

JOINT INDEPENDENT AUDIT COMMITTEE

MONDAY, 25 APRIL 2022

TEAMS/OPCC TRAINING ROOM

AGENDA

OPEN SESSION

1. **INTRODUCTION**
2. **DECLARATION OF INTEREST**
3. **MINUTES OF THE OPEN SESSION OF THE JOINT INDEPENDENT AUDIT COMMITTEE 28 FEBRUARY 2022**
(Attached)
4. **MATTERS ARISING**
(N/A)
5. **STATEMENTS OF ACCOUNT REPORT 2020/21**
Head of Finance
(Paper attached)
6. **CHIEF CONSTABLE – ANNUAL GOVERNANCE STATEMENT 2020/21**
Head of Finance
(Paper attached)
7. **PCC – ANNUAL GOVERNANCE STATEMENT 2020/21**
Head of Finance
(Paper attached)
8. **JOINT AUDIT COMPLETION REPORT 2020/21 CC & PCC**
Report of the External Auditor
(Paper attached)
9. **DATE AND TIME OF NEXT MEETING**
Monday 4th July, 2pm, Teams/Baliol Training Room



**NORTHUMBRIA
POLICE**

10. EXCLUSION OF THE PRESS AND PUBLIC – EXEMPT BUSINESS

The Committee is asked to pass a resolution to exclude the press and public from the meeting during consideration of the following items on the grounds indicated.

Agenda item number	Paragraph of Schedule 12A to the Local Government Act 1972
11	7
12	7
13	7
14	7



NORTHUMBRIA POLICE MINUTES

Title Joint Independent Audit Committee (JIAC)	Meeting number 01/2022
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Date 28 February 2022	Location Teams Video Conference	Duration 14:00 – 15:00
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Present:

Committee Members	C Young K Amlani J Guy	Chair
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Officers:	R Durham D Ford M Tait	OPCC Chief of Staff and Monitoring Officer Deputy Chief Constable (DCC) Joint Chief Finance Officer
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Invitees:	A Gouldman L Griffiths K Laing C Oakes T Reade C Bathan	External Audit, Grant Thornton External Audit, Grant Thornton Head of Finance Department Internal Audit, Gateshead Council Corporate Governance Manager (<i>attending on behalf of Head of Corporate Development</i>) Governance and Planning Adviser (<i>Secretary</i>)
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Apologies:	P Godden P Wood	Head of Corporate Development Department
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OPEN SESSION**1. INTRODUCTION**

C Young opened the meeting and welcomed all members wishing them a Happy New Year.

2. DECLARATION OF INTEREST

C Young confirmed commencement of new employment with Womble Bond Dickinson law firm, although stated her position as Chair of the JIAC had been raised with the compliance team internally as well as with R Durham, Chief of Staff for OPCC. C Young confirmed currently there is no conflict of interest, however members will be duly informed if this were to arise. Measures can be swiftly implemented to ensure C Young will not be privy to any information due to the position held at the firm.

Update noted.

3. MINUTES OF THE OPEN SESSION OF THE JOINT INDEPENDENT AUDIT COMMITTEE 22 NOVEMBER 2021

Corporate Governance Manager noted a minor amendment to item five within the previous minutes (*Summary of Recent External Inspection, Investigation and Audit Reports*) confirming there were 32 open Recommendations rather than 39 as stated. Minutes to be amended to reflect this.

Update noted.

4. MATTERS ARISING

Action list updated; all actions complete.

5. SUMMARY OF RECENT EXTERNAL INSPECTION, INVESTIGATION AND AUDIT REPORTS

T Reade, Corporate Governance Manager, confirmed a greatly improved position due to a spell of housekeeping activity by HMICFRS. As a result, the outstanding 18 AFIs in relation to PEEL inspection activity have now been closed. T Reade confirmed this to be an extremely positive position in light of the upcoming PEEL inspection, scheduled for the next quarter, as Northumbria can commence new inspection activity with no outstanding recommendations or areas for improvement from previous PEEL assessments.

T Reade noted a small amendment to the paper submitted confirming the previously stated 11 Recommendations in response to super complaints are two fewer at nine.

During the previous reporting period, one report from HMICFRS has generated a further four Recommendations, however, overall, a further six Recommendations have been closed in-Force, four in relation to inspection activity and two in relation to super complaints.

J Guy noted report '*A joint thematic inspection of the criminal justice journey for individuals with mental health needs and disorders*' is next being reported to Scrutiny Meeting 8th September 2022 and queried whether such a long review date is appropriate given the significance of the issue. T Reade confirmed a six-monthly reporting cycle is utilised with the OPCC, however internally reports are reviewed on an ongoing basis to monitor any significant issues; if this is the case, timescales for review are accelerated. DCC and R Durham confirmed this report had been discussed at the joint Business Meeting 22nd February 2022.

P Wood submitted a query to the Chair ahead of the meeting regarding training as an AFI and whether any more information could be provided concerning this. DCC confirmed training needs would be picked up as part of the review occurring later in 2022 in detail, however all progress would be fed through OPCC and into JIAC when appropriate.

6. JOINT STRATEGIC RISK REGISTER

T Reade noted changes around the finance risk, which is reflected on both Northumbria Police and OPCC's risk registers, due to the review of the funding formula by the government. It is likely that this review will be done within the current parliament, however, the new formula may not be implemented until 2025/2026; there is no impact on the overall current rating of the risk.

With regards to points raised at the previous JIAC, T Reade confirmed suggestions made by J Guy have been implemented in the governance controls for the Force, as well as the addition of HMICFRS' support of the PCC's overall governance.

T Reade confirmed risks regarding thematic areas of ICT have now been updated to reflect the new descriptor of Digital Policing, as aligned to the newly renamed department. Chief Information Officer, within Northumbria's Executive Team, felt Digital Policing was more representative and better reflects this department and all its constituent responsibilities within the Force at the current time.

T Reade noted a delay in the implementation of the Northgate system, Connect, however the overall rating of the risk remains unchanged due to the presence of controls which will remain in place up to implementation.

Regarding the already-established workforce, recognition of the current buoyant job market and the impact of agile working is now better reflected within the risk, although there is no current change to the rating. Work is ongoing with People Services department to create a retention strategy to better understand current challenges. T Reade provided assurance that local risk registers are actively monitored and escalated through Northumbria's internal governance and decision-making structure.

R Durham confirmed the SRR of the OPCC is aligned with the Force regarding financial risks. The public confidence risk has been updated to reflect the current issue of Legally Qualified Chairs (LQCs) undertaking misconduct hearings. R Durham confirmed this is a national issue where LQCs are concerned over a lack of indemnity when their decisions regarding the outcome of misconduct hearings are challenged. As a result, LQCs have postponed their involvement in misconduct hearings until a national resolution is reached, potentially in the form of a legislative change or written confirmation of change from the Home Office, however this may take an extended amount of time. The risk is there will not be an appropriate number of LQCs to undertake misconduct hearings until a resolution is met. DCC confirmed this also sits on the local risk register for Professional Standards Department. R Durham confirmed no other changes to SRR.

K Amlani queried when the NPICCS replacement is likely to be ready for integration. DCC confirmed a new go-live date of February 2023 which has been reached to give Northumbria optimum time to test, train and implement the new system so the entire workforce is familiar from the outset. DCC stated Northumbria will have access to learning from other Forces as NEC have requested go-live aligns with other similar organisations.

J Guy queried, in relation to changes in the funding formula, whether there is a national working group Northumbria is involved with in order to influence future change as previous funding discussions have not been favourable to the North East. M Tait stated full consultation would be completed through Police and Crime Commissioners Treasurers' Society (PACCTS) as well as similar conversations through Force Finance Officers and engagement with the Home Office. J Guy suggested this be added as a control to the financial strategic risk *1a*.

7. TREASURY MANAGEMENT POLICY STATEMENT AND STRATEGY

K Laing, Head of Finance, presented the item noting current prudential indicators are in draft form as the final Medium Term Financial Strategy (MTFS) and capital strategy have not yet been issued by the PCC; this must be done by 31st March 2022.

K Laing confirmed Northumbria Police primarily use Public Works Loans Board (PWLB) to facilitate borrowing needs, however access to other avenues or borrowing is also possible. With regards to investment activity, K Laing noted Northumbria Police aim to be as risk averse as possible, considering length of investment in order to maximise liquidity.

K Laing highlighted a small change to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential and Treasury Management Codes which were announced in December 2021 and require full implementation by April 2023. CIPFA have stated a soft-launch approach will be taken for 2022/23, however this draft code of practice has been fully implemented within this financial year for preparedness as it has limited impact on Northumbria as a police force.

J Guy queried whether K Laing could foresee any necessary changes given the current climate in eastern Europe. K Laing stated there should be no unforeseen changes to the policy and strategy, however world events may have an impact on interest rates risking inflation to utilities/fuel which may affect the overall budget for interest paid and received.

K Amlani queried the reason for overall revenue budget for 2022/23 being higher than that of 2021/22. K Laing confirmed the budget has been increased based on the precept and the current funding formula; any calculations regarding the operational limit for the Force are based on calculations held within the CIPFA prudential code and are not decided by Northumbria.

P Wood submitted a query to the Chair ahead of the meeting regarding the use of foreign banks given the current climate. K Laing confirmed no foreign banks are currently being used.

C Young queried the timescale for review of Link Group advice services and how the advice they provide is similarly reviewed. K Laing confirmed Northumbria currently have one year remaining on a three-year contract with Link Group; competitive tender for provision of those services is sought. With regards to the review of advice, four meetings are held per year with Link Group and CFO where advice can be challenged. From a borrowing perspective, advice is also sought from internal Treasury Management advisers; cross-checks are also always completed with regards to borrowing activity. M Tait added the acceptance of Link Group's advice is never automatic without further checks being completed; there is also regular oversight from the internal auditor.

Agreed: Draft Treasury Management Policy Statement and Strategy.

8. ANNUAL GOVERNANCE REVIEW – ASSURANCE FRAMEWORK

K Laing presented the paper, confirming much of the approach taken is provided in guidance from CIPFA. K Laing noted the introduction and input of new external auditors, Grant Thornton, may mean a supplementation of assurances in the 2021/22 draft Annual Governance Statements if and when required.

Agreed: Annual Assurance Framework for production of Annual Governance Statement for PCC/CC for 2021/22.

9. INTERNAL AUDIT CHARTER, STRATEGY STATEMENT 2022-2025 AND 2022/23 AUDIT PLAN

C Oakes, Chief Internal Auditor, confirmed the internal audit charter had been reviewed with no change; progress against this will be reported into JIAC quarterly.

J Guy queried whether bi-annual review of *Patch Management, Hardware Asset Management and Software Asset Management* is appropriate. C Oakes confirmed a bi-annual review gives time for previous recommendations to become embedded; work over the previous 12 months has resulted in increased assurance.

P Wood submitted a query to the Chair ahead of the meeting regarding Health and Safety also being reviewed bi-annually. C Oakes confirmed the review is flexible; any issues or urgent attention could mean an immediate reallocation of resources.

Agreed: Internal Audit Charter, Strategy Statement and Audit Plan.

10. EXTERNAL AUDIT – INTRODUCTIONS AND AUDIT PLAN FOR 2020/21

L Griffiths and A Gouldman introduced themselves as External Audit and Engagement Lead and Audit Manager respectively. L Griffiths confirmed the 2021 audit is now underway, due to be completed by the end of April.

L Griffiths confirmed a slightly different approach regarding value for money in the 2021 audit compared to previous external auditors, Mazars. Reporting will encompass a more narrative reporting style rather than the previous binary method. L Griffiths confirmed no areas of significant weakness had been identified.

K Amlani queried whether similar substantive testing measures to previous external auditors, Mazars, are also used by Grant Thornton. L Griffiths confirmed similar substantive measures are used, however Grant Thornton is aiming to adopt a more data analytic style moving forward. This has had limited success in other public sector work, therefore any transition to this methodology will be slower-paced.

K Amlani queried whether the external audit would utilise or rely on any work completed by the internal auditors. L Griffiths confirmed any work completed by Grant Thornton would be completely independent.

C Young queried whether any sanctions would be imposed due to the delay in the 2021 external audit completion. L Griffiths confirmed no sanctions would be required.

11. DATE, TIME AND VENUE OF NEXT MEETING

Extraordinary meeting Monday 25th April 2022, 2pm. C Young confirmed JIAC meetings would resume in person at the OPCC.

Joint Independent Audit Committee	25 April 2022
Statements Of Account 2020/21	
Report of: Joint Chief Finance Officer	

1. PURPOSE

1.1 This report explains:

- How the regulations to publish the Statements of Account and Annual Governance Statements 2020/21, subject to audit, have been complied with;
- That the books of account were opened for public inspection as required; and
- The next steps for the authorisation of the Statements.

2. RECOMMENDATION

2.1 The Committee is asked to note the report.

3. BACKGROUND

- 3.1 Under the Police Reform and Social Responsibility Act 2011 (the Act) the Commissioner and Chief Constable are created as two separate corporation's sole.
- 3.2 For financial reporting purposes, the Chief Constable is a subsidiary of the Commissioner. By virtue of the powers, the Commissioner has to govern the financial and operating policies of the Chief Constable.
- 3.3 Two sets of accounts are therefore prepared and published. One set for the Chief Constable and another of the consolidated group position of the Police and Crime Commissioner and the Chief Constable.
- 3.4 The Statements of Account (SOA) for the Chief Constable and Police and Crime Commissioner 2020/21 have been prepared in accordance with the Accounts and Audit Regulations 2015 (The Regulations), and the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code), issued by CIPFA.
- 3.5 The Statements also include the Annual Governance Statement (AGS) for each corporation sole, an annual assessment of governance arrangements and their effectiveness.

- 3.6 In-line with the Local Audit and Accountability Act 2014 and the Accounts and Audit (England) Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2021, the statutory deadlines for production of the 2020/21 SOAs and AGSs are as follows:
- Draft SOA and AGS to be signed and published by 31 July 2021; and
 - Final SOA, AGS and the audit opinion to be signed and published by 30 September 2021.
- 3.7 In accordance with the regulations, the draft statements were approved by the Joint Chief Finance Officer on 30 July 2021, published on the respective websites and passed to the external auditor (Mazars LLP) for review.
- 3.8 The books were also open for public scrutiny between 2 August to 13 September 2021, when interested persons could ask questions, review, and take copies of many types of financial records that support the statements. In accordance with the Regulations an advert for the 'open book' period was published on the websites on 30 July 2021. No enquiries were received during the period.
- 3.9 Due to the requirement for a change in external auditor, the deadline for publication of the final SOA and AGS was not achieved. This situation is allowed for by section 10, paragraph (2a) of the Accounts and Audit Regulations 2015 which requires the relevant authority to publish a notice stating that it has not been able to publish the statements of account and the reasons for this. Notices were duly published on the OPCC and Force websites, as required by the regulations.
- 3.10 On 27 October 2021, the Commissioner and Chief Constable received notification from the Public Sector Auditor Appointments Ltd (PSAA) that Grant Thornton UK LLP had been appointed as the new auditor for financial years 2020/21 through to 2022/23. This appointment was made under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 and was approved by the PSAA Board at its meeting on 27 October 2021.
- 3.11 The audit work for the 2020/21 SOA was carried out by Grant Thornton UK LLP mainly during March and April 2022. The external audit will be substantially completed before the Joint Independent Audit Committee (JIAC) on 25 April 2022.
- 3.12 JIAC will review the Joint Audit Findings Report for the Commissioner and Chief Constable elsewhere on the agenda and that will enable them to bring any issues to the attention of the Police and Crime Commissioner and/or the Chief Constable prior to the authorisation of the 2020/21 SOA on 29 April 2022.

- 3.13 The audited statements, will be re-certified by the Chief Finance Officer and authorised by the Police and Crime Commissioner and Chief Constable on 29 April 2022. The signed Statements will then be published on the websites together with any opinion or report issued by the auditor.
- 3.14 The Joint Audit Findings Report issued by the auditor on this agenda explains that they have not yet completed all of their Value for Money (VFM) work and so are not in a position to issue their Auditor’s Annual Report. The Report is expected to be issued by the JIAC meeting date scheduled for 04 July 2022. This is in-line with the National Audit Office’s revised deadline, which requires the Auditor’s Annual Report to be issued no more than 3 months after the date of the opinion on the financial statements.
- 3.15 Following the completion of the outstanding VFM work by the auditor and the issue of the Audit Completion Report, an update will also be brought to the Police and Crime Panel reporting on the conclusion of the audit and the opinion issued.

4. SUMMARY OF CHANGES TO THE STATEMENTS OF ACCOUNT

- 4.1 The findings of the external auditor are provided elsewhere on the agenda within the Joint Audit Findings Report for both the Chief Constable and the Police and Crime Commissioner.
- 4.2 The table below explains the one material adjustment made to the draft Statements of Account:

Description of Change	Impact on the Financial Statements
<p>A material adjustment of £7.610m was made by management in September 2021.</p> <p>Following the publication of the draft accounts, Tyne and Wear Pension Fund (TWPF) issued revised investment returns for the pension fund assets in 2020/21. This was as a result of the upward revaluation of asset classes (mainly private equities) based on new information available.</p> <p>Following a review of materiality, management took the decision to commission actuaries AON Hewitt to issue revised pension disclosures for the 2020/21 financial year, and subsequently adjusted the financial statements for the higher asset returns.</p>	<p>The net pension liability for the Chief Constable and Group was reduced by £7.610m. In addition, an increase in the return on assets was recorded in Other Comprehensive Income in the CIES.</p> <p>The adjustment had no impact on the General Fund (cash backed useable reserves).</p>

AGENDA ITEM 5

- 4.3 One unadjusted misstatement was identified by the auditor which was non-material. This related to the accounting charge (non-cash) for depreciation of property assets of £1.535m which was not required. This was due to the valuation work and calculations by the Valuer being more aligned with 31 March 2021, rather than the accounting date for valuations of 01 April 2020. The misstatement has no impact on the General Fund. Going forward the accounting date for valuations will be 31 March each year to avoid any similar issue.
- 4.4 Two recommendations were made by the auditor in relation to the asset register and capital additions, one assessed as medium (limited effect on financial statements) and the other low (best practice).

Recommendation/Impact	Assessment
A review of fully depreciated assets to be undertaken each year. Whilst such assets are held at zero on the balance sheet, this will avoid the gross value of assets and cumulative depreciation charges both being overstated (equal and opposite) in the PPE note to the accounts.	Medium
Consideration to be given to the processes in place for the accrual of year-end purchases to ensure the recognition of asset purchases in the correct financial year.	Low

- 4.5 With the exception of the above only minor additional audit adjustments were recommended by the auditor, primarily misclassification and disclosure changes, with no impact on the General Fund. Management have accepted the recommendations of the auditor in most cases (with some 'To Be Confirmed' - TBC) and will make the necessary changes to the final published accounts.

5. CONSIDERATIONS

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

AGENDA ITEM 5

Communication	Yes
Evaluation	No

Annual Governance Statement

The Accounts and Audit Regulations 2015 require an Annual Governance Statement (AGS) to be published along with the annual Statements of Account and a narrative statement that sets out financial performance and economy, efficiency and effectiveness in its use of resources.

This statement is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) *'Good Governance: Framework'* (2016) and explains how the Chief Constable of Northumbria Police has complied with this framework and meets the statutory requirements of regulations. It also takes into account the impact of the Covid-19 pandemic on governance arrangements, as well as being the 'shadow' year for the introduction of the CIPFA Financial Management Code 2019 (FM Code) ahead of its requirement from 2021/22 onwards.

Scope of Responsibility

The Police Reform and Social Responsibility (PRSR) Act 2011 sets out the accountability and governance arrangements for policing and crime matters. The Act establishes both the Police and Crime Commissioner (the 'Commissioner') and the Chief Constable as the *'Corporation Sole'* for their respective organisations. This means each is a separate legal entity, though the Chief Constable is accountable to the Commissioner. Both the Commissioner and Chief Constable are subject to the Accounts and Audit Regulations 2015; as such, both must prepare their Statements of Account in accordance with the CIPFA Code of Practice on Local Authority Accounting, and both must publish their individual AGS.

The Chief Constable shares most core-systems of control with the Commissioner, including: the main finance systems; internal policies and processes; the Chief Finance Officer (CFO); internal audit and a Joint Independent Audit Committee (JIAC). The Commissioner's Statements of account include a similar statement which covers both the Office of the Police and Crime Commissioner (OPCC) as well as the group position of the Commissioner and Chief Constable.

The Chief Constable is responsible for the direction and control of the Force. In discharging this function, the Chief Constable supports the Commissioner to ensure their business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Chief Constable is also responsible for putting in place proper arrangements for the governance of the Force and ensuring that the arrangements comply with the Police and Crime Commissioner's Governance Framework. In so doing the Chief Constable is ensuring a sound system of internal control is maintained throughout the year, and that appropriate arrangements are in place for the management of risk.

The Commissioner and Chief Constable have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE *'Good Governance: Framework'*.

The PRSR Act 2011 requires the Commissioner and Chief Constable to each appoint a Chief Finance Officer (CFO) with defined responsibilities and powers. The CIPFA Statement on the Role of the

CFO appointed by the Commissioner, and the CFO appointed by the Chief Constable gives detailed advice on how to apply CIPFA's overarching Public Services Statement. The 2014 Statement states:

“That both the Police and Crime Commissioner and Chief Constable appoint separate CFOs, where under existing arrangements a joint CFO has been appointed the reasons should be explained publicly in the authority's AGS, together with an explanation of how this arrangement delivers the same impact.”

The previous Commissioner and former Chief Constable agreed in 2013 to appoint a Joint CFO for both corporate bodies. The Commissioner and Chief Constable continue to have a Joint CFO for 2020/21 and the reasoning for this approach remains unchanged, that a joint CFO role provides both the Commissioner and Chief Constable with a single efficient, effective and economic financial management lead. The controls remain that there is an expectation that the CFO should advise the Commissioner and Chief Constable of any conflict of interest that should arise in the joint role, especially with section 151 responsibilities; and, the CFO acts in accordance with the requirements, standards and controls as set out in the CIPFA Statement on the Role of the Chief Financial Officer of the Commissioner and the Chief Finance Officer of the Chief Constable (the CIPFA Statement).

As part of the AGS assurance review, an annual assessment to the latest CIPFA Statement (2014) is carried out by the joint CFO and has been reviewed by the JIAC for 2020/21. It confirms that the role is complying with the requirements of the Statement. The Commissioner and the Chief Constable are also satisfied that the role is working efficiently, that the responsibilities set out in the Scheme of Governance are being completed effectively, and that potential conflicts are subject to continuous review. To date no conflicts have been identified.

The Governance Framework

The governance framework in place throughout the 2020/21 financial year covers the period from 1 April 2020 to 31 March 2021 and any issues which arise up to the date of approval of the annual Statements of Account. This includes any in-year changes to the governance arrangements as a consequence of the Covid-19 pandemic.

The framework comprises the systems, processes, culture and values by which the Chief Constable operates in support of the Commissioner's Governance Framework. Through the application of the Commissioner's framework and Force governance arrangements, the Chief Constable is able to both monitor and deliver the objectives of the Police and Crime Plan. Consequently, the Chief Constable is able to provide assurance to the Commissioner that these objectives are leading to the delivery of appropriate and cost-effective policing services which provide value for money, a duty under the Local Government Act 1999.

During 2020/21 there was a short suspension to meetings within the governance and decision-making structure at the onset of Covid-19 to enable a focus on the policing response. A Covid-19 response plan using the Strategic (Gold), Tactical (Silver) and Operational (Bronze) command structure was implemented, which incorporated an internal command and control structure. Northumbria Police is also a member of the Northumbria multi-agency Strategic Coordinating Group (SCG) and Tactical Coordination group (TCG) meetings, National Police Chiefs' Council (NPCC) and regional Chief Officer conference call updates. The Executive Team continued to meet weekly providing a forum for key business decision-making to continue. The Force quickly migrated to online platforms to recommence governance meetings safely.

The overall system of internal control is a significant part of the framework and is designed to manage risk to a reasonable and foreseeable level. It cannot, however, eliminate all risk of failure to achieve aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is an on-going process designed to identify and prioritise the risks to achieving the Commissioner's and Chief Constable's aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

A copy of the Governance Framework is available on the Commissioner website at [Governance Framework](#) (This is a shortened URL that will take you to the document on the Police and Crime Commissioner website).

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel and making proper arrangements for the governance of the Force. The role is accountable to the Commissioner for the exercise of those functions. The Chief Constable must therefore satisfy the Commissioner that the Force has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the Commissioner's Governance Framework. It is informed by internal assurances on the achievement of the principles set out in the CIPFA/SOLACE Framework (Delivering Good Governance in Local Government - Guidance Notes for Police Authorities 2016 Edition), for those areas where the Chief Constable has responsibility. It is also informed by on-going internal and external audit and inspection opinions.

The principles of good governance where the Chief Constable has responsibility are:

1. Focusing upon the mission/purpose of the Force, on outcomes for the community, and creating and implementing a vision for the local area.
2. Ensuring that the Force and partners work together to achieve a common purpose within clearly defined functions and roles.
3. Promoting values for the Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions, which are subject to effective scrutiny and risk management.
5. Developing the capacity and capability of all to be effective in their roles.

Focusing on the Purpose of the Force and on Outcomes for the Community and Creating and Implementing a Vision for the Local Area

The Commissioner has published a Police and Crime Plan for the period 2021 to 2025. The plan was developed following extensive consultation with local people about their views of policing and community safety, and sets out the police and crime priorities for the area. The Commissioner was re-elected on 06 May 2021.

Northumbria Police has a governance and decision-making structure which supports leadership, at all levels, in the effective and efficient conduct of business. It enables the Force to deliver its elements of the Police and Crime Plan, maintaining high levels of performance and service delivery at a time

of continuing financial challenge. The Force's Strategic Management Board - Performance (SMB), chaired by the Deputy Chief Constable, is the Force's primary meeting to drive and manage performance and delivery of the Police and Crime Plan. This Board is underpinned by a number of Delivery, Standards and Assurance boards. Performance is considered in a number of ways: Compared to previous years; against agreed service standards or thresholds and peers (most similar family of Forces or nationally); and the direction of travel.

Other areas of business are also regularly reported to the boards, including: The Strategic Policing Requirement; community consultation and engagement; progress against action plans in response to recommendations and areas for improvement resulting from inspections by Her Majesty's Inspectorate of Constabulary Fire and Rescue Services (HMICFRS); organisational learning; and risk management.

HMICFRS carries out a programme of inspections, including on thematic areas and an annual PEEL Assessment (Effectiveness, Efficiency and, Legitimacy). Forces are assessed on their effectiveness, efficiency and legitimacy based on inspection findings, analysis and Her Majesty's Inspectors' (HMIs) professional judgment across the year.

The latest HMICFRS PEEL inspection report for Northumbria Police 2018/19 was published in September 2019. The main findings were: In the extent to which it is effective in reducing crime and keeping people safe; and the extent to which the Force operates efficiently and sustainably, Northumbria was assessed as 'requires improvement'. The extent to which the Force treats the public and its workforce legitimately was assessed as 'good'. The Force acknowledged that there were areas for improvement and established a programme of improvement with actions, timescales and plans for delivery which are monitored for progress and risk to delivery. The Commissioner and Chief Constable remain committed to delivering the necessary improvement and the Force continues to work very hard to address those issues identified.

The full report can be accessed using the following link ([Northumbria](#)).

Northumbria Police expects a further PEEL assessment to be completed during 2021/22.

All HMICFRS inspection reports and other external inspection reports are considered by the Executive Team. A lead is appointed to consider inspection findings and identify actions in response to any recommendations and areas for improvement. The Force position is reported to the Police and Crime Commissioner at the joint Business Meeting, to inform a statutory response to reports within 56 days. Delivery is overseen by the relevant Executive Lead, with further oversight and scrutiny at the Executive Board. Progress is reported and monitored at the Scrutiny Meeting of the OPCC and reported to the Joint Independent Audit Committee. There were no risks to delivery identified during the year, for any of the recommendations or areas for improvement reported by HMICFRS, although timeliness of closure for some was highlighted.

Ensuring the Force and Partners Work Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

The Commissioner's Governance Framework sets out the roles of both the Commissioner and Chief Constable; they are clearly defined and demonstrate how they work together to ensure effective governance and internal control.

The Force works closely with all six local authorities in the Northumbria area and understands the policing needs in each area from our city centres to the rural communities. Northumbria Police work with a range of partners and are represented on partnerships that focus on policing and crime including Community Safety Partnerships. They are also members of local children's and adult safeguarding boards that work to ensure the safety and wellbeing of vulnerable children and adults in the Force area. The Commissioner has developed a Violence Reduction Unit which takes a public health approach to tackling serious violence working with a range of partners.

A Service Level Agreement between the Commissioner and the Chief Constable exists. This agreement identifies the services that will be shared in order to best fulfil the duties and responsibilities of each in an efficient and effective way.

The Commissioner and Chief Constable operate a joint Business Meeting, which meets regularly, the minutes of which are published on the Commissioner's website ([Northumbria PCC](#)) to ensure transparency of decision making.

The governance arrangements for partnership working are clearly set-out and monitored during the year. The partnership arrangement with the North East Regional Special Operations Unit (NERSOU), collaboration between the three Forces of Northumbria, Cleveland and Durham, is subject to a formal agreement and monitored. Other agreements are published on the Commissioner's website under [Collaboration Agreements](#).

Promoting Values of Good Governance through Upholding High Standards of Conduct and Behaviour

The OPCC is responsible for handling complaints and conduct matters in relation to the Chief Constable as well as scrutinising the Force's approach to the investigation of all other complaints and conduct matters.

The Chief Constable handles complaints and conduct matters through the Professional Standards Department (PSD) within Northumbria Police. The Head of PSD reports directly to the Deputy Chief Constable. It is the purpose of PSD to promote public confidence through upholding high standards, deterring misconduct and influencing individual and organisational behaviour. Governance around the performance of PSD, trends in complaints or conduct matters and lessons learned is provided by the Confidence and Standards Board. The board is chaired by the Assistant Chief Constable (Communities) and ensures that the provision of services is based on insight and engagement and considers aspects of legitimacy concerned with the use of police powers and decision making.

The Independent Office for Police Conduct (IOPC) scrutinise the performance of PSD with regards the quality and timeliness of decisions and investigations. Performance meetings are held between PSD, the Regional Director of the IOPC and Oversight Liaison (IOPC North East) on a quarterly basis.

Northumbria Police also has an Ethics Advisory Board comprising internal and external members, with links to the Regional Ethics Group. The Advisory Board ensures that the way Northumbria Police applies its working practices is ethical and legitimate. It also considers any highlighted ethical dilemmas, contributing as appropriate to the revision of Force policies and procedures.

The Chief Constable is the Data Controller for the Force, responsible for determining the purposes and manner in which personal data are processed. The Force's Information Management Unit (IMU) helps to fulfil the legal requirements associated with the Data Protection Act 2018, ensuring information and systems comply with all Data Protection principles and legislation as set out in the Act. Information management is a critical area of business required to ensure good governance. Northumbria Police has a robust process for dealing with data breaches, the 2019/20 audit of Information Governance and Data Security found that control systems are operating well and no findings were raised. During the 12 months to 31 March 2021 there was one data breach reported to the Information Commissioners Office (ICO). This breach, along with one outstanding from 2019/20, has been resolved with no further action. During 2020 the ICO undertook an audit of the Force to determine the extent to which the Force is complying with data protection legislation. Following the audit an action plan was developed in response to the findings. The Force has implemented a working group to manage the implementation of the action plan; attended by key stakeholders and action owners. Ongoing weekly monitoring and management is in place within the Information Management Unit. Scrutiny and oversight of the action plan is carried out at the Operational Information Management Board. There were no significant areas of concern that need to be disclosed within the AGS.

Taking Informed and Transparent Decisions Which are Subject to Effective Scrutiny and Risk Management

All strategic decision-making is carried out in accordance with the Commissioner's Governance Framework.

The Governance arrangements ensure that key decisions are taken at the appropriate level, and are referred to Commissioner as required. Through regular meetings the Chief Constable is subject to the oversight and scrutiny of the Commissioner.

The Joint Independent Audit Committee (JIAC) of the Commissioner and Chief Constable has five independent members who are appointees from within the Force area. JIAC receives reports from both the internal and external auditors, as well as any other reports required to be referred to it under its established Terms of Reference. Through this body the Chief Constable is subject to challenge not only by the Commissioner, but also of the independent members of the JIAC.

The Commissioner and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk. Each strategic risk is assigned an owner from the Force's Executive Team or OPCC as appropriate, who has responsibility for the management of controls and the implementation of new controls where necessary. The Force's strategic risks are reported at the Force's Executive Board and reported alongside those of the OPCC at joint Business Meeting on a quarterly basis and is also presented to all meetings of the JIAC.

Developing the Capacity and Capability of Officers of the Force to be Effective

The Commissioner and Chief Constable ensure that they have appropriate personal performance development processes for all staff that underpin and support the performance of the local policing area or department in which they work and their own personal development. Objectives are aligned to the Commissioner's Police and Crime Plan, supported by the Northumbria Police purpose 'Keep people safe and fight crime', and vision 'Deliver an outstanding police service, working with

communities to prevent crime and disorder and protect the most vulnerable people from harm' and values which define who and what we are: Determined; Supportive; Passionate, Dynamic; and Proud.

A new Force operating model was implemented in Quarter 3 of 2019/20 which enabled the Force to reorganise resources and increase capacity and capability to better meet different types of policing demands. Key elements included:

- Calls for service requiring an immediate response are dealt with by a dedicated Response Policing Team (RPT).
- Incidents requiring a more planned response are dealt with in the Primary Investigation Centre, which allocates crime investigations to the most appropriately skilled resource.
- To further increase investigative capability the investigation of volume and serious crime is now undertaken in Secondary Investigation Units (SIU) by skilled and professionally accredited investigating officers and police staff.

On 5 September 2019 the Prime Minister announced the Government commitment to recruit an additional 20,000 police officers in England and Wales by 31 March 2023. The Force has fully complied with all requirements to support the increase of officer numbers through the national Uplift programme. The Force delivered the agreed investment in police staff roles in 2019/20 and 2020/21 to support delivery of the Northumbria share of Uplift. The new MTFs approved by the Commissioner on 09 March 2021 will deliver further investment in police infrastructure, technology, and professional and specialist police staff that will ensure that Uplift targets for 2021/22 and later years, when set, will be delivered, in-full. In addition, over and above Uplift targets additional specialist investigator recruits were delivered to address the shortfall in qualified investigator capacity.

In 2020/21 the majority of new Police Officer recruits entered through the new Police Constable Degree Apprenticeship (PCDA) route. Northumbria Police was one of the first Forces to introduce the PCDA entry route in May 2019. This is a three year degree practical based apprenticeship based on the Policing Education Qualifications Framework (PEQF) national policing curriculum and is delivered in collaboration with Northumbria University.

A Leadership Development Approach has also been introduced to develop leaders at all levels in leading and developing others, leading change and leading and developing the organisation. This has been introduced to develop leaders who are future focussed and have the right skills, behaviours and personal qualities to successfully lead an empowered and diverse workforce in a new environment.

Value for Money and Reliable Financial and Performance Statements are Reported and Internal Financial Controls Followed

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Commissioner's and Chief Constable's objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of those assets and resources over which the Chief Constable has delegated control.

The Internal Audit Service, provided under an agreement with Gateshead Council, is 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 the Commissioner and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC on a quarterly basis. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the Commissioner and Chief Constable, based on the work undertaken by the Internal Audit Service throughout 2020/21. Despite the Covid-19 pandemic, the full audit programme has been completed, albeit utilising revised remote auditing techniques and processes.

The financial management and performance reporting framework follows national and/or professional best practice, and its key-elements are set out below:

- Financial Regulations establish the principles of financial control. They are designed to ensure that the Commissioner conducts financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set-out the rules to be followed in respect of contracts for the supply of goods and services.
- A robust system through which the Force manages Finance, People Services, Payroll and Procurement processes is used throughout the Force. This enables systematic control to be applied, particularly in relation to budget management. This ensures that responsibility and accountability for resources rest with those managers who are responsible for service provision. This is underpinned by systematic controls which ensure financial commitments are approved by the relevant manager.
- In accordance with the Prudential Code and best accounting practice, the Commissioner produces a four-year Medium Term Financial Strategy (MTFS) and capital programme. The Chief Constable produces a Medium Term Financial Plan (MTFP) that informs the MTFS of the Commissioner. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget and capital programme.
- The MTFS includes known commitments, anticipated resource availability and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities.
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the Chief Constable and sets out the financial implications of the Commissioner's policies. It provides the Executive Team with the authority to incur expenditure and a basis on which to monitor and report on financial performance.
- Monthly financial performance reports are presented to the Executive Board that focus on year-to-date information and forecast outturn enabling officers to establish a clear understanding of financial performance. These are then presented quarterly to the Commissioner through the joint Business Meeting and these are available on the Commissioner website for wider scrutiny of financial performance by the public. Additional monitoring reports are produced and discussed with budget managers on a regular basis throughout the year.

- External auditors Mazars LLP issued an unqualified value for money opinion for 2019/20, concluding that the Chief Constable has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Grant Thornton UK LLP expect to complete their work on value for money arrangements in respect of the 2020/21 financial year by July 2022, and the outcome will be reported in their Auditor's Annual Report 2020/21.

Review of Effectiveness

The Chief Constable has a responsibility to ensure, at least annually, that an evaluation of the effectiveness of the governance framework, including the system of internal audit and system of internal control is undertaken. This is informed by the internal audit assurance, opinions and reports of our external auditors and other inspection bodies, as well as the work of the CFO and of managers within the Force who have responsibility for the development and maintenance of the governance environment.

For 2020/21, the review process has been led by the Joint Police and Crime Commissioner/Chief Constable Governance Monitoring Group and considered by the JIAC and has taken account of:

- The system of Internal Audit
- Senior manager's assurance statements
- Governance arrangements
- Financial Controls - An assessment of the role of the CFO in accordance with best practice
- Views of the external auditor
- HMICFRS and other external inspectorates
- The legal and regulatory framework
- Risk management arrangements
- Performance management and data quality
- Other 'Thematic Assurance'
- Business Planning
- Partnership arrangements and governance
- Information and Communications Technology (ICT) Arrangements
- Fraud, Corruption and Money Laundering
- Wellbeing
- CIPFA Financial Management Code self-assessment

Included within the above assurance review is an additional requirement new for this year in relation to the new CIPFA Financial Management Code. This is mandatory from 2021/22; however, in preparation for the first full-year of compliance the OPCC and Force has undertaken a combined self-assessment in-line with guidance issued by CIPFA. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public body, manage financial resilience to meet unforeseen demands on services and manage unexpected changes in financial circumstances.

The assessment has been divided into 7 specific sections; each has been assigned a Red, Amber, or Green (RAG) rating in-line with the scale of the improvements required for full compliance. A Red rating indicates that significant improvements are required; an Amber rating indicates that moderate improvements are required; and a Green rating indicates that no improvements or minor improvements may be required. The RAG assessment ratings against each section are noted below:

- The Responsibilities of the Chief Finance Officer and Leadership Team (Green)
- Governance and Financial Management Style (Green)
- Long to Medium Term Financial Management (Green)
- The Annual Budget (Green)
- Stakeholder Engagement and Business Plans (Green)
- Monitoring Financial Performance (Green)
- External Financial Reporting (Green)

The overall conclusion from the self-assessment is Green; however, the Code requires any areas for improvement to be disclosed within an action plan. The results of the self-assessment identified 2 areas for improvement, which once implemented will ensure the OPCC and Force fully comply with the Financial Management Code. This action plan is attached as Appendix A.

From the overall review of effectiveness no issues were identified as governance issues, which required disclosure within this AGS. For the senior manager's assurance statements, each area of responsibility was assessed using a standard governance questionnaire, which was updated to ensure any implications from changes to processes or business continuity plans as a result of Covid-19.

All areas returned compliant to each of the questions, with no non-compliance, and only one partial compliance. This related to a major national change in the production of evidential files as a result of national delays due to Covid-19, with a view to this being updated and available from Summer 2021.

Internal Audit Overall Assessment & Independent Opinion

The assessment by Internal Audit of the Commissioner and Chief Constable's internal control environment and governance arrangements makes up a fundamental element of assurance for the AGS.

All audits within the 2020/21 audit plan have been completed. Of the 23 reports issued, 21 audits concluded that systems and procedures were operating well and 2 audits concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness.

Based on the evidence arising from internal audit activity during 2020/21, including advice on governance arrangements, the Commissioner and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

As part of the 2020/21 audit plan, approved by the JIAC, the audit of governance was completed. The audit found systems and controls are operating well and no findings were raised.

Actions from the 2019/20 Statement

There were no actions identified in the 2019/20 Annual Governance Statement.

2020/21 Governance Issues

The review has identified no issues that need to be included within the 2020/21 Annual Governance Statement as actions.

The only actions disclosed are those required under the CIPFA Financial Management Codes and included at Appendix A.

Conclusion

No system of internal control can provide absolute assurance against material misstatement or loss; this statement is intended to provide reasonable assurance.

However, on the basis of the review of the sources of assurance set out in this statement, the undersigned are satisfied that the Chief Constable of Northumbria Police has in place satisfactory systems of internal control which facilitate the effective exercise of their functions and which include arrangements for governance, control and the management of risk.

SIGNED

Chief Constable

SIGNED

Deputy Chief Constable

SIGNED

Director of Finance

DATE

APPENDIX A**CIPFA Financial Management Code – Action Plan**

<p>The Police and Crime Commissioner for Northumbria must comply with the new CIPFA Financial Management Code by 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of the OPCC, manage financial resilience to meet unforeseen demands on services and manage unexpected changes in financial circumstances.</p> <p>In preparation for the first full-year of compliance with the Code (2021/22), jointly between the OPCC and Northumbria Police a self-assessment has been undertaken in-line with guidance issued by CIPFA.</p> <p>The results of the self-assessment identified 2 areas for improvement, which once implemented will ensure that both organisations fully comply with the Financial Management Code.</p> <p>Accountable Officer: Joint Chief Finance Officer</p>	
Action(s) required to enhance effectiveness	Implementation date
<p><i>The Financial Management Style of the authority supports financial sustainability – Has the authority sought an external view on its financial style, for example through a process of peer review?</i></p> <p>Whilst a peer review is not a requirement for compliance with the FM Code, the Finance Department intends to implement the CIPFA FM model/review during 2022/23. This will enable:</p> <ul style="list-style-type: none"> • The creation of an action plan for areas of improvement. • Review adequacy of financial management support to both organisations. 	January 2023
<p><i>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</i></p> <p>An appropriate documented options appraisal methodology to be developed.</p>	September 2022

Annual Governance Statement

The Accounts and Audit Regulations 2015 require an Annual Governance Statement (AGS) to be published along with the annual Statements of Account and a narrative statement that sets out financial performance and economy, efficiency and effectiveness in its use of resources.

This statement is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) 'Good Governance: Framework' (2016) and explains how the Commissioner for Northumbria has complied with this framework and meets the statutory requirements of regulations. It also takes into account the impact of the Covid-19 pandemic on governance arrangements, as well as being the 'shadow' year for the introduction of the CIPFA Financial Management Code 2019 (FM Code) ahead of its requirement from 2021/22 onwards.

Scope of Responsibility

The Police Reform and Social Responsibility (PRSR) Act 2011 sets out the accountability and governance arrangements for policing and crime matters. The Act establishes both the Police and Crime Commissioner (the 'Commissioner') and the Chief Constable as the '*Corporation Sole*' for their respective organisations. This means each is a separate legal entity, though the Chief Constable is accountable to the Commissioner. Both the Commissioner and Chief Constable are subject to the Accounts and Audit Regulations 2015; as such, both must prepare their Statements of Account in accordance with the CIPFA Code of Practice on Local Authority Accounting, and both must publish their individual AGS.

This statement covers the Commissioner's own office and the group position of the Commissioner and the Chief Constable. The Commissioner and Chief Constable share most core systems of control including: the finance systems, internal policies and processes, the Chief Finance Officer (CFO), internal audit and a Joint Independent Audit Committee (JIAC). Under the Commissioner's Governance Framework, most of the staff, officers and systems deployed in the systems of internal control are under the direction and control of the Chief Constable. The Commissioner has oversight and scrutiny of the Chief Constable's delivery including governance, risk management and systems of internal control.

The Chief Constable is responsible for the direction and control of the Force. In discharging this function, the Chief Constable is accountable to the Commissioner in ensuring their business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Commissioner therefore places reliance and requirement on the Chief Constable to deliver and support the governance and risk management processes and the framework described in this statement.

The Chief Constable is also responsible for putting in place proper arrangements for the governance of the Force and ensuring that these arrangements comply with the Commissioner's Governance Framework. In so doing the Chief Constable is ensuring a sound system of internal control is

maintained throughout the year, and that appropriate arrangements are in place for the management of risk.

The Chief Constable and Commissioner have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE 'Good Governance: Framework'.

The PRSR Act 2011 requires the Commissioner and Chief Constable to each appoint a Chief Finance Officer with defined responsibilities and powers. The CIPFA Statement on the Role of the CFO appointed by the Commissioner, and the CFO appointed by the Chief Constable, gives detailed advice on how to apply CIPFA's overarching Public Services Statement. The revised 2014 Statement states:

"That both the PCC and Chief Constable appoint separate CFOs, where under existing arrangements a joint CFO has been appointed the reasons should be explained publicly in the authority's AGS, together with an explanation of how this arrangement delivers the same impact."

The previous Commissioner and former Chief Constable agreed in 2013 to appoint a Joint CFO for both corporate bodies. The Commissioner and Chief Constable continue to have a Joint CFO for 2020/21 and the reasoning for this approach remains unchanged, that a joint CFO role provides both the Commissioner and Chief Constable with a single efficient, effective and economic financial management lead. The controls remain that there is an expectation that the CFO should advise the Commissioner and Chief Constable of any conflict of interest that should arise in the joint role, especially with section 151 responsibilities; and, the CFO acts in accordance with the requirements, standards and controls as set out in the CIPFA Statement on the Role of the Chief Financial Officer of the Commissioner and the Chief Finance Officer of the Chief Constable (the CIPFA Statement).

As part of the AGS assurance review, an annual assessment to the latest CIPFA Statement (2014) is carried out by the joint CFO and has been reviewed by the JIAC for 2020/21. It confirms that the role is complying with the requirements of the Statement. The Commissioner and the Chief Constable are also satisfied that the role is working efficiently, that the responsibilities set out in the Scheme of Governance are being completed effectively, and that potential conflicts are subject to continuous review. There are no issues of conflict to report.

The Governance Framework

The governance framework in place throughout the 2020/21 financial year covers the period from 1 April 2020 to 31 March 2021 and any issues which arise up to the date of approval of the annual Statements of Account. This includes any in-year changes to the governance arrangements as a consequence of the Covid-19 pandemic.

The framework is known as the Commissioner's Scheme of Governance and it comprises the systems, processes, culture and values by which the Commissioner operates. It enables the Commissioner to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services which provide value for money, which is a duty under the Local Government Act 1999.

During 2020/21 there was a short suspension to meetings within the governance and decision-making structure at the onset of Covid-19. The Force implemented a Covid-19 response plan under Gold strategic leadership was implemented which included meeting arrangements with key regional

partners and Local Resilience Forums. The Office of the Police and Crime Commissioner (OPCC) continued to meet 'virtually' providing a decision-making structure for key business decision to continue, and continue adequate scrutiny oversight of Force activities. This provided the opportunity to migrate to online platforms to undertake governance meetings safely.

The overall system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot, however, eliminate all risk of failure to achieve aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is an on-going process designed to identify and prioritise the risks to achieving the Commissioner's and Chief Constable's aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

A copy of the Governance Framework is available on the OPCC website at [Governance Framework](#). (This is a shortened URL that will take you to the document on the website.)

Although the Chief Constable is responsible for operational policing matters, direction of police personnel and making proper arrangements for the governance of the Force, the Commissioner is required to hold the post holder to account for the exercise of those functions. The Commissioner must therefore satisfy herself that the Force has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the Commissioner's Governance Framework. It is informed by internal assurances on the achievements of the principles set out in the CIPFA/SOLACE Framework (Delivering Good Governance in Local Government - Guidance Notes for Police Authorities 2016 Edition), for those areas where the Chief Constable has responsibility. It is also informed by on-going internal and external audit and inspection opinions.

The Commissioner's six principles of good governance are:

1. Focusing on the purpose of the Commissioner, on the outcomes for the community and creating and implementing a vision for the local area.
2. Ensuring the Commissioner, officers of the Commissioner and partners work together to achieve a common purpose with clearly defined functions and roles.
3. Good conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management.
5. Developing the capacity and capability of the Commissioner and officers to the Commissioner to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

Focusing on the Purpose of the Force and on Outcomes for the Community, and Creating and Implementing a Vision for the Local Area

The Commissioner has a Police and Crime Plan for the period 2021 to 2025. The plan was developed following extensive consultation with local people about their views of policing and community safety, and sets out the police and crime priorities for the area:

- **Fighting Crime:**
 - Anti-social behaviour
 - Reducing crime
- **Preventing Crime:**
 - Preventing violent crime
 - Neighbourhood policing
- **Improving Lives:**
 - Support for victims
 - Tackling domestic abuse and sexual violence

The Plan also aims to support national policing priorities as set out in the Strategic Policing Requirement. The Commissioner was successfully re-elected on 06 May 2021.

Delivery of the Police and Crime Plan is through partnership working between the OPCC and the Chief Constable. Northumbria Police monitor performance at the Strategic Management Board – Performance (SMB), chaired by the Deputy Chief Constable, underpinned by a number of Delivery, Standards and Assurance boards. The Commissioner scrutinises progress, along with performance, and holds the Chief Constable and his Executive Team to account at a monthly Scrutiny meeting. Performance is also monitored within the OPCC by the Violence Reduction Unit (VRU) management board and the OPCC management team.

Regular joint Business Meetings manage progress on specific business issues. At both these meetings the Commissioner and Chief Constable challenge performance where there are concerns, seek further information and analysis to understand where changes should be made, and/or direction given, to improve service delivery. A quarterly update on the financial position is presented by the joint Chief Finance Officer.

The performance management framework supports delivery of the plan and is refreshed annually to ensure it focuses on emerging priority area needs and, in particular, the needs of victims of crime and the vulnerable within our communities. Performance thresholds support this monitoring and scrutiny process.

The Commissioner and the Chief Constable will ensure that the resources available to Northumbria Police are used in the most effective manner that meet the needs of local communities. Funding remains a pressure, the Commissioner and Chief Constable continue to lobby the Government to ensure a fair and appropriate funding formula. Every effort is made to access additional funding to support service delivery; this includes specific grants made available by the Home Office and Ministry of Justice.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) carry out a programme of inspections, including thematic reports and an annual PEEL Assessment (Effectiveness, Efficiency and, Legitimacy and Leadership). Forces are assessed on their effectiveness, efficiency and

legitimacy based on inspection findings, analysis and Her Majesty's Inspectors' (HMIs) professional judgment across the year.

The HMICFRS inspection report for Northumbria Police 2018/19 was published in September 2019. The main findings were: In the extent to which it is effective in reducing crime and keeping people safe; and the extent to which the Force operates efficiently and sustainably, Northumbria was assessed as 'requires improvement'. The extent to which the Force treats the public and its workforce legitimately was assessed as 'good'. The Force acknowledged that there were areas for improvement and established a programme of improvement with actions, timescales and plans for delivery which are monitored for progress and risk to delivery. The Commissioner and Chief Constable remain committed to delivering the necessary improvement and the Force continues to work very hard to address those issues identified.

The full report can be accessed using the following link ([Northumbria](#)).

Northumbria Police expects a further PEEL assessment to be completed during 2021/22.

All HMICFRS inspection reports and other external inspection reports are considered by the Force Executive Team. A lead is appointed to consider inspection findings and identify actions in response to any recommendations and areas for improvement. The Force position is reported to the Police and Crime Commissioner at the Joint Business Meeting, to inform a statutory response to reports within 56 days. Delivery is overseen by the Executive Board. Progress is reported and monitored at the Scrutiny Meeting of the OPCC and reported to the Joint Independent Audit Committee. There were no risks to delivery identified during the year, for any of the recommendations or areas for improvement reported by HMICFRS, although timeliness of closure for some was highlighted.

Ensuring the Police Force and Partners Work Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

The Commissioner's Governance Framework sets out the roles of both the Chief Constable and Commissioner; they are clearly defined and demonstrate how they work together to ensure effective governance and internal control.

The Commissioner works closely with all six local authorities in the Force area and North of Tyne Elected Mayor, and understands the policing needs in each area from our city centres to the rural communities. Northumbria Police work with a range of partners and are represented on partnerships that focus on policing and crime including Community Safety Partnerships. They are also members of local children's and adult safeguarding boards that work to ensure the safety and wellbeing of vulnerable children and adults in the Force area. The Commissioner has developed a Violence Reduction Unit which takes a public health approach to tackling serious violence working with a range of partners.

The Commissioner is the Chair of the Local Criminal Justice Board, working with partners to deliver an effective and efficient local criminal justice system. Providing the best support possible for victims and witnesses, and bringing offenders to justice and addressing the causes of their offending.

A Service Level Agreement between the Commissioner and the Chief Constable exists. This agreement identifies the services that will be shared in order to best fulfil the duties and responsibilities of each in an efficient and effective way.

Collaboration between Forces and other partners is a growing area of business. Governance arrangements are set out in formal collaboration agreements and these are published on the OPCC website ([Collaboration Agreements](#)). Section 22a of the Police Act 1996 (which itself comes from section 5 the Policing and Crime Act 2009) places on the Commissioner and the Chief Constable a duty to publish copies of collaboration agreements to which they are party.

Promoting Values of Good Governance through Upholding High Standards of Conduct and Behaviour

The Office of the Commissioner has a comprehensive website ([Northumbria PCC](#)) that includes:

- Information about the Commissioner and office, required by the Specified information Order 2011.

- Code of Conduct based on the Seven Principles of Public Life published by the Nolan Committee, signed by the Commissioner.

- The Commissioner's disclosure of interest document which is updated annually.

- An 'Ethical Checklist' signed by the Commissioner committing to standards required by the Committee for Standards in Public in Life.

- A register of the Commissioner's and the OPCC gifts, hospitality and business expenses.

In accordance with the Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012, the Police and Crime Panel (the 'Panel') make provision regarding the Panel's powers and duties in regard to complaints made about the conduct of the Commissioner. A procedure for dealing with complaints against the Commissioner was approved by panel members in February 2013, appointing the Chief Executive (now Chief of Staff) of the Office of the Commissioner as the Monitoring Officer. A quarterly report is provided to the Panel by the Monitoring Officer; since November 2012 there have been no complaints against the Commissioner that have been upheld.

The Commissioner is responsible for scrutinising the work of Northumbria Police in relation to complaints and conduct matters, as well as complying with the requirements of the Independent Office of Police Complaints. Professional Standards Department (PSD) provides a report to the Scrutiny Meeting on a quarterly basis outlining information including the volume and nature of complaints, appeal rates and other current issues.

The Commissioner is responsible for ensuring proper and effective investigation into complaints against the Chief Constable, while the Chief Constable is responsible for ensuring proper and effective investigation of complaints against all other officers and staff employed by Northumbria Police.

Following changes to legislation on the 1st February 2020, the PCC is now responsible for appeals in relation to complaints, complainants who are not satisfied with how their complaint has been handled by Northumbria Police can request a review, through the OPCC, the appeal determines if the complaint has been handled in a reasonable and proportionate manner.

Taking Informed and Transparent Decisions Which are Subject to Effective Scrutiny and Risk Management

The core purpose of good governance in public services is to ensure public bodies take informed, transparent decisions and manage risk; the Commissioner has a Decision Making and Recording Policy that supports these principles. All key decisions that have significant public interest regarding policing, crime and community safety in Northumbria along with those about the estate of Northumbria Police are published on the OPCC website ([Northumbria PCC](#)). This ensures trust and confidence in Northumbria Police.

The Police Reform & Social Responsibility Act 2011 led to the formation of the Police and Crime Panel (the 'Panel') to oversee the work of, and support, the Commissioner in the effective exercise of functions. The Panel is comprised of twelve local authority councillors, two from each of the six authorities in the Northumbria policing area, and two independent members. A relationship protocol between the Commissioner, Chief Constable and the Panel is in place and this sets out the mutual expectations and responsibilities needed to promote and enhance local policing through effective working relationships of all parties.

The Joint Independent Audit Committee (JIAC) of the Commissioner and Chief Constable has 5 independent members who are appointees from within the Force area. The JIAC monitors internal control, risk and governance issues relating to both the OPCC and Force. This JIAC receives reports of both the internal and external auditors, as well as any other reports required to be referred to it under its established Terms of Reference. Minutes of the JIAC meetings are published on the Commissioners website ([Northumbria PCC](#)). The Chair of the JIAC also provides annual assurance that the Committee have fulfilled their duties under the Terms of Reference.

The Commissioner and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk. Each strategic risk is assigned an owner from the Force's Executive Team or OPCC as appropriate, who has responsibility for the management of controls and the implementation of new controls where necessary. The register is reported at the Force's Executive Board and managed by the joint Business Meeting on a quarterly basis, and is also presented to all meetings of the JIAC.

Developing the Capacity and Capability of Officers of the Force to be Effective

The Commissioner and Chief Constable ensure that they have appropriate personal performance development processes for all staff that underpin and support the performance of the local policing area, their work and their own personal development. Objectives are aligned to the Commissioner's Police and Crime Plan, supported by the Northumbria Police Northumbria Police purpose 'Keep people safe and fight crime', and vision 'Deliver an outstanding police service, working with communities to prevent crime and disorder and protect the most vulnerable people from harm' and values which define who and what we are: Determined; Supportive; Passionate, Dynamic; and Proud.

A new Force operating model was implemented in 2019/20 which enabled the Force to reorganise resources and increase both capacity and capability to better meet different types of policing demands. Key elements included: A dedicated Response Policing Team (RPT) to deal with incidents requiring an immediate response; a Primary Investigation Centre (PIC) for incidents requiring a more planned response; Secondary Investigation Units (SIU) resourced by skilled and professionally accredited investigating officers and police staff, to investigate volume and serious crime.

The Force has embedded a 'Leadership Development Approach' to develop leaders at all levels in leading and developing others, leading change and leading and developing the organisation. This was introduced to develop leaders who are future focussed and have the right skills, behaviours and personal qualities to successfully lead an empowered and diverse workforce in a new environment.

Engaging with local people and other stakeholders to ensure robust public accountability

The Commissioner has operated a comprehensive engagement programme during 2020/21 with local, regional and national representation and engagement via the press and through active social media channels and advisory groups that represent local communities and groups. The Commissioner, where able to due to restrictions, has also visited a range of community and voluntary sector organisations that work within our communities to support vulnerable people and those with protected characteristics. Through these engagement channels with local communities, the Commissioner can ensure that the service provided reflects the changing needs of local communities, especially during such challenging times with Covid-19. Throughout the year contact channels such as telephone and email have remained accessible to local people.

An annual report provides an overview of the Commissioner's activity over the year and is published on the Commissioners website ([Northumbria PCC](#)).

Since April 2015, the Commissioner has been responsible for commissioning key services for victims of crime in Northumbria. A core referral and assessment service has been commissioned from Victims First Northumbria, providing emotional and practical support to all victims of crime. In addition, an assessment of the needs of victims of crime identified the predominant profile of vulnerable victims in Northumbria and those most likely to have specialist additional needs to cope and recover; these are categorised into six key victims' groups:

- Young victims of crime.
- Victims of hate crime.
- Victims with mental health needs.
- Victims with other vulnerabilities.
- Victims of domestic abuse.
- Victims of sexual assault and abuse.

The Commissioner also engaged with victim service that were facing challenges supporting victims of crime during the pandemic and put in place a series of measures and programmes to mitigate any further difficulty and to help support vulnerable victims of crime. This programme included a specific focus on support for victims of Domestic Abuse and Sexual Violence.

Value for Money and Reliable Financial and Performance Statements Are Reported and Internal Financial Controls Followed

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Chief Constable's and Commissioner's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of those assets and resources.

The Internal Audit Service, provided under an agreement with Gateshead Council, is 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 the Commissioner and Chief Constable's resources.

This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC at each meeting. The Internal Audit Executive also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the Commissioner and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2020/21. Despite the Covid-19 pandemic, the full audit programme has been completed, albeit utilising revised remote auditing techniques and processes.

The financial management and performance reporting framework follows national and/or professional best practice and its key elements are set out below:

- Financial Regulations establish the principles of financial control. They are designed to ensure that the Commissioner conducts financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set-out the rules to be followed in respect of contracts for the supply of goods and services.
- Responsibility and accountability for resources rest with managers who are responsible for service provision.
- The Commissioner has adopted the CIPFA Code of Practice on Treasury Management requiring the Commissioner to consider, approve and publish an annual treasury management strategy including an annual investment strategy.
- In accordance with the Prudential Code and proper accounting practice, each year the Commissioner produces a four year Medium Term Financial Strategy (MTFS), Capital Strategy and a Reserves Strategy Statement. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget, use of reserves and capital programme.
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the OPCC and the Chief Constable. It provides the authority to incur expenditure and the basis to manage financial performance throughout the year.
- Capital expenditure is an important element in the development of the Commissioner's service since it represents major investment in new and improved assets. The Commissioner approves a four-year capital programme each year with the MTFS and monitors its implementation and funding closely at management meetings.
- The Commissioner approved a balanced budget for 2020/21. However, the Northumbria Council Tax Precept is by far the lowest of policing bodies in England and Wales, therefore in order to protect total funding for Northumbria in real terms, managing officer and staff pay awards, pay progression and other inflationary pressures, the Commissioner was required to raise the Council Tax Precept in 2020/21 by 1.99% equating to £2.67 for a Band D property. Further savings have also been required in order to balance the budget for the following four years. For 2020/21 there was an underspend on the overall Group revenue

budget. This was primarily as a result of the impact of Covid-19 on revenue budgets, plus Government funding for future Covid-19 related expected spend.

- Financial performance reports are presented to each of the Commissioner and Chief Constable on a monthly basis. A combined Group financial monitoring report is presented to the Commissioner and Chief Constable's joint Business Meeting on a quarterly basis, and published for wider scrutiny of financial performance by the public. The quarterly reports are 'key decisions'.
- Performance reports are presented and discussed with the Commissioner regularly.
- External auditors Mazars LLP issued an unqualified value for money opinion for 2019/20, concluding that the Commissioner has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Grant Thornton UK LLP expect to complete their work on value for money arrangements in respect of the 2020/21 financial year by July 2022, and the outcome will be reported in their Auditor's Annual Report 2020/21

Review of Effectiveness

The Commissioner has a responsibility to ensure, at least annually, that an evaluation of the effectiveness of the governance framework, including the system of internal audit and system of internal control is undertaken. This is informed by the internal audit assurance, information gathered from the Commissioner and Chief Constable's senior management, external audit opinions and reviews conducted by other agencies and inspectorates.

For 2020/21 the review process has been led by the Commissioner and Chief Constable's Joint Governance Monitoring Group and considered by the JIAC and has taken account of:

The system of internal Audit

Senior manager's assurance statements

Governance arrangements

Financial Controls - An assessment of the role of the CFO in accordance with best practice

Views of the external auditor

HMICFRS and other external inspectorates

The legal and regulatory framework

Risk management arrangements

Performance management and data quality

Other 'Thematic Assurance'

- Business Planning
- Partnership arrangements and governance
- Information and Communications Technology (ICT) Arrangements
- Fraud, Corruption and Money Laundering

- Wellbeing

- CIPFA Financial Management Code self-assessment

Included within the above assurance review is an additional requirement new for this year in relation to the new CIPFA Financial Management Code. This is mandatory from 2021/22; however, in preparation for the first full-year of compliance the OPCC and Force has undertaken a combined self-assessment in-line with guidance issued by CIPFA. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public body, manage financial resilience to meet unforeseen demands on services and manage unexpected changes in financial circumstances.

The assessment has been divided into 7 specific sections; each has been assigned a Red, Amber, or Green (RAG) rating in-line with the scale of the improvements required for full compliance. A Red rating indicates that significant improvements are required; an Amber rating indicates that moderate improvements are required; and a Green rating indicates that no improvements or minor improvements may be required. The RAG assessment ratings against each section are noted below:

The Responsibilities of the Chief Finance Officer and Leadership Team	(Green)
Governance and Financial Management Style	(Green)
Long to Medium Term Financial Management	(Green)
The Annual Budget	(Green)
Stakeholder Engagement and Business Plans	(Green)
Monitoring Financial Performance	(Green)
External Financial Reporting	(Green)

The overall conclusion from the self-assessment is Green; however, the Code requires any areas for improvement to be disclosed within an action plan. The results of the self-assessment identified 2 areas for improvement, which once implemented will ensure the OPCC and Force fully comply with the Financial Management Code. This action plan is attached as Appendix A.

From the overall review of effectiveness no issues were identified as governance issues, which required disclosure within this AGS. For the senior manager's assurance statements, each area of responsibility was assessed using a standard governance questionnaire, which was updated to ensure any implications from changes to processes or business continuity plans as a result of Covid-19.

All areas returned compliant to each of the questions, with no non-compliance, and only one partial compliance relating to the Force and none for the OPCC. The Force partial compliance related to a major national change in the production of evidential files as a result of national delays due to Covid-19, with a view to this being updated and available from Summer 2021.

Internal Audit Overall Assessment & Independent Opinion

The assessment by Internal Audit of the Commissioner and Chief Constable's internal control environment and governance arrangements makes up a fundamental element of assurance for the AGS.

All audits within the 2020/21 audit plan have been completed. Of the 23 reports issued, 21 audits concluded that systems and procedures were operating well and 2 audits concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness.

Based on the evidence arising from internal audit activity during 2020/21, including advice on governance arrangements, the Commissioner and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

As part of the 2020/21 audit plan, approved by the JIAC, the audit of governance was completed. The audit found systems and controls are operating well and no findings were raised

Actions from the 2019/20 Statement

There were no actions identified in the 2019/20 Annual Governance Statement.

2020/21 Governance Issues

The review has identified no issues that need to be included within the 2020/21 Annual Governance Statement as actions.

The only actions disclosed are those required under the CIPFA Financial Management Codes and included at Appendix A.

Conclusion

No system of internal control can provide absolute assurance against material misstatement or loss; this statement is intended to provide reasonable assurance.

However, on the basis of the review of the sources of assurance set out in this statement, the undersigned are satisfied that the Commissioner for Northumbria has in place satisfactory systems of internal control which facilitate the effective exercise of their functions and which include arrangements for governance, control and the management of risk.

SIGNED

Police and Crime Commissioner

SIGNED

Chief of Staff

SIGNED

Chief Finance Officer

DATE

APPENDIX A**CIPFA Financial Management Code – Action Plan**

<p>The Police and Crime Commissioner for Northumbria must comply with the new CIPFA Financial Management Code by 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of the OPCC, manage financial resilience to meet unforeseen demands on services and manage unexpected changes in financial circumstances.</p> <p>In preparation for the first full-year of compliance with the Code (2021/22), jointly between the OPCC and Northumbria Police a self-assessment has been undertaken in-line with guidance issued by CIPFA.</p> <p>The results of the self-assessment identified 2 areas for improvement, which once implemented will ensure that both organisations fully comply with the Financial Management Code.</p>	
<p>Accountable Officer: Joint Chief Finance Officer</p>	
Action(s) required to enhance effectiveness	Implementation date
<p><i>The Financial Management Style of the authority supports financial sustainability – Has the authority sought an external view on its financial style, for example through a process of peer review?</i></p> <p>Whilst a peer review is not a requirement for compliance with the FM Code, the Finance Department intends to implement the CIPFA FM model/review during 2022/23. This will enable:</p> <ul style="list-style-type: none"> • The creation of an action plan for areas of improvement. • Review adequacy of financial management support to both organisations. 	<p>January 2023</p>
<p><i>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</i></p> <p>An appropriate documented options appraisal methodology to be developed.</p>	<p>September 2022</p>

The Joint Audit Findings Report for: Police and Crime Commissioner for Northumbria Chief Constable for Northumbria

Year ended 31 March 2021

April 2022



Contents



Your key Grant Thornton team members are:

Laurelin Griffiths

Key Audit Partner

T +44 (0)121 232 5363

E laurelin.h.griffiths@uk.gt.com

Aaron Gouldman

Audit Manager

T +44 (0)161 214 3678

E aaron.r.gouldman@uk.gt.com

Winnie Oduor

Audit Assistant Manager

T +44 (0)161 953 6451

E winnie.g.oduor@uk.gt.com

Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees

Page

- | |
|----|
| 3 |
| 5 |
| 15 |
| 16 |
| 18 |
| 20 |
| 22 |

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PCC and Chief Constable or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audits of the Police and Crime Commissioner for Northumbria ('the PCC') and the Chief Constable for Northumbria ('the Chief Constable') and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the financial statements:

- give a true and fair view of the financial positions of the PCC & Chief Constable's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with each set of audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during March-April 2022. Our findings are summarised on pages 5 to 19.

There has been one material adjustment made by management to the financial statements of the Chief Constable and Group. The adjustment was required as a result of updated information provided by Tyne and Wear Pension Fund (TWPF) and has no impact on useable reserves.

We have identified three unadjusted misstatements with the financial statements of the group and PCC.

We have identified several minor disclosure issues.

Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion for the PCC's financial statements (including the financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements, subject to the following outstanding matters:

- resolution of final audit queries in relation to sampled items of:
 - income and expenditure;
 - the existence of assets on the asset register
- completion of outstanding work relating to lump sum pension payments and pension liability actuarial assumptions;
- receipt and consideration of a response to the outstanding query re the treatment of VAT in the PCC's property valuations;
- final reviews by the engagement manager and engagement lead; and
- receipt and review of the final, signed management representation letters and financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit reports will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by the JIAC meeting scheduled for 4 July 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

We consider whether there are any risks of significant weakness in the PCC's and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources. In our audit plan we identified several areas of focus for our work, but we have not identified any risks of significant weakness at the time of writing this report. Our work is still underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audits.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of:

- our work on the PCC's and Chief Constable's VFM arrangements, which will be reported in our Auditor's Annual Report in July 2022.
- our work on the group's Whole of Government Accounts (WGA) return. This work is not yet completed and the timelines for this work have not yet been confirmed at the time of writing this report.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and will be discussed with the PCC & Chief Constable.

As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK) and the Code, which are directed towards forming and expressing an opinion on each set of financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the PCC's and Chief Constable's business and is risk based, and in particular included:

- An evaluation of the PCC's and Chief Constable's internal controls environment, including IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audits of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing unqualified audit opinions on the financial statements of both the PCC and the Chief Constable following the JIAC meeting on 25 April 2022. These outstanding items are detailed on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 28 February 2022.

We detail in the table opposite our determination of materiality.

	Group	PCC	Chief Constable	Qualitative factors considered
Materiality for the financial statements	£7,600k	£6,600k	£7,500k	This benchmark is determined as a percentage of the entity's Gross Revenue Expenditure in year and considers the business environment and external factors.
Performance materiality	£5,320k	£4,600k	£5,250k	Performance Materiality is based on a percentage of the overall materiality and considers the control environment and the accuracy of accounts and working papers provided.
Trivial matters	£380k	£331k	£375k	Triviality is set at 5% of Headline Materiality.
Materiality for disclosures relating to senior officers' remuneration	£26k	£26k	£26k	Due to the sensitive nature of these disclosures, a separate, lower materiality threshold is set.

We apply the lowest of these materiality figures (£6,600k) for the purposes of our audit work, which equates to 2% of the PCC's gross expenditure.



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Relates to	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The PCC and Chief Constable face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Chief Constable, PCC and Group</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determine the criteria for selecting high risk unusual journals tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>A sample of 30 journals was selected based on consideration of specific risk-based criteria. Testing has not identified any instances of management override of controls, and has provided us with assurance that journal entries are consistent with expectations.</p> <p>We did not identify any changes in accounting policies or estimation processes and review of key estimates has not identified any matters to bring to your attention.</p> <p>Our work on PPE valuations and pension estimates is still ongoing as noted in the following pages, although we have not identified any instances of management override in these estimates at the time of writing this report.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p data-bbox="114 347 472 371">Valuation of land and buildings</p> <p data-bbox="114 387 524 847">The PCC and Group revalue their land and buildings on a rolling three-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£82.6 million as at 31 March 2021 per group balance sheet) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the PCC and Group financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p data-bbox="114 871 495 1010">We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p data-bbox="546 347 663 403">PCC and Group</p>	<p data-bbox="712 347 808 371">We have:</p> <ul data-bbox="712 387 2119 659" style="list-style-type: none"> <li data-bbox="712 387 2119 443">• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work <li data-bbox="712 459 2119 483">• evaluated the competence, capabilities and objectivity of the valuation expert <li data-bbox="712 499 2119 555">• written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met <li data-bbox="712 571 2119 627">• challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding <li data-bbox="712 643 2119 659">• tested revaluations made during the year to see if they had been input correctly into the PCC asset register <p data-bbox="712 722 1984 746">Page 11 provides a detailed assessment of the estimation process for the valuation of the property, plant and equipment.</p> <p data-bbox="712 802 2119 1026">Our review of the revaluations process and workings identified that while management's stated revaluation date was set at 1 April 2020, the effective date of the valuation calculations was 31 March 2021. While we consider this to be appropriate for the valuations' accuracy, we consider that the full year's depreciation charge on buildings is inappropriate and leads to the buildings being understated by the amount of the depreciation charge (£1,535k). This is because the valuations performed already take into account the aging of the asset in the 2020/21 financial year. As the valuations are effective at 31 March 2021, the depreciation charge in year should be calculated on the opening balance and reversed out on valuation. Management's accounting policy should be updated to reflect the effective valuation date of 31 March. Management have not adjusted the accounts to reflect this matter and it is reported as an unadjusted misstatement in Appendix B.</p> <p data-bbox="712 1042 2000 1066">We have requested specific representations relating to these unadjusted misstatements within the letter of representation.</p> <p data-bbox="712 1082 2119 1165">At the time of writing our work on the PCC's valuations is substantively complete, subject to final quality reviews. We have one query outstanding with management and their valuer relating to the treatment of VAT in the PCC's property valuations. Based on procedures completed to date, we have no further matters to bring to your attention.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of pension fund net liability</p> <p>The Group's pension fund net liability is made up of amounts relating to the Local Government Pension Scheme (£225m) and the Police Pension and Injury Award Schemes (£4,364m). These liabilities, totalling £4,589m in the Group balance sheet, represent a significant estimate in the financial statements that is sensitive to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount rate, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Chief Constable's pension fund net liability as a significant risk.</p>	<p>Chief Constable and Group</p>	<p>We have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management experts (actuaries) for this estimate and the scope of the actuaries' work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assessed the accuracy and completeness of the information provided by the Chief Constable to the actuaries to estimate the liabilities; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuaries; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Tyne and Wear Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the Tyne and Wear Pension Fund financial statements. <p>Pages 12-13 provide a detailed assessment of the estimation process for the valuation of the pension fund net liability</p> <p>At the time of writing, our work on pension liabilities is ongoing, as we are awaiting responses to final queries relating to the reasonableness of some actuarial assumptions.</p> <p>From review of the report of the consulting actuary (as auditor's expert), we have identified that the CPI assumption used by GAD in calculating the police pension liability is outside of expectations. We have consulted with internal actuarial colleagues with regards to this and concluded that there is no material impact.</p> <p>Other assumptions in calculating the net pension liability of both schemes are considered to be in line with expectations and at this stage we have not identified any issues with the estimation process.</p> <p>We note that management have adjusted the financial statements for an understatement in the valuation of the Tyne and Wear Pension Fund's assets. This has resulted in a decrease in the net pension liability of £7,610k, as set out in Appendix B.</p>

2. Financial Statements - key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations £83m	PCC	<p>Management engage their qualified internal valuer and estates team to perform the valuation of their land and buildings.</p> <p>The valuations are undertaken on a 3 year rolling programme. The largest three assets are valued each year on a Depreciated Replacement Cost basis. The remaining operational assets are revalued across the 3 year programme on a geographic basis, between the Northern, Southern and Central regions.</p> <p>In the year ended 31 March 2021, only the Northern freehold assets were formally revalued, but a decision was made in 2021 to do a full desktop valuation. The accounting date of the valuations is 1 April 2020 however the valuations are prepared using information relevant at the 31 March 2021 balance sheet date.</p> <p>Assumptions are selected by the valuer in accordance with the Valuation – Global Standards of the Royal Institution of Chartered Surveyors (RICS). Management review these assumptions and challenge where necessary.</p> <p>The total year end valuation of land and buildings was £83m, a net increase of £1m from 2019/20 (£82m).</p>	<p>We have:</p> <ul style="list-style-type: none"> • Deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work. • Assessed the competence, capability and objectivity of management's expert • Tested the completeness and accuracy of the underlying information used to determine the estimate • Worked with the valuers to understand the basis on which the valuations were carried out and considered whether the requirements of the Code were met • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, for example by agreeing to 3rd party RICS information • Tested revaluations made during the to confirm that they had been input correctly into the fixed asset register • Considered the reasonableness of changes in estimated values based on all of the available evidence and wider sector knowledge • Considered the adequacy of the disclosure of the estimates in the financial statements. <p>The work performed to date does not indicate any lack of robustness in management's process for producing this estimate. We have one query outstanding with management and their valuer relating to the treatment of VAT in the PCC's property valuations.</p>	<p>(TBC)</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment																
Net pension liability £4,589m	Chief Constable	<p>The actuarial gains and losses figures are calculated by PCC & Chief Constable's actuarial experts. These figures are based on making % adjustments to the closing values of assets/liabilities.</p> <p>The Group's total net pension liability at 31 March 2021 is £4,589m (PY £4,161m).</p> <p>The Group use Aon Ltd and the Government Actuary's Department to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes) A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019 for LGPS, and 2020 for PPS. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £284m net actuarial loss during 2020/21.</p>	<p>We have:</p> <ul style="list-style-type: none"> Deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work. Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures as suggested in the report. See below for consideration of key assumptions in the PPS liability: <table border="1"> <thead> <tr> <th>Assumption PPS</th> <th>Actuary Value PPS</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.00%</td> <td>2.00%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.40%</td> <td>> 2.50%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.15%</td> <td>4.15%</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above, and no issues were noted with the completeness and accuracy of the underlying information used to determine the estimate. <p>From review of the report of the consulting actuary (as auditor's expert), we have identified that the CPI assumption used by GAD in calculating the police pension liability is outside of expectations. We have engaged our own internal actuarial experts to consider the impact of this.</p> <p>As noted on page 9, our work on pension liabilities is ongoing in particular in respect of assessing the reasonableness of the actuarial assumptions and also pending receipt of further assurances from the auditor of Tyne and Wear Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</p>	Assumption PPS	Actuary Value PPS	PwC range	Assessment	Discount rate	2.00%	2.00%	●	Pension increase rate	2.40%	> 2.50%	●	Salary growth	4.15%	4.15%	●	<p>(TBC)</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption PPS	Actuary Value PPS	PwC range	Assessment																	
Discount rate	2.00%	2.00%	●																	
Pension increase rate	2.40%	> 2.50%	●																	
Salary growth	4.15%	4.15%	●																	

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the PCC & Chief Constable, and with the Joint Independent Audit Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation will be requested from both the PCC and the Chief Constable, including specific representations in respect of the group financial statements and the unadjusted misstatements.
Confirmation requests from third parties	We requested from management permission to send confirmation requests in relation to cash, investment and borrowing balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation, with one exception (for an immaterial balance) at the time of writing this report. If this confirmation is not received, we will complete alternative procedures for this balance.
Accounting practices	We have evaluated the appropriateness of the PCC's & Chief Constable's accounting policies, accounting estimates and financial statement disclosures. Our work on Property Plant & Equipment identified that management's reported property valuation date (1 April) does not align with the effective date of the valuation work performed by the internal valuer (31 March), see Appendix B.
Audit evidence and explanations / significant difficulties	All information and explanations requested from management were provided. Working papers were of a good standard and replies were provided on a timely basis.

2. Financial Statements - other communication requirements



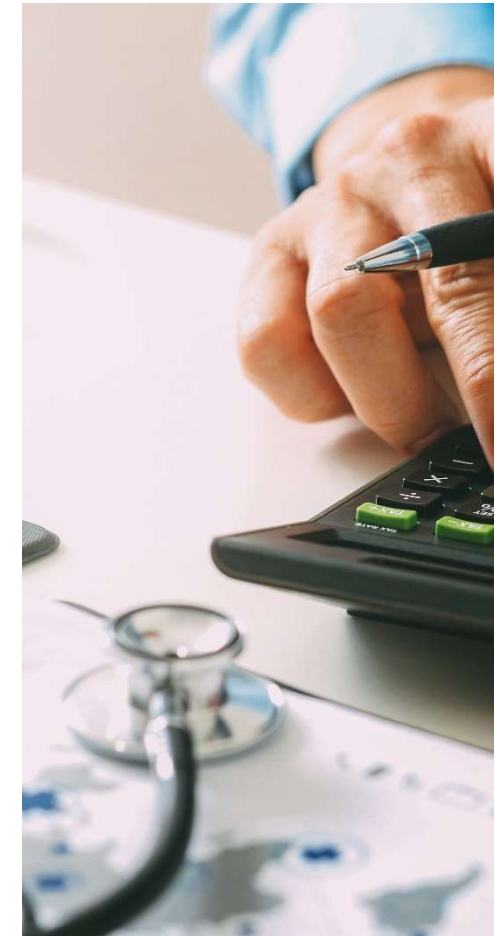
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the PCC's and Chief Constable's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the PCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the PCC and Chief Constable and the environment in which they operate the PCC's and Chief Constable's financial reporting framework the PCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified for either the PCC or Chief Constable. management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with each set of audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statements do not comply with disclosure requirements set out in CIPFA/SOLACE guidance or are misleading or inconsistent with the information of which we are aware from our audits, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>This work is not yet completed and the timelines for this work have not yet been confirmed. We anticipate that no work will be required as the group has previously been below the audit threshold determined by the NAO.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audits of the PCC and Chief Constable in the audit reports, due to the following work being incomplete:</p> <ul style="list-style-type: none"> • work on the group's arrangements to secure value for money; and • required procedures on the PCC's WGA return.



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the PCC's and Chief Constable's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

We have not yet completed our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by July 2022, in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

We have not identified any risks of significant weaknesses in arrangements at the time of writing this report.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Authority's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Authority's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Audit and non-audit services

Grant Thornton UK LLP provided a Tax and VAT Helpline service to the PCC during the 2020/21 and 2021/22 financial years. This Helpline was provided to answer non-complex queries on tax and VAT treatments. The Helpline was last used in June 2021, prior to our appointment as the group's external auditors on 27 October 2021. The service ceased on our appointment. The Helpline was provided by a separate team of tax specialists within Grant Thornton UK LLP, who will have no involvement in the external audit process.

Full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms are included in the table below.

Service	Fees £	Threats	Safeguards
Audit related			
None identified			
Non-audit related			
Tax and VAT Helpline (April 2020 – October 2021)	1,200	Self-Interest Familiarity	The level of recurring fees taken on their own is not considered a significant threat to independence as the fee for this work is £1,200 in comparison to the confirmed scale fee for the audit of £42,967 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. The service was provided by a separate team of tax specialists within Grant Thornton UK LLP, who will have no involvement in the external audit process. These factors mitigate the perceived threat to an acceptable level.

Appendices

A. Action plan – Audit of Financial Statements

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

We have identified recommendations for the PCC and Chief Constable as a result of issues identified during the course of our financial statements audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Relates to	Issue and risk	Recommendations
High	Group	<p>The results of our work on the design effectiveness of the IT general controls environment identified an instance of inappropriate access rights having been granted. The combination of privileges granted creates a risk that system-enforced internal controls could be bypassed. This could lead to:</p> <ul style="list-style-type: none"> • Unauthorised changes being made to system parameters; • Creation of unauthorised accounts; • Unauthorised updates to a users own account privileges; and • Deletion of audit logs or disabling logging mechanisms. 	<p>Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should review access rights assigned to privileged system users to identify and remove conflicting access rights.</p> <p>If incompatible business functions are granted to users due to organisational size constraints, management should ensure that there are review procedures in place to monitor activities.</p> <p>Management response</p> <p>Management accept the auditors recommendation and will implement this change to this user's access.</p>
Low	Group	<p>Our work on assessing the design effective of the IT general controls identified three improvement recommendations to strengthen controls around password policies, the granting of user access rights and policies around IT change management.</p>	<p>These were discussed with management and management accepted the best practice recommendations and agreed to implement during current finance year 22/23.</p>
Medium	Chief Constable	<p>Our work on pension fund lump sums found instances of lump sum payments in 2021/22 being reported in 2020/21.</p> <p>Our follow up work to determine the extent of this issue is ongoing.</p>	<p>Management should consider the processes in place for accounting for lump sum payments, and whether improvements can be made to avoid similar issues arising in future years.</p> <p>Management response</p> <p>Management accept the auditors recommendation and will ensure that the current process is reviewed to ensure that all Lump Sum payments raised during March each year relate to the financial year ended 31 March and are not posted in advance for early April retirements.</p>

A. Action plan – Audit of Financial Statements

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

Assessment	Relates to	Issue and risk	Recommendations
Medium	PCC	<p>As part of reviewing the useful lives of assets on the Asset Register, our testing found that some assets had been decommissioned or replaced, but were still showing in the register, albeit fully depreciated.</p> <p>Our follow up work to determine the extent of this issue is ongoing.</p>	<p>Management should actively review the full asset register each year, especially for assets which are fully depreciated, to ensure that any assets no longer owned are removed from the register. This will avoid overstatement of gross asset values.</p> <p>Management response Response to be confirmed once ongoing work is completed.</p>
Low	PCC	<p>As part of our capital additions testing in our work on Property Plant & Equipment, we identified a vehicle purchase that had been accounted for in 2020/21 but should not have been recognised until 2021/22.</p> <p>The item identified was clearly trivial at £55k. At the time of writing this report we are completing our assessment of the potential impact of any similar issues, but we are satisfied that there is not a risk of material misstatement of the financial statements.</p>	<p>Management should consider the processes in place for accruing year-end purchases, and whether improvements can be made to avoid similar issues arising in future years.</p> <p>Management response We will undertake a review of the process to ensure that no similar issues are incurred in future years.</p>

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000
Management adjusted for revised pension fund asset investment returns within the Tyne and Wear Pension Fund following receipt of updated information provided by the Fund after the date of publication of the Draft Statements of Account for the Chief Constable and the Group. The increased returns led to an increase in the value of the assets within the Chief Constable's net pension liability, and an increase on the return on assets within other comprehensive income. This adjustment had no impact on the general fund.	Chief Constable	(7,610)	7,610
Overall impact		(7,610)	7,610

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The PCC is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Relates to	Reason for not adjusting	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000
Operational buildings have been revalued as at 31 March 2021 but processed with an effective date of 1 April 2020. A full year's depreciation has been charged on these assets, meaning they are held in the balance sheet at a lower value than that provided by the valuer. The value of these assets is therefore understated. This adjustment would have no impact on the general fund.	PCC	Immaterial for 2020/21 financial year Valuation method under review for 2021/22	(1,535)	1,535
Overall impact			(1,535)	1,535

Impact of prior year unadjusted misstatements

There were no prior year unadjusted misstatements for either the PCC or the Chief Constable.

B. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

The final set of accounts remains subject to review ahead of closure of the audit.

Disclosure	Relates to	Auditor recommendations	Adjusted?
Movement in Reserves Statement	Group only	The presentation of the Group Movement in Reserves Statement is technically not compliant with the requirements of the Code. We are satisfied that the information presented within the statement is fairly presented, and that this non-compliance would have had no impact on how the reader of the financial statements would interpret and understand the PCC's and Group's performance and financial position.	TBC
Note 1 - EFA	All	Changes have been made to the EFA in order to more clearly reflect the changes between the outturn reported to management and the public, and the outturn per the financial statements.	✓
Note 4 - Critical Judgements	All	We noted that in the draft financial statements, the disclosure of 'critical judgements in applying accounting policies' did not fully meet the requirements of the Code and IAS 1.	TBC
Note 6 - Estimation Uncertainty	All	We noted that in the draft financial statements, the disclosure of 'assumptions made about the future and other major sources of estimation uncertainty' did not fully meet the requirements of the Code and IAS 1.	TBC
Note 10 – Audit Fees	All	Disclosures of fees paid have been amended to reflect additional fees for earlier years in the year in which the expenditure was recognised.	✓
Note 16 – Non-Current Assets	PCC	Changes have been made to the disclosures and narrative in Note 16 to bring this in line with Code requirements and with the PCC's own revaluation processes. Notably, the table of valuations (p77 of the draft financial statements) has been amended to reconcile in total to the current year end balance, and therefore show the reader the age of the valuations included in the balance sheet, rather than presenting previous balances at each year end.	✓
Note 21 - Financial Instruments	PCC	The disclosure has been amended to include the PCC's cash as a financial asset.	✓
Unusable Reserves	PCC	The movements in the PCC's unusable reserves were not fully disclosed in the draft financial statements. We requested that this be made clearer in a separate note to the accounts.	✓
Various	All	A number of other more minor changes have been agreed with management in relation to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and understandability.	✓

C. Fees

We confirm below our final fees charged for the audit. These are as communicated in our audit plan on 28 February 2022.

For details of the non audit services provided prior to appointment see page 16. There were no other audited related services undertaken for the PCC and Chief Constable.

Audit fees	PSAA scale fee	Final proposed fee
PCC Audit	£28,529	£43,529
Chief Constable Audit	£14,438	£20,938
Total audit fees (excluding VAT)	£42,967	£64,467

The PSAA scale fees reconcile to the financial statements. Our proposed final fees are subject to PSAA approval.