

JOINT INDEPENDENT AUDIT COMMITTEE

MONDAY, 27 FEBRUARY 2023

COLLINGWOOD ROOM, MIDDLE ENGINE LANE, 2PM

AGENDA

OPEN SESSION

- 1. INTRODUCTION**
- 2. DECLARATION OF INTEREST**
- 3. MINUTES OF THE OPEN SESSION OF THE JOINT INDEPENDENT AUDIT COMMITTEE 21 NOVEMBER 2022**
(Attached)
- 4. SUMMARY OF RECENT EXTERNAL INSPECTION, INVESTIGATION AND AUDIT REPORTS**
Head of Corporate Development
(Paper attached)
- 5. JOINT STRATEGIC RISK REGISTER**
Head of Corporate Development
(Paper attached)
- 6. FINAL ANNUAL GOVERNANCE STATEMENTS**
Finance Lead, Corporate Finance and Governance
(Paper attached)
- 7. DRAFT JOINT AUDIT FINDINGS REPORT 2021/22 ACCOUNTS**
External Audit
(Paper attached)
- 8. AUDITORS ANNUAL REPORT**
External Audit
(Verbal update)
- 9. INTERNAL AUDIT CHARTER, STRATEGY AND 2023/24 AUDIT PLAN**
Internal Audit Manager
(Paper attached)
- 10. TREASURY MANAGEMENT POLICY, STATEMENT AND STRATEGY 2023/24 – 2026/27**
Finance Lead, Corporate Finance and Governance
(Paper attached)
- 11. ANNUAL GOVERNANCE REVIEW – ASSURANCE FRAMEWORK 2023/24**
Finance Lead, Corporate Finance and Governance
(Paper attached)



**NORTHUMBRIA
POLICE**

12. DATE AND TIME OF NEXT MEETING

17 July 2023, 2pm, Armstrong Room, Middle Engine Lane.

13. 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
14	7
15	7
16	7
17	7



**NORTHUMBRIA
POLICE**

CLOSED SESSION

JOINT INDEPENDENT AUDIT COMMITTEE

MONDAY, 21 NOVEMBER 2022

- 14. MINUTES OF THE CLOSED SESSION OF THE JOINT INDEPENDENT AUDIT COMMITTEE 21 NOVEMBER 2022**
(Attached)
- 15. UPDATE ON INTERNAL AUDIT WORK AND PROGRESS AGAINST ANNUAL AUDIT PLAN**
Internal Audit Manager
(Paper attached)
- 16. UPDATE ON INTERNAL AUDIT WORK AND PROGRESS AGAINST OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS**
Internal Audit Manager
(Paper attached)
- 17. ANY OTHER BUSINESS**



**NORTHUMBRIA
POLICE**

NORTHUMBRIA POLICE MINUTES

Title	Meeting number
Joint Independent Audit Committee (JIAC)	04/22

Date	Location	Duration
21 November 2022	Executive Team Meeting Room, Middle Engine Lane / Teams	14:25 – 15:05

Present:

Committee Members:	C Young	Chair
	J Guy	
	P Wood	

Officers:	R Durham	OPCC Chief of Staff and Monitoring Officer
	D Ford	Deputy Chief Constable (DCC)
	K Laing	Joint Chief Finance Officer (CFO)
	J Lawson	Assistant Chief Officer (ACO) (Corporate Services)

Invitees:	R Bowmaker	Internal Audit, Gateshead Council
	P Godden	Head of Corporate Development
	L Griffiths	External Audit, Grant Thornton
	T Reade	Corporate Governance Manager
	G Thompson	Finance Lead, Corporate Finance and Governance
	R Rooney	Governance and Planning Adviser (<i>Secretary</i>)

Apologies	K Amlani	Committee Member
	P Godden	Head of Corporate Development

OPEN SESSION**1. INTRODUCTION**

C Young advised a new committee member has been appointed and will join the JIAC from February 2023.

2. DECLARATION OF INTEREST

No declarations of interest made.

3. MINUTES OF THE OPEN SESSION OF THE JOINT INDEPENDENT AUDIT COMMITTEE 26 SEPTEMBER 2022

K Laing advised revised wording would be provided within agenda item 7, regarding reserves.

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

T Reade updated since previous reporting 33 recommendations have been confirmed as complete and closed within the monitoring portal. Eight Areas for Improvement (AFI) as a result of the PEEL inspection will be reported at Scrutiny Meeting in February 2023.

T Reade noted inclusion of the AFIs and recommendations following the thematic inspection of police vetting, misconduct and counter-corruption arrangements for early oversight by members; these are yet to be reported to the Police and Crime Commissioner (PCC).

J Guy queried if there are any concerns regarding vetting within Northumbria Police. D Ford commented a gap analysis against the report will take place; progress will be monitored and looked at within the Public Confidence and Standards Board with further updates provided to JIAC.

J Guy noted closure of AFIs reliant on the launch of Connect and the new custody model, and sought assurance there were no delays anticipated. D Ford noted Connect remains scheduled for launch in February 2023.

C Young thanked all involved for the continued work to ensure action and close down of AFIs and recommendations.

Update noted.

5. JOINT STRATEGIC RISK REGISTER

T Reade surmised the report and highlighted the escalation of risk 2 – reduction in funding and/or funding pressures which require changes to financial planning and/or a change to the resourcing of service delivery from medium likelihood to high.

J Guy queried if public confidence risks have been reviewed in line with PEEL inspection findings; T Reade noted issues highlighted within PEEL regarding public confidence were already reflected within the risk register as a result of the previously known national position.

P Wood asked if vacancy rates had increased since previous reporting; J Lawson advised Northumbria Police has a similar vacancy rate to the rest of the public sector, however there are particular pinch points within Digital Policing.

C Young queried if there is a timescale for resolution of Crown Court backlogs following COVID-19 delays. D Ford stated delays are anticipated for a further two years.

Update noted.

6. MID-YEAR TREASURY MANAGEMENT REPORT

G Thompson outlined the report, drawing attention to the adoption of a new debt treasury prudential indicator, the Liability Benchmark. This has been adopted in 2022/23 to support the financing risk management of the Capital Finance Requirement (CFR).

P Wood queried if there was capacity to renegotiate loan terms. K Laing advised loans are regularly reviewed, however associated penalty claims mean it is presently not financially advisable to do so.

Agreed: The Mid-Year Treasury Management Annual Report and onward presentation to the Police and Crime Commissioner (PCC).

7. EXTERNAL AUDIT UPDATE

L Griffiths highlighted issues with vetting levels of the external audit team have resulted in delays in delivering the final audit; a team has now been sourced and time allocated. It is expected the final audit will be presented at the February 2023 JIAC.

The Committee shared concerns in the delay in delivering the final audit; K Laing advised Grant Thornton are aware this must be ready by February.

Update noted.

8. EMERGENT INTERNAL AUDIT PLAN

R Bowmaker noted the inclusion of a vetting audit.

P Wood queried the appropriateness of a biennial Patch Management audit; R Bowmaker advised Digital Policing audits will highlight any patching issues in the interim between audits.

Update noted.

9. DATE, TIME AND VENUE OF NEXT MEETING

Monday 27 February, 2pm, Venue TBC.

Joint Independent Audit Committee	27 February 2023
Summary of Recent External Inspection, Investigation and Audit Reports	
Report of: Head of Corporate Development	
Author: Corporate Governance Manager	

I. PURPOSE

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

2. BACKGROUND

- 2.1. All His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) reports and other external inspection, investigation and audit reports are considered by the Chief Officer Team. A lead is appointed to consider the findings and identify actions in response to any recommendations and areas for improvement (AFIs). The Force position is reported to the Police and Crime Commissioner at the Business Meeting to inform the statutory response required under section 55 of the Police Act 1996 where required.
- 2.2. All activity is regularly reviewed by the respective owners. Delivery is overseen by Chief Officers through the Force's governance and decision-making structure and progress is reported to the Scrutiny Meeting of the Office of the Police and Crime Commissioner.
- 2.3. Corporate Development Department acts as the central liaison point for all HMICFRS related matters.
- 2.4. HMICFRS independently assesses the recommendations and AFIs either through further inspection or by undertaking reality testing. The new process for follow-up which, in some circumstances, allows Chief Constables to sign these off as closed on the Monitoring Portal, was implemented on 26th January 2023.
- 2.5. This has resulted in a number of recommendations and AFIs, already assessed as complete by the Force and/or the HMICFRS Force Liaison Lead, being closed on the Monitoring Portal.
- 2.6. The HMICFRS Monitoring Portal includes causes of concern and recommendations made to police forces by HMICFRS since January 2013, and AFIs since September 2019. The position as of 27th January 2023 was:

	Recs	AFIs
Total	338	68
Total closed	266	52
Total open	72	16
<i>Considered complete by the Force, awaiting HMICFRS review</i>	24	3
<i>Reviewed by HMICFRS for closure, awaiting update on the portal</i>	0	0
Subject to ongoing Force activity	48	13

- 2.7. Since the last Joint Independent Audit Committee (JIAC), three recommendations from the national thematic inspection report 'An inspection into how well the police and other agencies use digital forensics in their investigations' have been added to the portal.
- 2.8. There are 48 recommendations from nine thematic inspections and thirteen AFIs from two inspections subject to ongoing Force activity. No additional recommendations or AFIs have been closed since last reporting to JIAC.
- 2.9. The Force is satisfied with the progress being made as reported through the internal governance structure and Scrutiny Meeting.
- 2.10. Several recommendations are dependent upon the implementation of NEC Connect and/or guidance from national bodies. The implementation of Connect has been further delayed by NEC in order that issues identified by other forces can be fixed. In response, those areas impacted have been assessed as amber however this reflects delay in delivery rather than an increased risk to Northumbria Police. A revised implementation date is to be determined.
- 2.11. Appendix A provides an overview of all outstanding recommendations and AFIs assigned to Northumbria Police by HMICFRS on the monitoring portal which are subject to ongoing activity and includes the number of recommendations assessed as complete by the Force. A summary of progress, together with an expected delivery date and RAG status is also included.
- 2.12. The following inspection and investigation reports have been published by HMICFRS or other relevant inspection bodies since the last JIAC:

[Responses to Police perpetrated domestic abuse: Report on the Centre for Women's Justice super-complaint](#) (published 23rd November 2022)

[Second National Police Chiefs' Council response to Police perpetrated domestic abuse: Report on the Centre for Women's Justice super-complaint](#) (published 27th January 2023)

- 2.13. In June 2022, the College of Policing, HMICFRS and the Independent Office for Police Conduct published the 'Police perpetrated domestic abuse' report, in response to the Centre for Women's Justice super-complaint.
- 2.14. The report made recommendations to Chief Constables, Police and Crime Commissioners, the Ministry of Justice, and the Home Office and the initial responses from these bodies were published on 23rd November 2022 regarding whether the recommendations were accepted.
- 2.15. On 27th January 2023, the second response from the National Police Chiefs' Council was published which provides details of how forces have responded to the recommendations.

[An inspection into how well the police and other agencies use digital forensics in their investigations](#) (published 1st December 2022)

- 2.16. HMICFRS carried out a thematic inspection of digital forensics in England and Wales between February and May 2022. Northumbria Police was one of the eight forces inspected. It examined how effective the provision of digital forensics is in forces and

regional organised crime units (ROCU); how well they understand and plan for future demand; and whether victims of crime were receiving a quality service.

- 2.17. Three recommendations were aligned to the police regarding governance and oversight to better understand the local demand for digital services; the inclusion of management of digital forensic kiosks in governance and oversight frameworks; and the integration of digital forensic services under existing forensic science structures.

[PEEL 2021/22 - An inspection of the north-east regional response to serious and organised crime](#) (published 7th December 2022)

- 2.18. In 2022, HMICFRS changed how they inspect serious and organised crime (SOC) to incorporate inspections of the ten regions, as well as the nine ROCUs throughout England and Wales and the 43 police forces to improve understanding of how well forces and ROCUs work together to tackle SOC.
- 2.19. The report includes regional, as well as individual force and ROCU findings with gradings for the ROCU and individual forces, highlighting AFIs, causes of concern, and innovative and promising practice.
- 2.20. The inspection graded Northumbria Police as good, the Northeast ROCU and Cleveland Police as adequate and Durham Constabulary as outstanding. Northumbria Police received one AFI regarding ensuring that there are sufficient resources in specialist areas to meet SOC demand. Northumbria Police was also highlighted for innovative practice for the development of a data and analytical tool to map place-based harm.
- 2.21. The AFI resulting from the inspection has not yet been added to the HMICFRS Monitoring Portal.

[How the police respond to victims of sexual abuse when the victim is from an ethnic minority background and may be at risk of honour-based abuse](#) (published 16th December 2022)

- 2.22. On 7th August 2020 HMICFRS received a super-complaint from the Tees Valley Inclusion Project (TVIP) about the police response to victims of sexual abuse from ethnic minority backgrounds who may be at risk of honour-based abuse.
- 2.23. In its super-complaint, TVIP stated there are nine features of policing that are causing significant harm to these victims: overuse of voluntary suspect interviews; failure to consider honour-based abuse as a concomitant safeguarding concern following sexual abuse reporting; failure to keep victims informed following the report of sexual abuse; failure to provide information during the prosecution process; failure to discuss special measures and other protective measures with victims/survivors; lack of empathy from the police; ineffective and inadequate use of police resources; disproportionate focus on community impact; and failure to understand the retraumatising effect of the prosecution process.
- 2.24. The investigation examined whether there was evidence the concerns set out by TVIP are features of policing and whether there was evidence they are, or appear to be, causing significant harm to the public interest.

- 2.25. Fieldwork was carried out in six forces (Northumbria Police was not included). The report makes five recommendations, four for the police. Updates against these recommendations are provided to the National Police Chiefs' Council who provide a national response to the super-complaint.

3. FINANCIAL CONSIDERATIONS

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

4. LEGAL CONSIDERATIONS

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

5. EQUALITY CONSIDERATIONS

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

6. RISK MANAGEMENT

- 6.1 Activity in response to HMICFRS findings is monitored through the Northumbria Police governance structure and by the Office of the Police and Crime Commissioner.
- 6.2 HMICFRS expects progress is made in response to the recommendations and uses progress against previous recommendations to assess risk when considering future inspection activity.

7. RECOMMENDATIONS

- 7.1 To note progress continues to be made against all recommendations and AFIs and that there are currently no matters of exception to report in response to previous inspections.

Report Title	Business Lead	Executive Lead	Recommendation/ Area for Improvement (AFI)	Number of Recommendations/AFIs (and number considered complete on the HMICFRS Monitoring Portal)	Number considered complete by the Force not yet reviewed by HMICFRS	Context	Anticipated completion date	Progress on delivery	RAG	Reported to Scrutiny Meeting	PCC response	Next report to Scrutiny Meeting
Policing in the pandemic - The police response to the coronavirus pandemic during 2020 Published 20th April 2021 CC response to PCC: 03/06/2021 PCC Section 55 response: June 2021 Reported to JJAC: 19/07/2021	Multiple	DCC	Recommendations	5 (0)	4	<u>Issue</u> The report highlighted five national recommendations regarding ensuring that officers understand and correctly implement the guidance for managing registered sex offenders during the pandemic; that they can manage their responses to changes in coronavirus-related legislation; that a policy is in place to make sure that the guidance and self-isolation directions when members of the workforce come into contact with someone with coronavirus symptoms are followed; that custody records are updated with information about how/when/if detainees are informed of the temporary changes to how they can exercise their rights to legal advice and representation; and to assess the sustainability of any temporary measures introduced during the pandemic that change the way they work.	This is dependent upon the new custody module, as part of NEC Connect (revised implementation date to be determined)	Three of the five recommendations were reported as complete at the Scrutiny Meeting in September 2021. These relate to officers understanding of guidance regarding managing registered sex offenders and coronavirus legislation and also policy regarding test track and trace. Custody staff have been provided guidance to ensure that custody records are updated with information about how/when/if detainees are informed of the temporary changes to how they can exercise their rights to legal advice and representation. The Electronic Custody Recording system cannot mandate this information but quality assurance checks are being undertaken to mitigate any potential risk. The new custody system will improve monitoring in the future. A new ways of working (NWOW) project was established to determine future working practices. The NWOW project has achieved its initial objectives and lessons learned from the Project will be identified to understand the successes and achievements and to reflect on learning to take forward. Update: January 2023 The remaining recommendation is dependent upon the release of the new custody system.		19/01/2023	The position remains as previously reported.	03/08/2023
Custody services in a COVID-19 environment Published 20th April 2021 CC response to PCC: 03/06/2021 PCC Section 55 response: June 2021 Reported to JJAC: 19/07/2021	Head of Custody	ACC (Force Coordination)	Recommendation	1 (0)	0	<u>Issue</u> This was a supplemental report to 'Policing in the Pandemic' with a further national recommendation providing detail of the custody information that HMICFRS recommends forces should collect and use.	This is dependent upon the new custody module, as part of NEC Connect (revised implementation date to be determined)	Limitations with the current ICT systems do not allow the collation of some of the suggested data and some can only currently be obtained by manually checks of custody records. The new custody recording system will allow for the wider scrutiny of data and information. Update: January 2023 This recommendation is dependent upon the release of the new custody system.		05/09/2022	The position remains as previously reported.	22/02/2023
A joint thematic inspection of the police and Crown Prosecution Service's response to rape – Phase one: From report to police or CPS decision to take no further action Published 16th July 2021 CC response to PCC: 23/09/2021 PCC Section 55 response: September 2021 Reported to JJAC: 27/09/2021	Head of Safeguarding	T/ACC (Crime and Safeguarding)	Recommendations	8 (0)	4	<u>Issue</u> The inspection found that the criminal justice system's response to rape offences fails to put victims at the heart of building strong cases despite the national focus by the Government, policing and the Crown Prosecution Service (CPS) on improving outcomes for rape. Recommendations have been made to police regarding capturing the protected characteristics of rape victims; establishing reasons why victims withdraw from cases; working better with local support services to better understand their role; improving the effectiveness of case strategies and action plans with the CPS; improving relationships with the CPS to build a cohesive and seamless approach; reviewing the current process for communicating to victims the fact that a decision to take no further action has been made; ensuring investigators understand that victims are entitled to have police decisions not to charge reviewed under the Victims' Right to Review scheme; and the publication of annual SSAIDP attendance figures, and information on the number of current qualified RASSO investigators.	Delivery of two of the recommendations is dependent on the implementation of NEC Connect (revised implementation date to be determined)	Some of the requirements of the recommendations require the implementation of NEC Connect to allow for the necessary information capture. A Joint National Action Plan has been circulated through CPS/Police leads and adopted locally; this addresses key performance areas for improvement. All recommendations are included within a RaSSO improvement plan and are monitored regularly. Good engagement is in place between ISVA service /CPS /police and all are regularly cooperating and sharing practice to improve services for victims. Other support services also work closely with Police including Safer Communities (charity) who operate from the SARC, support victims and assist with referrals, and the Sunderland Counselling Service who operate from the SARC one day per week. This allows for closer working together and better understanding of roles. NFA decisions are being delivered by officers with the ISVA where possible to ensure the victim has appropriate support and has received a full and comprehensive update as to the outcome. This is within timescales set by Victims' Code of Practice (VCoP) and is monitored. CPS are also reviewing their process for notifying victims and this will include the ISVA service. The Victim Right to Review scheme is being regularly reviewed to monitor applications and outcomes and is to be included in the Performance Management Framework (PMF) to identify any areas of learning for individuals. Staff training is in place and ongoing. This is a rolling programme with courses scheduled as part of the yearly training profile. Update: January 2023 A PMF has been developed for the Rape Investigation Teams which focuses on a qualitative assessment of outcomes, VCoP compliance, victim attrition, charge rate and file quality. Close working is in place between the Force and the CPS to try and improve case strategies through the use of Early Advice, Early Enhanced Advice and Post Charge Case Conferences. The police and CPS have effective challenge/escalation processes through the local tactical and strategic working groups. Relationships ensure that there is no barrier to communication and challenge in such circumstances.		03/10/2022	The PCC received additional information on RaSSO at Scrutiny Meeting in September and October 2022 with wider analysis to fully understand the victim's journey and where the challenges currently are in respect of the CJS response. The PCC is aware the main aim for the Force is to increase confidence of victims to report rape crimes and feel supported once doing so. Future reporting every six months.	20/04/2023
Police response to violence against women and girls - Final inspection report Published 17th September 2021 CC response to PCC: 16/11/2021 PCC Section 55 response: November 2021 Reported to JJAC: 22/11/2021	Head of Safeguarding	T/ACC (Crime and Safeguarding)	Recommendations	3(0)	1	<u>Issue</u> The recommendations in the final report relate to increasing the prioritisation of VAWG offences in policing. Forces are required to ensure information on protected characteristics of victims is accurately and consistently recorded; that an action plan is established that specifies in detail what steps the force will take to improve and standardise its approach to responding to VAWG offences, with the aim of ensuring policies, processes and practices are effective, actively monitored and managed, and meeting national standards; and that there should be consistent and robust monitoring of outcomes 15 and 16 in VAWG cases with the National Police Chief Constables' Council (NPCC) VAWG National Delivery Lead tasked with developing a new process for forces.	Delivery of one recommendation is dependent on the implementation of NEC Connect (revised implementation date to be determined)	Northumbria presently records information on victim age, gender and ethnicity. It is recognised that while Northumbria can provide overall victim data in terms of volumes, data relating to all nine protected characteristics is not available. Recent work has been conducted via the Northumbria Local Criminal Justice Board. The NPCCS Replacement Project Team confirm that in relation to the nine protected characteristics, Connect allows for the collection of far more data than NPCCS currently does. The implementation of NEC Connect will provide for the requirement to better capture protected characteristic information. The force routinely monitors use of outcomes 15 and 16, and will support the NPCC VAWG national delivery lead in the development and implementation of the new process. The recommendation suggested that the new process be developed by December 2022. Following the publication of the VAWG national delivery framework, a VAWG Delivery Group of identified SPOCs across all key force functions has been established to develop a force delivery framework aligned to the national publication. Governance in relation to VAWG is via the Protecting Vulnerable People Governance Group chaired by ACC Crime and Safeguarding. The delivery framework and supporting VAWG strategy were shared with the national VAWG task force by the required deadline of 31 March 2022 and the strategy and framework are now published on the external force website. One of the remaining recommendations will be addressed with the implementation of NEC Connect for the wider capture of protected characteristics. Update: January 2023 Information on the awaited guidance following the review of outcomes 15 and 16 has been recently received. Changes will be made to the Home Office Crime Recording Rules. These will come into effect from April 2023 and the Force will prepare for any necessary changes.		03/10/2022	No issues raised.	20/04/2023
A joint thematic inspection of the criminal justice journey for individuals with mental health needs and disorders Published 17th November 2021 CC response to PCC: 18/01/2022 PCC Section 55 response: January 2022 Reported to JJAC: 28/02/2022	Head of Safeguarding	T/ACC (Crime and Safeguarding)	Recommendations	4 (0)	0	<u>Issue</u> Four national recommendations regarding: the need for dedicated investigative staff to receive training on vulnerability with inputs on responding to the needs of vulnerable suspects (as well as victims); assessment of outcome code 10 and 12 cases to assess the standard and consistency of decision making; a review of the availability, prevalence, and sophistication of mental health flagging; and the identification of risks and vulnerabilities during risk assessment processes, particularly for voluntary attendees.	Delivery of one recommendation regarding mental health flagging is dependent on direction from the NPCC on the agreed definition for mental health markers and the implementation of NEC Connect (revised implementation date to be determined)	Delivery of "Vulnerability Matters" training commenced in March 2022 to all public facing officers and staff. This covers all officers in detective roles. This training programme will assist officers to recognise vulnerability in suspects they are dealing with and give them the tools to support in signposting Mental Health suspects. A crime review of mental health crimes was undertaken in January 2022 to assess outcome codes 10 and 12 and identify learning. This will be revisited to assess the impact of training and messaging. Mental health markers are being considered as part of the migration to the new Force system. Clarity is also being sought around the definition of mental health for the markers/flags. The NPCC report that there is some discrepancy between justice, health and social care agencies about the definition of Mental Health. Update: January 2023 The delivery of Vulnerability Matters training continues and this includes a focus on mental health. As at 21st December 2022, 75% of those identified for training have completed it. Leadership vulnerability training is also being delivered to all newly promoted sergeants and inspectors. 1,300 members of staff have received a bespoke training package for Mental Health Investigations which was developed by Safeguarding and the Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust Mental Health Police Liaison lead. Guidance is still awaited from the NPCC on an agreed definition for mental health flagging. The Force continues to use Criminal Justice Liaison and Diversion (CJLD) teams in custody as part of the risk assessment process and work is ongoing to expand this for voluntary attendees. The use of speech and language therapy practitioners within CJLD teams has been highlighted as best practice within a National Children and Young Persons meeting in relation to identifying hidden vulnerabilities and ensuring fair access to justice. This will be considered alongside any process changes.		19/01/2023	No issues raised.	03/08/2023

Report Title	Business Lead	Executive Lead	Recommendation/ Area for Improvement (AFI)	Number of Recommendations/AFIs (and number considered complete on the HMICFRS Monitoring Portal)	Number considered complete by the Force not yet reviewed by HMICFRS	Context	Anticipated completion date	Progress on delivery	RAG	Reported to Scrutiny Meeting	PCC response	Next report to Scrutiny Meeting
Twenty years on, is MAPPA achieving its objectives? Published 14th July 2022 CC response to PCC: 05/09/2022 PCC Section 55 response: September 2022 Reported to JJAC: 26/09/2022	Head of Safeguarding	T/ACC (Crime and Safeguarding)	Recommendations	4(0)	2	Issue The inspection highlighted the requirement for improvements to ensure that: Category 3 referrals are made to manage individuals who present a high risk of domestic abuse where formal multi-agency management and oversight through MAPPA would add value to the risk management plan; there is a comprehensive training strategy for all staff involved in the MAPPA process; all MAPPA nominals managed at Levels 2 and 3 are allocated to a suitably trained police offender manager; and where workloads of staff managing sexual offenders are found to be excessive, that steps are taken for mitigation.	Apr-23	The Force considered it was already compliant with two recommendations regarding the allocation of all MAPPA nominals managed at Levels 2 and 3 to a suitably trained police offender manager and the review of workloads for staff managing sexual offenders against national expectations. Update: January 2023 Northumbria is working to raise the profile of domestic abuse cases and ensure that all practitioners consider domestic abuse cases for MAPPA management, this includes training, identification of domestic abuse cases in the MAPPA screening process and Strategic Management Board audits for domestic abuse cases. While MAPPA training has been delivered to all staff working in MOSOVO and is covered on other courses held locally, Probation and the Force are working together to provide a training package to Multi Agency Risk Assessment Conference staff.		19/01/2023	No issues raised.	03/08/2023
The police response to burglary, robbery and other acquisitive crime Published 11th August 2022 CC response to PCC: 03/10/2022 PCC Section 55 response: October 2022 Reported to JJAC: 26/09/2022	Head of Crime	T/ACC (Crime and Safeguarding)	Recommendations	2(0)	0	Issue The report recommended that by March 2023, forces should make sure their crime scene management practices adhere to the authorised professional practice (APP) on managing investigations for serious acquisitive crime or provide a rationale for deviating from it and also to ensure that investigations are subject to effective supervision and direction.	Mar-23	The Force will document processes that adhere to general crime scene preservation and management; and forensic assessment flowcharts have been refreshed for all contact handlers. A forensic performance framework is being developed to better understand the effectiveness of the triage process and the contribution towards positive outcomes. Audits are conducted with regards to outcome codes and Victims' Code of Practice compliance and performance is regularly monitored. Update: January 2023 The Force adheres to national best practice for scene management. Oversight of forensics and investigative standards is provided via the Investigation and Effective Justice Group, chaired by ACC Crime & Safeguarding.		N/A	Future reporting on progress will be included in current arrangements for scrutiny in this area of business.	08/06/2023
PEEL 2021/22 – An inspection of Northumbria Police Published 22nd September 2022 CC response to PCC: 03/10/2022 PCC Section 55 response: October 2022 Reported to JJAC: 21/11/2022	Multiple	DCC	AFIs	8(0)	0	Issue The inspection outlined the requirement for the Force to ensure that it improves: the accuracy when recording crimes and incidents of rape; the recording of crime when ASB is reported; the recording of equality data; the time it takes to answer emergency calls and reduce the number of non-emergency calls that are abandoned; the advice given by call takers on the preservation of evidence and crime prevention; attendance in response to calls for service in line with its published attendance times and ensures that when delays do occur, victims are fully updated; the recording of an auditable record of the decisions made when a victim withdraws their support for a prosecution; and takes steps to reduce delays in intelligence development for paedophile online investigation packages.	Dec-23 (excluding some elements of delivery dependent upon NEC Connect)	Update: January 2023 An improvement plan is in place regarding the recording of offences within anti-social behaviour (ASB) incidents and also sexual offences (including rape and NI00s). A mandatory training package for rape and NI00 has been created to improve officer understanding; as at 15th December 2022, it has been completed by 75% of the target audience. A working group has been set up to explore the improved capture and recording of details to support service delivery to victims of hate crimes. The principles established for hate crime victims will be considered across all victims enabling improved capture of protected characteristics. Implementation of NEC Connect will facilitate the improved capture of equality information. Call handling and response rates continue to be closely monitored. A performance management framework is in place and improvements are being facilitated by increased capacity and capability within the Communications Department, training and new technology such as Callback Assist. Call handling performance continues to improve with improved 999 and 101 answer times and a reduction in abandonment rates. The Communications initial training package was revisited to ensure it provides sufficient information regarding the preservation of evidence and crime prevention. In addition, prompts and further support aids have been provided to contact teams to help ensure improved forensic potential is identified at initial point of contact. There has been a holistic approach to demand reduction, through the preparation and execution of seasonal plans across all areas of the business, managed through the Force Coordination Centre. Activities have been implemented to improve incident attendance times, and to offset the increase in grade 1 and 2 incidents. These include increased resourcing in Communications Department, a change to the Response Policing Teams shift pattern, action plans to influence culture and the use of technology. A Communications Department action plan has four identified workstreams: People and Culture; Demand and Response; Technology; Risk Management Desk and Control Room. The plan also includes additional focus on improvements in re-contacting the caller when delays occur. Training and guidance have been informed by reviews where victims have withdrawn their support for a prosecution. A template proforma was produced for supervisors to help ensure the required recording of decision making alongside the necessary auditable record of information. A comprehensive outcomes guide has also been designed to aid officers force wide. An improvement plan is in place to reduce delays in intelligence development and good progress is being made through triage, additional resource and supportive staff measures.		19/01/2023	Regarding call handling, the PCC advised that although it was important to meet SLA targets, the main priority at present should be a continuous improvement with the call handling data. The PCC also highlighted that the 101 service had become a bigger focus within national discussions due to the challenges this was facing across the country.	20/04/2023
An inspection of vetting, misconduct, and misogyny in the police service Published 2nd November 2022 CC response to PCC: 22/11/2022 PCC Section 55 response: December 2022 Reported to JJAC: 21/11/2022	Head of Professional Standards Department	DCC	Recs	29 (0)	0	Issue HMICFRS determined that police vetting standards are not high enough and it is too easy for the wrong people to both join and stay in the police. It was also determined that a culture of misogyny, sexism and predatory behaviour towards female police officers and staff and members of the public still exists.	Jan-24	The Force context in response to the findings was reported to Business Meeting on 22nd November 2022. Update: January 2023 An action plan has been created to address the areas highlighted in the report and a recent assessment and update provided to the National Police Chiefs' Council. The Force is already compliant in a number of areas and expects to deliver the majority of the remaining recommendations within the timeframes suggested.		N/A	Due to the need to be aware of the impact on public confidence the PCC asked for an update on progress in response to the recommendations and AFIs be provided April 2023.	20/04/2023
An inspection into how well the police and other agencies use digital forensics in their investigations' Published 1st December 2022 CC response to PCC: 19/01/2023 PCC Section 55 response: January 2023 Reported to JJAC: 27/02/2023	Head of Forensic Services	T/ACC (Crime and Safeguarding)	Recs	3 (0)	0	Issue HMICFRS concluded that police forces are unable to keep pace with technology when it comes to digital forensics – and there is a significant backlog of devices waiting to be examined. Delays, lack of resources and lack of adequate training means some victims are being let down and officers are missing their chance to bring offenders to justice. Three recommendations were aligned to the police regarding governance and oversight to better understand the local demand for digital services; the inclusion of management of digital forensic kiosks in governance and oversight frameworks; and the integration of digital forensic services under existing forensic science structures.	Dec-23	The Force context in response to the findings was reported to Business Meeting on 19th January 2023. Update: January 2023 An ongoing programme of work is being led by the Forensic Services Senior Management Team to identify and respond to demand, growth, and efficiencies within service delivery. Northumbria Police is currently running a pilot to evidence the service and quality benefits of Digital Forensics Unit (DFU) control of the digital kiosks; the evidence from which will inform future plans. The Force's DFU is part of the Forensic Services Department and has been governed alongside traditional forensic services since October 2022. Northumbria Police has recently been successfully recommended for ISO 17025 accreditation in the use of Magnet Automate, which has been utilised within DFU since 2019 to assist with the processing of digital devices.		N/A	N/A	08/06/2023
										On track - no concerns		
										Progressing - additional action required to ensure delivery/delivery delayed		
										Risk to completion		

Short Report for Information

Joint Independent Audit Committee	27 February 2023
Joint Strategic Risk Register	
Report of: Ruth Durham, Chief of Staff and Monitoring Officer (OPCC) & Debbie Ford, Deputy Chief Constable (Northumbria Police)	
Author: Tanya Reade, Corporate Governance Manager, Corporate Development	

I. PURPOSE

- 1.1 To present the Joint Strategic Risk Register (JSRR); this incorporates the strategic risk(s) faced by the Force and OPCC within twelve thematic areas.

2. BACKGROUND

- 2.1 The OPCC and Northumbria Police share a JSRR. Each strategic risk is assigned a Chief Officer or OPCC owner(s), who has responsibility for the management of controls and the implementation of new controls where necessary.

Governance of the Joint Strategic Risk Register

- 2.2 The JSRR identifies each risk, provides context to the risk and identifies current factors affecting thematic areas and captures the consequences if it were to happen. It also provides a summary of existing controls and rates risks on the likelihood of the risk occurring and the impact it would have. All risks are regularly reviewed by the respective owners and updated, where necessary.
- 2.3 Area Commanders, Department Heads and the OPCC are responsible for the identification of emerging risks which cannot be controlled locally and have the potential to prevent the Force and PCC from achieving objectives. Recommendations and areas for improvement following external inspections are considered to ensure they are adequately reflected in current risks. These risks are escalated to the PCC and Chief Officer Team via the relevant governance meetings in line with decision-making structures and recorded on the JSRR. PCC risks are reviewed locally by the OPCC.
- 2.4 The JSRR is presented to the joint Business Meeting between the PCC and the Chief Constable on a quarterly basis. The Joint PCC/Chief Constable Governance Group and Joint Independent Audit Committee (JIAC) provide additional scrutiny and governance on a quarterly basis.
- 2.5 The JSRR captures risk(s) in twelve thematic areas: Digital Policing, Finance; Governance; Information and Data Management; Information and Data Quality; Infrastructure and Assets; Operational; Partnership and Collaboration; Public Confidence; Regulation and Standards; Strategy; and Workforce.
- 2.6 Appendix A provides an overview of the current Red Amber Green (RAG) status of the strategic risks for Northumbria Police, alongside the Force Strategic Risk Register. (Thematic risk areas are recorded alphabetically and numbered for ease of reference only.)

Short Report for Information

- 2.7 Appendix B provides an overview of the current RAG status of the risks for the OPCC, alongside the register.

Key Updates to the Force Strategic Risk Register**Workforce - Reduction in attraction and retention**

- 2.8 Workforce risk was previously split 'A - Inability to attract, recruit and retain required workforce levels' and 'B - Limited ability to ensure the workforce has the appropriate capacity and capability in order to meet the current and future requirements of an effective policing service'; these have been replaced to refocus on the risk faced by the Force - a 'Reduction in attraction and retention'.
- 2.9 The context now reflects how the force will attract, retain and develop a high performing and engaged workforce through promoting positive behaviours, a focus on wellbeing, a modernised rewards package and a strong employer brand which reflects the Forces internal culture.
- 2.10 Current factors reflect the challenges faced, including lack of clarity on future skill requirements to deliver current and future operating models, limited understanding of people performance and talent, and societal challenges and adverse press coverage across policing.
- 2.11 The potential consequences include failure to secure a diverse and engaged workforce and reduction in performance and service delivery.
- 2.12 Summary of controls include the development of a People Strategy to provide direction and clarity to create an environment to support attraction, recruitment and development, in addition to a Standards, Ethics and Behaviours plan to promote activity and learning to support these areas.
- 2.13 Likelihood remains medium (3) and impact high (4).
- 2.14 The force has assessed five areas as high risk: Digital Policing, Finance, Information and Data Management, Information and Data Quality and Workforce.

Recent Updates to the OPCC Strategic Risk Register**Governance (OPCC) - Existing arrangements for the PCC to carry out robust scrutiny and hold the Chief Constable to account for efficient and effective delivery of the Police and Crime Plan are ineffective or inconsistent.**

- 2.15 Following the successful recruitment of a new Chief Constable, current factors around the governance risk have been updated to include the need for the development of a robust and supportive professional relationship. All references to the Chief Constable recruitment process have been removed.
- 2.16 Likelihood remains very low (1) and impact low (2).

Short Report for Information

Partnership and Collaboration (OPCC) - Reduction in or withdrawal of partnership working for the OPCC leading to a failure to identify, develop and retain collaborative arrangements that support communities with sustainable multi agency responses.

- 2.17 The current factors impacting this risk have been updated to include reference to the current economic crisis and funding pressures on partners.
- 2.18 Likelihood remains low (2) and impact high (4).
- 2.19 The OPCC has assessed one area as high risk: Finance.

3. CONSIDERATIONS

Government Security Classification	Official
Freedom of Information	Non-Exempt
Consultation	Yes
Resources	No
<i>There are no additional financial considerations arising from this report.</i>	
Code of Ethics	No
<i>There are no ethical implications arising from the content of this report.</i>	
Equality	No
<i>There are no equality implications arising from the content of this report.</i>	
Legal	No
<i>There are no legal considerations arising from the content of this report.</i>	
Risk	No
<i>There are no additional risk management implications directly arising from this report.</i>	
Communication	No
Evaluation	No

Overview of the RAG status of Strategic Risk – Northumbria Police

LIKELIHOOD	Very High (5)				
	High (4)			2 Finance	
	Medium (3)		10 Regulation and Standards	1 Digital Policing 4 Information and Data Management 5 Information and Data Quality 12 Workforce	
	Low (2)		6 Infrastructure and Assets	7 Operational 8 Partnership and Collaboration 9 Public Confidence 11 Strategy	
	Very Low (1)	3 Governance			
	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
IMPACT					

Assessment of Risk

Risks are rated on the basis of the likelihood of the risk materialising and the impact this would have. It is recognised rating risk is not an exact science and should be informed by evidence where possible.

Professional knowledge, judgement and active consideration are applied in assessing the likelihood and impact of a risk materialising; this is more important than the nominal rating itself.

The purpose of the rating of risk is to focus attention to ensure appropriate and proportionate mitigation plans and controls are in place.

L i k e l i h o o d	5. VERY HIGH	5	10	15	20	25
	4. HIGH	4	8	12	16	20
	3. MEDIUM	3	6	9	12	15
	2. LOW	2	4	6	8	10
	1. VERY LOW	1	2	3	4	5
		1. VERY LOW	2. LOW	3. MEDIUM	4. HIGH	5. VERY HIGH
	Impact					

The overall outcome of a risk rating assessment will identify the risk as being **very low/low (Green)**, **medium (Amber)** or **high/very high (Red)**. The residual risk rating is included on the Force Strategic Risk Register as a single overall score (identified by multiplying the impact by the likelihood rating) after controls/mitigations have been put in place.

Key:

Green: Very Low/Low -

Unlikely to occur or the risk is fully manageable. Likely to lead to no or only tolerable delay in the achievement of priorities.

Amber: Medium -

The Force is actively managing the risk as is practicable. The risk may lead to moderate impact on the achievement of priorities.

Red: High/Very High -

The Force has only limited ability to influence in the short term; however, is actively managing. The risk may lead to considerable impact on the achievement of priorities.

I	Strategic Risk Area – Digital Policing
	Risk – Inability of the Force to respond effectively to service demand due to loss or failure of mission and business critical technology solutions.
Owner(s)	Chief Information Officer
Governance & Oversight	Transformation Board
Context	<ul style="list-style-type: none"> ▪ Limitations of current digital policing systems and the impact on service delivery. ▪ Loss of critical digital policing services. ▪ Significant information technology (IT) transformation programme. ▪ A malicious intent to compromise or access information or data. ▪ Failure of national projects to deliver on time and to specification.
Current factors	<ul style="list-style-type: none"> ▪ New technology/new working practices being introduced. ▪ Major IT Transformation now running (improve and remodel phase). ▪ Delay on the NPICCS Replacement to Connect. ▪ Delay in replacement of the People systems.
Potential consequence	<ul style="list-style-type: none"> ▪ Ineffective IT system to support business processes. ▪ Inability to effectively communicate with partners and the public. ▪ Loss of information from systems as a result of a cyber-attack. ▪ Loss of confidence in systems and the organisation from users, the public and partner organisations. ▪ Loss of people data due to out of service life and unsupported core people systems internally and externally.
Summary of Controls	<ul style="list-style-type: none"> ▪ Effective disaster recovery controls in place with appropriate management of core system recovery and associated business continuity plans. ▪ Significant investment in place to provide core IT services. ▪ Digital Strategy supported by key underlying strategies. ▪ Digital Policing senior leadership team and robust governance via the local Digital Policing Board in place. ▪ Contracted advisory service in place. ▪ Centralised hardware security monitoring now fully operable via the National Management Centre provided by the National Enabling Programme. ▪ Greater security enhancement via enhanced Firewalls and access controls. ▪ Annual and ad-hoc penetration testing regime embedded. ▪ Recruitment and retention arrangements being finalised over transition period. ▪ Recruitment to structure on target and to plan to achieve required capacity and capability. ▪ Incentives for existing Development and Database Administration personnel. ▪ Dedicated Solution Delivery function focussed on project delivery of the transformation programme.

	<ul style="list-style-type: none">▪ Renegotiation of NEC/Northgate contract with more delivery focussed delayed payments and negotiated removal of current extended project costs now in place.▪ Improved agile working capabilities for project delivery staff in place and effective.▪ Implementation of Smart Contact Command and Control solutions removing the threat of loss of 999 and 101 calls due to loss of NPICCS.▪ Automated and manual patching of key systems and operating systems completed across critical, high and medium high systems, now monitored through Chief Information Officer.▪ Additional monitoring and tooling in place to alert on any cyber-attacks.▪ Increase in the frequency and types of backups of the people data and full system backups to minimise any loss.▪ Periodic restores and read tests in place to ensure backup is viable.▪ Introduction of infrastructure to improve network and remote access resilience.	
Likelihood Impact	3 4	12

2	Strategic Risk Area – Finance
	Risk – Reduction in funding and/or funding pressures which require changes to financial planning and/or a change to the resourcing of service delivery.
Owner(s)	Chief Constable and Chief Finance Officer
Governance & Oversight	Executive Board/Business Meeting
Context	<ul style="list-style-type: none"> ▪ A review of the funding formula used by government to distribute grant funding to police forces in England and Wales may lead to a reduction in the percentage of central government police funding allocated to Northumbria Police. ▪ Reduction in central government funding as announced in the annual Home Office (HO) Police Funding Settlement. ▪ The funding settlement currently provides certainty for only one financial year and carries continued long-term uncertainty over several funding strands, including Uplift and Pensions for the next two years. ▪ Continued global cost pressures and cost of living increases are not funded with the grant settlement, leading to the necessity for efficiencies. ▪ Other public sector funding reductions may reduce services provided, leading to increased service pressure on Northumbria Police and a need to look at potential collaboration opportunities. ▪ In-year events or changes, outside of Northumbria Police's control, may lead to unbudgeted costs that cannot be met from within the annual budget.
Current factors	<ul style="list-style-type: none"> ▪ The Government has stated the review of the Police Allocation Formula (PAF) will be completed in this parliament; this however may be delayed. ▪ In force financial implications of pension remedy, which are currently being progressed based on national guidance. ▪ Inflationary rises and supply chain issues are creating significant cost pressures in current and future budget predictions, without any increases in funding.
Potential consequence	<ul style="list-style-type: none"> ▪ A reduction to national funding, short notice changes or extraordinary increases in cost may require a change in short- and medium-term force financial planning, including a need to deliver unplanned efficiencies and savings thereby impacting on service delivery. ▪ Any in-year pressures which become a forecast overspend must be addressed through consideration of in-year efficiencies and discussions with the Police and Crime Commissioner (PCC) relating to any appropriate use of reserves to manage the in-year impact.
Summary of Controls	<ul style="list-style-type: none"> ▪ Transparent ownership of financial matters between the PCC and Chief Constable.

	<ul style="list-style-type: none"> ▪ Well understood in-year financial monitoring and reporting governance. ▪ An effective Reserves Strategy to provide mitigation against known and potential future events (COVID-19 Enforcement and Operational, Emergency Services Network, Pension, inflationary Reserves etc.), plus reserves providing financing to planned future investments. ▪ Full consultation, engagement and lobbying alongside and independently with the Police and Crime Commissioners Treasurers' Society, NPCC Treasurers group and the HO to influence funding for Policing and the North East. ▪ Effective forcewide Business Planning cycle and efficiency monitoring. ▪ An effective Workforce Plan and Force Operating Model to manage pay related spend. 	
Likelihood Impact	4 4	16

3	Strategic Risk Area – Governance	
	Risk – Failures originating from a lack of scrutiny, oversight, transparency, internal controls and adherence to legislation.	
Owner(s)	Deputy Chief Constable	
Governance & Oversight	Executive Board	
Context	<ul style="list-style-type: none"> Chief Constable is unable to account to the PCC for the exercise of his functions and those under his direction and control. There is a breakdown in relationship between the Force and Office of the Police and Crime Commissioner (OPCC). 	
Current factors	<ul style="list-style-type: none"> Challenging transformation programme. Response to external inspection and investigation activity by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). 	
Potential consequence	<ul style="list-style-type: none"> Inability to identify and respond to deteriorating performance resulting in policing priorities not being achieved. Inability to work effectively in partnership to provide services to victims and witnesses. Slippage/failure of projects, which hamper the achievement of objectives. A decline in quality and service delivery, leading to a reduction in satisfaction levels. Adverse external inspection reports, leading to recommendations and wider escalation. Loss of public confidence. 	
Summary of Controls	<ul style="list-style-type: none"> Regular review of the governance and decision-making structure to ensure it provides appropriate governance arrangements. A Joint Independent Audit Committee to provide advice to the PCC and Chief Constable on the principles of corporate governance. Police and Crime Panel scrutiny of the functions of the PCC. Annual Governance Statement is prepared setting out the Force's current governance arrangements. Role of HMICFRS to work with the PCC. 	
Likelihood	1	2
Impact	2	

4	Strategic Risk Area – Information and Data Management
	Risk – Challenges in adhering and complying with consistent and sustainable data management processes and standards to prevent data breaches.
Owner(s)	Assistant Chief Constable (Force Coordination)
Governance & Oversight	Operational Information Management Board
Context	<ul style="list-style-type: none"> ▪ The replacement of Force legacy systems presenting competing data management compliance elements. ▪ The complex alignment of digital policing architecture to ensure interoperability. ▪ Developing workforce with inadequate Information Asset Owners (IAOs) and Information Asset Lead engagement. ▪ A recognition of the current position of the force data infrastructure is required to identify associated data use risks, compliance and ethical issues to prevent a breach of relevant legislation and/or non-compliance with statutory guidance.
Current factors	<ul style="list-style-type: none"> ▪ Increased demand due to Digital Policing Change Programme and associated interdependencies relating to new ways of working. ▪ Additional threat from external sources relating to cyber related adverse impact.
Potential consequence	<ul style="list-style-type: none"> ▪ Corruption or loss of Force systems. ▪ Loss of data and information assets. ▪ Failure to comply with both Force policy and procedure and Management of Police Information statutory guidance. ▪ Force policy and procedure processing, storing and handling of data not followed. ▪ Mishandling of information through a lack of understanding of relevant legislation (Data Protection Act 2018). ▪ Failure to comply with Information Commissioner's Office (ICO) best practice, standards and relevant codes of practice. ▪ Litigation, legal action against the Force leading to enforcement action and monetary penalties. ▪ Limited ability to access information and/or respond to requests for information. ▪ Loss of confidence due to inappropriate or unlawful disclosures of personal data (internally and externally). ▪ Compromise of operational activity and/or covert tactics. ▪ Compromise of physical and technical security controls which would impact information assets and/or systems if vulnerability is exploited.
Summary of Controls	<ul style="list-style-type: none"> ▪ Information Management Department (IMD) with more effective capability, including the roles of Data Protection & Disclosure Adviser and Information Security & Assurance Manager. ▪ IMD and Digital Policing collaborating effectively to formally identify, document and mitigate risk through the implementation of innovative and measurable solutions. ▪ Targeted and relevant audit and organisational learning process to identify inappropriate handling and management of information.

APPENDIX A

	<ul style="list-style-type: none">▪ Oversight and management through the Governance and Decision-making structure – Operational Information Management Board.▪ Implementation of formal Information Asset Registers, training, awareness and ongoing monitoring for IAOs and Information Asset Leads.▪ Increased use of technical security controls and monitoring provided by the National Management Centre. Existing procedures in respect of data breaches ensure obligations placed on the organisation in such instances are met.▪ Planned assurance schedule relating to critical systems and services.▪ Monthly meeting with Senior Information Risk Owner to formally assess and govern risk.▪ Force Opsy role identified and placed into IMD to improve operational security.	
Likelihood	3	12
Impact	4	

5	Strategic Risk Area – Information and Data Quality
	Risk – Challenges in efficiently and effectively managing data through the technical and cultural implementation of control measures, storage and practice in support of existing and new operating platforms.
Owner(s)	Assistant Chief Constable (Force Coordination)
Governance & Oversight	Operational Information Management Board
Context	<ul style="list-style-type: none"> ▪ A recognition of the force's ability to accurately collect and present data required to support decision making in all areas of business, whilst ensuring statutory data returns to relevant bodies are concise, accurate and timely. ▪ The replacement of Force legacy systems presenting competing data collection processes. ▪ The ability to assign accountability/ownership of data assets to ensure data is collected, stored and used appropriately. ▪ The application of control measures that affect the way staff interact with data is needed to support the cultural change required to successfully deliver the new operating platforms. ▪ The implementation of data storage, audit and access capability that is complementary across all new platforms is essential to ensure compliance, analysis and quality information readily accessible to staff to advise organisational and operational delivery.
Current factors	<ul style="list-style-type: none"> ▪ Migration to new operating platforms, including Northgate Connect and Steria – Storm. ▪ Legacy data and systems.
Potential consequence	<ul style="list-style-type: none"> ▪ Inaccessible/inaccurate intelligence. ▪ Up-to-date crime and intelligence data - specific data sets such as exhibits are not available to officers/staff or data is stored in various locations and formats without formal recording or RRD (Retention, Review, Deletion) processes in place. Inaccurate data leading to non-compliance with regulations, a potential negative impact upon investigations and subsequent loss of public confidence. ▪ Reduction in force performance and delivery through poor and non-reflective data quality. ▪ Failure to identify risk of vulnerability, officer, public safety. ▪ Inaccurate data returns to the HO and other bodies e.g., HMICFRS. ▪ Poor data quality affecting operational and business decisions, meaning that critical risk factors may be missed or not fully understood. E.g. Vulnerability, Officer Safety and Public Safety.

Summary of Controls	<ul style="list-style-type: none"> Investment in IT to support ongoing DP programme which integrates data management processes and wider compliance obligations. Migration strategy as part of the Transformation 2025 programme IT strand to ensure data quality, accuracy and compliance with GDPR. Implementation of Data Quality reviews and Audits to support ongoing improvements relating to handling methods, accuracy, review and retention. Quality Standards Delivery Team. Self-service updates (i.e. HRMS) to allow efficient and timely changes to data. Use of the QlikSense Business Intelligence tool to identify compliance and data quality issues. Engagement with the HO/National Police Chiefs' Council National Data Quality Improvement Service (NDQIS). Implementation of holistic Information Asset Registers with accountable Owners and Leads. Implementation of revised and enhanced processes and procedures relating to review, retention and disposal of electronic and physical assets with oversight and ongoing monitoring from the IMD. Targeted training and ongoing support for all IAOs and Leads. Enhanced external audit regime implemented that reflects the complexity and breadth of information management obligations and compliance regimes. Revised compliance with ICO and legislative requirements (Record of Processing Activities, Data Flow Mapping etc.). Information Management training mandated for all staff and officers with key performance indicators to Operational Information Management Board as a standing agenda item. Dedicated communication and awareness plan for all staff and officers which targets key risks and impacts in a timely and effective manner. 	
Likelihood	3	12
Impact	4	

6	Strategic Risk Area – Infrastructure and Assets
	Risk - Failure to effectively manage assets to ensure continued effective service delivery through provision of equipment and facilities which keep the workforce capable; able to respond to the public and maintain the physical security and safety of our estate.
Owner(s)	Assistant Chief Officer Corporate Services
Governance & Oversight	Operational Information Management Board (Physical Security) / People & Organisational Justice Board (Force Safety Group and subgroups)
Context	<ul style="list-style-type: none"> ▪ Failure to appropriately maintain assets may result in critical failure. ▪ Failure to comply with building regulations and legislation regarding the safety of our estate. ▪ Force must meet future sustainability and carbon reduction targets. ▪ Failure to ensure officers and staff have the right assets and equipment available to perform their role.
Current factors	<ul style="list-style-type: none"> ▪ Programme of works aligned to future Force Operating model needs to be established to meet operation, sustainability and carbon reduction requirements. ▪ Implementation of New Ways of Working programme. ▪ Delays and increased costs of Estates programme as a result of supply chain issues and inflationary pressures. ▪ Delays in new supply of vehicles/availability of fleet as a result of global supply chain issues. ▪ Physical security of buildings.
Potential consequence	<ul style="list-style-type: none"> ▪ Injury to users of assets, detainees or the public. ▪ Reduced availability of assets impacts on services across some or all business areas. ▪ Litigation and civil claims. ▪ Negative impact on the workforce and on public confidence. ▪ Not achieving sustainability and carbon reduction targets.
Summary of Controls	<ul style="list-style-type: none"> ▪ Understanding and review of the Force estate to ensure it is fit for purpose and used effectively. ▪ Rationalise the estate where appropriate to align with future operating model and operating procedures. ▪ Re-profiling of building refurbishment programme in-line with and New Ways of Working requirements and future Force Operating Model in place. ▪ Established internal arrangements to minimise the impact of proposed estate and infrastructure changes/refreshes on the business. ▪ Business Continuity Plans, Estate Strategies and policies and procedures in place. ▪ Regular inspection, testing and maintenance programmes in place in respect of water hygiene, electricity and gas safety. ▪ Fire risk assessments in place. ▪ Asbestos management plan in place. ▪ Health and Safety management embedded at tactical and strategic level. ▪ New Fleet Strategy implemented in-line with carbon reduction targets. ▪ New Fleet User Group to revise fleet use and force profile, including development of sustainable fleet measures.

APPENDIX A

	<ul style="list-style-type: none">▪ Vehicle maintenance, transportation and installation partners are vetted to ensure security and continuity of service.▪ Internal fuel stock maintained.▪ Asset management software and/ or recording system in place.▪ Telematics installed in all cars providing management oversight with timely maintenance and usage data.▪ Operational equipment requirements are managed via the Force Safety Group and reported to the People & Organisational Justice Board.	
Likelihood Impact	2 3	6

7	Strategic Risk Area – Operational
	Risk – Inability to implement centralised force coordination ensuring sustainable capacity and capability to meet statutory requirements under the Civil Contingencies Act (CCA) and responsibilities from the Strategic Policing Requirement.
Owner(s)	Assistant Chief Constable (Force Coordination)
Governance & Oversight	Strategic Management Board
Context	<ul style="list-style-type: none"> ▪ Implementation of a new Force Operating Model, demographic and operational placement of officers and staff. ▪ A specific focus on Joint Emergency Services Interoperability Programme (JESIP) principles and preparedness planning through the Local Resilience Forum (LRF) to manage Major Incidents. ▪ The national strategic threat and risk assessment in specialist areas of POPS, FA and MP has led to the identification of shifting threats from extremist groups and associated learning from public inquiries. ▪ The uplift of staff and coordinated work force plan has predicted a significant gap in experience and skill base, particularly in specialist areas of investigation and public order. ▪ A recognition of the Force's ability to effectively deal with Societal Risks; Diseases; Natural Hazards; Major Accidents; Malicious Attacks to protect the public and comply with statutory requirements in these circumstances.
Current factors	<ul style="list-style-type: none"> ▪ Current review of the CCA (Civil Contingencies Act). ▪ Proposed wider remit of LRFs. ▪ Statutory guidance for JESIP. ▪ Force Operating Review. ▪ Implementation of Response Policing Team shift pattern in January 2023. ▪ Work Force Plan. ▪ Significant Events.
Potential consequence	<ul style="list-style-type: none"> ▪ Inability to meet core policing requirements. ▪ Inability to respond effectively to Major Incidents. ▪ Reduced staffing and service provision. ▪ Inability to deliver services across some or all business areas. ▪ Inability to project accurate resourcing to meet future demand. ▪ Ability to meet mobilisation commitment. ▪ Negative impact on public confidence. ▪ Ineffective business continuity.

Summary of Controls	<ul style="list-style-type: none"> ▪ Robust business continuity plans in place across all area commands and departments. ▪ Pandemic Multi-Agency Response Teams Plan with partners. ▪ Concept of Operations developed in line with the States of Policing Matrix to support resourcing decisions in order to maintain critical functionality for the force. ▪ Close working with National Police Coordination Centre (NPoCC) and the Regional Information and Coordination Centre to test and exercise mobilisation commitment and provide and request mutual aid as appropriate. ▪ Mobilisation plan includes changes to NPoCC mobilisation commitment and deployments to British Overseas Territories. ▪ Ability to implement agile ways of working and create secure estate environments. ▪ Northumbria Police currently chairs the Northumbria LRF and work closely with partners on preparedness for civil emergencies and the testing and exercising of the multi-agency response. ▪ LRF Strategic Coordination Group and Tactical Coordination Group currently activated with Vice Chair status on each group. ▪ At Chief Constable level Recovery Plan and Recovery Coordination Group participation. ▪ Ability to revise shift pattern to facilitate mobilisation of specialist staff, particularly in respect of TL2 assets. ▪ Force Coordination Centre and daily pace setter meetings to align demand and resources. 	
Likelihood Impact	2 4	8

8	Strategic Risk Area – Partnership & Collaboration	
	Risk – Loss or reduction in opportunities to work in partnerships or collaborations and subsequent impact on service delivery. Ineffective management of new and current commercial contracts leading to reduced service delivery and/or low value for money.	
Owner(s)	Deputy Chief Constable	
Governance & Oversight	Joint Business Meeting / Strategic Management Board - Business	
Context	<ul style="list-style-type: none"> ▪ Lack of scoping and user requirements at the outset of partnerships/collaboration or commercial interest. ▪ Financial constraints on public services. ▪ Cost of living and inflation impacting economy and changing opportunities. ▪ Lack of integrated planning with partners to identify opportunities. ▪ Significant reduction in services provided by key and/or statutory partners such as CPS, HMCTS, Local Authorities (LAs) and health service providers which increases demands on policing. ▪ Failure of collaborative agreements. ▪ Reduced commitment to Community Safety Partnerships (CSPs) and joint objective setting due to competing demands within LAs. 	
Current factors	<ul style="list-style-type: none"> ▪ Reduction in safeguarding activity and preventative work, particularly relating to serious violence and anti-social behaviour. ▪ Ability to manage commercial contracts. ▪ Missed opportunities for further partnership collaboration with partners. ▪ Cost of living / inflation is affecting commercial businesses and public sector. ▪ Ability of partners to deliver services. 	
Potential consequence	<ul style="list-style-type: none"> ▪ Gaps in services and support to communities. ▪ Missed opportunities to prevent and reduce crime and disorder. ▪ Reduced public confidence. ▪ Reduced opportunities for more efficient and effective services. ▪ Increased costs due to poor scoping and/or contract management. ▪ Missed learning opportunities for partner agencies from serious case reviews. ▪ Police resource used to fill gaps created by non-delivery of partnership services, depleting capacity to provide policing services. 	
Summary of Controls	<ul style="list-style-type: none"> ▪ Improving partnership governance arrangements and joint partnership plans through CSPs and wider multi-agency arrangements ▪ Force wide business planning cycle and delivery of local business plans informed by partnership data and engagement. ▪ Strategic Design Authority and Transformation Programme to improve scope and user requirements of procured services with clear benefits tracking via Efficiency Steering Group. ▪ Improving understanding of demand and external influences of demand enabling effective management of response. ▪ Business continuity plans between relevant partners. 	

	<ul style="list-style-type: none"> ▪ Access to local and/or national support programmes. ▪ Ongoing management of commercial contracts. ▪ Tracking of business benefits following adoption of recommendations made in HMICFRS Thematic report 'The Hard Yards'. ▪ Joint work between agencies e.g. Newcastle Safeguarding Children's and Adults Boards and Safer Newcastle to produce a Serious Violence and Criminal Exploitation Strategy. ▪ Ability to introduce and maintain joint Criminal Justice Impact and Recovery working exercises when required, utilising resources across disciplines to meet demand. ▪ Increased early interventions and out of court disposals in place for young people. 	
Likelihood Impact	2 4	8

9	Strategic Risk Area – Public Confidence
	Risk – The loss of public confidence in Northumbria Police due to the behaviour, conduct, actions or inaction of Northumbria Police as an organisation or individuals representing the Force.
Owner(s)	Assistant Chief Constable (Communities)
Governance & Oversight	Engaged Communities Group/Ethics Advisory Board/Organisational Learning Board/People & Organisational Justice Board/ /Public Confidence and Standards Board
Context	<ul style="list-style-type: none"> ▪ Force or an associated individual acts in an inappropriate, discriminatory way or demonstrates corrupt behaviour. ▪ Death or serious injury following police contact or other adverse or critical incident, as a result of police action or omission. ▪ Misuse or deliberate disclosure of sensitive data or information. ▪ Public perceptions of police ineffectiveness in relation to offences disproportionately impacting on specific communities or those with protected characteristics. ▪ Reduced legitimacy due to poor engagement. ▪ Publication of recent reports, including Dame Louise Casey review of Metropolitan Police, Operation Hotten and the findings following the murder of Sarah Everard.
Current factors	<ul style="list-style-type: none"> ▪ Abuse of authority for financial or sexual purpose, fraud or theft. ▪ Awareness of risk within workforce (Abuse of Authority for a Sexual Purpose (AA4SP), misogyny, discrimination) and increase in associated misconduct cases. ▪ Current operating context and legitimacy in use of police powers. ▪ Disproportionality in use of powers. ▪ Identification and response to organisational learning opportunities. ▪ Public perception that ineffective response to Violence Against Women and Girls (VAWG), hate crime and victimisation of Black, Asian and minority ethnic communities is influenced by cultural issues misogyny/ institutional racism.
Potential consequence	<ul style="list-style-type: none"> ▪ Abuse of authority for financial or sexual purpose, fraud or theft. ▪ Increased civil unrest. ▪ Perception of disparity damaging confidence of minority groups. ▪ Litigation, legal action against the Force. ▪ Reduced public confidence.

Summary of Controls	<ul style="list-style-type: none"> ▪ Effective governance arrangements. ▪ Independent advisory groups and Scrutiny Panels for use of powers. ▪ Force Engagement Strategy and systems. ▪ Forcewide internal communications to increase awareness of behaviour and standards. ▪ Completion of Equality Impact and Community Tension Assessments. ▪ Force VAWG Strategy, Race Action Plan and Hate Crime Delivery Plan. ▪ Dedicated Counter Corruption Unit with appropriate capacity and capability to deliver a full range of covert tactics. ▪ Internal threat awareness through Professional Standards Department risk matrix and abuse of authority problem profile. ▪ Vetting procedures in-line with APP on Vetting. ▪ Identification and review of organisational learning, with oversight by the force Organisational Learning Board. ▪ Forcewide training for all staff. ▪ Continuous Performance & Development Review of staff via performance management frameworks. ▪ Focus on diversity in recruitment, attraction, selection and retention. 	
Likelihood	2	8
Impact	4	

10	Strategic Risk Area – Regulation & Standards	
	Risk – Northumbria Police and/or its staff, fail to operate within the regulatory framework defined by law or by force policy. In doing so, creating risks which may result in harm to individuals, groups or organisations.	
Owner(s)	Deputy Chief Constable	
Governance & Oversight	Public Confidence & Standards Board/Engaged Communities Group/People & Organisational Justice Board	
Context	<ul style="list-style-type: none"> ▪ Litigation, legal action and/or prosecution of the Force and/or individuals by former officers or staff members. ▪ Failure to comply with regulatory frameworks. 	
Current factors	<ul style="list-style-type: none"> ▪ Increased scrutiny and challenge on police powers and super complaints. ▪ Significant events impacting on public confidence over last 12 months. ▪ Change in legislation in relation to protest may result in legal challenge. ▪ Increase awareness and reporting of AA4SP could result in legal action against force for failure to prevent. 	
Potential consequence	<ul style="list-style-type: none"> ▪ Litigation, legal action and/or prosecution of the Force and/or individual staff. ▪ Associated costs of dealing with litigation. ▪ Negative impact on the workforce and public confidence. ▪ Failure to achieve/maintain relevant ISO/IEC accreditation in line with relevant codes of practice. ▪ Failure to comply with relevant Health and Safety regulations. 	
Summary of Controls	<ul style="list-style-type: none"> ▪ Central review of all civil claims, with adverse trends and lessons learnt reported to People & Organisational Justice Board/ Organisational Learning Board. ▪ Audit arrangements and Quality Management System. ▪ ISO governance meeting. ▪ Health and Safety Management System and provision of health and safety advice. ▪ Investigations and review of health and safety incidents, with lessons learnt reported to People & Organisational Justice Board. ▪ Introduction of scrutiny panel for use of police powers. ▪ Force policy on mandatory use of Body Worn Video at key incidents/events. ▪ External Scrutiny panel for use of police powers (Use of Force/Stop & Search). ▪ Force approach to identify and reduce AA4SP. ▪ Introduction of Force Public Confidence & Standards Board and external scrutiny oversight board 	
Likelihood	3	9
Impact	3	

II	Strategic Risk Area – Strategy
	Risk – Northumbria Police fails to deliver its strategic objectives and those of the Police and Crime Plan, due to ineffective business planning, including effective management of performance, risk, demand, transformation, workforce and finance.
Owner(s)	Chief Constable
Governance & Oversight	Executive Board
Context	<ul style="list-style-type: none"> ▪ Failure to deliver the Force Strategic Priorities. ▪ Failure to deliver against objectives set out in the Police and Crime Plan. ▪ Failure to achieve the business benefits from the Transformation Programme. ▪ Compliance and standards not meeting acceptable levels impacting on victim services and public confidence. ▪ Failure to meet areas for improvement highlighted by external bodies.
Current factors	<ul style="list-style-type: none"> ▪ COVID recovery impacting on Newcastle Crown Court backlog. ▪ Implementation and impact of Northgate Connect. ▪ Increased demand as the force implements the Transformation Programme. ▪ Development of operating model able to support future demand.
Potential consequence	<ul style="list-style-type: none"> ▪ Deteriorating performance resulting in policing priorities not being achieved. ▪ A decline in quality and service delivery, leading to a reduction in satisfaction and confidence. ▪ Adverse external inspection reports, leading to recommendations and wider escalation. ▪ Reduction in services provided to victims and witnesses as a result of ineffective partnership working with other criminal justice agencies. ▪ Delays to criminal justice outcomes. ▪ Slippage/failure of projects, which hamper the achievement of objectives.
Summary of Controls	<ul style="list-style-type: none"> ▪ Annual preparation of Force Management Statement. ▪ Business planning cycle and delivery of local business plans. ▪ Forcewide Performance Management Framework. ▪ Oversight and management of performance using the Governance and Decision-making structure. ▪ Transformation 2025 Programme. ▪ Local Criminal Justice Board (LCJB) Plan and supporting governance structures. ▪ Effective relationships and communication with partners locally enabling response to national issues (e.g. LCJB Strategic Recovery Group). ▪ Victim service review to improve service delivery to victims of crime and investigative standards. ▪ Implementation of a Northumbria Police Victim and Witness Service.

APPENDIX A

	<ul style="list-style-type: none">▪ Development and implementation of financial and efficiency planning focused on delivery of Force strategic priorities.▪ Realisation of benefits linked to delivery of the transformation programme.▪ Review of operating model and resourcing strategy.	
Likelihood Impact	2 4	8

12	Strategic Risk Area – Workforce
	Risk - Reduction in attraction and retention
Owner(s)	Assistant Chief Officer Corporate Services
Governance & Oversight	People & Organisational Justice Board, Strategic Resourcing Delivery Board, Strategic Design Authority, Transformation Board, Public Confidence and Standards Board
Context	<p>To attract, retain and develop a high performing and engaged workforce we must ensure:</p> <ul style="list-style-type: none"> • We have an environment which promotes and displays positive behaviours driven at all levels and led by Chief Officers, with a clear commitment to enhance value and engagement. • Our people feel confident to challenge and call out adverse behaviours at every level. • There is a focus on wellbeing and a commitment to support and maintain manageable workloads. • Implementation of a modernised total rewards package, reflective of a diverse workforce. • A strong and relevant employer brand, which is realistic and reflective of our internal culture, whilst recognising our focus on improvement. • Operating models and roles have clarity and a long-term vision to support attraction, through delivery of a Resourcing Strategy. • A focus on increased growth in investigative and other specialist roles is supported. • E-recruitment and vetting processes are efficient to match required hiring pace whilst ensuring standards continue to be met.
Current factors	<ul style="list-style-type: none"> • Lack of clarity on future skills requirements based on understanding of current and future operating models. • Limited understanding of people performance and talent. • Buoyant and active job market continues to show high levels of vacancy at local and national level. • Increased challenges to meet diversity ambitions, given recent census data and limited diversity applicant pool, which is in high demand from all sectors. • Societal challenges and adverse press coverage across policing which impact on overall attraction. • Challenges in meeting changing workforce expectations. • Challenges in the attraction of investigative resources through internal supply routes. • Increased police staff attrition particularly between one to three years and potential increase in police officer attrition. • Skills shortages in specialist / technical roles due to current recruitment climate with marked differences in remuneration, flexibility and pay when compared to other sectors.
Potential consequence	<ul style="list-style-type: none"> • Failure to secure a diverse and engaged workforce. • Reduction in performance and service delivery. • Failure to deliver services in technical and specialist areas impacting on public trust and confidence.

	<ul style="list-style-type: none"> • Impact on investigative standards and quality due to insufficient investigative resources to meet demand. • Lack of representation of the communities we serve. • Impact on wellbeing due to high vacancy and turnover rates. • Loss of key skills and knowledge through high turnover. • Increased attraction, engagement and recruitment cost. • Inability to deliver or delays in the delivery of the Transformation Programme due to a lack of specialist and/or technical skills.
--	---

Summary of Controls	<ul style="list-style-type: none"> • A People Strategy underpinned by specific people pillars provides direction and clarity to create suitable environments to support attraction, recruitment and development of our people. • A Standards, Ethics and Behaviours Plan which promotes activity and learning to create an environment to support attraction and retention and improves performance. • A Resourcing Strategy which enables each business area to deal with the demand, design, supply, capacity and capability of its resources. • Continuous engagement with Chief Officer and business leads to ensure clarity of operating models is achieved. • Detailed workforce plans for officers and staff are reviewed periodically and adjustments made when necessary to ensure plans remain affordable and achievable. • Investigative capacity and capability requirements are managed, and progress monitored via the Investigative Capability Gold Group with oversight through the Strategic Resourcing Delivery Board. • Operational Resourcing Meeting established to monitor, coordinate and agree operational resourcing requirements at tactical level. • Use of agency / organisations to provide burst capability for technical skills. • Diversity, Equality & Inclusion Strategy and Plan (including Positive Action strategy/plan) are embedded in the People Strategy and core people pillars. • Development of a Retention Strategy to address workforce retention and attrition. • Implementation of a new salary model following delivery of Role, Reward and Pay project. • Bespoke support and significant investment to increase pay competitiveness across Digital Policing, securing skills required for critical transformation projects.
Likelihood Impact	<div>3</div> <div>4</div> <div>12</div>

Overview of the RAG status of Strategic Risk – Office of the Police and Crime

LIKELIHOOD	Very High (5)				
	High (4)			(OPCC) Finance	
	Medium (3)				
	Low (2)			(OPCC) Partnership and Collaboration (OPCC) Public Confidence	
	Very Low (1)	(OPCC) Governance			
	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Commissioner (OPCC)					
IMPACT					

OPCC has identified risks in four thematic risk areas: Finance; Governance; Partnership and Collaboration; and Public Confidence

OPCC	Strategic Risk – Finance (OPCC) Government reduces funding to PCCs/Police Forces which results in a reduced service ability. The need to contain expenditure within available resources and enable Northumbria Police to police effectively.
Owner(s)	Chief Finance Officer – OPCC
Governance and Oversight	Joint Business Meeting/OPCC Business Meeting
Context	<ul style="list-style-type: none"> ▪ The review of the funding formula used by government to distribute grant funding to police forces in England and Wales may lead to a reduction in the percentage of central government police funding allocated to Northumbria. ▪ The PCC has a robust, balanced Medium-Term Financial Strategy (MTFS) that meets the medium-term financial plans of the Chief Constable (CC) and facilitates delivery against the Police and Crime Plan. ▪ The balanced nature is predicated by the risk of Home Office funding being guaranteed for one year only which requires an annual review of the MTFS and potential reprioritisation of spending plans. ▪ Affordability may also be affected by continued global cost pressures and cost of living increases that are not funded within the grant settlement; or changes in national interest rates driving up the cost of borrowing, leading to the necessity for efficiencies or reductions in services. ▪ Reserves policy is crucial to medium-term sustainability. ▪ In-year financial monitoring must be robust.
Current factors	<ul style="list-style-type: none"> ▪ Settlement 2022/23 remains one-year only. Information for future years states a minimum increase nationally for 2023/24 and 2024/25 for policing as a whole. ▪ There is longer term certainty of the scope for Precept increases for a further two-year period. ▪ Settlement 2022/23 has continued funding to support the Uplift programme. ▪ At this time, the level of national funding and the robust controls detailed below mitigate in the short term the consequence. ▪ In the medium-term extraordinary international events and national inflationary rises lead to significant increases in cost without any increase in funding.

Potential consequence	<ul style="list-style-type: none"> ▪ Short notice change to national funding may require a change in short and medium-term force financial planning, including a need to deliver unplanned savings thereby impacting on service delivery. ▪ Any in-year or longer-term pressures or extraordinary events which become a forecast overspend must be addressed through consideration of in-year savings and efficiencies, potential use of relevant reserves and discussion with the CC. 	
Summary of Controls	<ul style="list-style-type: none"> ▪ Strategic engagement in respect of any proposed review of the funding formula. ▪ Transparent ownership of financial matters between the PCC and CC. ▪ Comprehensive approach to business planning cycle and annual budget setting process. ▪ Well understood in-year financial monitoring and reporting governance. ▪ Medium and long term financial planning. ▪ Regular oversight of revenue and capital budget. ▪ Maintain adequate risk assessed reserves. ▪ Ongoing consultation, engagement and lobbying alongside and independently with the Police and Crime Commissioners Treasurers Society, NPCC Treasurers Group and the Home Office to influence funding for policing in the North East. ▪ Audit Committee/Internal Audit/Treasury Management strategy in place and outcomes reviewed by PCC. ▪ HMICFRS inspection regime. 	
Likelihood Impact	4 4	16

OPCC	<p>Strategic Risk – Governance (OPCC)</p> <p>Existing arrangements for the PCC to carry out robust scrutiny and hold the Chief Constable to account for efficient and effective delivery of the Police and Crime Plan are ineffective or inconsistent.</p>
Owner(s)	Chief of Staff and Monitoring Officer
Governance and Oversight	Joint Business Meeting/ Annual Scrutiny Programme/CC/PCC Governance Meeting/ JIAC/Police and Crime Panel/PCC/CC 1:1 Meeting
Context	<ul style="list-style-type: none"> ▪ Ineffective governance, scrutiny, oversight of services and outcomes delivered and lack of reaction to organisational learning by Northumbria Police. ▪ Need to target resources and priorities towards changing performance/landscapes or community needs. ▪ CC setting high performance standards and appropriate culture and values is crucial to meaningful scrutiny. ▪ Trust in the transparency of Northumbria Police. ▪ Effective governance includes effective oversight of complaints against Northumbria Police. ▪ Effective systems and controls to manage risk are needed to support the delivery of service. ▪ A strong relationship between the Office of the Police and Crime Commissioner and Force which is resilient to external factors.
Current factors	<ul style="list-style-type: none"> ▪ Implementation of national PCC Review – PCCs remit in fire, criminal justice and management of offenders along with a review of the Policing Protocol. ▪ Government levelling up agenda - expanded devolution deals. ▪ Development of a robust and supportive professional relationship with the new CC.
Potential consequence	<ul style="list-style-type: none"> ▪ Loss of public confidence. ▪ Reputational risk. ▪ A decline in quality and service delivery, leading to a reduction in public satisfaction with policing. ▪ Deteriorating performance resulting in policing priorities not being achieved. ▪ Poor relationship with Northumbria Police. ▪ Government intervention. ▪ Challenge by the Police and Crime Panel. ▪ Adverse external inspection reports, leading to recommendations and potential escalation.
Summary of Controls	<ul style="list-style-type: none"> ▪ Police and Crime Plan (regularly reviewed). ▪ Joint Business Meeting. ▪ Annual Scrutiny Programme. ▪ Provision of the complaints statutory review process. ▪ Public and partnership engagement and feedback. ▪ PCC and CC 1:1s. ▪ Police and Crime Panel scrutiny. ▪ Scrutinising force response to HMICFRS inspection findings. ▪ Audit Committee, audit, annual governance statement, Internal Audit.

APPENDIX B

Likelihood Impact	1 2	2
----------------------	--------	---

OPCC	Strategic Risk – Partnership & Collaboration (OPCC) Reduction in or withdrawal of partnership working for the OPCC leading to a failure to identify, develop and retain collaborative arrangements that support communities with sustainable multi agency responses.
Owner(s)	Chief of Staff and Monitoring Officer
Governance and Oversight	Joint Business Meeting/VRU Strategic Board/Local Criminal Justice Board
Context	<ul style="list-style-type: none"> ▪ Challenging budget and service pressures within partner organisations both in public and voluntary sector can lead to silo working. ▪ Potential for national issues and crisis to affect collaborative working. ▪ Requirement to retain engagement of the public as a partner. ▪ Ensuring external factors do not alter relationships preventing joint working. ▪ Clear outcomes not being identified and reported can risk sustainability and ongoing partner engagement. ▪ Uncertainty of long-term sustained resourcing to deliver current public health approach collaboration - Violence Reduction Unit and other joint projects including Victims Service Provision. 3 yr funding confirmed.
Current factors	<ul style="list-style-type: none"> ▪ Current economic crisis and funding pressures on partners. ▪ PCC Review Government ambition to strengthen and expand the role of PCCs and maximise potential for wider efficiencies. ▪ Recovery and new ways of working in the Local Criminal Justice System. ▪ Stream of external funding opportunities and complex bidding process
Potential consequence	<ul style="list-style-type: none"> ▪ Reduced public confidence. ▪ Reduced opportunities for more efficient and effective services. ▪ Bidding system demands on resources can lead to missed opportunities to access funding streams that contribute to reducing crime/reoffending and ASB in the Northumbria Area. ▪ Missed opportunities to prevent and reduce crime and disorder and maintain an efficient and effective Criminal Justice System. ▪ Increased costs due to poor partnership and commissioned service management.
Summary of Controls	<ul style="list-style-type: none"> ▪ Effective partnership/commissioning governance arrangements that identify and report outcomes and progress. ▪ Comprehensive public engagement and communication strategies to inform multi agency responses and effective scrutiny. ▪ Scrutiny of effectiveness of Force collaborative activity. ▪ Focus on accessing funds for collaborative working and lobbying government for sustained funding streams. ▪ VRU Strategic Board and Response Strategy. ▪ PCC chairs Local Criminal Justice Board delivering the LCJB Business Plan. ▪ Collaboration and engagement with other PCCs, nationally and regionally.

APPENDIX B

	<ul style="list-style-type: none">▪ Comprehensive engagement and monitoring of commissioned services.▪ Regular 'sector' engagement meetings with potential and current partners.	
Likelihood Impact	2 4	8

OPCC	Strategic Risk – Public Confidence (OPCC) Loss of public confidence in the PCC resulting from a lack of engagement and communication, leading to a failure to reflect public priorities in the Police and Crime Plan. Failure to hold the Chief Constable to account on behalf of the public for delivery of their priorities or other statutory obligations.
Owner(s)	Chief of Staff and Monitoring Officer and Director of Planning and Delivery
Governance and Oversight	Joint Business Meeting/Annual Scrutiny Programme
Context	<ul style="list-style-type: none"> ▪ A robust communications plan is needed to demonstrate effective and visible accountability of the CC to the PCC. ▪ Delivery of the PCCs manifesto commitments on which she was elected with the continual need to understand and react to changing communities or priorities and reflect this in the Police and Crime Plan. ▪ Engagement with communities to identify and respond to trends identified through the complaints process and external communication to reflect organisational learning. ▪ OPCC business must ensure compliance with legal, information management legislation, transparency guidance and the public sector equality duty. ▪ Continue to reassure communities through robust scrutiny of Northumbria Police and engagement with partners and communities.
Current factors	<ul style="list-style-type: none"> ▪ Role of social media in shaping public perceptions. ▪ Changes to law to allow the public to report crimes via social media. ▪ National action by Legally Qualified Misconduct Hearing Chairs may delay the police misconduct process.
Potential consequence	<ul style="list-style-type: none"> ▪ Reputational damage. ▪ Police and Crime Plan and actual delivery not aligned to public concerns and priorities. ▪ Loss of trust/confidence in the PCC as a result of crime perceptions. ▪ Poor service delivery damages public confidence. ▪ Relationship with force and partners. ▪ Government penalties due to poor assessment results.

Summary of Controls	<ul style="list-style-type: none"> ▪ Police and Crime Plan (annually updated to reflect emerging priorities). ▪ Annual Scrutiny Programme. ▪ Police and Crime Panel Scrutiny. ▪ Reporting back to the public crime data and on their concerns and progress towards the Police and Crime plan. ▪ External evaluations including impact of the VRU. ▪ Rolling programme of PCC engagement across demographics and issue based topics. ▪ Annual Report. ▪ Governance Framework. ▪ Annual Assurance Statement/Audit Committee. ▪ Internal Audit. ▪ OPCC website and social media. ▪ Data Protection Officer. ▪ Complaints review process. ▪ Service level agreement with Northumbria Police. 	
Likelihood	2	8
Impact	4	

Annual Governance Statement

(Chief Constable Statements of Account 2021/22)

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 continues to take into account the impact of the Covid-19 pandemic on governance arrangements, and the introduction of the CIPFA Financial Management Code 2019 (FM Code), following the 'shadow/pilot year' in 2020/21.

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 2021/22. 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 2021/22 financial year covers the period from 1 April 2021 to 31 March 2022 and any issues which arise up to the date of approval of the annual Statements of Account.

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.

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 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 2022 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 (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 His 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 a regular PEEL Assessment (Effectiveness, Efficiency and, Legitimacy). Forces are assessed on their effectiveness,

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

The latest HMICFRS inspection report for Northumbria Police 'PEEL 2021/22 Police effectiveness, efficiency and legitimacy' was published in September 2022. The inspection assessed how good Northumbria Police is in 10 areas of policing and graded judgments were made in nine of these. These are outlined below.

Policing area	Grade
Providing a service to the victims of crime	Ungraded
Recording data about crime	Adequate
Treatment of the public	Good
Preventing crime	Good
Responding to the public	Requires improvement
Investigating crime	Good
Protecting vulnerable people	Good
Managing offenders	Good
Developing a positive workplace	Good
Good use of resources	Good

Eight areas for improvement were assigned to the Force.

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.

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 Organised Crime Unit (NEROCU), 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 Engaged Communities Group. The Group 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 has established an Information Management Department (IMD) which 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 2021/22 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 2022 there was one data breach reported to the Information Commissioners Office (ICO). Following investigation, the ICO advised on 28/11/22 that no further action will be taken and Northumbria Police had taken an appropriate response.

The Information Commissioner's Office (ICO) undertook an audit in 2020 to determine the extent to which the Force is complying with data protection legislation. An action plan was developed in response to the findings of the audit. The Force implemented a working group to manage the implementation of the action plan; attended by key stakeholders and action owners. Scrutiny and

oversight of the action plan has been carried out at the Operational Information Management Board with the Audit formally concluding and final report provided to the Force by the ICO. The ICO recognised the work undertaken by the Force and complimented the organisation for its level of commitment and engagement with them as a regulatory body.

There are 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 2019/20 which enabled the Force to reorganise resources and increase capacity and capability to better meet different types of policing demands.

In 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 has successfully delivered its share of the national Uplift target up to 31 March 2022 and is on track to deliver the final year of Uplift in 2022/23.

In addition, in order to address the shortfall in qualified investigator capacity, the precept increase approved by the Commissioner for 2021/22 was used to provide a further 60 police officer investigator posts, over and above existing recruitment plans and the Uplift target set by government.

The new Medium Term Financial Strategy (MTFS) approved by the Commissioner on 29 April 2022 will deliver continued support to the increase of officer numbers, through the final year of the national Uplift programme.

To support delivery of the Strategy the approved investment for 2022/23 includes:

- Additional call handlers to improve performance for 999 and 101 services.
- Extra resources to tackle cyber-crime and serious and organised crime.
- More civilian investigators to support investigations and free up officers.
- Workforce investment – supporting our officers to keep them on the beat and tackling crime.

In 2021/22 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 2021/22.

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.

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 2021/22, 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 the CIPFA Financial Management Code self-assessment which is mandatory from 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 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 for 2021/22 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 1 area for improvement, which once implemented will further strengthen the OPCC and Force compliance 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.

All areas returned compliant to each of the questions, with no non-compliance.

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.

There were 24 audits within the 2021/22 audit plan, all of which have been completed. Of the 24 reports issued, 23 audits concluded that systems and procedures were operating well and 1 audit 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 2021/22, 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 2021/22 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 2020/21 Statement

There were no actions identified in the 2020/21 Annual Governance Statement.

2021/22 Governance Issues

The review has identified no issues that need to be included within the 2021/22 Annual Governance Statement as actions.

The only action disclosed relates to one item required under the CIPFA Financial Management Code self-assessment which is 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.

CIPFA Financial Management Code – Action Plan

The Police and Crime Commissioner for Northumbria must comply with the new CIPFA Financial Management Code 2019. 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.

A joint self-assessment between the OPCC and Northumbria Police has been undertaken for 2021/22 in-line with guidance issued by CIPFA.

The results of the self-assessment identified 1 area for improvement, which once implemented will further strengthen the OPCC and Force compliance with the Financial Management Code.

Accountable Officer: Joint Chief Finance Officer

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 2023/24. This will enable us to:</p> <ul style="list-style-type: none"> • Review adequacy of financial management capability and support to both organisations. • Develop and put in place a target-driven plan to strengthen financial management. <p>The draft AGS set out the intention to implement the review during the 2022/23 financial year, however, due to resourcing and prioritisation of work within the Finance department this will now commence during 2023/24.</p>	<p>December 2023</p>

AGENDA ITEM 6

SIGNED

Chief Constable

SIGNED

Deputy Chief Constable

SIGNED

Chief Finance Officer

Date

Annual Governance Statement

(Police and Crime Commissioner for Northumbria Statements of Account 2021/22)

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 continues to take into account the impact of the Covid-19 pandemic on governance arrangements, and the introduction of the CIPFA Financial Management Code 2019 (FM Code), following the 'shadow/pilot year' in 2020/21.

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 Commissioner and Chief Constable have a Joint CFO for 2020/21 and consider 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 2021/22. 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 2021/22 financial year covers the period from 1 April 2021 to 31 March 2022 and any issues which arise up to the date of approval of the annual Statements of Account.

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.

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, Fighting Poverty, Fighting Crime for the period 2022 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 and is reviewed annually to ensure that it remains relevant to the needs of the public:

- **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.

AGENDA ITEM 6

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 Performance Board (SPB), 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.

His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) carry out a programme of inspections, including thematic reports and a regular PEEL Assessment (Effectiveness, Efficiency and, Legitimacy and Leadership). Forces are assessed on their effectiveness, efficiency and legitimacy based on inspection findings, analysis and His Majesty's Inspectors' (HMIs) professional judgment across the year.

The latest HMICFRS inspection report for Northumbria Police 'PEEL 2021/22 Police effectiveness, efficiency and legitimacy' was published in September 2022. The inspection assessed how good Northumbria Police is in 10 areas of policing and graded judgments were made in nine of these. These are outlined below.

Policing area	Grade
Providing a service to the victims of crime	Ungraded
Recording data about crime	Adequate
Treatment of the public	Good
Preventing crime	Good
Responding to the public	Requires improvement
Investigating crime	Good
Protecting vulnerable people	Good
Managing offenders	Good
Developing a positive workplace	Good
Good use of resources	Good

Eight areas for improvement were assigned to the Force.

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.

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 and reducing reoffending.

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.

Where collaboration between Forces is in place 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 (and subsequent amendments).
- 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 together with an update on how the Force learn from complaints to further improve service delivery

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 and Crime Panel (the 'Panel') 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 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; Criminal Investigation Department (CID) 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 2021/22 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 was previously commissioned from Victims First Northumbria, providing emotional and practical support to all victims of crime. During 2021/22 and following a review of victim services arrangements, a new victim service structure was created within Northumbria Police, and to ensure continuity of service the relevant staff and resources have transferred from Victims First Northumbria to the Force.

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 services 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 2021/22.

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 2021/22. However, the Northumbria Council Tax Precept remains by far the lowest of policing bodies in England and Wales. The police settlement issued by the government for 2021/22 assumed that each PCC would increase the precept by the maximum of £15.00 per year for a Band D property. The Commissioner approved a smaller increase of £6.84 for a Band D property (4.99%), being mindful that the previous year had been one of financial challenge for many households.
- The additional income generated by the precept increase for 2021/22 was £2.7m and was used to deliver an additional 60 police officer investigator posts in 2021/22, providing Northumbria Police with additional operational officers and continuing to put the Force ahead of the increase in officer numbers under the Uplift programme.
- 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.

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 2021/22 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 the CIPFA Financial Management Code self-assessment which is mandatory from 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 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 1 area 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.

All areas returned compliant to each of the questions, with no non-compliance.

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.

There were 24 audits within the 2021/22 audit plan, all of which have been completed. Of the 24 reports issued, 23 audits concluded that systems and procedures were operating well and 1 audit 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 2021/22, 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 2021/22 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 2020/21 Statement

There were no actions identified in the 2020/21 Annual Governance Statement.

2021/22 Governance Issues

The review has identified no issues that need to be included within the 2021/22 Annual Governance Statement as actions.

The only action disclosed relates to one item required under the CIPFA Financial Management Code self-assessment which is 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.

CIPFA Financial Management Code – Action Plan

The Police and Crime Commissioner for Northumbria must comply with the new CIPFA Financial Management Code 2019. 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.

A joint self-assessment between the OPCC and Northumbria Police has been undertaken for 2021/22 in-line with guidance issued by CIPFA.

The results of the self-assessment identified 1 area for improvement, which once implemented will further strengthen the OPCC and Force compliance with the Financial Management Code.

Accountable Officer: Joint Chief Finance Officer

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 2023/24. This will enable:</p> <ul style="list-style-type: none">• Review adequacy of financial management capability and support to both organisations.• Develop and put in place a target-driven plan to strengthen financial management. <p>The draft AGS set out the intention to implement the review during the 2022/23 financial year, however, due to resourcing and prioritisation of work within the Finance department this will now commence during 2023/24.</p>	December 2023

AGENDA ITEM 6

SIGNED

Police and Crime Commissioner

SIGNED

Chief of Staff

SIGNED

Chief Finance Officer

Date

The Joint Audit Findings for

Police and Crime Commissioner for Northumbria and Chief Constable for Northumbria

Year ended 31 March 2022

20 February 2023



Contents



Your key Grant Thornton team members are:

Laurelin Griffiths

Key Audit Partner

T +44 (0)121 232 5362

E Laurelin.H.Griffiths@uk.gt.com

Aaron Gouldman

Audit Manager

T +44 (0)161 214 3678

E Aaron.R.Gouldman@uk.gt.com

Chelsey Taylor

Audit Assistant Manager

T +44 (0)151 224 2425

E Chelsey.L.Taylor@uk.gt.com

Section

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

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinions (proposed)
- F. Management Letters of Representation (proposed)

Page

- 3
- 5
- 21
- 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, the Chief Constable and the group 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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audits of Police and Crime Commissioner ('the PCC') for Northumbria and the Chief Constable for Northumbria ('the Chief Constable') and the preparation of financial statements for the year ended 31 March 2022 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 position of the respective entity'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 the 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 has taken place remotely during January and February 2023. Our work is not yet finalised however our findings to date are summarised on pages 5 to 16.

The financial statements and supporting working papers were provided ahead of time. Local Government accounts are now incredibly complex, require greater technical input and are subject to greater regulatory burden than ever before. The finance team have been responsive to our audit queries, and we thank them for their hard work throughout the audit.

To date we have not identified any adjustments to the primary financial statements beyond those identified by management, as shown in Appendix C. Non-material and unadjusted errors and disclosure points are also detailed in Appendix C. At the time of this report being drafted we have not identified any recommendations for management as a result of our current year's audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is well progressed, and there are no matters of which we are aware that would require modification of our expected audit opinions, or material changes to the financial statements.

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

Our anticipated audit report opinions on the Chief Constable's, and the PCC and Group's financial statements 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 the PCC, the Chief Constable and the group has 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 PCC, the Chief Constable and the group's 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 PCC, the Chief Constable and the group's arrangements under the following specified criteria:

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

We have not yet finalised our VFM work and so are not in a position to issue our Auditor's Annual Report. The national deadline set by DLUHC of 30 September was moved to 30 November for 2021/22 only. Under the 2020 Code of Audit Practice we are required to communicate any delays beyond 30 September (the original deadline) to Those Charged with Governance. Separate audit letters explaining the reasons for the delay have been sent to the PCC and Chief Constable.

We expect to issue our Auditor's Annual Report by 31 March 2023. 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.

As part of our work, we considered whether there were any risks of significant weakness in the PCC, the Chief Constable and the group's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness from our risk assessment performed. We identified the following areas of focus:

- Your arrangements for setting the Medium Term Financial Plan and capital strategy and achieving financial sustainability.
- Your arrangements for service transformation and innovation.
- Your arrangements for working with your key partners to deliver services efficiently and improve the lives of local residents.
- Your governance arrangements, and in particular a consideration of the end to end decision making between the Force and the PCC

Our work on these areas of focus is underway and no areas of significant weakness have so far been identified.

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 audit.

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

We have completed the majority of work under the Code, but will be unable to certify the completion of the audit until we complete both of the following:

- Our work on the PCC's and the Chief Constable's VFM arrangements, as set out above. We will be report this separately in our Annual Auditor's Report by 31 March 2023.
- Specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. The NAO has confirmed the extent of work required for the WGA 2021-22 exercise, and no detailed work will be required for the group.

Significant Matters

To date we have not encountered any significant difficulties or identified any significant matters arising during our audit.

We note there was a significant delay in receiving responses to our initial inquiries of management and those charged with governance. These planning procedures help to determine our audit strategy and so late information could result in us having to revise the work performed to date. We must emphasise the need to provide timely responses in advance of audit fieldwork commencing for future audits.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit 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 those charged with governance.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the 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 Group's, PCC's and the Chief Constable's business and is risk based, and in particular included:

- An evaluation of the PCC's and the Chief Constable's internal controls environments, including its IT systems and controls;
- 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 significantly progressed our audit of your financial statements and anticipate issuing an unmodified audit opinion for the Chief Constable's, and the PCC's and Group's financial statements.

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 communicated at JIAC in September 2022.

We detail in the table on this page our determination of materiality.

	Group (£000)	PCC (£000)	Chief Constable (£000)	Qualitative factors considered
Materiality for the financial statements	6,300	5,200	6,300	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	4,400	3,600	4,400	Performance Materiality is based on a percentage of the overall materiality and considers the control environment/ accuracy of accounts and working papers provided.
Trivial matters	320	260	310	Triviality is set at 5% of Headline Materiality. This is the level at which matters are determined to be significant enough to warrant reporting to Those Charged with Governance.
A specific materiality of £21,500 was set for officer remuneration disclosures, reflecting the increased sensitivity of these disclosures.				

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, the PCC and the Chief Constable for the financial year. In the prior year we used the same benchmark.

For our audit testing purposes we apply the lowest of these materiality levels, which is £5,200k (PY £6,600k), which equates to just under 1.5% of the PCC's gross expenditure for the year.

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

Commentary

Management override of controls

Under ISA(UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.

The PCC and Chief Constable face external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement

In response to the risk highlighted in the audit plan we have undertaken the following work:

- Evaluated the design effectiveness of management controls over journals;
- Analysed the journals listing and determined 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 considered their reasonableness with regard to corroborative evidence; and
- Evaluated the rationale for any change in accounting policies, estimates or significant unusual transactions.

Conclusion

Subject to outstanding responses being received to our inquiries of staff, our final testing is complete subject to final quality checks.

Work to date has not identified any issues in relation to management override of controls.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>ISA240 revenue risk</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>(rebutted)</p>	<p>Group, PCC and Chief Constable</p> <p>(rebutted)</p>	<p>Having considered this risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the PCC, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical framework of local authorities, including the PCC, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the PCC or the Group.</p> <p>For the Chief Constable, revenue is received solely from the PCC and is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the Chief Constable's financial statements as a transfer of resource from the PCC to the Chief Constable for the cost of policing services.</p> <p>Therefore we do not consider this to be a significant risk for the Chief Constable.</p> <p>Furthermore, there have been no findings in our audit fieldwork that would change our assessment reported in the audit plan.</p> <p>Conclusion</p> <p>Our audit work in this area is complete and has not identified any issues in respect of revenue recognition.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of land and buildings</p> <p>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 (£83m as at 31 March 2022) 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 or the fair value [for surplus assets] at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	PCC (and group)	<p>In response to the risk highlighted in the audit plan we have undertaken the following work:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; 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; with input from internal valuation specialists, we have challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; tested revaluations made during the year to see if they had been input correctly into the PCC and Group asset register; and evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. <p>Conclusion</p> <p>Our work is complete subject to final quality checks, and has not identified any material issues in relation to the valuation of land and buildings.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of pension net liability</p> <p>The group's pension net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension net liability is considered a significant estimate due to the size of the numbers involved (£4,601m in the group's balance sheet) and the sensitivity of the estimate 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 and inflation rates, where our consulting actuary has indicated that a 0.1% change in the these two assumptions would have approximately 2% effect on the liability.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimates due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the pension net liability as a significant risk.</p>	<p>Chief Constable (and group)</p>	<p>In response to the risk highlighted in the audit plan we have undertaken the following work:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the group'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 actuaries who carried out the pension fund valuations; • assessed the accuracy and completeness of the information provided by the group to the actuaries to estimate the liabilities; • tested the consistency of the pension fund net liabilities and disclosures in the notes to the core financial statements with the actuarial reports from the actuaries; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor's expert) and performing any additional procedures suggested within the report. <p>We have also requested assurances from the auditor of the Tyne and Wear Pension Fund as to the controls surrounding the validity and accuracy of membership data and benefits data sent to the LGPS actuary by the pension fund and the fund assets valuation in the pension fund financial statements. These assurances are still outstanding.</p> <p>Conclusion</p> <p>Our work is complete subject to receipt of the assurance letter as set out above, and to final quality checks.</p> <p>Our work has not identified any material issues in relation to valuation of the net pension liability.</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	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations £83m (PCC and Group)	<p>Land and buildings comprises £83m of assets such as police stations and custody suites, which are required to be valued at current value.</p> <p>The PCC has engaged its internal valuer to complete the valuation of all land and buildings as at 31 March on a three yearly cyclical basis. In order to ensure that the carrying value of all land and buildings as at 31 March 2022 is not materially different to the current value, this is supplemented by an annual review to identify assets that need to be revalued. This meant that 85% of assets were revalued in year.</p>	<p>We reviewed your assessment of the estimate considering:</p> <ul style="list-style-type: none"> Revised ISA 540 requirements; Assessment of management's expert to be competent, capable and objective; Completeness and accuracy of the underlying information used to determine the estimate; Review of methodology and assumptions performed by internal valuation specialist colleagues; Reasonableness of increase/decrease in estimates on individual assets; Consistency of estimate against the Gerald Eve report on property market trends, and reasonableness of the decrease in the estimate; and Adequacy of disclosure of estimate in the financial statements. <p>All your buildings have been appropriately valued by the instructed valuer. We noted that there has been no changes in assumptions from the previous years and these are outlined in your accounting policies.</p> <p>Conclusion:</p> <p>Our work is complete subject to final quality checks, and has not identified any material issues in relation to the valuation of land and buildings.</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	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £4,601m (CC and Group)	<p>The PCC and Chief Constable's total net pension liability at 31 March 2022 is £4,601m (PY £4,518m) comprising the organisation's share of the Tyne and Wear Local Government Pension Scheme, and the Police Pension Scheme.</p> <p>The liabilities of the Police Pension and Compensation Schemes have been assessed by the Government Actuary's Department [GAD].</p> <p>The LGPS fund liabilities have been assessed by Aon Solutions to provide actuarial valuations of the group's assets and liabilities are derived from these schemes, utilising key assumptions such as life expectancy, discount rates and salary growth.</p> <p>Given the significant value of the net pension liability, small changes in assumptions can result in significant valuation movements. There has been a £141m net actuarial gain during 2021/22.</p>	<ul style="list-style-type: none"> We have obtained an understanding of the processes and controls put in place by management to ensure the group's pension fund net liability is not materially misstated and evaluated the design of associated controls; We have assessed the competence, capabilities and objectivity of the actuaries who carried out the pension fund valuation for LGPS and PPS; We have assessed the impact of any changes to the valuation method; We have assessed the accuracy and completeness of information provided by management to the actuary to estimate the liability; We have used PwC as our auditor's expert to assess the actuaries and assumptions made by actuaries - see table below and on page 15 for comparison with the actuaries assumptions. <table> <tr> <th>LGPS Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2.70%</td><td>2.70% - 2.80%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.90%</td><td>2.80% - 3.10%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>4.40%</td><td>1.0% to 1.5% p.a. above CPI inflation</td><td>●</td></tr> <tr> <td>Life expectancy at 65 Males currently 45 / 65</td><td>Current - 21.8 years Future - 23.5 years</td><td>Current - 20.7 - 22.8 years Future - 22.5 - 24.7 years</td><td>●</td></tr> <tr> <td>Life expectancy at 65 Females currently 45 / 65</td><td>Current - 25.0 years Future - 26.7 years</td><td>Current - 23.6 - 25.4 years Future - 25.0 - 27.1 years</td><td>●</td></tr> </table>	LGPS Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.70%	2.70% - 2.80%	●	Pension increase rate	2.90%	2.80% - 3.10%	●	Salary growth	4.40%	1.0% to 1.5% p.a. above CPI inflation	●	Life expectancy at 65 Males currently 45 / 65	Current - 21.8 years Future - 23.5 years	Current - 20.7 - 22.8 years Future - 22.5 - 24.7 years	●	Life expectancy at 65 Females currently 45 / 65	Current - 25.0 years Future - 26.7 years	Current - 23.6 - 25.4 years Future - 25.0 - 27.1 years	●	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
LGPS Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.70%	2.70% - 2.80%	●																								
Pension increase rate	2.90%	2.80% - 3.10%	●																								
Salary growth	4.40%	1.0% to 1.5% p.a. above CPI inflation	●																								
Life expectancy at 65 Males currently 45 / 65	Current - 21.8 years Future - 23.5 years	Current - 20.7 - 22.8 years Future - 22.5 - 24.7 years	●																								
Life expectancy at 65 Females currently 45 / 65	Current - 25.0 years Future - 26.7 years	Current - 23.6 - 25.4 years Future - 25.0 - 27.1 years	●																								

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments				Assessment
Net pension liability – £4,601m (CC and Group)	See previous page.	PPS Assumption	Actuary Value	PwC range	Assessment	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
		Discount rate	2.65%	2.65%	●	
		Pension increase rate	3.00%	3.00%	●	
		Salary growth	4.75%	4.75%	●	
		Life expectancy at 65 Males currently 45 / 65	Current - 22.1 years Future - 23.8 years	Current - 21.5 - 22.1 years Future - 23.2 - 23.8 years	●	
		Life expectancy Females currently 45 / 65	Current - 23.8 years Future - 25.4 years	Current - 21.5 - 23.8 years Future - 23.2 - 25.4 years	●	
		Conclusion We are awaiting an assurance letter from the auditor of Tyne and Wear Pension Fund. Once received we will be able to conclude our procedures. We are satisfied with the appropriateness of the £8.2m adjustment made to reflect improved pension fund asset returns, as notified to the Force by the Tyne and Wear Pension Fund subsequent to publication of the draft financial statements. No other matters have been identified.				

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 the Joint Independent Audit Committee. We have not been made aware of any other incidents in the period and no other 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	We identified in the draft AGS the disclosure of a data breach during the financial year which led to correspondence with the ICO over a breach of Data Protection regulations. From inquiries and inspection of relevant documents we are assured that this was an isolated incident, and that the ICO was satisfied that Northumbria Police dealt appropriately with the matter.
Written representations	Closer to the conclusion of the audit, letters of representation will be requested from both the PCC and Chief Constable. The draft letters are attached as appendices to this report.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banking, loan and investment counterparties. This permission was granted and the requests were sent. These requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Chief Constable's and the PCC's and group's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	<p>Aside from responses to our formal inquiries of management and those charged with governance, all information and explanations requested from management were provided in a timely manner.</p> <p>Overall audit progress is in line with our resource plan and expectations. In the absence of any unforeseen issues arising from the remaining work and quality reviews, we expect to issue our audit opinions following meetings with the Chief Constable and PCC on 2 March and 7 March respectively.</p>

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 data-bbox="871 464 2051 635">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 PCC, the Chief Constable and the group 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 data-bbox="871 651 2013 702">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 715 2074 1005" 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, the Chief Constable and the group's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="871 1018 2047 1161">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, the Chief Constable and the group meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1169 2047 1329" style="list-style-type: none"> • the nature of the PCC, the Chief Constable and the group and the environment in which it operates • the PCC, the Chief Constable and the group's financial reporting framework • the PCC, the Chief Constable and the group's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. <p data-bbox="871 1342 2051 1364">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1377 2051 1461" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the 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 the 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. We plan to issue an unmodified opinion in this respect. The draft wording for our opinions are included as appendices of this report.</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 Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • 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/es. <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>The NAO has confirmed the extent of work required for the WGA 2021-22 exercise, and no detailed work will be required for the group.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2021/22 audit of the PCC, Chief Constable and Group following the issuance of our audit opinion, our report on the group's value for money arrangements, and the required WGA submission to the NAO.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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.

On work in this area is currently ongoing, however we have not identified any risks of significant weakness, nor anything which would impact on the financial statements and our opinion thereon.



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



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 2021 – 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

We have not identified any control deficiencies or recommendations for the Chief Constable, PCC and group as a result of issues identified during the course of our audit. In appendix B we have documented our assessment of how recommendations raised in the previous year's audit have been addressed.

B. Follow up of prior year recommendations

Assessment

- ✓ Action completed
X Not yet addressed

We identified the following issues in the audits of the Chief Constable, PCC and group 2020/21 financial statements, which resulted in 5 recommendations being reported in our 2020/21 Audit Findings report.

We have followed up on the implementation of our recommendations and the results are described below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>IT general controls – Inappropriate user access (high risk, relates to the Group):</p> <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.</p> <p>Recommendation:</p> <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>Reported position at JIAC July 2022:</p> <p>Management accept the auditors recommendation and will implement this change to this user's access.</p> <p>Audit update February 2023:</p> <p>We are pleased to confirm that management have satisfactorily addressed this recommendation. We note however that this was addressed after the year of audit and we have therefore designed our audit procedures for 2021/22 with these risks in mind.</p>
✓	<p>IT general controls- (low risk, relates to the Group):</p> <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>Reported position at JIAC July 2022:</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> <p>Audit update February 2023:</p> <p>We are pleased to confirm that management have satisfactorily addressed this recommendation. We note however that has been addressed after the year of audit and we have therefore designed our audit procedures for 2021/22 with these risks in mind.</p>

B. Follow up of prior year recommendations (cont.)

Assessment

- ✓ Action completed
- X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	<p>Pensions lump-sum payments being reported in the wrong period (medium risk, relates to the CC):</p> <p>Our work on pension fund lump-sums in 2020/21 found instances of lump-sum payments in 2021/22 being reported in 2020/21.</p> <p>Further investigation identified that this issue was also present in 2019/20, and the net error on the 2020/21 reported lump-sum payments figure was trivial in value.</p>	<p>Reported position at JIAC July 2022:</p> <p>Management agreed to implement our recommendation.</p> <p>Audit update February 2023:</p> <p>We will be able to confirm implementation once our audit work on this area has concluded. We will report our conclusion in the final version of this report.</p>
✓	<p>Existence of fully depreciated assets (medium risk, applies to PCC):</p> <p>As part of our 20/21 audit work we identified several assets that were fully depreciated but had been previously disposed of or were no longer in use. For such assets still in use, there is a risk that gross cost and accumulated depreciation is overstated.</p> <p>We gained assurance through the completion of follow up work that there was not a risk of material misstatement arising from the issue.</p> <p>Recommendation: We therefore recommended that 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.</p>	<p>Reported position at JIAC July 2022:</p> <p>Management agreed to implement our recommendation.</p> <p>Audit update February 2023:</p> <p>We are pleased to confirm that management have satisfactorily addressed this recommendation.</p>

B. Follow up of prior year recommendations (cont.)

Assessment

- ✓ Action completed
- x Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Incorrect recognition of assets additions (medium risk, applies to PCC)</p> <p>As part of our 20/21 audit work we identified a vehicle purchase that had been accounted for in 2020/21 but should have been recognised in 2021/22. The item was trivial at £55K. We performed additional sample testing of vehicles additions and did not find any similar errors. We extrapolated the error and reported this within the adjustments schedule of our Audit Findings Report.</p> <p>We therefore recommended that management consider the process in place for accruing year end purchases and whether improvements can be made to avoid similar issues arising in future years.</p>	<p>Update July 2022:</p> <p>Management agreed to implement our recommendation.</p> <p>Audit update February 2023:</p> <p>We are satisfied that management have taken sufficient action to mitigate this risk. Management performed a full review of vehicles acquisitions accrued at year end, involving liaison with fleet staff.</p> <p>In the course of our testing in 2021-22 one vehicle (value £17k) was identified as not having been delivered by 31 March 2022. We are satisfied that this was an isolated instance and therefore there is no extrapolated error to report in Appendix C, nor does this undermine the clearance of this recommendation.</p>

C. 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- Chief Constable single entity accounts

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 2022.

Detail	Identified by	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.	Management	Cr Other comprehensive income (8,230)	Dr net pension liability 8,230
Management adjusted the Chief Constable's debtor and creditor balances upon review of the allocation between the PCC and the CC in the draft accounts.	Management		Dr debtors 5,486 Cr creditors (5,486)
Overall impact (CC accounts)		(8,230)	8,230
Overall impact (group accounts)		(8,230)	8,230

C. Audit Adjustments (cont.)

Impact of adjusted misstatements- PCC single entity accounts

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 2022.

Detail	Identified by	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000
Following an audit query, management corrected the PCC's debtor and creditor balances in respect of Council Tax balances between the PCC and Newcastle City Council. The debtor reduction of £184k was trivial however the creditor reduction of £364k was above our trivial reporting threshold. The movement also followed through to the CIES, MiRS and various disclosure notes.	Audit team		Dr creditors 364
		Cr Taxation and non-specific grants (180)	Cr debtors (184)
Overall impact (PCC accounts)		(180)	180

Impact of adjusted misstatements- group accounts

We did not identify any non-trivial adjusted misstatements in the group accounts, other than those summarised below which feed through to the group from the PCC and CC accounts.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000
Overall impact of adjustments (CC accounts)		Dr net pension liability 8,230
	Cr Other comprehensive income (8,230)	
Overall impact of adjustments (PCC accounts)		Dr creditors 364
	Cr Taxation and non-specific grants (180)	Cr debtors (184)
Overall impact of adjustments (group accounts)	(8,410)	8,410

C. Audit Adjustments (cont.)

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

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.

Disclosure	Identified by	Relates to	Findings and Auditor recommendations	Adjustment agreed?
Accounting Policies – PPE revaluations	Audit team	PCC	Our initial accounts review identified that the policy referred to an annual revaluation date of 1 April, which is incorrect since the PCC moved its revaluation date to 31 March for 2021/22. Management agreed to amend the disclosure.	✓
Note 2 – Expenditure and income analysed by nature Note 10 – Grant income	Management	PCC/Group	Management identified a classification error in Note 2. £1.021m had been included in Other Operating Income in respect of funds received in relation to the National Driver Offender Retraining Scheme (NDORS). This has been reclassified under revenue grants and contributions. We consider this to be an appropriate reclassification.	✓
Note 4 – Critical Judgements	Audit team	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. Management agreed to review the adequacy of this disclosure note going forward from 2022/23.	X
Note 7 – estimation uncertainty – pension liabilities	Audit team	PCC	Our initial review of the accounts identified that the material uncertainty relating to pension liability figures does not apply to the PCC accounts since the liability is not material for the OPCC as an entity. Management agreed to remove this disclosure for the PCC.	✓
Note 8 – Police and Social Reform Act	Audit team	All	In our view the information included in this note should be incorporated into the accounting policies. Additionally we considered that the tables on page 38 contain information that should be visible in the CIES and the disclosures relating to debtors and creditors, and is therefore unnecessarily duplicated. Management agreed to the above recommendations and have amended for these in the updated financial statements.	✓
Note 9a – Adjustments between accounting and funding bases	Audit team	All	We consider that note 9a is repetition of information already presented in the face of the CIES and MIRS. It is therefore not necessary to repeat it in a disclosure note. Management agreed to remove this table in the updated financial statements.	✓

C. Audit Adjustments (cont.)

Misclassification and disclosure changes (cont.)

Disclosure	Identified by	Relates to	Findings and Auditor recommendations	Adjustment agreed?
Note 9c – Analysis of transfers to/from reserves	Audit team	All	Our review identified that the transfers to/from reserves table should also show detailed movements in the prior period. This also applies to the unusable reserve disclosure tables.	✓
Note 10 – Audit Fees	Audit team	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 10 – Tax and non-specific grant income	Audit team	PCC	Our initial accounts review identified that this disclosure note did not agree to the CIES. Management checked this and confirmed that two figures were not disclosed correctly and would be amended: 1) The year end precept adjustment 2) Capital grants	✓
Note 13 – Employees earning over £50k	Audit team	PCC and Group	Upon our query of the increase in the number of staff disclosed in this table for the OPCC, management checked and confirmed that the draft accounts table had incorrectly included NI and pensions contributions in assessing bandings. This had resulted in seven additional employees being incorrectly included in the table. Management have corrected the disclosure.	✓
Note 14 – Related Parties and Joint Arrangements	Audit team	All	We recommended that the Joint Arrangements note be presented in a separate note to Related Parties, since the disclosure is governed by different accounting standards and is not to be confused as an aspect of Related Parties. Management agreed and have added new disclosure notes for Joint Arrangements: • Note 13 in the CC accounts • Note 15 in the PCC accounts	✓
Note 15 – Capital Expenditure and Contributions	Management	PCC/Group	The comparative closing capital financing requirement (CFR) at 31 March 2021 was inaccurately disclosed in the draft 2021/22 accounts as the same value as the opening CFR. This meant the opening and closing CFR was also misstated for 2021/22. Management agreed to amend the disclosure by £2.679m to the correct figure.	✓
Note 17 – Debtors Note 21 – Financial Instruments	Audit team	PCC/Group	In line with IFRS 9, debt impairment for non-statutory debtors should be referred to under the Expected Credit Loss model in place of a bad debt provision. Management have agreed to update the terminology used throughout the relevant accounts notes.	✓

C. Audit Adjustments (cont.)

Misclassification and disclosure changes (cont.)

Disclosure	Identified by	Relates to	Findings and Auditor recommendations	Adjustment agreed?
Note 21 – Financial Instruments	Audit team	PCC/Group	<p>Several amendments were agreed following a detailed technical review of this note against the CIPFA Code requirements, reflecting the adoption of IFRS 9 in 2018/19.</p> <ol style="list-style-type: none"> Our initial accounts review identified that the analysis of assets on p76 is inconsistent with the balance sheet. <p>Management checked this and confirmed that the disclosed figure for Gross Value of Deposits had not pulled through correctly and would be amended.</p> <ol style="list-style-type: none"> References such as ‘loans and receivables’ are taken from the now extant accounting standard and should be amended to use the correct categories under IFRS 9. Debtor and creditor balances classed as financial instruments should be included in the table which states the applicable IFRS 9 classification ie held at amortised cost. The accounting policy Note 3j requires updating to reflect current IFRS 9 terminology. 	✓
Various	Audit team	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. Audit Adjustments (cont.)



Impact of unadjusted misstatements

To date we have not identified any unadjusted misstatements to the 2021/22 PCC, Chief Constable and Group financial statements.

C. Audit Adjustments (cont.)



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements. These were previously reported to JIAC in July 2022, however we are required to evaluate the impact that prior year unadjusted misstatements might have on the current year's opening balances, in light of the current year's audit materiality (reduced to £5.2m).

As the below issues are well below our revised materiality level, we are satisfied that no further action is required in respect of these.

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	(1,364)	1,364
Testing of capital additions identified items that had been accounted for in 2020/21 but should have been included in 2021/22. We have determined an estimate of the potential impact of this error by extrapolating our findings – indicating a potential overstatement of PPE of £1,402k, with a corresponding overstatement of the PCC's creditor balances.	PCC	Extrapolated figure Controls to be reviewed for 2021/22		(1,402) 1,402
Overall impact			(1,364)	1,364

D. Fees

We confirm below our proposed fees charged for the 2021/22 are as communicated in our audit plan in September 2022. PSAA have since given final approval to the below final fees for the 2020/21 audit year. The fees below reconcile to the financial statements for each entity.

Audit fees	Scale fee (both years)	Final approved fee 2020/21	Proposed fee 2021/22	Final fee 2021/22
PCC Audit	£28,529	£46,529	£51,529	£51,529
Chief Constable Audit	£14,438	£20,938	£22,938	£22,938
Total audit fees (excluding VAT)	£42,967	£67,457	£74,457	£74,457

Non-audit fees

Grant Thornton UK LLP provided a Tax and VAT Helpline service to the PCC during the 2020/21 and 2021/22 financial years. The fee was fixed at £1,200 per year. 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 have had no involvement in the external audit process.

D. Audit fees – detailed analysis

The below analysis was also reported within our audit plan to JIAC in September 2022. PSAA have since approved the final 20/21 fees, and these have been subsequently settled.

	CC £	PCC £
Scale fee published by PSAA	14,438	28,529
<i>Ongoing increases to scale fee identified in 2020/21</i>		
Raising the bar/regulatory factors	750	1,500
Enhanced audit procedures for Property, Plant and Equipment	-	2,500
Enhanced audit procedures for Pensions	1,750	-
Additional work on Value for Money	2,000	7,000
Revised ISAs- additional audit requirements	2,000	4,000
<i>Prior period adjustment (2020/21 only)</i>	-	3,000
Final 2020/21 fee	20,938	46,529
<i>Increases identified in 2021/22</i>		
Materiality reduction	1,500	3,500
Valuation specialist	-	3,500
FRC response – Hot Review / Engagement Quality Control Reviewer	500	1,000
Total 2021/22 audit fees (excluding VAT)	22,938	51,529

E. Audit opinion- PCC and Group

Our draft audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report.

DRAFT -Independent auditor's report to the Police and Crime Commissioner for Northumbria

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for Northumbria (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2022 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Police Pension Fund Account and Notes. financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2022 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

E. Audit opinion- PCC and Group (cont.)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer for the financial statements' section of this report.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Police and Crime Commissioner and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Police and Crime Commissioner and the group obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if :

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

E. Audit opinion- PCC and Group (cont.)

Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities set out on page xx, the Police and Crime Commissioner and the Group is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Police and Crime Commissioner and the group will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021 /22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011)
- We enquired of senior officers and the Police and Crime Commissioner and the Group, concerning the Police and Crime Commissioner and group's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Police and Crime Commissioner, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

E. Audit opinion- PCC and Group (cont.)

- We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, risk of judgements derived by management with high estimation uncertainty and other fraud risks including fraudulent recognition of revenue and incompleteness of expenditure and associated liabilities. We determined that the principal risks were in relation to:

– journal entries posted which met a range of criteria determined during the course of the audit, in particular, those posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement, and

– accounting estimates made in respect of the valuation of liabilities in the Balance Sheet.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large and unusual manual journals which are at higher risk of manipulation in comparison to automatic system generated journals;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- Our assessment of the appropriateness of the collective competence and capabilities of the Police and Crime Commissioner and group's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:

- the provisions of the applicable legislation

- guidance issued by CIPFA, LASAAC and SOLACE

- the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

E. Audit opinion- PCC and Group (cont.)

Report on other legal and regulatory requirements - the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Police and Crime Commissioner's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Police and Crime Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Police and Crime Commissioner ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Police and Crime Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Police and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Police and Crime Commissioner for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police and Crime Commissioner for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

E. Audit opinion- PCC and Group (cont.)

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature to be added upon completion]

E. Audit opinion- Chief Constable

Our draft audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report.

DRAFT -Independent auditor's report to the Chief Constable for Northumbria

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Chief Constable for Northumbria (the 'Chief Constable') for the year ended 31 March 2022 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Police Pension Fund Account and Notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chief Constable's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Chief Constable to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Chief Constable and the Chief Constable's disclosures over the going concern period.

E. Audit opinion- Chief Constable (cont.)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Chief Constable and the Chief Finance Officer for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Chief Constable obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if :

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we make a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

E. Audit opinion- Chief Constable (cont.)

Responsibilities of the Chief Constable and the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 35, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Chief Constable will no longer be provided.

The Chief Constable is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021 /22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011)
- We enquired of senior officers and the Chief Constable, concerning the Chief Constable's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Chief Constable, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

E. Audit opinion- Chief Constable (cont.)

- We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, risk of judgements derived by management with high estimation uncertainty and other fraud risks including fraudulent recognition of revenue and incompleteness of expenditure and associated liabilities. We determined that the principal risks were in relation to:

– journal entries posted which met a range of criteria determined during the course of the audit, in particular, those posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement, and

– accounting estimates made in respect of the valuation of liabilities in the Balance Sheet.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large and unusual manual journals which are at higher risk of manipulation in comparison to automatic system generated journals;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- Our assessment of the appropriateness of the collective competence and capabilities of the Chief Constable's engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the police sector
 - understanding of the legal and regulatory requirements specific to the Chief Constable including:
- the provisions of the applicable legislation
- guidance issued by CIPFA, LASAAC and SOLACE
- the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Chief Constable's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Chief Constable's control environment, including the policies and procedures implemented by the Chief Constable to ensure compliance with the requirements of the financial reporting framework.

E. Audit opinion- Chief Constable (cont.)

Report on other legal and regulatory requirements - Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable's has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Chief Constable's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Chief Constable plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Chief Constable ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Chief Constable uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Chief Constable has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Chief Constable for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Chief Constable for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

E. Audit opinion- Chief Constable (cont.)

Use of our report

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

[[Signature to be added upon completion]]

F. Management Letter of Representation- PCC/Group

Dear Sirs

Police and Crime Commissioner for Northumbria
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of the Police and Crime Commissioner for Northumbria (PCC) and its subsidiary undertaking, the Chief Constable for Northumbria Police for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the PCC's financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and the PCC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and the PCC and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The group and the PCC has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

F. Management Letter of Representation- PCC/Group (cont.)

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the group and the PCC has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. **(This clause will be removed if no unadjusted audit misstatement are identified).** We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xi. We have considered the misclassification and disclosure changes schedule included in your Audit Findings Report. The group and PCC's financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and the PCC's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the group and the PCC means that, notwithstanding any intention to liquidate the group and the PCC or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the group and the PCC's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and the PCC's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and the PCC's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the group and the PCC via remote arrangements, from whom you determined it necessary to obtain audit evidence.

F. Management Letter of Representation- PCC/Group (cont.)

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and the PCC and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and the PCC and involves:

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the group and the PCC's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the group and the PCC's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the group and the PCC's financial and operating performance over the period covered by the PCC's financial statements.

Approval

The approval of this letter of representation was approved by myself as PCC for Northumbria.

Yours faithfully

Name.....

Position.....

Date.....

F. Management Letter of Representation- Chief Constable

Dear Sirs

Chief Constable for Northumbria
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of the Chief Constable for Northumbria (Chief Constable) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Chief Constable's financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Chief Constable's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Chief Constable and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Chief Constable has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

F. Management Letter of Representation- Chief Constable (cont.)

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Chief Constable has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. **(This clause will be removed if no unadjusted audit misstatement are identified).** We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Chief Constable and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

- xi. We have considered the misclassification and disclosure changes schedule included in your Audit Findings Report. The Chief Constable's financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Chief Constable's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the Chief Constable means that, notwithstanding any intention to liquidate the Chief Constable or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Chief Constable's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Chief Constable's ability to continue as a going concern need to be made in the financial statements.

F. Management Letter of Representation- Chief Constable (cont.)

Information Provided

- xv. We have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the Chief Constable's financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit; and
 - access to persons within the Chief Constable via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Chief Constable and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Chief Constable's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims and these have been accounted for and disclosed in accordance with the requirements of the International Financial Reporting Standards.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Chief Constable's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Chief Constable's financial and operating performance over the period covered by the Chief Constable's financial statements.

Approval

The approval of this letter of representation was approved by myself as Chief Constable for Northumbria.

Yours faithfully

Name.....

Position.....

Date.....



JOINT INDEPENDENT AUDIT COMMITTEE

27 FEBRUARY 2023

**INTERNAL AUDIT CHARTER, STRATEGY STATEMENT 2023 – 2026 AND
ANNUAL AUDIT PLAN 2023/24**

REPORT OF THE INTERNAL AUDIT MANAGER

1 Purpose of the Report

- 1.1 To inform the Committee of the Internal Audit Charter, the Internal Audit Strategy Statement 2023/24 – 2025/26 and the annual Audit Plan 2023/24 for the Police and Crime Commissioner and Chief Constable and seek its approval.

2 Background

- 2.1 The Internal Audit Service is to be provided under agreement with Gateshead Council. Internal Audit are required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 2.2 The Joint Chief Finance Officer has delegated responsibility to maintain an adequate internal audit of both the Police and Crime Commissioner and Chief Constable's financial affairs as required by Section 151 of the Local Government Act 1972. The Accounts and Audit Regulations 2015 also stipulates public bodies must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 2.3 The Internal Audit Manager manages the provision of the Internal Audit Service and is responsible for ensuring resources are sufficient to meet the Audit Plan, which is developed based on a review and evaluation of all aspects of the internal control environment.
- 2.4 The main aim of the Internal Audit Service is to assist all levels of management in delivering the objectives of the Police and Crime Commissioner and Chief Constable through the assessment of exposure to risk and the continuous improvement of the control environment. The risk-based audit plan provides purpose and direction in the achievement of this aim. It is the responsibility of management to install and maintain effective internal control systems.
- 2.5 A report was brought to Committee in November 2022 outlining the emergent plan for comment. Following further consultation with officers

the final plan is attached as an appendix to this report. There have been no changes made to the emergent plan.

3 Internal Audit Charter

- 3.1 The purpose, authority and responsibility of Internal Audit must be formally defined in an Internal Audit Charter, consistent with the definition of Internal Auditing outlined in Public Sector Internal Audit Standards (PSIAS).
- 3.2 These standards, based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 3.3 A key element of compliance with PSIAS is the regular review by the Internal Audit Manager and approval by the Joint Independent Audit Committee of an Internal Audit Charter. The Internal Audit Charter was last presented to Committee in February 2022. The Charter is a formal document that defines Internal Audit's purpose, authority and responsibility and establishes its position within both the Office of the Police and Crime Commissioner (OPCC) and the Force, setting out the Internal Audit Manager's functional reporting relationships, authorises rights of access for Internal Audit staff and defines the scope of Internal Audit activity.
- 3.4 The Internal Audit Manager has carried out an annual review of the Internal Audit Charter and no changes have been made.
- 3.5 The reviewed Internal Audit Charter is attached at Appendix A for approval.

4 Internal Audit Strategy Statement 2023/24 – 2025/26 and Annual Plan 2023/24

- 4.1 The strategy of the Internal Audit Service is to deliver a risk-based audit plan in a professional and independent manner and to provide the Police and Crime Commissioner and Chief Constable with an opinion on the level of assurance they can place upon their internal control environment, and to make recommendations to improve it.
- 4.3 Quarterly monitoring of progress against the plan will be reported to the Joint Independent Audit Committee with priorities reviewed on an ongoing basis to direct audit resources to the areas of highest risk.
- 4.4 The Audit Strategy Statement 2023/24 – 2025/26 and the annual Audit Plan for 2023/24 are attached at Appendix B and C. Under Public Sector Internal Audit Standards (PSIAS), the Joint Independent Audit Committee should review the proposed plan prior to its approval.

AGENDA ITEM 9

- 4.5 The Strategy document has been prepared in accordance with PSIAS which outline that the Chief Audit Executive (Internal Audit Manager) must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals, taking into account the organisation's risk management framework, input from senior management and the Committee. The plan should remain flexible in both content and timing to respond to changes in the organisation's business, risks, operations, programs, systems and controls.
- 4.6 The risk-based plan must take into account the requirement to produce an annual audit opinion on the assurance framework. It must be linked to a strategic statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisation's objectives and priorities outlined in the Police and Crime Plan.

5 Equal Opportunities implications

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

6 Human Rights implications

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

7 Risk Management implications

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

8 Financial implications

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

9 Recommendations

- 9.1 The Committee is asked to:
- Approve the Internal Audit Charter;
 - Agree the Internal Audit Strategy Statement 2023/24 – 2025/26;
 - Review the proposed annual plan of work for the Internal Audit Service for 2023/24; and
 - Agree to receive quarterly monitoring reports showing progress made against the plan.

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

INTERNAL AUDIT CHARTER

1. Introduction

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

2. Statutory Basis

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

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

- 2.2 The Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note (LGAN), which came into effect in April 2013 constitute proper practices to satisfy the requirements for relevant bodies set out in the Accounts and Audit Regulations 2015.

- 2.3 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of these affairs (The Chief Financial Officer (CFO)). CIPFA has defined proper administration in that it should include 'compliance with the statutory requirements for accounts and internal audit'.

- 2.4 The CIPFA Statement on the Role of the Chief Financial Officer states that the CFO must:

- Ensure an effective internal audit function is resourced and maintained;
- Ensure that the authority has put in place effective arrangements for internal audit of the control environment;
- Support internal audit arrangements; and
- Ensure the audit committee receives the necessary advice and information so that both functions can operate effectively.

- 2.5 This Internal Audit Charter recognises the mandatory nature of the PSIAS including the definition of Internal Auditing, the Mission of Internal Audit, the Code of Ethics and the Standards themselves.

3. Definition of Internal Audit

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

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

4. Mission of Internal Audit

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

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

5. Core Principles for the Professional Practice of Internal Auditing

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

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

6. Code of Ethics

- 6.1 The Code of Ethics, incorporated within PSIAS, is necessary and appropriate for the profession of internal auditors as it is founded on the trust placed in its objective assurance about risk management, control and governance. All internal auditors working for, or providing a service to, the PCC and Chief Constable must conform to the Code of Ethics as set out below. If internal auditors have membership of another professional body then they must also comply with the relevant requirements of that body.
- 6.2 The Code of Ethics is based upon four principles that are relevant to the profession and practice of internal auditing and set out the rules of conduct that describe behaviour norms expected of internal auditors to guide their ethical conduct:
- Integrity;
 - Objectivity;
 - Confidentiality; and
 - Competency.
- 6.3 **Integrity:** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement. All Internal Audit staff will:
- Perform their work with honesty, diligence and responsibility.
 - Observe the law and make disclosures expected by the law and their profession.
 - Not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or the audited bodies.
 - Respect and contribute to the legitimate and ethical objectives of the audited bodies.
- 6.4 **Objectivity:** Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They will make a balanced assessment of all of the relevant circumstances and will not be unduly influenced by their own interests or the interests of others in forming judgements. All Internal Audit staff will:
- Not participate in any activity or relationship that may impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the audited bodies.
 - Not accept anything that may impair or be presumed to impair their professional judgement.
 - Disclose all material facts known to them that, if not disclosed, may distort the reporting of the activities under review.

- 6.5 **Confidentiality:** Internal auditors will respect the value and ownership of the information they receive and will not disclose information without appropriate authority unless there is a legal or professional obligation to do so. All Internal Audit staff will:
- Be prudent in the use and protection of information acquired in the course of their duties.
 - Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the audited bodies.
- 6.6 **Competency:** Internal auditors will apply the knowledge, skills and experience needed in the performance of their duties. All Internal Audit staff will:
- Engage only in those services for which they have the necessary knowledge, skills and experience.
 - Perform their work in accordance with the International Standards for the Professional Practice of Internal Auditing.
 - Continually improve their proficiency, effectiveness and the quality of the service they deliver.

7. Principles of Public Life

- 7.1 Internal Audit staff will also have regard to Nolan's Seven Principles of Public Life in the course of their duties. The seven principles are:
- **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
 - **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
 - **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
 - **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
 - **Openness:** Holders of public office should be as open as possible about all decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
 - **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
 - **Leadership:** Holders of public office should promote and support these principles by leadership and example.

8. Purpose, Authority and Responsibilities

8.1 Purpose

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

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

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

8.1.3 Other objectives include:

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

8.2 Authority

- 8.2.1 Internal Audit is an assurance function required under the provisions of the Accounts and Audit Regulations 2015. Delegated responsibility to maintain an adequate and effective internal audit of the PCC and Chief Constable's accounting records and control systems rests with the Joint Chief Finance Officer, as set out in the Commissioner's Delegations to Officers.
- 8.2.2 The scope of Internal Audit provider activity allows for unrestricted coverage of each body's control environment, which includes all of its operations, resources, services and responsibilities in relation to other bodies. The only exception to this is in relation to covert assets. Assurance on the existence and deployment of covert assets will be provided to Internal Audit and onto the Joint Independent Audit Committee by the Assistant Chief Constable responsible for Crime.
- 8.2.3 In accordance with the definitions of PSIAS, the Internal Audit Manager is the OPCC and Force's Chief Audit Executive, the Joint Independent Audit Committee as the Board and Area Commanders/Heads of Department and above are designated as "senior management".
- 8.2.4 The Internal Audit Manager, in consultation with the Joint Chief Finance Officer and the Joint Independent Audit Committee, will have the freedom to determine the priorities for Internal Audit activity.
- 8.2.5 The Internal Audit Manager will carry out a systematic review and evaluation of all aspects of the internal control environment through consideration of the respective risk registers and consultation with senior managers and the external auditor. This enables the Internal Audit Manager to prepare a three-year risk-based plan, covering all areas of the Police Service and to provide purpose and direction in this process. This plan will be linked to a statement of how the Internal Audit service will be delivered and developed in accordance with this Charter and both the PCC and Chief Constable's overall objectives.
- 8.2.6 Subject to the restriction relating to covert assets noted in 8.2.2 above, Financial Regulations grant to Internal Audit, having been security cleared, the authority to:
- Enter at all reasonable times OPCC and the Force premises;
 - Have access to all assets, records, documents, correspondence, control systems and appropriate personnel, subject to appropriate security clearance;
 - Receive any information and explanation considered necessary concerning any matter under consideration;
 - Require any employee to account for cash, stores or any other OPCC or Force asset under their control; and
 - Access records belonging to contractors, when required. This shall be achieved by including an appropriate clause in all contracts.

- 8.2.7 Where required assurances based on the work of Internal Audit may be provided to respective external bodies. This will take the form of a written assurance from the Internal Audit Manager detailing the objectives of the internal audit activity undertaken and a conclusion on the assessment of the internal control environment.
- 8.2.8 The main determinant of the effectiveness of the Internal Audit provider is that it is seen to be independent. To ensure this, the Internal Audit provider will operate in a framework that allows direct reporting to the PCC, all Chief Officers and the Chair of the Joint Independent Audit Committee.

8.3 Responsibilities

- 8.3.1 The Internal Audit provider will perform all audit work in accordance with PSIAS and the prescribed local procedures as outlined within the Internal Audit Manual, giving due recognition to the mandatory basis of the PSIAS. Auditors will carry out their duties in compliance with the standards and the Code of Ethics detailed within them. In addition to the Annual Internal Audit Report the Internal Audit Manager will report progress against the annual audit plan to the Joint Independent Audit Committee on a quarterly basis. This will include details of any significant weaknesses identified in internal controls and the results of the Internal Audit Manager's Quality Assurance and Improvement Programme which assesses compliance with PSIAS.
- 8.3.2 The Internal Audit provider will have no responsibilities over the activities that it audits beyond the furnishing of recommendations and advice to management on associated risks and controls.
- 8.3.3 The existence of the Internal Audit provider does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered way. Management is expected to implement all agreed audit recommendations by the agreed implementation date. Each recommendation will be followed up at the agreed date to assess the extent to which this has happened.
- 8.3.4 Arrangements are in place with senior managers to inform Internal Audit of changes in organisational systems and procedures on an ongoing basis.
- 8.3.5 Every effort will be made to preserve objectivity by ensuring that all Internal Audit provider employees are free from any conflicts of interest and do not undertake any non-audit duties other than those for the demands of the service.

9. Resourcing of Internal Audit

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

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

10. Fraud Related Work

- 10.1 Managing the risk of fraud, bribery and corruption is the responsibility of management and the Internal Audit provider does not have responsibility for the prevention and detection of these matters. Internal Auditors will however be alert to the risk and exposures that can allow fraud, bribery and corruption and will investigate such instances and any irregularities that are identified within the Service. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud, bribery and corruption will be detected.

- 10.2 The Internal Audit Manager has provision in the Audit Plan to allow for the investigation of fraud, bribery and corruption and Financial Regulations, the Counter Fraud and Corruption Policy and Statement on the Prevention of Bribery require them to be notified of all suspected or detected fraud, corruption or impropriety. The Internal Audit Manager will assess the potential impact of such cases on the internal control environment.

11. Consulting Services

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



The Internal Audit Strategy Statement

2023/24 – 2025/26

& Annual Plan 2023/24

1. Introduction

- 1.1 The Internal Audit Service for the Police and Crime Commissioner and Chief Constable plays an essential role in supporting each body to achieve its objectives and outcomes. The Annual Audit Plan for 2023/24 has been formulated from a review of the major risks that are faced over the next three years. The plan therefore focuses on areas where we can add the most value and provide assurance that risks are being properly managed.
- 1.2 Our objectives over the three years are to promote and champion sound governance and effective internal controls throughout both bodies and to provide objective assurance by ensuring key business controls are operating as planned and value for money is being achieved to support delivery of the Police and Crime Plan.
- 1.3 It is the responsibility of management to install and maintain effective internal control systems. The role of Internal Audit, as outlined in the Audit Charter, is to assist managers in the effective discharge of this responsibility and in so doing, deliver the objectives of the Police and Crime Commissioner, Chief Constable and any associated bodies.
- 1.4 Internal Audit is provided to the Police and Crime Commissioner and Chief Constable under an agreement with Gateshead Council.

2. Purpose

- 2.1 This document sets out Internal Audit's Strategy for 2023/24 – 2025/26 and Annual Audit Plan for the Police and Crime Commissioner and Chief Constable for the financial year 2023/24. The purpose of the Internal Audit Strategy and Annual Audit Plan is to:
 - Meet the requirements of the Public Sector Internal Audit Standards (PSIAS) that requires the Chief Audit Executive to produce a risk based annual plan taking into account the requirement to give an independent annual opinion on the overall adequacy and effectiveness of each organisation's framework of governance, risk management and control;
 - Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015;
 - Ensure effective audit coverage and a mechanism to provide independent and objective assurance in particular to the Joint Independent Audit Committee and Senior Managers;
 - Identify the key risks that could prevent each body from achieving its objectives and determine the corresponding level of audit resources required to assess mitigating controls;
 - Add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money; and
 - Support lead staff in the areas of finance and legal in fulfilling their obligations as the Section 151 and Monitoring Officers respectively.

3. Key Outputs 2023/24

3.1 Internal Audit will deliver the following key responsibilities:

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

4. Key Issues & Annual Audit Plan for 2023/24

4.1 Having regard to the current risk profile, the following main areas have been included in the Annual Plan for 2023/24:

Police and Crime Commissioner Audit Areas

4.2 This area will focus on the two audits of Grant Distribution and Treasury Management. The Grant Distribution audit will examine the programmes that focus the PCC's funding and activity priorities, derived from the Police and Crime Plan, which have been developed with partners and service users. The audit of Treasury Management will look at how all borrowing and investments are managed in line with the agreed strategy.

Chief Constable Audit Areas

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

Combined Audit Areas

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

General Allocations

4.5 Where audit reports have had a high priority finding or had an overall opinion of significant weakness they will be followed up by Internal Audit within six months of the final report being issued and time is provided within the plan for any such activity.

- 4.6 During the course of the year the Police and Crime Commissioner, Chief Constable or the Joint Independent Audit Committee can ask Internal Audit to carry out additional work on control systems which may not have been planned for. This time allocation is to provide some scope to do this. Internal Audit is also available to give ad hoc support and advice for staff and officers on internal control and governance issues. Activity in this area also includes preparation and delivery of reports for the Joint Independent Audit Committee.

2023/24 Annual Audit Plan

- 4.7 To allow an annual opinion on the effectiveness of the respective internal control environments to be delivered Internal Audit will review all major systems and areas of activity within a three-year period. The three-year risk based strategic plan is reviewed annually after considering:
- Organisational priorities;
 - A review of risk documentation;
 - Consultation with senior managers;
 - Changes in legislation;
 - The scope of planned external audit work;
 - The implications of any external inspection reports; and
 - Time elapsed since the previous audit.
- 4.8 Once this information has been analysed the perceived level of risk for each audit area is assessed based on thirteen areas taking into account such factors as materiality, operational impact, links to strategic risks, potential for fraud and sensitivity. Based on a score derived from these assessments, audits are categorised as high, medium or low priority which dictates where they will be audited within the three-year cycle. High priority areas are audited on an annual basis. However, there are some audits where the frequency is dictated by other criteria such as external reporting requirements in which case they may be conducted annually even though they are not categorised as high risk.
- 4.9 The Annual Audit Plan for 2023/24 has been developed on this basis and is set out at Appendix C. The plan sets out the broad areas for the basis of work during 2023/24 but remains flexible to respond to changing risks and priorities during the year. The level of audit resources required to deliver the plan is 2,240 hours (2,170 hours for 2022/23).

5. How the service will be provided

- 5.1 Internal Audit is delivered under agreement with Gateshead Council. This includes the use of specialist auditors from Newcastle Council for IT auditing. This arrangement will be kept under review on an annual basis.
- 5.2 In order to deliver the Annual Audit Plan at the required level of quality and professionalism, we strive to ensure the team have the necessary mix of skills and experience. All internal audit staff are either fully qualified CCAB Accountants and/or qualified Association of Accounting Technicians or undertaking professional studies.

- 5.3 Our professional judgement has been applied in assessing the level of resources required to deliver the Annual Audit Plan. The level of resource applied is a product of:
- The complexity of the areas to be reviewed;
 - Factors such as number of locations, number and frequency of transactions; and
 - Assurance that can be brought forward from previous audits and other internal and external reviews carried out.
- 5.4 Staff development needs are continually assessed to ensure we maintain the optimal level and mix of skills required to deliver a highly professional and added value internal audit service.

6. Our Performance Management

- 6.1 The standards for 'proper practice' in relation to internal audit are laid down in the Public Sector Internal Audit Standards and we will continually ensure compliance with these professional standards through a combination of internal and external reviews; with the outcomes reported to the Joint Independent Audit Committee. Examples of this include:
- Internal self-assessments by the Internal Audit Manager;
 - Customer satisfaction questionnaires;
 - Reliance placed on our work by external auditors, where applicable;
 - CIPFA benchmarking information; and
 - External assessment every five years by a recognised, qualified and independent assessor.
- 6.2 To achieve the planned coverage for 2023/24, deliver a high standard of customer care and demonstrate effectiveness of the Service, we have well established internal performance targets based on best professional practice. The following indicators will be reported to the Committee on a quarterly basis:

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

Appendix C

Internal Audit Plan 2023/24 - 2025/26

Risk	Frequency	Audit Area	2023/24	2024/25	2025/26
		Police & Crime Commissioner			
High	Annual	Treasury Management	80	80	80
High	Annual	Grant Distribution	50	50	50
		Chief Constable			
		Digital Policing Audits			
High	Annual	DP Security - Application & Data; Cyber; Infrastructure	60	60	60
High	Annual	DP Resilience (incl. Cloud Computing & Data Centre)	60	60	60
Medium	Biennial	DP Information Management		60	
Medium	Biennial	ITIL Configuration and Change Management		60	
Medium	Biennial	DP Governance and Risk Management		40	
Medium	Biennial	Patch Management	40		40
Medium	Biennial	Hardware Asset Management	60		60
Medium	Biennial	Software Asset Management	60		60
		Departmental Audits			
Annual	Annual	Police Charities Fund	40	40	40
Medium	Biennial	Asset Management	100		100
Medium	Biennial	Fleet Management		70	
Medium	Biennial	People Services & Development	100		100
Medium	Biennial	Legal & Insurance Arrangements		90	
Medium	Biennial	Operational Support & Firearms Licencing		80	
		Theme Based Audits			
High	Annual	Property	120	120	120
High	Annual	Programme/Project Management	40	40	40
New	Biennial	Vetting	70		70
		Combined Areas			
		Financial Systems			
High	Annual	Creditors & Procurement	140	140	140
High	Annual	Payroll & Pensions	100	100	100
High	Annual	Main Accounting System	50	50	50
High	Annual	Budgetary Control	50	50	50
High	Annual	Employee Claims	60	60	60
New	One off	Pension Remedy Preparedness	90		
Medium	Biennial	Debtors		70	
		Other Combined Areas			
High	Annual	Governance	50	50	50
High	Annual	Information Governance & Data Security	80	80	80
High	Annual	Annual Governance Statement - Review of Managers' Assurance	100	100	100
Medium	Biennial	Cash Advances & Income Arrangements		60	
Medium	Biennial	Risk Management & Business Continuity Arrangements	90		90
Medium	Biennial	Health & Safety		60	
Medium	Biennial	Performance Management & Data Quality		60	
Medium	Biennial	VAT	50		50
Medium	Biennial	Complaints	100		100
Medium	Biennial	Counter Fraud & Corruption Arrangements	60		60
Medium	Biennial	Equality & Diversity		50	
Medium	Biennial	Key Partnerships - NEROCU		50	
		Other			
		Sub Total	1,900	1,830	1,810
		Follow Up & Contingency	70	70	70
		General Advice, Consultancy & Systems Review	150	150	150
		Joint Independent Audit Committee - Preparation & Support	120	120	120
		Total Hours	2,240	2,170	2,150

JOINT INDEPENDENT AUDIT COMMITTEE	27 FEBRUARY 2023
TREASURY POLICY STATEMENT & TREASURY STRATEGY 2023/24 TO 2026/27	
REPORT OF: THE JOINT CHIEF FINANCE OFFICER	

I PURPOSE

- 1.1 To review and recommend the adoption by the Commissioner of the attached four year Treasury Policy Statement and Strategy 2023/24 to 2026/27.

2 RECOMMENDATION

- 2.1 To recommend the adoption by the Commissioner of the attached four year Treasury Policy Statement and Strategy 2023/24 to 2026/27.

3 BACKGROUND

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced the Code of Practice on Treasury Management in the Public Services (the Code) which represents best practice in Treasury Management. By adopting the attached Treasury Policy Statement and Strategy for 2023/24 to 2026/27 the Commissioner contributes towards achieving best practice.
- 3.2 Part I of the Local Government Act 2003 specifies the powers of local authorities to borrow for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. For the purpose of the Local Government Act 2003 Police and Crime Commissioners are classified as local authorities. The CIPFA Prudential Code for Capital Finance in Local Authorities sets out a range of prudential and treasury indicators that must be calculated to ensure borrowing is affordable, prudent and sustainable. The Prudential Code also refers to the need for a clear and integrated Treasury Strategy.
- 3.3 Both the Treasury Management Code and the Prudential Code were revised for 2021 and issued on 20 December 2021. The main objective of the 2021 Code changes (and the previous 2017 Codes) was to respond to the major expansion of local authority investment activity over recent years into the purchase of non-financial investments, particularly property. CIPFA has stated that Local Authorities are expected to fully implement the required reporting changes within their TMSS/AIS reports from 2023/24. The attached Treasury Policy Statement and Treasury Strategy 2023/24 to 2026/27 fully comply with the new 2021 code editions.
- 3.4 In addition, under Section 15 of the Local Government Act 2003, local authorities are required to have regard to the DLUHC's Guidance on Local Government Investments. This document stipulates the requirement for an annual investment strategy to be integrated into the Commissioner's Treasury Strategy.

4. TREASURY POLICY AND TREASURY STRATEGY

- 4.1 The Treasury Policy 2023/24 to 2026/27 is set out in Appendix 1, and details the overarching approach to the provision of Treasury Management which includes the Treasury Strategy, Investment Strategy and appropriate delegations.
- 4.2 The Treasury Strategy for 2023/24 to 2026/27 covers the specific activities proposed for the next four years in relation to both borrowing and investments and ensures a wide range of advice is taken to maintain and preserve all principal sums, whilst obtaining a reasonable rate of return, and that the most appropriate borrowing is undertaken. The primary objective of the investment strategy is to maintain the security of investments at all times. The Strategy is attached at Appendix 2 to this report.
- 4.3 The Treasury Strategy complies with the requirements of the Code, the Prudential Code for Capital Finance in Local Authorities and Part 1 of the Local Government Act 2003.
- 4.4 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments are essentially the purchase of income yielding assets. The Commissioner has no non-financial investments.
- 4.5 In addition, there are further Appendices 3 to 7, which set out the current interest rate forecasts, Prudential Treasury Indicators, Specified Investments, Maximum Maturity Periods, and details of foreign countries that could be invested with, all of which underpin the core approach detailed in the Strategy.

5 FURTHER INFORMATION

- 5.1 The following documents have been used in preparation of the report:
- Local Government Act 2003.
 - DLUHC Guidance on Local Government Investments.
 - CIPFA's Prudential Code for Capital Finance in Local Authorities 2021.
 - CIPFA's Code of Practice on Treasury Management in the Public Services 2021.
 - The approved Treasury Management Practice Statements as used for day to day management purposes.
 - Link Group Treasury Management Strategy template 2023/24.

6 CONSIDERATIONS

Freedom of Information	NON-EXEMPT
Consultation	Yes
Consultation has taken place with external treasury advisers Link Group.	
Resource	Yes

There are no financial implications directly arising from the contents of this report. Any income and expenditure within the scope of the report is already included in the agreed revenue budget.	
Equality	No
Legal	No
Risk	Yes
The Treasury Policy and Strategy recommended for approval have been prepared with the aim of maintaining the security and liquidity of investments to ensure that the Commissioner's principal sums are safeguarded. Maximising income is considered secondary to this main aim.	
Communication	No
Evaluation	No

Appendix I**Treasury Policy 2023/24 to 2026/27****I. Introduction**

- I.1 The Commissioner has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) and maintains:
- A Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of our treasury management activities.
 - Suitable Treasury Management Practices (TMPs), setting out the manner in which the policies and objectives are carried out, and prescribing how the activities will be managed and controlled.
- I.2 CIPFA defines Treasury Management as:
- 'The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.'*
- I.3 On 20 December 2021 CIPFA issued revised Prudential and Treasury Management Codes (2021 Editions). CIPFA has stated that after a soft introduction of the Codes for 2022/23, Local Authorities are expected to fully implement the required reporting changes within their TMSS/AIS reports from 2023/24.
- I.4 The main objective of the 2021 Code changes (and the previous 2017 Codes) was to respond to the major expansion of local authority investment activity over recent years into commercial activity and the purchase of non-financial investments, particularly property.
- I.5 The Police and Crime Commissioner for Northumbria has not engaged in any commercial investments and has no non-treasury investments.
- I.6 The Commissioner's Treasury Policy Statement and Strategy 2023/24 to 2026/27 is fully compliant with the new 2021 Code editions. The main changes required under the revised Codes and relevant to the Commissioner's Treasury Policy and Strategy are:
- All investments to be attributed to either: Treasury Management, Service Delivery or Commercial Return.
 - Adoption of a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement (CFR).
 - Amendments to the knowledge and skills register for those involved with the treasury management function.
 - Quarterly reporting of prudential indicators.
 - Environmental social and governance (ESG) issues to be addressed within an authority's treasury management policies and practices (TMPI). (This area is under further development by CIPFA.)
- I.7 The CIPFA Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report. The capital strategy will be approved by the Police and Crime

Commissioner as part of the Medium Term Financial Strategy (MTFS) 2023/24 to 2026/27 approval process, and will include the approval of final prudential indicators set for 2023/24.

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

2. Treasury Strategy

- 2.1 The Commissioner regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Commissioner.
- 2.2 The Treasury Strategy encompasses the requirements of CIPFA's Treasury Management Code of Practice, CIPFA's Prudential Code and the DLUHC's Guidance on Local Government Investments. This document stipulates the requirement for an annual investment strategy to be integrated into the Commissioner's Treasury Strategy Statement.
- 2.3 The Treasury Strategy covers the following:
- a) Treasury limits in force which will limit the treasury risk and activities of the Commissioner, including prudential and treasury indicators.
 - b) Prospects for interest rates.
 - c) The borrowing strategy.
 - d) Debt rescheduling.
 - e) Policy on borrowing in advance of need.
 - f) Management of interest rate exposure.
 - g) The investment strategy.
 - h) Creditworthiness policy.
 - i) The policy on the use of external service providers.
- 2.4 The strategy for 2023/24 to 2026/27 is attached at Appendix 2.

3. Prudential and Treasury Indicators

- 3.1 Under Part I of the Local Government Act 2003 the Commissioner may borrow money:
- a) For any purpose relevant to its functions under any enactment; or
 - b) For the purposes of the prudent management of its financial affairs.
- 3.2 Under the requirements of the Prudential Code and Code of Practice on Treasury Management in the Public Services the following indicators have been adopted for 2023/24:
- Compliance with the Code of Practice on Treasury Management in the Public Services.
 - Calculations of:
 - Authorised limit.
 - Operational boundary.

- Actual external debt.
- Maturity structure of borrowing.
- Upper limits for principal sums invested for periods of over 365 days.
- Gross debt and Capital Financing Requirement (CFR).
- Debt liability benchmark.

3.3 The draft prudential indicators are attached to the Treasury Strategy at Appendix 4. These indicators will be finalised and approved by the Commissioner by 31 March 2023 as part of the Medium Term Financial Strategy (MTFS) 2023/24 to 2026/27 and Capital Strategy approval process.

3.4 Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2023/24 is included in appendix 4.

4. Annual Investment Strategy

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

4.2 The DLUHC has issued guidance to supplement the investment regulations contained within the Local Government Act 2003. It is also referred to under Section 15 (1) of the 2003 Local Government Act which requires authorities to “have regard (a) to such guidance as the Secretary of State may issue and (b) to such other guidance as the Secretary of State may by regulations specify”. The guidance encourages authorities to invest prudently but without burdening them with the detailed prescriptive regulation of the previous regime.

4.3 Central to the guidance and the Code is the need to produce an annual investment strategy. This is included as Section 6 of the Treasury Strategy in Appendix 2.

4.4 The annual investment strategy document will include:

- The Commissioner’s risk appetite in respect of security, liquidity and return.
- The definition of ‘high’ and ‘non-high’ credit quality to determine what are specified investments and non-specified investments.
- Which specified and non-specified instruments the Commissioner will use, dealing in more detail with non-specified investments given the greater potential risk.
- The categories of counterparties that may be used during the course of the year e.g. foreign banks, nationalised/part nationalised banks, building societies.
- The types of investments that may be used during the course of the year.
- The limit to the total amount that may be held in each investment type.
- The Commissioner’s policy on the use of credit ratings, credit rating agencies and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list and how the Commissioner will deal with changes in ratings, rating watches and rating outlooks.
- Limits for individual counterparties, groups and countries.

- Guidelines for making decisions on investments and borrowing.

5. Policy on Interest Rates Exposure

- 5.1 The Commissioner's approach to managing interest rate exposure is described at section 4.10 of the Treasury Strategy 2023/24 to 2026/27.
- 5.2 The use of any financial instruments, such as derivatives, to mitigate interest rate risks will be considered on an individual basis and the CFO will require approval from the Commissioner prior to entering into any arrangement of this nature.

6. Policy on External Managers

- 6.1 Treasury management advisers (Link Group) assist the Commissioner in achieving the objectives set out in the Treasury Policy Statement. The CFO has not appointed external investment fund managers to directly invest the Commissioner's cash.

7. Policy on Delegation, Review Requirements and Reporting Arrangements

- 7.1 It is the Commissioner's responsibility under the Code to approve a Treasury Policy Statement.
- 7.2 The Commissioner delegates the review and scrutiny of the Treasury Management Strategy and Policies, along with monitoring performance by receiving the mid-year review and annual report, to the Joint Independent Audit Committee, and the execution and administration of Treasury Management decisions to the CFO. Any proposals to approve, adopt or amend policy require the consent of the Commissioner and are matters for the Commissioner to determine.
- 7.3 The Commissioner will receive:
- a) A four year Treasury Strategy report, including the annual Investment Strategy, before the commencement of each financial year.
 - b) A mid-year report on borrowing and investment activity.
 - c) An annual report on borrowing and investment activity by 30 September of each year.
 - d) A Capital Strategy report providing the following:
 - A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
 - An overview of how the associated risk is managed.
 - The implications for future financial sustainability.

Treasury Strategy 2023/24 to 2026/27**I. Introduction**

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

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

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

I.3 The Treasury Management Code covers the following prudential indicators:

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

I.4 The draft prudential indicators are attached to the Treasury Strategy at Appendix 4. These indicators will be finalised and approved by the Commissioner by 31 March 2023 as part of the Medium Term Financial Strategy (MTFS) 2023/24 to 2026/27 and Capital Strategy approval process.

I.5 In addition to the above indicators, where there is a significant difference between the net and the gross borrowing position the risk and benefits associated with this strategy will be clearly stated in the annual strategy.

1.6 The strategy covers:

- a) Prospects for interest rates.
- b) Treasury limits in force which will limit the treasury risk and activities of the Commissioner, including prudential and treasury indicators.
- c) The borrowing strategy.
- d) Sensitivity forecast.
- e) External and internal borrowing.
- f) Debt rescheduling.
- g) Policy on borrowing in advance of need.
- h) The investment strategy.
- i) The policy on the use of external service providers.

2. Prospects for Interest Rates

- 2.1 The table shown below outlines the Commissioner's view of anticipated movements in interest rates, based on guidance received from the Commissioner's treasury management advisers Link Group (as at 07/02/2023). A more detailed interest rate forecast is shown in Appendix 3.

(The PWLB rates shown below include a 20 basis point 'certainty rate' discount effective 01/11/2012)

	March	June	Sept	Dec	March	June	March	March
	2023	2023	2023	2023	2024	2024	2025	2026
Bank Rate	4.25%	4.50%	4.50%	4.25%	4.00%	3.75%	2.75%	2.50%
5 yr PWLB*	4.00%	4.00%	3.90%	3.80%	3.70%	3.60%	3.30%	3.10%
10 yr PWLB	4.20%	4.20%	4.10%	4.00%	3.90%	3.80%	3.50%	3.20%
25 yr PWLB	4.60%	4.60%	4.40%	4.30%	4.20%	4.10%	3.70%	3.40%
50 yr PWLB	4.30%	4.30%	4.20%	4.10%	3.90%	3.80%	3.40%	3.10%

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

The LINK Group forecast for interest rates was updated on 7 February 2023 and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the Government's continued policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase to further than 4.5%.

Further down the road, it is anticipated that the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the early part of 2023, there has been more of an upbeat feel to markets after a tumultuous 2022. The £ has been relatively stable at around \$1.22 and developed economy bond and

equity markets have started 2023 in a positive mood with yields falling a little and equity markets rallying through January.

Market expectations have softened a little and now price in Bank Rate to peak at 4.50% with the prospect of a reduction by the end of the 2023/24 financial year. There are, however, several caveats to be applied to that outcome.

The challenges they foresee is the CPI measure of inflation is currently at 10.5% and will need to fall considerably and quickly to persuade the MPC that they are not premature in thinking inflation will come back down below 4% by the end of the year. Energy prices are still expected to rise again in April. Moreover, the labour market is very tight (unemployment remains at a near 48 year low of 3.7%), and average wage increases are still above 6% y/y, against the backdrop of a significant number of high profile on-going strikes in the public sector (the Bank would broadly want wage increases to be in the range of 3% - 3.5%).

As for the housing market, annual price inflation rates are now c1% - 2% on the Halifax and Nationwide indices, but this masks the fact that mortgage approvals have fallen by more than 50% from their recent peak; up to 2 million households will see their fixed rate mortgages increase significantly through 2023; further falls in the housing market of 8% - 10% would not be unexpected; and many households in the private sector rental market will also see their rents move up too as buy-to-let debt servicing costs increase i.e. rents increased, on average, 4.2% in the year to December 2022 and that price trend is upwards.

Regarding Link Groups forecast for PWLB rates, investors will likely remain a little nervous over the UK's future fiscal policy (the Budget is on 15 March) and foreign investors may require a "confidence premium" until it is clear that the Sunak Government is able to meet most of its spending commitments within acceptable financial constraints. In December the OBR forecast the Central Government Net Cash Requirement to be £650bn between 2023/24 and 2027/28. Maturing gilts will swell that figure to >£1.2trillion, and Quantitative Tightening will potentially push the eventual number even higher. So, the Bank and the Government will need to tread carefully in their messaging to markets and the way that funding requirements are met.

What happens outside of the UK remains critical to movement in gilt yields. The US FOMC has led with increases of 450 basis points in the current tightening cycle and has a bit more work still to do, but at least average earnings are close to 4%, which partially offsets concern in respect of the tight labour market (unemployment is at a 54 year low of 3.4%). Similarly, the ECB has also continued to tighten monetary policy, currently to 2.5%, and rates may peak at 3.5%. Nonetheless, it is US monetary policies that will continue to have the greatest impact on global bond markets.

2.2 Significant risks to the forecasts

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Bank of England** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **The Bank of England is too slow in its pace and strength of increases in Bank Rate** and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.

- **The Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.
- **Geopolitical risks**, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

2.3 **The balance of risks to the UK economy** - The overall balance of risks to economic growth in the UK is now to the downside.

2.4 **Forecasts for Bank Rate**

Bank Rate stands at 4.0% currently but is expected to reach a peak of 4.5% in H1 2023.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Further down the road, it is anticipated that the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (10.5% in Dec). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

2.5 In summary, as there are so many variables at this time, Link Group have advised that caution must be exercised in respect of all interest rate forecasts.

Investment and Borrowing Rates

2.6 Investment returns started improving in the second half of 2021/22 and continued to increase at pace over 2022/23. They are expected to improve further during 2023/24 as the MPC progressively increases Bank Rate.

- 2.7 Borrowing rates have been increasing as the Bank Rates have been increased.
- 2.8 On 25 November 2020 the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority/Commissioner which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows:
- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
 - PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- 2.9 The policy of avoiding new borrowing by maximising the use of internal borrowing through reserves, has served the Commissioner well in recent years. However, this will be subject to continuous review in order to avoid the risk of incurring higher borrowing costs in the future when new long-term borrowing to finance capital expenditure or refinance maturities is required. As Link's long-term (beyond 10 years) forecast for Bank Rate is 2.50%, and as nearly all PWLB certainty rates are now above this level, better value can be obtained at the very short and at the longer end of the curve. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023 and as part of a balanced debt portfolio.
- 2.10 There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3. Treasury Limits for 2023/24 to 2026/27 including Prudential Indicators

- 3.1 It is a statutory requirement of the Local Government Finance Act 1992, for the Commissioner to produce a balanced budget. In particular, Section 31(a), as amended by the Localism Act 2011, requires the Commissioner to calculate the budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from increases in interest charges and increases in running costs from new capital projects are limited to a level, which is affordable within the projected income of the Commissioner for the foreseeable future.
- 3.2 It is a statutory duty under Section 3 of Part I of the Local Government Act 2003, and supporting regulations, for the Commissioner to determine and keep under review how much it can afford to borrow. The amount so determined is termed the Affordable Borrowing Limit. The Authorised Limit represents the legislative limit specified in the Act.
- 3.3 The Prudential Code for Capital Finance in Local Authorities is a professional code that sets out a framework for self-regulation of capital spending, in effect allowing Commissioners to invest in capital projects without any limit as long as they are affordable, prudent and sustainable.
- 3.4 The Commissioner must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires the Commissioner to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is affordable.

- 3.5 To facilitate the decision making process and support capital investment decisions the Prudential Code and the Treasury Management Code requires the Commissioner to agree and monitor a minimum number of prudential indicators. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance.
- 3.6 The following indicator provides a debt related activity limit:
- Maturity structure of borrowing. These gross limits are set to reduce the Commissioner's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- 3.7 The treasury limits and draft prudential indicators have been reviewed and updated and are attached at Appendix 4.
- 3.8 Minimum revenue provision (MRP): Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2023/24 is included in Appendix 4.
- 3.9 The CFO has systems in place to monitor the treasury limits and will report to the Commissioner instances where limits are breached, with the exception of short-term breaches of the Operational Boundary. The Operational Boundary is set so that if breached it acts as an early warning of the potential to exceed the higher Authorised Limit and as such temporary breaches due to debt restructuring and temporary borrowing are acceptable, providing they are not sustained.
- 3.10 In addition to the prudential indicators noted above a new debt liability benchmark treasury indicator has been adopted in 2023/24 to support the financing risk management of the capital financing requirement (CFR). This is included in Appendix 4.

4. Borrowing Strategy

- 4.1 The Local Government Act 2003 does not prescribe approved sources of finance, only that borrowing may not, without the consent of HM Treasury, be in other than Sterling.
- 4.2 The main options available for the borrowing strategy for 2023/24 are PWLB loans and market loans. The interest rate applicable to either PWLB or markets loans can be fixed or variable.
- 4.3 The Commissioner is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Commissioner's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are generally lower than borrowing rates and counterparty risk is still an issue that needs to be considered.
- 4.4 There are different types of market loans available, including variable and fixed interest rate loans. These loans are usually offered at an interest rate lower than the corresponding PWLB loan rate to try to encourage local authorities and other public sector bodies to use as an alternative to PWLB. They may only be attractive if they are forward starting i.e. to secure the rate at an earlier point than actually drawing down the funds to mitigate interest rate risk and avoid the cost of carry.

- 4.5 To mitigate variable interest rate risk a limit is placed on the total level of borrowing that can be taken as variable interest rate loans. To provide scope to utilise new market products should they become available as well as minimise the cost of borrowing and increase the diversification of the debt portfolio it is proposed that the limit on variable rate loans should be 40% of total borrowing 2023/24.
- 4.6 The main strategy is therefore:
- Consider the use of short term borrowing as a bridge until receipts are received.
 - Consideration will be given to borrowing market loans which are at least 20 basis points below the PWLB target rate, where they become available.
 - When PWLB rates fall back to or below Link Group trigger rates borrowing should be considered, with preference given to terms which ensure a balanced profile of debt maturity.
 - Consider the use of short term borrowings as a bridge whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.
- 4.7 In addition, reserve and fund balances may be utilised to limit the new external borrowing requirement, or to make early debt repayments, as an alternative to investing these resources. Reducing investment balances rather than increasing external borrowing could reduce interest payable, as short term rates on investments are likely to be lower than rates paid on external borrowing, and limit exposure to investment risk.

Sensitivity of the Forecast

- 4.8 The Commissioner, in conjunction with Link Group, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to any changes. The main sensitivities of the forecast are likely to be the two scenarios below:
- *If it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
 - *If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, consideration will be given to fixed rate funding will being drawn whilst interest rates are lower than they are projected to be in the next few years.*
- 4.9 Against this background, caution will be adopted in the management of the 2023/24 treasury operations. The CFO will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances having delegated powers to invest and manage the funds and monies of the Commissioner.

Interest Rate Exposure

- 4.10 Interest rate exposure is managed and monitored through the use of forward balance sheet analysis. This approach requires consideration of the level of the Commissioner's underlying borrowing requirement (CFR) compared to its actual external borrowing position, to ensure

the Commissioner remains comfortable with the level of interest payable budget subject to movements in interest rates. In addition, the Liability Benchmark, a new debt liability benchmark treasury indicator, has been adopted in 2023/24 to support the financing risk management of the capital financing requirement (CFR). Borrowing decisions will be made with reference to the capital plans and core cash position of the Commissioner in association with both the interest rate forecast (section 2.1), and maturity profile of the current portfolio. Investment decisions will be made with reference to the core cash balances, cash flow requirements and the outlook for short-term interest rates.

External and Internal Borrowing

- 4.11 As at 31 January 2023 the Commissioner has net debt of £52.769m; this means that borrowing is currently higher than investments with total borrowing of £81,969m and investments of £29.200m.
- 4.12 The Commissioner is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. The Commissioner sets trigger rates based on the Link Group PWLB trigger rates for long term borrowing and when these rates are attained consideration will be given to long term borrowing. Due to the succession of Bank Rate increases during 2022/23 and the anticipated peak in 2023/24, PWLB interest rates have risen considerably over the past year and any long term refinancing of the Commissioners debt maturities in 2023/24 are likely to be at higher rates than existing debt, incurring higher interest costs. Therefore, any new borrowing taken will be kept short with a view to replacing in 1-2 years when PWLB long-term rates are expected to return to lower levels following the anticipated reduction in Bank Rate to around 2.5%.
- 4.13 The CFO has examined the potential for undertaking early repayment of some external debt to the PWLB, where lower interest rates are available. The difference between early redemption rates and interest rates payable on PWLB debt means that large premiums are likely to be incurred by such action. This situation will be monitored in case the differential is narrowed by the PWLB.

Borrowing in advance of need

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

New financial institutions as a source of borrowing and / or types of borrowing

- 4.15 Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:
- Local authorities (primarily shorter dated maturities)

- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

4.16 Treasury advisors, Link Group, will continue to provide advice as to the relative merits of each of these alternative funding sources.

5. Debt Rescheduling

5.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates. Any rescheduling opportunities will be considered in line with procedures approved under the Treasury Management Practice Statements and will include a full cost/benefit analysis of any proposed variations. Any positions taken via rescheduling will be in accordance with the strategy position outlined in Section 4 above and will also take into account the prudential and treasury limits.

5.2 The reasons for any proposed rescheduling will include:

- The generation of cash savings at minimum risk.
- In order to amend the maturity profile and/or the balance of volatility in the Commissioner’s borrowing portfolio.

5.3 The CFO in-line with delegated powers outlined in the approved Treasury Management Practice Statement will approve all debt rescheduling.

5.4 Consideration will also be given to the potential for making savings by running down investment balances by repaying debt prematurely as short term rates on investments are likely to be lower than rates paid on currently held debt. However, this will need careful consideration in the light of premiums that may be incurred by such a course of action and other financial considerations.

5.5 All rescheduling will be reported to Commissioner in the mid-year and annual reports.

6. Investment Strategy 2023/24 to 2026/27

Introduction

6.1 The Commissioner has regard to the DLUHC’s Guidance on Local Government Investments and CIPFA’s Code of Practice. The Commissioner must produce a strategy on an annual basis which covers the subsequent four year period.

6.2 This annual strategy maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below and in Appendix 5. The policy also ensures that it has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These are detailed in Appendix 6.

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

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

Investment Objectives

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

Other Limits

- 6.10 The Police and Crime Commissioner will continue to use UK banks irrespective of the UK sovereign rating and will specify a minimum sovereign rating of AA+ for non-UK banks, as recommended by our advisors. The list of countries that qualify using this credit criteria as at

the date of this report are shown in Appendix 7. This list will be added to, or deducted from, should ratings change in accordance with this policy.

Creditworthiness Policy

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

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

- 6.15 To ensure consistency in monitoring credit ratings throughout 2023/24 the Commissioner will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties, as the credit rating agency issuing the lowest rating could change throughout the year as agencies review the ratings that they have applied to countries, financial institutions and financial products. The ratings of all three agencies will be considered, with Fitch being used as a basis for inclusion on the lending list. In addition to this the Link Group creditworthiness service will be used to determine the duration that

deposits can be placed for. This service uses the ratings from all three agencies, but by using a scoring system, does not give undue consideration to just one agency's ratings.

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

Nationalised/Part Nationalised Banks

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

Foreign Banks

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

Local Authorities

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

Non-specified Investments

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

Non High Rated	Fitch	Moody's	Standard & Poor's
Short term	FI	PI	AI
Long term	A-	A3	A-

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

- 6.24 The Commissioner has also set appropriate limits for non-specified investments with “high” rated deposit takers and UK Local Authorities where investments can be out to a maximum of 3 years. The Commissioner’s approved limits for the “high” credit rating for deposit takers are set out at 6.15 above and investment limits are detailed at Appendix 6.
- 6.25 The credit ratings will be monitored as follows:
- All credit ratings are reviewed weekly. In addition, the Commissioner has access to Fitch, Moody’s and Standard and Poor’s credit ratings and is alerted to changes through its use of the Link Group creditworthiness service. On-going monitoring of ratings also takes place in response to ad-hoc e-mail alerts from Link Group.
 - If counterparty’s or deposit scheme’s rating is downgraded with the result that it no longer meets the Commissioner’s minimum criteria, the further use of that counterparty/deposit scheme as a new deposit will be withdrawn immediately.
 - If a counterparty is upgraded so that it fulfils the Commissioner’s criteria, its inclusion will be considered for approval by the CFO.
- 6.26 Sole reliance will not be placed on the use of this external service. In addition the Commissioner will also use market data and information on government support for banks and the credit ratings of government support.

Investment Balances / Liquidity of investments

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

Investments defined as capital expenditure

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

Internal Investment Strategy

- 6.31 The CFO will monitor the interest rate market and react appropriately to any changing circumstances.
- 6.32 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
 - Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.
- 6.33 The Commissioner takes the view that bank rate will rise to 4.50% by May 2023 before falling back to 4.00% by the end of the financial year. Bank Rate forecasts for financial year ends (March) are therefore:
- 2022/23 4.25%
 - 2023/24 4.00%
 - 2024/25 2.75%
 - 2025/26 2.50%
- 6.34 The Commissioner will avoid locking into longer term deals while investment rates are down at historically low levels but rising. Long term deposits, beyond 365 days, will only be used where minimal risk is involved and the counterparties are considered to be supported by the UK Government.

Investment Risk Benchmark

- 6.35 The Commissioner will use an investment benchmark to assess the investment performance of its investment portfolio. Up to the 31 December 2021 it has been benchmarked against the

7 day LIBID. The CFO is appreciative that the provision of LIBOR and associated LIBID rates ceased at the end of 2021. Link group have advised that a suitable replacement investment benchmark would be a SONIA (Sterling Overnight Index Average), which is the risk-free rate for sterling markets administered by the Bank of England. The Sonia rate advised by Link group is 30 day Backward SONIA rate. Accordingly, the commissioner will use an investment benchmark to assess the investment performance of its investment portfolio with reference to the SONIA. Link Group also provide a a quarterly Investment Benchmarking report that assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across other similar Authorities.

End of year investment report

- 6.36 By the end of September each year the Commissioner will receive a report on investment activity as part of its annual treasury report, following scrutiny of that report by the Joint Independent Audit Committee.

Policy on use of external service providers

- 6.37 The Commissioner uses Link Group as its external treasury management advisers.
- 6.38 The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
- 6.39 The Commissioner recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Commissioner will ensure that the terms of appointment of any such service provider, and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

Scheme of Delegation

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

Commissioner

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

Joint Independent Audit Committee

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

Role of the Section 151 Officer (Chief Finance Officer)

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

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

Interest Rate Forecasts 2023 to 2026

Appendix 3

PWLB rates set out in the table below have taken into account the 20 basis point certainty rate reduction.

Link Group Interest Rate View 07.02.23					(The Capital Economics forecasts were done 19.12.22)								
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Bank Rate													
Link	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
Capital Economics	4.50	4.50	4.50	4.50	4.25	4.00	3.50	3.00	-	-	-	-	-
5 yr PWLB													
Link	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
Capital Economics	4.00	3.80	3.70	3.50	3.50	3.40	3.30	3.30	-	-	-	-	-
10 yr PWLB													
Link	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
Capital Economics	4.00	3.80	3.70	3.60	3.50	3.40	3.40	3.30	-	-	-	-	-
25 yr PWLB													
Link	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
Capital Economics	4.40	4.20	4.00	3.80	3.80	3.70	3.60	3.60	-	-	-	-	-
50 yr PWLB													
Link	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10
Capital Economics	4.10	4.00	3.90	3.80	3.80	3.80	3.70	3.60	3.60	-	-	-	-

Appendix 4

Prudential Indicators – Treasury Management

Note – The Prudential Indicators are still in draft form and will be finalised and approved by the Commissioner alongside the Capital Programme and Capital Strategy by 31 March 2023. The final version will be published with the Treasury Management Strategy on the Commissioners website.

Prudential Indicators

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

Authorised Limit for External Debt

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

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

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

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

Authorised Limit for External Debt

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Borrowing	175,000	180,000	180,000	180,000
Other Long Term Liabilities	0	0	0	0
Total	175,000	180,000	180,000	180,000

Operational Boundary for External Debt

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Borrowing	155,000	160,000	160,000	160,000
Other Long Term Liabilities	0	0	0	0
Total	155,000	160,000	160,000	160,000

The latest forecast for external debt indicates that it will be within both the authorised borrowing limit and the operational boundary set to 2026/27. The maturity structure of debt is within the indicators set.

Upper and Lower Limits for the Maturity Structure of Borrowing

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

Maturity structure of borrowing – these gross limits are set to reduce the Commissioner’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. The limits do however cover variable as well as fixed rate debt. The maturity structure of borrowing set out below applies to all borrowing by the Police and Crime Commissioner, both fixed and variable.

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

Upper Limit on Principal Amounts Invested Beyond 365 Days

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

Upper limit on principal amounts invested beyond 365 days	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Investments	15,000	15,000	15,000	15,000

Gross Debt and Capital Financing Requirement (CFR)

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

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

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

Gross Debt and CFR	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Forecast Borrowing as at 31 March	96,969	tbc	tbc	tbc
Capital Financing Requirement as at 31 March	128,407	128,498	131,614	140,958
Amount of borrowing (over) / under CFR	31,438	tbc	tbc	tbc

Forecast borrowing is within the CFR estimates for 2023/24 to 2026/27.

Affordability

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

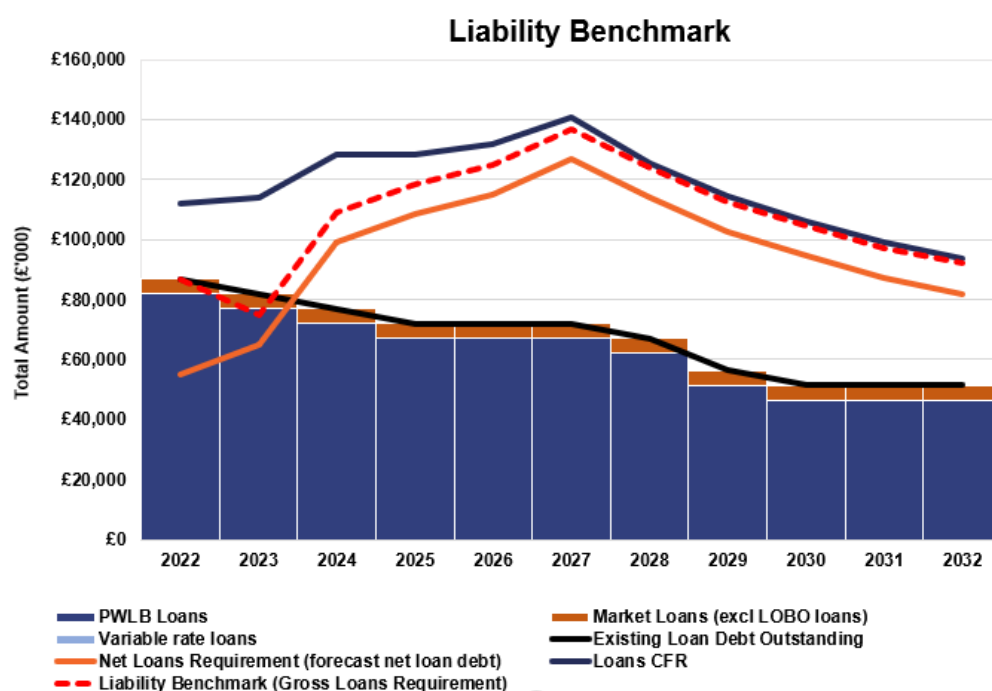
Affordability	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Revenue Budget	355,584	tbc	tbc	tbc
Capital Expenditure	33,378	15,756	17,093	22,673
Capital Financing Requirement as at 31 March	128,407	128,498	131,614	140,958
Interest Cost	3,322	tbc	tbc	tbc
Minimum Revenue Provision	10,738	12,677	12,001	13,329
Revenue Financing Costs	14,060	tbc	tbc	tbc
Ratio of financing cost to revenue stream %	3.95%	tbc%	tbc%	tbc%

Debt Liability Benchmark

In addition to the prudential indicators set out above a new debt liability benchmark treasury indicator has been adopted in 2023/24 to support the financing risk management of the capital financing requirement (CFR).

The liability benchmark is presented as a chart which sets out the following:

- **Existing Loan Debt Outstanding** – this is the profile of the Commissioners existing loans which takes into account the scheduled loan repayments due within the period.
- **The Loans CFR (Capital Financing Requirement)** – this is the total requirement that the Commissioner has for prudential borrowing to support capital expenditure. This includes the CFR as at the last year-end plus approved future borrowing for planned capital expenditure within the existing MTFS capital programme and less those amounts due to be set aside under the MRP (Minimum Revenue Provision) policy adopted by the Commissioner.
- **Net Loans Requirement** – this is a forecast of the Commissioner’s net loan debt, i.e. net of investments for treasury management purposes.
- **Gross Loans Requirement** – this is the Liability Benchmark and represents a forecast of the level of gross loans debt the Commissioner will require in accordance with budget plans.



The chart shows that the Commissioner’s existing loan debt comprises mainly PWLB debt plus a smaller element attributable to market loans. The Commissioner has no variable rate loans.

The Liability Benchmark chart demonstrates a requirement for new borrowing to be taken over the period from the 2023/24 financial year. Whilst the approach to borrowing remains to maximise the use of internal borrowing, the chart demonstrates that the extent to which internal borrowing can be used as a temporary financing tool will reduce over the medium to longer term as reserve balances reduce in-line with budget plans under the Commissioner’s Medium Term Financial Strategy (MTFS).

Minimum Revenue Provision (MRP) Statement 2023/24

The MRP charge for 2023/24 for capital expenditure incurred before 01 April 2008 (prior to the new regulations) or which has subsequently been financed by supported borrowing will be based on the previous regulatory method of Capital Financing Requirement at a minimum of 4% of the opening balance less prescribed adjustments.

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

Appendix 5

Specified Investments (All Sterling Denominated)

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

Non-Specified Investments (All Sterling Denominated)

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

Appendix 6

Maximum Maturity Periods and Amounts

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

Appendix 7

Approved countries for investments

This list is based on those countries which have sovereign ratings of AA+ or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Group credit worthiness service.

Link Group currently suggests a minimum rating of AA-

Based on lowest available rating

AAA

Australia
Denmark
Germany
Luxembourg
Netherlands
Norway
Singapore
Sweden
Switzerland

AA+

Canada
Finland
U.S.A.

For information

AA-

U.K.

THIS LIST IS AS AT 07.02.23

Joint Independent Audit Committee	27 February 2023
Annual Governance Review – Assurance Framework 2022/23	
Report of: Gail Thompson, T/Head of Technical Finance	

1. PURPOSE

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

2. RECOMMENDATION

- 2.1 The Committee are asked to agree the approach and assurance framework for the production of an Annual Governance Statement for each of the PCC and CC for 2022/23.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015 require that the PCC and CC each conduct a review of the effectiveness of the systems of internal control, and prepare individual Annual Governance Statements.
- 3.2 The review of evidence informing the production of the AGS's will be undertaken by the Joint Governance Group (JGG), who will prepare the statements covering 2022/23 for review and approval by the JIAC.
- 3.3 The draft AGS's will then be reviewed by the JIAC before approval by the PCC and CC. The statements will then accompany the Annual Statements of Account for each organisation.

4. ASSURANCE FRAMEWORK

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

- **The system of internal Audit**
 - Review of the effectiveness of Internal Audit
 - Review of the effectiveness of Joint Independent Audit Committee
 - Internal Audit Annual Report
- **Senior Managers Assurance Statements**
- **Primary and Thematic Assurance**

- 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
- CIPFA Financial Management Code self-assessment
- Other 'Thematic' sources of assurance, including:
 - Business Planning
 - Partnership arrangements and governance
 - Digital Policing Arrangements
 - Fraud, Corruption and Money Laundering
 - Wellbeing

4.4 In addition, any other sources of assurance which may be highlighted as a result of discussions with the External Auditor.

5. CONSIDERATIONS

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

5.2 The system of internal audit

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

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

5.2.3 Assurance in this area will be provided through the overall independent opinion of the Internal Audit Manager based on the work undertaken by the Internal Audit Service during the year and reported to the Joint Independent Audit Committee in the Internal Audit Annual Report 2022/23.

5.3 Senior Managers

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

5.4 Governance arrangements

- 5.4.1 The PCC and CC have responsibilities for governance within the Office of the Police & Crime Commissioner (OPCC) and the Force in their own right. This means that there will be two freestanding processes within the Police Service for ensuring good governance. In most respects the principles and implementation will be the same for the PCC and the CC. There may be however, areas specific to each corporation sole which will need to be reflected.
- 5.4.2 The PCC and CC have established a Joint Internal Governance Group (JGG) which meets on four times per year and whose work is fully aligned with that of the JIAC. The Group is resourced by individuals who have the appropriate knowledge, expertise and levels of seniority to consider all necessary and mandatory governance requirements on behalf of both corporate bodies.
- 5.4.3 The permanent members of this Group are:
- Joint Chief Finance Officer
 - PCC Chief of Staff
 - Deputy Chief Constable
 - Head of Corporate Development
 - Head of Finance
 - Internal Audit Manager
- 5.4.4 This Group will:
- Consider the extent to which the organisations comply with the principles and elements of good governance set out in the framework
 - Identify systems, processes and documentation that provide evidence of compliance.
 - Identify the individuals or mechanisms responsible for monitoring and reviewing the systems, processes and documentation
 - Identify any governance issues that have not been addressed and consider how they should be addressed.
 - Identify the individuals who would be responsible for undertaking any actions that are required.

5.5 Financial controls

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

5.6 Views of the external auditor and other external inspectorates

- 5.6.1 The external auditor will issue a Joint Auditor's Annual Report on the PCC and CC and a Joint Audit Findings Report each year, providing a review of the value for money arrangements in each body and reporting any significant issues arising from the audits of their financial statements.
- 5.6.2 There are also a number of other external inspectorates, including HMICFRS, which report from time to time on management and governance arrangements within the Police Service.

5.7 HMRCFRS and other external inspectorates

- 5.7.1 In addition to the HMICFRS and external inspectorate reports presented at each JIAC meeting, an annual review will be undertaken summarising the activities during 2022/23.

5.8 Legal and regulatory framework

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

5.9 Risk management

- 5.9.1 The PCC and CC have established a joint approach to the consideration and management of risk, which ensures that both bodies have management arrangements in place. Updates on risk are provided to JIAC at each meeting and assurance in this area will be provided in the Corporate Risk Management Annual Report for 2022/23.

5.10 Performance management and data quality

- 5.10.1 The performance management framework forms part of the assurance of senior managers on the key controls operating in their areas. In addition, there is a framework for reporting corporate performance management information, including oversight by the PCC. The Head of Corporate Development will provide assurance in respect of this framework.
- 5.10.2 A review of the activities of the Information Management Unit will be undertaken and assurance sought of the overall management of data including and internal and external audits of the procedures and processes in place

5.11 CIPFA Financial Management Code self-assessment

- 5.11.1 Mandatory from 2021/22; self-assessment 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.

5.12 Thematic assurance

- 5.12.1 To supplement and enhance the specific functional assurance provided above, there are also a number of 'Thematic' areas from which assurance will be sought; on the internal control environment or governance arrangements for either body. These will be included in the evidence provided to support the Annual Governance conclusion:

a) Business Planning

The establishment, and adequacy, of business planning to inform strategic plans and the production of the annual 'Force Management Statement' (FMS). The FMS is a self-assessment that CC's prepare each year, covering: The demand the Force expects to face in the next four years; how the Force will change and improve its workforce and other assets to cope with that demand; how the Force will improve its efficiency to make sure the gap between future demand and future capability is as small as it can reasonably be; financial position of the Force to deliver its plans.

b) Partnership arrangements and governance

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

c) Resourcing – People

Assurance will be sought to provide an overview of how people resources (Officers and Staff) are managed and deployed to meet the strategic aims of the Force. Through workforce plans; monitoring and the Strategic Resourcing Board.

d) Digital Policing

Assurance will be sought as to the adequacy and robustness of Digital Policing systems, processes, controls and governance. This will be via assurances from the Chief Information Officer.

e) Fraud, Corruption and Money Laundering

A review of any cases of Fraud, corruption or money laundering; as identified via the stated internal policies and procedures, to identify if any assurance risks exist.

f) Wellbeing

The activities of the 'Wellbeing and Leadership Board' will be reviewed to ensure compliance with internal policies and procedures and to ensure alignment with priorities.

6. CONSIDERATIONS

Government Classification Scheme	Official
Freedom of Information	Non-exempt
Consultation	Yes
Resource	No
There are no additional financial considerations arising from this report.	
Code of Ethics	No
There are no ethics implications arising from the content of this report.	
Equality	No
There are no equality implications arising from the content of this report.	
Legal	No
There are no legal considerations arising from the content of this report.	
Risk	No
There are no additional risk management implications directly arising from this report.	

AGENDA ITEM II

Communication	Yes
To be reported to the PCC and CC in-line with the Accounts and Audit Regulations 2015	
Evaluation	No