in diversity and inclusion.</p> <p>External organisational staff surveys (Stonewall Workplace Equality Index)</p> <p>Annual Staff Survey (Durham University model).</p> <p>IOPC Discrimination Guidance in place, and has been rolled out to PSD staff, area command officers / staff and external partners (to assist in the effective handling of allegations of discrimination (based on race, sexual orientation, religious belief, age, or disability).</p> <p>Equality action plan.</p>	10	Likelihood 2 Impact 5	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
19	Regulation and Standards	Information Management Board	Failure to comply with the requirements of the General Data Protection Regulation in respect of the management and storage of documentation.	To deliver the requirements to ensure compliance with GDPR regulations. October 2018.	Findings made by the ICO are publicised and so the Force would be subject to reputational damage and financial penalties if members of the community believed that they were not handling personal and sensitive personal data in accordance with the Regulations.	<p>A Project Plan emulating the ICO's "12 Steps to Readiness" has been implemented.</p> <p>Actions include:</p> <ol style="list-style-type: none"> 1. Appointment of a Force Data Protection Officer (DPO). 2. Data held across the organisation has been identified and information asset registers produced. Work remains ongoing to review all collated data and to develop strategies for the future management and storage of such documentation. This work has oversight provided at Information Management Board. 3. Existing procedures in respect of Data Breaches have been reviewed to ensure required actions set out in the Regulations are met. 	8	Likelihood 2 Impact 4	Director of Finance and IT	Chief of Staff and Monitoring Officer
20	Financial	Joint Business Meeting	Further cuts to Home Office Police Grant Funding.	Ongoing Risk	Reduction in available finances impacting on the ability to provide frontline services. Impact on service provision, with less flexibility to innovate. Public confidence.	<p>Annual MTFS process to review and revise spending plans to match available resources.</p> <p>Flexibilities to increase precept are considered annually. For 2019/20 the Home Office have provisionally announced an increase in the precept flexibility of up to £24. There is no further certainty after 2019/20 on the precept, the prudent assumption is a return of £5 increase.</p> <p>Reserves will be optimised to help with the phasing of the delivery of savings.</p> <p>Effective media plan.</p>	10	Likelihood 2 Impact 5	Director of Finance and IT	Chief of Staff and Monitoring Officer and Chief Finance Officer
21	Financial	Strategic Resourcing Board	Failure to manage annual budget.	Ongoing Risk	Impact on service provision, with less flexibility to innovate and provide front-line services.	<p>Financial strategies, including MTFS, Value for Money profiles and Police Objective Analysis Profiles.</p> <p>Regular financial monitoring through Executive Board, OPCC Business Meeting and Joint Business Meeting.</p> <p>Internal Audit and OPCC scrutiny, plus part of External Audit annual Value for Money assessment.</p>	4	Likelihood 1 Impact 4	Director of Finance and IT	Chief of Staff and Monitoring Officer and Chief Finance Officer
22	Financial	OPCC Business Meeting	Reduced effectiveness of Treasury Management.	Transfer of Treasury Management to the Northumbria Police. December 2017	Non achievement of the Treasury Management Strategy, Investment Policy deliverables, and 2018/19 Treasury Management budget targets.	<p>Establishment of robust monthly monitoring reports.</p> <p>Tight controls and reporting of Prudential Indicators.</p> <p>Quarterly meetings with Treasury Management external advisers.</p>	3	Likelihood 1 Impact 3	Director of Finance and IT	Chief Finance Officer

23	Financial	Strategic Resourcing Board	Financial Risks arising as a result of exit from European Union	Continued financial uncertainty as a result of planned exit from the European Union October 2018	<p>Treasury Management Risks:</p> <ul style="list-style-type: none"> Volatility on PWLB and market borrowing rates due to uncertainty. Potential credit risk / uncertainty to UK Banks - fewer counterparties to invest with, if ratings fall below the limits approved in the Commissioners TM Policy and Strategy Statement. Lower interest rates and lower return on deposits. Possibility of bank rate reduction by MPC to counteract financial / market volatility, associated risk to investment returns. <p>Financial Risks:</p> <ul style="list-style-type: none"> Government Grant Funding reduced if UK economy underperforms. Sale of Assets – Delays on sale of assets due to increased uncertainty in the markets, or a reduction in valuations. Pension Fund / Pension Costs – Lower bonds rates could impact on actual and expected yield, increasing the pension deficit and required contribution rates. Inflation – the weaker Pound increases the possibility of higher inflation / costs from suppliers due to higher import costs for raw materials. <p>Demand Pressures arising from cutbacks by other local authorities, public services and partner agencies as a result of reduced income:</p> <ul style="list-style-type: none"> Loss of direct EU grant funding to Local Authorities, charities and other agencies. Reduction in business rates income. <p>Procurement and Contract risks:</p> <ul style="list-style-type: none"> Change to procurement law potentially restricting the supply market. Goods and Services are more expensive through Suppliers increasing their prices because we are not part of EU and possible tariff/ export charges. Delays within the supply chain, leading to delivery delays within the Force (i.e. uniform). Loss of staff and/or the inability to recruit skilled staff from outside the UK on key contracts. 	<p>Engage with partners and / or contractors to understand how Brexit affects their risks and any shared risks.</p> <p>Review significant policies relevant to the management of these risks (e.g. investment policy) to ensure they are fit for purpose in the new environment.</p> <p>Assess any impact of the risk assessment on the assumptions used to generate the Medium Term Financial Strategy.</p> <p>Report the economic picture to the Joint Independent Audit Committee and OPCC Business Meeting as part of the Treasury Management reporting arrangements.</p> <p>Update strategic and operational plans as decisions are made.</p> <p>Continue to undertake fair, transparent and competitive procurement process in order to demonstrate value for money . Procurement will continue to assess the supply market and advise appropriate stakeholders if risk increases . May need to challenge the need for new requirements in order to make efficiencies .</p> <p>Supplier lead times are built into stock holding strategies. Procurement will work with Suppliers and include alternative supply contingency plans into contract agreements to cover extended deliveries.</p> <p>Gold Group setup to consider the wider implications of 'Brexit', there is senior Finance and Procurement representation on the group.</p>	9	Likelihood 3 Impact 3	Director of Finance and ICT	Chief of Staff and Monitoring Officer and Chief Finance Officer
24	Financial	OPCC Business Meeting	Reductions in Grant Funding.	Ongoing Risk	Reductions in National Funding or changes in the Funding Formula will reduce the resources available to the PCC for Policing.	<p>Actively participate in National discussions on Police Funding through PACCTS and NPCC.</p> <p>Wherever possible lobby the Home Office and politicians on funding for Northumbria, including multi-year settlements to enable effective budget planning.</p>	6	Likelihood 2 Impact 3	Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
25	Financial	Joint Business Meeting	Significant increase in the cost of Employers Pension Contributions.	Uncertainty re financial implications post 2019/20 and next CSR period. Uncertainty on the level of support / action to be taken by Treasury HO and HMT post 2019/20.	<p>Requirement to deliver a significant level of further budget savings if a permanent funding solution is not included within the next CSR and post 2019/20 funding settlements.</p> <p>Impact on Reserves resulting in reduced financial resilience.</p> <p>Impact on ability to deliver workforce plans, frontline services and Force Operating Model.</p> <p>Impact on service provision, with less flexibility to innovate.</p> <p>Public confidence.</p>	<p>National level focus and engagement with Home Office and HMT on behalf of policing by APCC and NPCC.</p> <p>Annual MTFS process to review and revise spending plans to match available resources.</p> <p>Flexibilities to increase precept are considered annually. For 2019/20 the Home Office have provisionally announced an increase in the precept flexibility of up to £24. There is no further certainty after 2019/20 on the precept, the prudent assumption is a return to £5 increase.</p> <p>MTFS to include projected funding in-line with national guidance from PACCTS/NPCC Treasurers, including pensions gap funding.</p> <p>Reserves will be optimised to help with the phasing of the delivery of savings.</p> <p>Effective media plan.</p>	15	Likelihood 3 Impact 5	Director of Finance and ICT	Chief of Staff and Monitoring Officer and Chief Finance Officer
26	Infrastructure and Assets	Strategic Resourcing Board	Ineffective delivery of the Force Estates Strategy.	Ongoing Risk	<p>Unnecessary refurbishment of existing freehold properties where alternative options exist.</p> <p>Potential impact on MTFS capital and revenue budgets.</p> <p>Failure to deliver Estates improvement programme in a timely manner results in failure of building components and closure of buildings leading to major disruption and business continuity issues</p>	<p>Business Case to be prepared prior to refurbishment of each property to be agreed by OPCC.</p> <p>Estates delivery programme monitored by Strategic Resourcing Board.</p>	3	Likelihood 1 Impact 3	Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
27	Infrastructure and Assets	Strategic Resourcing Board	Major disruption to use of key buildings, facilities or other assets and resources.	Ongoing Risk	Reduced services across some or all business areas	<p>Business Continuity Plans.</p> <p>Contingency planning and testing of plans in partnership with key agencies.</p> <p>Estates Strategies.</p> <p>ICT Strategy.</p> <p>BT review of 999 services.</p> <p>Uninterrupted Power Supply' is fitted at key sites to protect ICT equipment from damage.</p> <p>Availability of remote access devices.</p> <p>Most ICT services can now be undertaken remotely. The Force has three machine rooms, two of which can be used to deliver critical ICT services.</p> <p>All operational orders and business continuity plans are assessed and allocated a RAG status. This is an on-going process to ensure all plans are up-to-date.</p>	6	Likelihood 2 Impact 3	ACC Protective Services and Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

28	Infrastructure and Assets	Strategic Resourcing Board	Estate risks around electrical and gas safety, water hygiene, asbestos containing materials and fire safety.	Ongoing Risk	<p>Injury to building users.</p> <p>Litigation and civil claims.</p> <p>Negative impact on employees.</p> <p>Closure of buildings leading to major disruption and business continuity issues.</p>	<p>Policies and procedures in place.</p> <p>Fire risk assessments are in place for all properties occupied by OPCC.</p> <p>OPCC commissioned an in-depth independent survey of fire risk. The risk rating for all properties has been assessed as either 'trivial' or 'tolerable'. Implementation of Action Plan recommendations will ensure that the Chief Constable continues to meet obligations in respect of the Regulatory Reform Fire Safety Order 2005.</p> <p>Regular maintenance of fire alarms and emergency lighting is undertaken in accordance with BS5839 and BS5266. Regular evacuation tests and policing of 'housekeeping issues'.</p> <p>Periodic inspection and test in accordance with Electricity at Work Act 1980 and BS7671 with remediation of priority 1, 2 and 3 defects.</p> <p>Water Hygiene risk assessment in accordance with ACOP L8 with resultant hygiene maintenance.</p> <p>Asbestos management survey undertaken which is updated annually by re-inspection. A risk assessed asbestos management plan is updated annually and any remedial works required to reduce risks are undertaken.</p> <p>Regular maintenance of gas equipment in accordance with manufacturers instructions.</p> <p>Health and Safety management.</p>	8	Likelihood 2 Impact 4	Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
29	Infrastructure and Assets	Information Management Board	The loss or inappropriate disclosure of sensitive data or information.	<p>Series of recent incidents of inappropriate disclosure or loss of sensitive information or data.</p> <p>Ongoing Risk</p>	<p>Breach of the Data Protection Act.</p> <p>Breach of GDPR.</p> <p>Litigation, legal action against the Force/OPCC leading to prosecution.</p> <p>Places individuals at risk, making them more vulnerable.</p> <p>Corruption or loss of Force systems.</p> <p>Public confidence.</p> <p>External intervention and/or financial penalties.</p> <p>Failure to identify risk of vulnerability, officer, public safety.</p>	<p>Compliance with National Policing Code of Connection.</p> <p>Implementation of the Information Security Review recommendations.</p> <p>Information Management Board.</p> <p>Post incident Senior Information Risk Officer (SIRO) review and response.</p> <p>Internal Audit programme.</p> <p>Staff training including internal training programme for all supervisors.</p> <p>Creation of new Information Management Unit and Information Management action plan.</p> <p>Improved vetting processes and procedures.</p> <p>Information Management Working Group.</p> <p>Maintenance of an effective ICT Audit capability.</p> <p>A specific Information Security Risk Register is reviewed and maintained at monthly SIRO meetings and considered quarterly at Information Management Board.</p> <p>Effective media management.</p>	8	Likelihood 2 Impact 4	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
30	Information Technology	Strategic Resourcing Board	Loss of Critical ICT Services	<p>Timescales for implementation of IT strategy and impact of existing systems on the force's efficiency and effectiveness.</p> <p>March 2018</p>	<p>Potential for temporary loss of key services (Police National Database (PND), 999, operational systems).</p>	<p>Contingency planning and testing of plans in partnership with key agencies. All operational orders and business continuity plans are assessed and allocated a RAG status. This is an ongoing process to ensure all plans are up-to-date.</p> <p>Estates Strategies includes the refresh of Infrastructure critical to the delivery of ICT services.</p> <p>ICT Strategy includes a programme of technology refresh, updating and replacing older equipment.</p> <p>Capital Programme - appropriate funding for ICT services.</p> <p>Support and maintenance contracts are in place along with callout rotas to provide 24/7 support for systems. SLAs for support are generally 4-5 hours.</p> <p>Effective media management and communication plan.</p> <p>Rigorous project level risk management process to identify and mitigate project risks.</p> <p>Effective Supplier Management Process.</p> <p>Rigorous User Acceptance Testing prior to system go live.</p> <p>Effective Procurement Process to ensure the purchase of robust and effective technical solutions.</p> <p>Robust governance and project management processes to assure non-impactive technology change programmes.</p> <p>Appropriate business lead involvement through the delivery of technology change projects.</p>	9	Likelihood 3 Impact 3	Director of Finance and IT	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

31	Information Technology	Information Management Board	A malicious intent to compromise information systems or access information or data.	Ongoing Risk	<p>Corruption or loss of Force systems.</p> <p>Disclosure of sensitive information.</p> <p>Public confidence in Northumbria Police.</p>	<p>A number of technologies are in place to protect data from external attack (e.g. fire walls).</p> <p>Intrusion Detection Systems and Intrusion Protection Systems allow unusual activity directed towards the Force to be identified and logged for analysis.</p> <p>Penetration tests, undertaken each year, demonstrate the Force's capability to withstand attacks and safeguard its data and systems, with potential vulnerabilities identified and appropriate patches and fixes put in place to remove the threat.</p> <p>Patching processes have been updated to reflect the frequency of patches being issued by Microsoft and other critical system suppliers.</p> <p>Technology refresh programme in place to replace older and less secure equipment.</p> <p>Identification of key roles within the Force and the introduction of appropriate vetting processes.</p> <p>Effective media management and communication plan.</p>	8	Likelihood 2 Impact 4	Director of Finance and IT	N/A
32	Collaboration and Partnership	Strategic Management Board	Inability to maximise the opportunities from collaboration.	Current collaboration is limited. March 2018	<p>Reduced ability to deliver strategic objectives.</p> <p>Reduction in opportunities to improve service quality and cost effectiveness. Failure to comply with legislation, namely; Police Reform and Social Responsibility Act 2011 & Policing and Crime Act 2017.</p>	<p>Community Safety. Northumbria Police, Tyne and Wear Fire & Rescue Service & Northumberland Fire & Rescue Service have signed a Joint Strategic Intent document.</p> <p>Northumbria Police, Durham Constabulary, Cleveland Police & North East Ambulance Service have an agreed Joint Standard Operating Procedure for response and attendance at ambulance related incidents.</p> <p>Joint Collaboration Strategic Board and Joint Collaboration Delivery Group with membership from Police, OPCC, Fire, NEAS, Fire Authority.</p> <p>Effective partnership agreements including robust governance, financial controls in place and monitored via Community Safety Partnerships and OPCC Scrutiny.</p> <p>Safeguarding Safeguarding Department continue to develop multi-agency collaborative working with partners including the formation of Multi- Agency Safeguarding Hubs.</p> <p>Specialist Policing Services Section 22A agreement in place to form the basis of collaborative working with the seven regional forces.(NETIC). Section 22A agreement in place with Durham Constabulary for collaborative working within Forensic arena. Collaborative work continues with Durham Constabulary and Cleveland Police in the form of North East Regional Specialist Operations Unit (NERSOU).</p>	8	Likelihood 2 Impact 4	ACC Local Policing	Police and Crime Commissioner and Chief of Staff and Monitoring Officer
33	Information and Evidence	Information Management Board	Data quality affecting business and operational decision making and compliance with national standards.	Data quality recorded within existing Information Systems is variable. June 2016	<p>Reduced quality of information and intelligence available to officers and staff.</p> <p>Limited operational and business intelligence to inform decision-making.</p> <p>Inaccurate data returns to the Home Office and other bodies, such as HMICFRS.</p> <p>Reduction in force performance and delivery.</p>	<p>Information Management Board.</p> <p>Delivery of ICT Strategy.</p> <p>Crime validation and audit processes, as part of the Crime Data Integrity Audit Plan.</p>	6	Likelihood 2 Impact 3	Deputy Chief Constable	Police and Crime Commissioner and Chief of Staff and Monitoring Officer

Overview of Joint Strategic Risk Register

1	Failure to deliver against objectives set out in the Police and Crime Plan.
2	Inability to deliver continuity of service.
3	Critical incident or other external incident that has a sustained and significant demand on policing resources.
4	An ineffective Criminal Justice System within the region.
5	Reduction in partnership services due to financial constraints and/or lack of integrated planning.
6	Failure to deliver the National Emergency Services Network (ESN) to Northumbria Police on time and to budget.
7	Service failures with the regional contract for the provision of Interpreting Services.
8	Historic biometrics, DNA and fingerprints from voluntary attenders.
9	Operational/ law enforcement risks arising as a result of exit from European Union
10	Insufficient resources, in terms of capacity and capability (skills), to meet current or future policing demands.
11	Insufficient resources, in terms of capacity and capability (health and wellbeing), to meet current or future policing demands.
12	Litigation, legal action and/or prosecution of the Force and/ or individuals by former officers or staff members.
13	Death in custody/death or serious injury following police contact.
14	Other adverse or critical incident, as a result of police action or omission.
15	Corrupt behaviour by an officer or police staff member.
16	Ineffective response to complaints or service recovery.
17	Failure to achieve ISO/IEC 17025 accreditation for digital device examination and impact on digital forensic examinations.
18	Force/ OPCC or an associated individual acts in a discriminatory way.
19	Failure to comply with the requirements of the General Data Protection Regulations in respect of the management and storage of documentation.
20	Further cuts to Home Office Police Grant Funding.

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APPENDIX B

21	Failure to manage annual budget.
22	Reduced effectiveness of Treasury Management.
23	Financial Risks arising as a result of exit from European Union.
24	Reductions in Grant Funding.
25	Significant increase in the cost of Employers' Pension Contributions.
26	Ineffective delivery of the Force Estates Strategy.
27	Major disruption to use of key buildings, facilities or other assets and resources.
28	Estate risks around electrical and gas safety, water hygiene, asbestos containing materials and fire safety.
29	The loss or inappropriate disclosure of sensitive data or information.
30	Loss of critical ICT Services.
31	A malicious intent to compromise information systems or access information or data.
32	Inability to maximise the opportunities from collaboration.
33	Data quality affecting business and operational decision making and compliance with national standards.

Summary of changes since last report

Likelihood	VERY HIGH (5)		6		
	HIGH (4)				
	MEDIUM (3)		9, 14, 17, 23, 30	8	25
	LOW (2)		3, 4, 5, 24, 27, 33	1, 7, 10, 11, 12, 13, 15, 19, 28, 29, 31, 32	18, 20
	VERY LOW (1)	2	22, 26	16, 21	
	VERY LOW (1)	LOW (2)	MEDIUM (3)	HIGH (4)	VERY HIGH (5)

Impact

JOINT INDEPENDENT AUDIT COMMITTEE

25 FEBRUARY 2019

INTERNAL AUDIT CHARTER, STRATEGY STATEMENT 2019 – 2022 AND ANNUAL AUDIT PLAN 2019/20

REPORT OF INTERNAL AUDIT

1 Purpose of the Report

- 1.1 To inform the Committee of the Internal Audit Charter, the Internal Audit Strategy Statement 2019/20 – 2021/22 and the annual Audit Plan 2019/20 for the Police and Crime Commissioner and Chief Constable and seek its approval.

2 Background

- 2.1 The terms of reference for Internal Audit are laid down in the Commissioner's Delegations to Officers and Financial and Contract Regulations.
- 2.2 The Internal Audit Service is to be provided under a written agreement with Gateshead Council. Internal Audit are required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 2.3 The Joint Chief Finance Officer has delegated responsibility to maintain an adequate internal audit of both the Police and Crime Commissioner and Chief Constable's financial affairs as required by Section 151 of the Local Government Act 1972. The Accounts and Audit Regulations 2015 also require public bodies must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 2.4 The Internal Audit Manager manages the provision of the Internal Audit Service and is responsible for ensuring resources are sufficient to meet the Audit Plan, which is developed based on a review and evaluation of all aspects of the internal control environment.
- 2.5 The main aim of the Internal Audit Service is to assist all levels of management in delivering the objectives of the Police and Crime Commissioner and Chief Constable through the assessment of exposure to risk and the continuous improvement of the control environment. The risk-based audit plan provides purpose and direction

in the achievement of this aim. It is the responsibility of management to install and maintain effective internal control systems.

- 2.6 A report was brought to Committee in December 2017 outlining the emergent plan for comment. Following further consultation with officers the final plan is attached as an appendix to this report.

3 Internal Audit Charter

- 3.1 The purpose, authority and responsibility of Internal Audit must be formally defined in an Internal Audit Charter, consistent with the definition of Internal Auditing outlined in Public Sector Internal Audit Standards (PSIAS).
- 3.2 The Internal Audit Charter was revised in March 2013 to comply with the introduction of a common set of UK Public Sector Internal Audit Standards (PSIAS) that came into effect from 1 April 2013. The PSIAS were further revised in April 2017 and the Charter was updated to reflect these changes.
- 3.3 These standards, based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 3.4 A key element of compliance with PSIAS is the regular review by the Internal Audit Manager and approval by the Joint Independent Audit Committee of an Internal Audit Charter. The Internal Audit Charter was last presented to Committee in December 2017. The Charter is a formal document that defines Internal Audit's purpose, authority and responsibility and establishes its position within both the Office of the Police and Crime Commissioner (OPCC) and the Force, setting out the Internal Audit Manager's functional reporting relationships, authorises rights of access for Internal Audit staff and defines the scope of Internal Audit activity.
- 3.5 The Internal Audit Manager has carried out an annual review of the Internal Audit Charter and to continue to reflect best practice, the following change has been made:
- Section 2: Statutory Basis has been added into the Charter to reflect the statutory basis of the Internal Audit Service.
- 3.6 The revised Internal Audit Charter is attached at Appendix A for approval.
- ### **4 Internal Audit Strategy Statement 2019/20 – 2021/22 and Annual Plan 2019/20**
- 4.1 The strategy of the Internal Audit Service is to deliver a risk-based audit plan in a professional and independent manner and to provide the

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Police and Crime Commissioner and Chief Constable with an opinion on the level of assurance they can place upon their internal control environment, and to make recommendations to improve it.

- 4.2 Quarterly monitoring of progress against the plan will be reported to the Joint Independent Audit Committee with priorities reviewed on an ongoing basis to direct audit resources to the areas of highest risk.
- 4.3 The Audit Strategy Statement 2019/20 – 2021/22 and the annual Audit Plan for 2019/20 are attached at Appendix B and C. Under Public Sector Internal Audit Standards (PSIAS), the Joint Independent Audit Committee should review the proposed plan prior to its approval.
- 4.4 The Strategy document has been prepared in accordance with PSIAS which outline that the Chief Audit Executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals, taking into account the organisation's risk management framework, input from senior management and the Committee. The plan should remain flexible in both content and timing to respond to changes in the organisation's business, risks, operations, programs, systems and controls.
- 4.5 The risk-based plan must take into account the requirement to produce an annual audit opinion on the assurance framework. It must be linked to a strategic statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisation's objectives and priorities outlined in the Police and Crime Plan.

5 Equal Opportunities implications

- 5.1 It is considered that there are no equal opportunities implications arising from the report.

6 Human Rights implications

- 6.1 It is considered that there are no human rights implications arising from the report.

7 Risk Management implications

- 7.1 There are no additional risk management implications arising directly from this report. The audit plan supports the adequate and appropriate use of resources.

8 Financial implications

- 8.1 There are no financial implications directly arising from this report

9 Recommendations

- 9.1 The Committee is asked to:

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- Approve the Internal Audit Charter;
- Agree the Internal Audit Strategy Statement 2019/20 – 2021/22;
- Review the proposed annual plan of work for the Internal Audit Service for 2019/20; and
- Agree to receive quarterly monitoring reports showing progress made against the plan.

**POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE FOR
NORTHUMBRIA**

INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 The Audit Manager is responsible for effectively managing the activity of the Internal Audit provider in accordance with this Charter, the definition of internal auditing, the Code of Ethics and UK Public Sector Internal Audit Standards (PSIAS) and is the formal document that defines Internal Audit's purpose, authority and responsibility. The Charter also establishes Internal Audit's position within the organisation, including access to records, personnel and physical property.

2. Statutory Basis

- 2.1 Internal Audit is statutory service in the context of the Accounts and Audit Regulations (England) 2015, which states that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

- 2.2 The Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note (LGAN), which came into effect in April 2013 constitute proper practices to satisfy the requirements for relevant bodies set out in the Accounts and Audit Regulations 2015. The PSIAS were updated 1 April 2017 and the Charter reflects these changes.
- 2.3 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of these affairs (The Chief Financial Officer (CFO)). CIPFA has defined proper administration in that it should include 'compliance with the statutory requirements for accounts and internal audit'.
- 2.4 The CIPFA Statement on the Role of the Chief Financial Officer states that the CFO must:
- Ensure an effective internal audit function is resourced and maintained;
 - Ensure that the authority has put in place effective arrangements for internal audit of the control environment;
 - Support internal audit arrangements; and

- Ensure the audit committee receives the necessary advice and information so that both functions can operate effectively.
- 2.5 This Internal Audit Charter recognises the mandatory nature of the PSIAS including the definition of Internal Auditing, the Mission of Internal Audit, the Code of Ethics and the Standards themselves.

3. Definition of Internal Audit

- 3.1 The Internal Audit provider for the Police and Crime Commissioner (PCC) and Chief Constable for Northumbria has adopted the mandatory definition of internal auditing as set out in the common set of PSIAS:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”

4. Mission of Internal Audit

- 4.1 The Mission of Internal Audit articulates what Internal Audit aspires to accomplish within an organisation. The Internal Audit Service has adopted the mission statement set out in the PSIAS:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

5. Core Principles for the Professional Practice of Internal Auditing

- 5.1 The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective in achieving its mission, all the following Principles should be present and operating effectively:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk based assurance;
- Is insightful, proactive, and future-focussed; and
- Promotes organisational improvement.

6. Code of Ethics

- 6.1 The Code of Ethics, incorporated within PSIAS, is necessary and appropriate for the profession of internal auditors as it is founded on the trust placed in its objective assurance about risk management, control and governance. All internal auditors working for, or providing a service to, the PCC and Chief Constable must conform to the Code of Ethics as set out below. If internal auditors have membership of another professional body then they must also comply with the relevant requirements of that body.
- 6.2 The Code of Ethics is based upon four principles that are relevant to the profession and practice of internal auditing and set out the rules of conduct that describe behaviour norms expected of internal auditors to guide their ethical conduct:
- Integrity;
 - Objectivity;
 - Confidentiality; and
 - Competency.
- 6.3 **Integrity:** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement. All Internal Audit staff will:
- Perform their work with honesty, diligence and responsibility.
 - Observe the law and make disclosures expected by the law and their profession.
 - Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or the audited bodies.
 - Respect and contribute to the legitimate and ethical objectives of the audited bodies.
- 6.4 **Objectivity:** Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They will make a balanced assessment of all of the relevant circumstances and will not be unduly influenced by their own interests or the interests of others in forming judgements. All Internal Audit staff will:
- Not participate in any activity or relationship that may impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the audited bodies.
 - Not accept anything that may impair or be presumed to impair their professional judgement.
 - Disclose all material facts known to them that, if not disclosed, may distort the reporting of the activities under review.
- 6.5 **Confidentiality:** Internal auditors will respect the value and ownership of the information they receive and will not disclose information without

appropriate authority unless there is a legal or professional obligation to do so. All Internal Audit staff will:

- Be prudent in the use and protection of information acquired in the course of their duties.
- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the audited bodies.

6.6 **Competency:** Internal auditors will apply the knowledge, skills and experience needed in the performance of their duties. All Internal Audit staff will:

- Engage only in those services for which they have the necessary knowledge, skills and experience.
- Perform their work in accordance with the International Standards for the Professional Practice of Internal Auditing.
- Continually improve their proficiency, effectiveness and the quality of the service they deliver.

7. Principles of Public Life

7.1 Internal Audit staff will also have regard to Nolan's Seven Principles of Public Life in the course of their duties. The seven principles are:

- **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 seek to influence them in the performance of their 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 decisions and actions 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.

8. Purpose, Authority and Responsibilities

8.1 Purpose

8.1.1 Internal Audit is a managerial control primarily responsible for objectively examining, evaluating and reporting upon the adequacy of the internal control environment as a contribution to the proper economic, efficient and effective use of resources. Internal Audit is one of a number of assurance providers that contribute to the PCC and Chief Constable's assurance framework. The purpose of Internal Audit is to deliver a risk-based audit plan in a professional and independent manner to allow the Internal Audit Manager to provide both the PCC and Chief Constable with an opinion on the level of assurance they can place upon their internal control, risk management and governance arrangements and to make recommendations for continuous improvement in these areas. This opinion will be set out in the Internal Audit Annual Report to the Joint Independent Audit Committee and supports the PCC and Chief Constable's Annual Governance Statements which accompany the Annual Statements of Accounts.

8.1.2 To this end the Internal Audit provider is required to review, appraise and report upon:

- The soundness, adequacy and application of accounting, financial and other operational controls.
- The extent of compliance with established policies, plans and procedures, statute and regulations.
- The extent to which assets and interests are properly accounted for and safeguarded from losses of all kinds including fraud, bribery, corruption, other offences, waste, extravagance, inefficient administration, poor value for money or other cause.
- The suitability and reliability of financial and other operational information.
- The economy, efficiency and effectiveness with which resources are utilised.
- Whether operations are being carried out as planned and objectives and goals are being met.
- The investigation of instances of fraud, bribery, corruption and irregularities.

8.1.3 Other objectives include:

- Supporting the Joint Independent Audit Committee in fulfilling its governance responsibilities as detailed in the Committee's terms of reference.
- Providing quality services through the highest standards of professional practice, quality assurance systems and investment in staff.
- Be future focussed and to continually add value to the organisation.

8.2 Authority

8.2.1 Internal Audit is an assurance function required under the provisions of the Accounts and Audit Regulations 2015. Delegated responsibility to

maintain an adequate and effective internal audit of the PCC and Chief Constable's accounting records and control systems rests with the PCC Chief Finance Officer, in conjunction with the Chief Constable's Director of Finance and ICT, as set out in the Commissioner's Delegations to Officers.

- 8.2.2 The scope of Internal Audit provider activity allows for unrestricted coverage of each body's control environment, which includes all of its operations, resources, services and responsibilities in relation to other bodies. The only exception to this is in relation to covert assets. Assurance on the existence and deployment of covert assets will be provided to Internal Audit and onto the Joint Independent Audit Committee by the Assistant Chief Constable Protective Services.
- 8.2.3 In accordance with the definitions of PSIAS, the Internal Audit Manager is the OPCC and Force's Chief Audit Executive, the Joint Independent Audit Committee as the Board and Area Commanders/Heads of Department and above are designated as "senior management".
- 8.2.4 The Internal Audit Manager, in consultation with the Joint Chief Finance Officer and the Joint Independent Audit Committee, will have the freedom to determine the priorities for Internal Audit activity.
- 8.2.5 The Internal Audit Manager will carry out a systematic review and evaluation of all aspects of the internal control environment through consideration of the respective risk registers and consultation with senior managers and the external auditor. This enables the Internal Audit Manager to prepare a three-year risk-based plan, covering all areas of the Police Service and to provide purpose and direction in this process. This plan will be linked to a statement of how the Internal Audit service will be delivered and developed in accordance with this Charter and both the PCC and Chief Constable's overall objectives.
- 8.2.6 Subject to the restriction relating to covert assets noted in 7.2.2 above, Financial Regulations grant to Internal Audit, having been security cleared, the authority to:
- Enter at all reasonable time OPCC and the Force premises;
 - Have access to all assets, records, documents, correspondence, control systems and appropriate personnel, subject to appropriate security clearance;
 - Receive any information and explanation considered necessary concerning any matter under consideration;
 - Require any employee to account for cash, stores or any other OPCC or Force asset under their control; and
 - Access records belonging to contractors, when required. This shall be achieved by including an appropriate clause in all contracts.
- 8.2.7 Where required assurances based on the work of Internal Audit may be provided to respective external bodies. This will take the form of a written assurance from the Internal Audit Manager detailing the

objectives of the internal audit activity undertaken and a conclusion on the assessment of the internal control environment.

8.2.8 The main determinant of the effectiveness of the Internal Audit provider is that it is seen to be independent. To ensure this, the Internal Audit provider will operate in a framework that allows direct reporting to the PCC, all Chief Officers and the Chair of the Joint Independent Audit Committee.

8.3 Responsibilities

8.3.1 The Internal Audit provider will perform all audit work in accordance with PSIAS and the prescribed local procedures as outlined within the Internal Audit Manual, giving due recognition to the mandatory basis of the PSIAS. Auditors will carry out their duties in compliance with the standards and the Code of Ethics detailed within them. In addition to the Annual Internal Audit Report the Internal Audit Manager will report progress against the annual audit plan to the Joint Independent Audit Committee on a quarterly basis. This will include details of any significant weaknesses identified in internal controls and the results of the Internal Audit Manager's Quality Assurance and Improvement Programme which assesses compliance with PSIAS.

8.3.2 The Internal Audit provider will have no responsibilities over the activities that it audits beyond the furnishing of recommendations and advice to management on associated risks and controls.

8.3.3 The existence of the Internal Audit provider does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered way. Management is expected to implement all agreed audit recommendations by the agreed implementation date. Each recommendation will be followed up at the agreed date to assess the extent to which this has happened.

8.3.4 Arrangements are in place with senior managers to inform Internal Audit of changes in organisational systems and procedures on an ongoing basis.

8.3.5 Every effort will be made to preserve objectivity by ensuring that all Internal Audit provider employees are free from any conflicts of interest and do not undertake any non-audit duties other than those for the demands of the service.

9. Resourcing of Internal Audit

9.1 Resourcing of Internal Audit will take into consideration the following:

- The PCC and Chief Constable's priorities;
- The level of risk, taking into account such areas as materiality, complexity, potential for fraud and sensitivity;

- Consultation with senior managers and the external auditor;
- Changes in legislation;
- The scope of planned external audit work; and
- The implications of external inspection reports.

- 9.2 The staffing structure of the Internal Audit provider comprises of professional accountants, accounting technicians and trainee posts with a mix of specialisms to reflect the varied workload of the Service. Where the Internal Audit Manager considers there to be insufficient resources to deliver an effective audit plan this will be drawn to the attention of the Joint Chief Finance Officer and the Chair of the Joint Independent Audit Committee immediately.
- 9.3 At the request of the Joint Chief Finance Officer appropriate specialists from other services should be made available to participate in any audit or review requiring specialist knowledge.
- 9.4 The Internal Audit Manager will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training delivered through both internal and external courses.
- 9.5 Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Better Governance Forum, Technical Information Service, Finance Advisory Network, the Institute of Internal Auditors (IIA) and through regular liaison with external audit.
- 9.6 The Internal Audit provider will keep abreast of best audit practice by adhering to CIPFA's and the IIA's best practice advisories and practice guides, where applicable, as well as networking with other internal audit service providers.
- 9.7 In this regard the Internal Audit provider considers trends and emerging issues that could impact on the organisation.

10. Fraud Related Work

- 10.1 Managing the risk of fraud, bribery and corruption is the responsibility of management and the Internal Audit provider does not have responsibility for the prevention and detection of these matters. Internal Auditors will however be alert to the risk and exposures that can allow fraud, bribery and corruption and will investigate such instances and any irregularities that are identified within the Service. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud, bribery and corruption will be detected.
- 10.2 The Internal Audit Manager has provision in the Audit Plan to allow for the investigation of fraud, bribery and corruption and Financial Regulations, the Counter Fraud and Corruption Policy and Statement on the Prevention of Bribery require them to be notified of all suspected or

detected fraud, corruption or impropriety. The Internal Audit Manager will assess the potential impact of such cases on the internal control environment.

11. Consulting Services

- 11.1 Where resources and skills allow within the Audit Plan, the Internal Audit provider will provide independent and objective services, such as consultancy at the request of management. Consultancy work will be assessed by the Internal Audit Manager for its impact on the internal control environment and the potential added value in terms of the PCC and Chief Constable achieving their legitimate and ethical objectives and will be subject to the Audit Protocol on Consultancy Engagements.



VERA BAIRD^{QC}
POLICE & CRIME COMMISSIONER



**NORTHUMBRIA
POLICE**

The Internal Audit Strategy Statement

2019/20 – 2021/22

& Annual Plan 2019/20

Anna Buckingham
Internal Audit Manager
Internal Audit – Gateshead Council

1. Introduction

- 1.1 The Internal Audit Service for the Police and Crime Commissioner and Chief Constable plays an essential role in supporting each body to achieve its objectives and outcomes. The Annual Audit Plan for 2019/20 has been formulated from a review of the major risks that are faced over the next three years. The plan therefore focuses on areas where we can add the most value and provide assurance that risks are being properly managed.
- 1.2 Our objectives over the three years are to promote and champion sound governance and effective and efficient internal controls throughout both bodies and to provide objective assurance by ensuring key business controls are operating as planned and value for money is being achieved to support delivery of the Police and Crime Plan.
- 1.3 It is the responsibility of management to install and maintain effective internal control systems. The role of Internal Audit, as outlined in the Audit Charter, is to assist managers in the effective discharge of this responsibility and in so doing, deliver the objectives of the Police and Crime Commissioner, Chief Constable and any associated bodies.
- 1.4 Internal Audit is provided to the Police and Crime Commissioner and Chief Constable under an agreement with Gateshead Council.

2. Purpose

- 2.1 This document sets out Internal Audit's Strategy for 2019/20 – 2021/22 and Annual Audit Plan for the Police and Crime Commissioner and Chief Constable for the financial year 2019/20. The purpose of the Internal Audit Strategy and Annual Audit Plan is to:
 - Meet the requirements of the Public Sector Internal Audit Standards (PSIAS) that requires the Chief Audit Executive to produce a risk based annual plan taking into account the requirement to give an independent annual opinion on the overall adequacy and effectiveness of each organisation's framework of governance, risk management and control;
 - Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015;
 - Ensure effective audit coverage and a mechanism to provide independent and objective assurance in particular to the Joint Independent Audit Committee and Senior Managers;

- Identify the key risks that could prevent each body from achieving its objectives and determine the corresponding level of audit resources required to assess mitigating controls;
- Add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money; and
- Support lead staff in the areas of finance and legal in fulfilling their obligations as the Section 151 and Monitoring Officers respectively.

3. Key Outputs 2019-21

3.1 Internal Audit will deliver the following key responsibilities:

- To provide ongoing assurance to management on the control environments comprising systems of governance, risk management and internal control;
- To support the Police and Crime Commissioner and Chief Constable's values and expected standards of behaviour;
- To be responsive to transformational change and service demands;
- To work together with the external auditors to ensure reliance can be placed on our audit work where appropriate;
- To continue to develop our joint working relationships with other related regional and national groups and bodies;
- To embed the integration of internal audit work with governance and service improvement and produce a clearly co-ordinated risk-based approach to the audit of business systems across both organisations;
- To monitor and follow-up agreed management actions to audit recommendations within the agreed timescales;
- To deliver the statutory requirements of the Accounts and Audit Regulations 2015;
- To continue to develop and have a key role in corporate governance arrangements; and
- To provide support in respect of counter fraud and corruption investigations where required.

4. Key Issues & Annual Audit Plan for 2019/20

4.1 Having regard to the current risk profile the following main areas have been included in the Annual Plan for 2019/20:

Police and Crime Commissioner Audit Areas

4.2 This area will focus on the two audits of Grant Distribution and Treasury Management. The Grant Distribution audit will examine the programmes that focus the PCC's funding and activity priorities, derived from the Police

and Crime Plan, which have been developed with partners and service users. The audit of Treasury Management will look at how all borrowing and investments are managed in line with the agreed strategy.

Chief Constable Audit Areas

- 4.3 These audits will focus upon the systems and procedures undertaken at establishments and departments across the Force and will also include some tailored work in respect of information technology.

Combined Audit Areas

- 4.4 These audits are primarily focused around major financial systems and governance.

General Allocations

- 4.5 Where audit reports have had a high priority finding or had an overall opinion of significant weakness they will be followed up by Internal Audit within six months of the final report being issued and time is provided within the plan for any such activity.
- 4.6 During the course of the year the Police and Crime Commissioner, Chief Constable or the Joint Independent Audit Committee can ask Internal Audit to carry out additional work on control systems which may not have been planned for. This time allocation is to provide some scope to do this. Internal Audit is also available to give ad hoc support and advice for staff and officers on internal control and governance issues. Activity in this area also includes preparation and delivery of reports for the Joint Independent Audit Committee.

2019/20 Annual Audit Plan

- 4.7 To allow an annual opinion on the effectiveness of the respective internal control environments to be delivered Internal Audit will review all major systems and areas of activity within a three-year period. The three-year risk based strategic plan is reviewed annually after considering:
- Organisational priorities;
 - A review of risk documentation;
 - Consultation with senior managers;
 - Changes in legislation;
 - The scope of planned external audit work;
 - The implications of any external inspection reports; and
 - Time elapsed since the previous audit.
- 4.8 Once this information has been analysed the perceived level of risk for each audit area is assessed based on thirteen areas taking into account such factors as materiality, operational impact, links to strategic risks, potential for fraud and sensitivity. Based on a score derived from these

assessments audits are categorised as high, medium or low priority which dictates where they will be audited within the three-year cycle. High priority areas are audited on an annual basis. However, there are some audits where the frequency is dictated by other criteria such as external reporting requirements in which case they may be conducted annually even though they are not categorised as high risk.

- 4.9 The Annual Audit Plan for 2019/20 has been developed on this basis and is set out at Appendix C. The plan sets out the broad areas for the basis of work during 2019/20 but remains flexible to respond to changing risks and priorities during the year. The level of audit resources required to deliver the plan is 2,510 hours (2,500 hours for 2018/19).

5. How the service will be provided

- 5.1 Internal Audit is delivered under a written agreement with Gateshead Council. This includes the use of specialist auditors from Newcastle Council for IT auditing. This arrangement will be kept under review on an annual basis.
- 5.2 In order to deliver the Annual Audit Plan at the required level of quality and professionalism, we strive to ensure the team have the necessary mix of skills and experience. All internal audit staff are either fully qualified CCAB Accountants and/or qualified Association of Accounting Technicians or undertaking professional studies.
- 5.3 Our professional judgement has been applied in assessing the level of resources required to deliver the Annual Audit Plan. The level of resource applied is a product of:
- The complexity of the areas to be reviewed;
 - Factors such as number of locations, number and frequency of transactions; and
 - Assurance that can be brought forward from previous audits and other internal and external reviews carried out.
- 5.4 Staff development needs are continually assessed to ensure we maintain the optimal level and mix of skills required to deliver a highly professional and added value internal audit service.

6. Our Performance Management

- 6.1 The standards for 'proper practice' in relation to internal audit are laid down in the Public Sector Internal Audit Standards and we will continually

ensure compliance with these professional standards through a combination of internal and external reviews; with the outcomes reported to the Joint Independent Audit Committee. Examples of this include:

- Internal self-assessments by the Internal Audit Manager;
- Customer satisfaction questionnaires;
- Reliance placed on our work by external auditors, where applicable;
- CIPFA benchmarking information; and
- External assessment every five years by a recognised, qualified and independent assessor.

6.2 To achieve the planned coverage for 2019/20, deliver a high standard of customer care and demonstrate effectiveness of the Service, we have well established internal performance targets based on best professional practice. The following indicators will be reported to the Committee on a quarterly basis:

Performance Indicator	Target
Actual hours against planned hours	97.25%
Draft audit reports issued within 17 working days following the completion of audit fieldwork	100%
Number of audit recommendations implemented	100%
Customer satisfaction levels	95%

AGENDA ITEM 10

APPENDIX C

Appendix C

Internal Audit Plan 2019/20 - 2021/22

Risk	Frequency	Audit Area	2019/20	2020/21	2021/22
		Police & Crime Commissioner			
Medium	Annual	Grant Distribution	50	50	50
High	Annual	Treasury Management	80	80	80
		Chief Constable			
		IT Audits			
High	Annual	ICT Security - Application & Data; Infrastructure; Cyber	60	60	60
High	Annual	Patch Management	60	40	60
New	New	Configuration Management	40		
Medium	Biennial	Resilience	60		60
Medium	Biennial	ICT Strategic Implementation & Reporting	60		60
Medium	Biennial	Programme/Project Management		60	
Medium	Biennial	Asset & Device Management		60	
Medium	Biennial	Licence & Certificate Management		60	
		Departmental Audits			
Medium	Biennial	Asset Management	100		100
Medium	Biennial	Fleet Management		110	
Medium	Biennial	Human Resources & Workforce Development	80		80
Medium	Biennial	Legal & Insurance Arrangements	90		90
Medium	Biennial	Firearms Licensing	80		80
Low	Triennial	Police Operational Support Functions		80	
Low	Annual	Police Charities Fund	40	40	40
High	Annual	Procurement	100	100	100
Medium	Biennial	Counter Fraud and Corruption Arrangements		60	
		Theme Based Audits			
High	Annual	Property	180	180	180
High	Annual	Cash & Miscellaneous Income	120	120	120
		Combined Areas			
		Financial Systems			
High	Annual	Creditors	100	100	100
Medium	Biennial	Debtors		70	
High	Annual	Payroll & Pensions	130	130	130
High	Annual	Main Accounting System	70	70	70
High	Annual	Budgetary Control	40	40	40
High	Annual	Employee Claims	80	80	80
		Other Combined Areas			
Medium	Biennial	Risk Management and Business Continuity Arrangements	100		100
Low	Triennial	Equality & Diversity	50		
Medium	Biennial	Joint Working Arrangements	60		60
High	Annual	Governance	50	50	50
Medium	Biennial	Health & Safety		60	
High	Annual	Information Governance & Data Security	80	80	80
Medium	Biennial	Performance Management & Data Quality		60	
Medium	Biennial	VAT	60		60
Medium	Biennial	Complaints		100	
High	Annual	Annual Governance Statement - Review of Managers' Assurance	100	100	100
		Other			
		Follow Up and Contingency	70	70	70
		General Advice, Consultancy and Systems Review	150	150	150
		Joint Independent Audit Committee - Preparation & Support	120	120	120
		Hours	2,460	2,380	2,370
		NERSOU	50	50	50
		Total Hours	2,510	2,430	2,420

