



**OFFICE OF THE NORTHAMPTONSHIRE POLICE, FIRE AND CRIME  
COMMISSIONER  
&  
NORTHAMPTONSHIRE POLICE  
&  
NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**11 March 2020 at 10.00am to 1.00pm**

**Northamptonshire Fire Headquarters, Moulton Way, Northampton, NN£6XJ**

**If you should have any queries in respect of this agenda,  
please contact Paul Bullen 03000 111 222**

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

***Further details regarding the process for asking questions or making an address to the Committee are set out at the end of this agenda notice***

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Public Meeting of the Joint Independent Audit Committee				Time
1	Welcome and Apologies for non- attendance -			10:00
2	Declarations of Interests			10:00
3	Meeting Log and Actions – 11 December 2019	Chair	Report	10.05
4a 4b	Statement of Accounts Update & Audit Progress Update 2018/19 PFCC & CC NCFRA	EY	Report	10.15
5a 5b	Internal Audit Progress report NCFRA PFCC & CC	LGSS Audit Mazars	Report	10.35
6a 6b	Implementation of internal audit recommendations NCFRA PFCC & CC	ACFO DCC	Report	10.55
7a 7b	Internal Audit Plan 2020/21 NCFRA PFCC & CC	LGSS Audit Mazars	Report	11.15
8a 8b	External Audit Plan and Fees 2020/21 NCFRA PFCC & CC	EY	Verbal	11.35
9a 9b	Description of Performance Frameworks NCFRA CC	ACFO DCC	Report	11.45
10a 10b	Treasury Management Strategies NCFRA PFCC & CC	LGSS/S151 S151 PFCC & CC	Report	12.05
11	Agenda Plan	Chair	Report	12.15
12	AOB	Chair	Verbal	12.20
13	Confidential items – any	Chair	Verbal	12.25
14	Resolution to exclude the public	Chair	Verbal	12.25
	<p>Items for which the public be excluded from the meeting:</p> <p>In respect of the following items the Chair may move the resolution set out below on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the Local Government Act 1972) would be disclosed to them:</p> <p><i>“That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A of the Act of the descriptions against each item would be disclosed to them”.</i></p>			
15	Update on: MFSS & LGSS & Shared Roles and Services	MO/DCC	Report	12.25
16a 16b	Restricted Strategic Risk Register Update: NCFRA Risk Register Force Risk Register	ACFO DCC	Report	12.35
	<p>Future Meetings held in public:</p> <ul style="list-style-type: none"> <li>• 29 July 2020</li> <li>• 7 October 2020</li> <li>• 16 December 2020</li> </ul> <p>Future Workshops not held in public:</p> <ul style="list-style-type: none"> <li>• 3 June 2020 Statement of Accounts</li> <li>• November – Date and content TBC</li> </ul>			12.55

*Further details regarding the process for asking questions or making an address to the Committee*

**i. General**

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

**ii. Notice of questions and addresses**

A question may only be asked or an address given if notice has been given by delivering it in writing or by electronic mail to the Monitoring Officer no later than noon two working days before the meeting.

**Notice of questions or an address to the Committee should be sent to:**

Paul Bullen  
Office of the Police, Fire and Crime Commissioner  
East House  
Police HQ  
Wootton Hall  
NORTHAMPTON NN4 0JQ

*or by email to:*

*paul.bullen@northantspfcc.pnn.police.uk*

Each notice of a question must give the name and address of the questioner and must name the person to whom it is to be put, and the nature of the question to be asked. Each notice of an address must give the name and address of the persons who will address the meeting and the purpose of the address.

**iii. Scope of questions and addresses**

The Chair of the Committee may reject a question or address if it:

- Is not about a matter for which the Committee has a responsibility or which affects Northamptonshire;
- is defamatory, frivolous, offensive or vexatious;
- is substantially the same as a question which has been put or an address made by some other person at the same meeting of the Committee or at another meeting of the Committee in the past six months; or
- requires the disclosure of confidential or exempt information.

**iv. Asking the question or making the address at the meeting**

The Chair of the Committee will invite the questioner to put the question to the person named in the notice. Alternatively, the Chair of the Committee will invite an address to the Committee for a period not exceeding three minutes. Every question must be put and answered without discussion but the person to whom the question has been put may decline to answer it or deal with it by a written answer. Every address must be made without discussion.

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

Mr J Beckerleg (Chair of the Committee)

Mrs A Battom

Mr J Holman

Ms G Scoular

Mrs E Watson

**Paul Bullen**

**DEPUTY MONITORING OFFICER**

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**Joint Independent Audit Committee (JIAC) ACTION LOG –11 December 2019**

**Attendees: Members: John Beckerleg (JB), Ann Battom (AB), John Holman (JH), Edith Watson (EW)**

**Paul Bullen (PB), Helen King (HK), Neil Harris, EY (NH), Jacinta Fru, LGSS IA (JF), Simon Nickless (SN), Rob Porter (RP), Mark Lunn (ML), Jo McAuliffe (JMc)**

Agenda	Issue	Action	Responsible	Comments
1	-		Chair	<ul style="list-style-type: none"> <li>Apologies: Gill Scoular (GS), &amp; Duncan Wilkinson, LGSS IA (DW)</li> </ul>
2	Declarations of Interests		Chair	<ul style="list-style-type: none"> <li>None</li> </ul>
3	Meeting Log and Actions – 30 September 2019	<p><b>ACTION:</b> HK/JB Self Assessment Process and timescales to be agreed <b>Update:</b> Process and timescales - still to be agreed</p>	Chair	<p>Agreed as correct – the Chair made the following observations:</p> <ul style="list-style-type: none"> <li>P8 - JB responded to PSAA on a recent survey regarding external audit</li> <li>Audit Link up - ongoing</li> <li>JB attended Force Assurance Board on behalf of JIAC and gained assurance from the subject discussed.</li> <li>SN gave a general invite for members to observe Force Assurance Boards to gain assurance</li> </ul>
4a	Statement of Accounts & ISA260	<p><b>ACTION:</b> post external audit – learning to be disseminated and action plan for development to be produced and shared <b>Update:</b> Audit Ongoing</p>	NH/HK	<ul style="list-style-type: none"> <li>HK gave an overview on the work has been progressed on Fire and Voice and highlighted that work on Policing audit has been more challenging.</li> <li>NH updated that Fire and Rescue has been substantially concluded and have agreed some adjustments – nothing significant or material – some amendments – Audit work largely concluded – awaiting EY real estates review on valuations and subject to Pension Fund assurances – will get early in the new year</li> <li>NH advised he is taking a more nuanced consideration on VFM conclusion on Fire as he can see the arrangements being put in place on the reserves and</li> </ul>
4b	PFCC & CC NCFRA		NH/HK	

		<p><b>ACTION;</b> HK and JB to consider the approach to the ISA260 and Accounts outside of the meeting.</p> <p>Update by HK: ISA260 (Audit Results Report) scheduled for 11/3/2020 meeting. Accounts to be considered and recommended to PFCC and CC outside of meeting format if not available for the March meeting.</p>	<p>financial plan. NH advised that the Home Secretary signed off the Business Case taking into full consideration the tight anticipated financial environment</p> <ul style="list-style-type: none"> <li>• Voice Audit – has gone very smoothly – ready to be signed subject to conclusion of Pension Fund assurances – provided by Belfast audit team.</li> <li>• Police and Crime Commissioner and CC – has been more involved this year. Progress Report yesterday 50-60% concluded and pension fund assurances were awaited.</li> <li>• JB asked for updates on the quality of audit teams given so many new staff - NH responded with updates on resourcing levels and training arrangements.</li> <li>• NH will be planning an East Midlands Accounts event – inviting all CFOs from EM to support the 19/20 process</li> <li>• JB advised that the JIAC and he expected PFCC, CC and statutory officers would be extremely disappointed if there are such delays, resourcing and other issues next year and July deadlines could not be met.</li> <li>• NH advised that EY are reflecting what is being seen in the public audit sector and that EY and he were keen to work with organisations to meet agreed timescales.</li> <li>• However, NH advised that it would be challenging in all instances for the auditor to deliver the work in July.</li> <li>• There was a discussion on the national Tony Redmond Review – the EY position, irrespective of resourcing, that they feel the timetable is not sustainable due to the complexity on issues for LA bodies. For example there is a need for more specialist audit teams and to audit commercial areas – that complexity puts increasing pressure on a July date and EY would like a more thought through and planned approach.</li> <li>• Discussions took place about the need to plan the audits for next year. Committee members' preferences were given and NH agreed he will work closely with the CFO, audit bodies and JIAC to achieve realistic timescales.</li> </ul>
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5a	Internal Audit Progress report NCFRA		JF	<ul style="list-style-type: none"> <li>• JF provided an update on the plan and audits achieved to date for NCFRA.</li> <li>• JF highlighted that the ICT audit had been deferred. RP/HK and PB were all keen that this is progressed and not delayed any further.</li> <li>• MTFP has been delayed until post external audit as this was always subject to External Audit being concluded.</li> <li>• Follow Ups – JF was confident these would be delivered in Q4</li> </ul>
5b	PFCC & CC		ML	<ul style="list-style-type: none"> <li>• ML updated on the Mazars IA Plan for Policing</li> <li>• ML confirmed that Internal Audit were in Cheshire auditing MFSS</li> <li>• MFSS Contract management report was in draft and being considered by management.</li> <li>• Due to late settlement and other PFCC structural priorities, the Governance Framework Audit has been deferred.</li> <li>• ML confirmed that with no member of staff in H&amp;S there are currently discussions on whether to defer this audit.</li> <li>• JB queried whether the 2020/21 programme could include governance arrangements for change programmes and particularly shared services arrangements.</li> <li>• HL advised that audit plan discussions will commence in early January across Fire and Policing with a view to plans to come to the March JIAC meeting.</li> </ul>
6a	Implementation of audit recommendations NCFRA		RP	<ul style="list-style-type: none"> <li>• A discussion took place on the formats of the two audit recommendation implementation reports as this is the first year of both formats. Whilst it was recognised that the JIAC are keen to move to similar formats where possible over time, it will also be necessary to consider how best to meet the needs of the organisations.</li> <li>• JH asked if there was someone who monitored the audit recommendations and progress and RP confirmed that there was.</li> </ul>

6b	PFCC & CC	<p><b>ACTION:</b> JB to consider how best the IA Recs progress can be reviewed</p>	SN	<ul style="list-style-type: none"> <li>• SN gave a detailed overview of the Policing recommendations and outlined the detailed review underway. He anticipated that the report would reduce following the next force assurance board as there had been a review of the approach and process.</li> <li>• GS queried whether the PFCC Risk Management training recommendations had been completed – HK confirmed that they had and would advise Richard Baldwin accordingly so they could be captured in future update reports.</li> <li>• SN provided an overview of the ICO considerations and the GDPR report</li> <li>• Seeking an ICO Data Quality Audit</li> <li>• Work on MFSS with governance etc. – governance, visibility and oversight is working.</li> <li>• JB – 4.3 GDPR page 71 – made reference to the enforcement letter – ICO are aware as we self-reported – we are still working with ICO – we had a letter of intended enforcement outlining what we have and are doing</li> <li>• JH asked of if something was a priority 2 previously and it has taken a few years to progress, does the risk increase over time? SN advised that it depends on the risk and the context.</li> <li>• JH queried how JIAC members can assist the officers in taking forward the recommendations and ensuring the JIAC focus on the key areas rather than requiring a full review of all areas.</li> <li>• JB advised that the detailed updates gave him confidence that progress has been made</li> <li>• JB wished to consider how best to review the Internal Audit progress reports now there are three organisations to review as opposed to two.</li> </ul>
7a	HMIC reviews – update NCFRA		RP	<ul style="list-style-type: none"> <li>• JB advised that the reports should be taken as read</li> <li>• RP – since the writing of the report, HMICFRS have been in touch to say that they will return in March to look at progress on the previously identified cause for concern. RP feels that progress has been made .</li> </ul>

7b	CC		SN	<ul style="list-style-type: none"> <li>• There were discussions about what the cause for concern was and RP advised it was more about oversight of the cause of concern</li> <li>• SN updated on progress and confirmed significant additional resourcing in extra kit for investigative capacity</li> </ul>
				<ul style="list-style-type: none"> <li>• The meeting was concluded at 1.00pm and whilst there was not time to cover the items below in detail, JB confirmed with JIAC members that the reports had been read and no areas were identified for urgent discussion.</li> </ul>
8	Update on: Joint Estates Strategy		PB	<ul style="list-style-type: none"> <li>• Noted</li> </ul>
9	Update on: MFSS & LGSS		PB/SN/ HK	<ul style="list-style-type: none"> <li>• Noted</li> </ul>
10	Member Update on: CIPFA Training Day for Audit Committee Members  Member Update PSAA		JB  AB	<ul style="list-style-type: none"> <li>• Noted</li> </ul>
11	Agenda Plan		HK	<ul style="list-style-type: none"> <li>• Noted</li> </ul>
12	AOB		JB	<ul style="list-style-type: none"> <li>• AB apologies given for the workshop and the meeting on the 11 March 2020 to be held at Moulton Fire HQ.</li> </ul>
13	Confidential items – any		JB	<ul style="list-style-type: none"> <li>• None</li> </ul>
14	<b>Resolution to exclude the public</b>		JB	
15	Restricted Strategic Risk Register Update:  PFCC Risk Register		PB/HK	<ul style="list-style-type: none"> <li>• Noted</li> </ul>



**AGENDA ITEM: 4a**

**NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,  
NORTHAMPTONSHIRE POLICE and  
NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE  
JOINT INDEPENDENT AUDIT COMMITTEE  
11 MARCH 2020**

<b>REPORT BY</b>	EY/Helen King/Vaughan Ashcroft
<b>SUBJECT</b>	External Audit Update – PFCC & CC
<b>RECOMMENDATION</b>	To consider the update on the 2018/19 Statement of Accounts for the PFCC and CC and the EY ISA260/Audit Results Progress Report

**1 PURPOSE OF THE REPORT**

- 1.1 To discuss and consider the update on the 2018/19 PFCC and CC Statement of Accounts and the attached EY Audit Results Progress Report.
- 1.2 Members are advised that the Audit Opinion for the Voice Statement of Accounts was issued w/e 28/2/2020 and the signed accounts were sent to companies House, who had provided an extension until that date.

**2. RECOMMENDATION**

- 2.1 Members are requested to consider the update and report.

Police, Fire and Crime  
Commissioner and Chief  
Constable of Northamptonshire  
Police

ISA260 Audit Results Report  
Year ended 31 March 2019  
29 February 2020



Private and Confidential

29 February 2020

Dear Joint Audit Committee members

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Independent Audit Committee (JIAC). This report summarises our preliminary audit conclusion in relation to the audit of the 2018/19 financial statements for the Police, Fire and Crime Commissioner and Chief Constable for Northamptonshire.

We have completed our audit procedures on the accounts of the Police, Fire and Crime Commissioner and Chief Constable for Northamptonshire (the PFCC and CC) for the year ended 31 March 2019 with the exception of the receipt of our specialist report and remaining audit procedures on the valuations of the PFCCs specialised assets. Pending our conclusions on this and after we have agreed our final summary of audit differences with PFCC, CC management, PFCC and CC can finalise audited financial statements, the letter of representations and receive our statutory audit opinion which we expect to be completed before the 31<sup>st</sup> March 2020. We do understand the impact the rescheduling of our 2018/19 audit has had on the officers of PFCC, CC, for the exercise of your role as an Audit Committee and the advice provided to the corporate soles ahead of the approval and publication of the audited accounts. The timing of our audit has been influenced by a number of factors; our resourcing constraints, the impact of over-running Major Local Audits and the circumstances leading to a delay in the receipt of pension fund (IAS19) assurance letters from the auditors of the Northamptonshire Pension Fund. We received IAS19 assurance letters at the end of January 2020.

This is our first year as the appointed auditor for the PFCC and CC. We have undertaken extensive audit procedures in the transition to and during this first year to understand the PFCC, CC entity level controls and assess the readiness of the PFCC, CC for the closedown of accounts, preparation of supporting working papers and the ability to respond to an increasingly technological and data-driven audit. Our report identifies some areas where we believe the finance teams at the PFCC, CC need to secure improvements in its control environment and processes for the production of the financial statements and being ready for external audit. We are working with the officers of the PFCC, CC on the steps they are taking to improve their closedown processes and have factored this in to our preliminary assessment of risk and scheduling for the 2019/20 external audit.

This report is intended solely for the use of the JIAC, the PFCC and CC as corporate soles, other members of the PFCC and CC, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

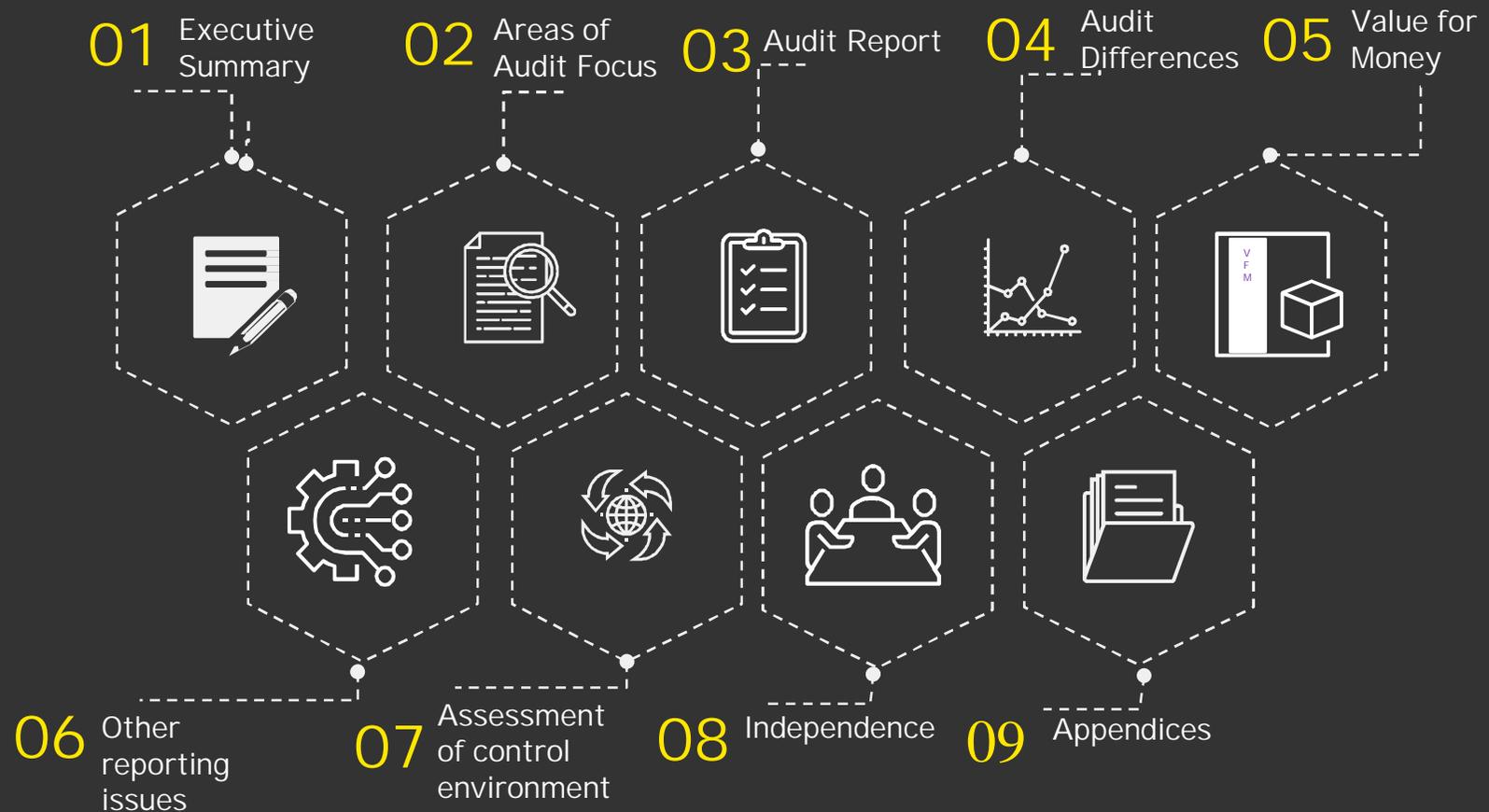
We would like to thank your staff for their help during the engagement. We welcome the opportunity to discuss the contents of this report with you at the meeting of the Joint Independent Audit Committee on 11 March 2020.

Yours faithfully

Neil Harris, Associate Partner, for and on behalf of Ernst & Young LLP

Encl

# Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Result Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



# 01 Executive Summary

## Executive Summary

### Scope update

In our audit planning report tabled at the 20 March 2019 Joint Independent Audit Committee (JIAC) meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- The Government Actuary's Department ("GAD") has been able to estimate the potential impact of various age discrimination cases. The impact related to the transitional protection granted to certain members as part of the 2014/15 changes to the LGPS, Police and Fire schemes (the "McCloud" judgement) and gender discrimination (relating to Guaranteed Minimum Pensions (GMP)). The Supreme Court denied the Government leave to appeal. The decision therefore creates a constructive obligation as at the balance sheet date which would increase the liability of the Pension Fund. Therefore we requested the PFCC and CC to request of its actuaries revised actuarial reports to effect the adjustment to the financial statements. We extended our audit procedures to review management's consideration of the judgment and applied sensitivity analysis to the amendments made by the actuaries in response to the McCloud/Sargeant judgments for the LGPS scheme.
- We have needed to engage Pensions specialist resource to review the assumptions and apply sensitivity analysis to the amendments made to the Police Pension Fund. We have now completed our audit procedures in this area.
- The PFCC and CC have also considered the result of the Lloyds Bank High Court case, whereby all pension schemes must equalise Guaranteed Minimum Pensions between males and females. We have extended our audit procedures to review management's consideration of the judgement, the revised amendments following its updated actuarial report and applied sensitivity analysis.
- At the time of issuing actuarial reports, the actuary estimates the Pension Fund asset value as at the 31 December. There can be material movements in asset values to the final position. The PFCC and CC also commissioned a revised actuarial report with asset values at 31 March 2019. We have extended our procedures to review the variance between the two figures to assess the changes in the estimate for the PFCC's and CC's share of Pension Fund Assets.
- We have reported the results of our work in Section 2 of this Report

### Status of the audit

We have substantially completed our audit procedures other than in relation to the conclusion of our real estates specialists review, and our remaining audit considerations on a sample of Property, plant and equipment valuations. We will provide an update following the completion of that work.

Throughout the course of our audit procedures, various required changes to the accounts have been noted and made by management. Prior to concluding the audit, we will require a final version of the financial statements and a signed management representation letter. Once the audit opinion is signed, we will complete the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

### Audit differences

To date we have identified a number of adjustments (set out in section 4) which have been discussed with management and we understand are likely to be corrected in the final financial statements. We will update the committee with the final position on the conclusion of our audit procedures.



## Executive Summary

### Objections

We have received no objections to the 2018/19 accounts from members of the public.

### Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Police, Fire and Crime Commissioner and Chief Constable for Northamptonshire's financial statements. This report sets out our observations to date. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

At the time of writing, there are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the PFCC and CC.

### Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

During the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls:

- Working papers to support the financial statements (particularly in respect debtors/creditors, income and expenditure) were not readily available to show a breakdown of the items included in the year end reported positions.
- Furthermore, we also experienced delays to the audit in the PFCCs, CCs ability to provide some key working papers for audit, and when provided for audit we found the working papers and summaries did not always agree to the accounts presented for audit.



## Executive Summary

### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risk:

- Take informed decisions and sustainable resource deployment in respect of Multi-Force Shared Services (MFSS): the adequacy of arrangements for governance and risk management for the implementation of new financial systems at the CC (Project Fusion). We have considered the governance arrangement put in place in the 2018/19 financial year, which we note are an improvement from the prior year.
- Sustainable resource deployment: the PFCC's and CC's budgeting arrangements for achieving a sustainable financial position given an overall net overspend of almost £1.4 million on the MFSS budget in 2018/19. In addition, the Force commissioned a report produced by a third party, which estimated that the payback period for the project is now in excess of eight years, having originally been estimated at four.

We have undertaken appropriate procedures and anticipate we will have one item to report by exception in the auditor's report about your arrangements to secure economy efficiency and effectiveness in your use of resources. This relates to the significant overspend on Project Fusion in 2018/19 of £1.4 million against a £0.9 million budget. Our key considerations are outlined in section 6.

## Executive Summary

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### Other reporting issues

We have reviewed the PFCC and CC Annual Governance Statement as a result of our work (See Section 6). We have also reviewed the PFCC's and CC's Narrative Report for consistency with the financial statements and our knowledge. We may make some final observations on recommended changes for enhancing the context within the report prior to the date of approval of the audited accounts. We have no other matters to report as a result of this work.

We do not anticipate reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the PFCC group falls below the £500 million threshold for review as per the NAO's group instructions.

### Independence

Please refer to Section 10 for our update on Independence.



# 02 Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

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

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

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We consider this risk is not material in relation to our audit.

##### What judgements are we focused on?

For the Group and PFCC Single Entity, we have identified the potential for the incorrect classification of revenue spend as capital as a particular area where there is a risk of fraud or error.

##### What did we do?

- We identified fraud risks during the planning stages;
- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We gained an understanding the oversight given by those charged with governance of management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We determined an appropriate strategy to address those identified risks of fraud;
- We performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- We are testing PPE additions to ensure that expenditure has been capitalised appropriately with a sample size reflective of the risk; and
- We are specifically considering how the PFCC and CC have made judgements on whether to accrue or provide against known litigations, claims and costs. An example which we are discussing with management is the PFCCs share of any costs associated with delays or changes to the MFSS project.

##### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied.

Our testing of PPE additions is complete, no issues have been found to date.

We have challenged management on the treatment of potential liabilities for MFSS costs arising from Avon & Somerset leaving the partnership. Currently there is a contingent liability disclosed in the Northamptonshire PFCC, CC financial statements. We are conscious of the need for consistency and have benchmarking this against the Nottinghamshire police position. We are satisfied that at the balance sheet date (31<sup>st</sup> March 2019), the PFCC and CC appropriately recognised and disclosed a contingent liability as there was not sufficient evidence of a legal and constructive obligation and sufficient uncertainty on the timing and financial value of any liability. We are aware at the conclusion of the audit that there is sufficient and appropriate evidence of a legal and constructive obligation for the financial year ended 31<sup>st</sup> March 2020 and we will review the accounting and disclosure of this in our 2019/20 external audit.



## Areas of Audit Focus

### Inherent risk

#### Valuation of Land and Buildings

##### What is the risk?

The fair value of property, plant and equipment (PPE) and investment properties (IP) represent significant balances in the Group's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

##### What did we do?

We:

- Considered the work performed by the Group and PFCC valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code of Practice. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.
- Make use of our valuation experts to review the change in valuation methodology and as deemed appropriate.

##### What are our conclusions?

In addition to our own audit procedures on the valuation methodology and testing of observable market data, we have engaged our internal specialists to review a sample of specialised assets.

Our work in this area is nearing a completion and we expect to be able to give an update to the JIAC meeting on the 11th March with the final position. There are no significant matters arising that we need to report to you at the date of this report.



## Areas of Audit Focus

### Inherent risk

#### Pension Liability Valuation

##### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the PFCC and CC to make extensive disclosures within their financial statements regarding its membership of the Local Government Pension Scheme and the Police Pension Fund. The PFCC and CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respective balance sheets of the PFCC and CC. The information disclosed is based on the IAS 19 report issued to the PFCC and CC by the actuary to the administering body and also the Police Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

##### What did we do?

We:

- Liaised with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Northamptonshire Police Force;
- Assessing the work of the LGPS Pension Fund and the Police Pension actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewing and testing the accounting entries and disclosures made within the PFCC and CC's financial statements in relation to IAS19.

In addition, with respect to the Police Pension scheme, we have engaged the support of our EY Actuarial team to review the assumptions and calculations of the actuary with respect to the McCloud adjustment.

In receiving and considering the outcome of programme of work from the auditors of the Northamptonshire Pension Fund, we were informed of one error which overstated the valuation of the pension fund assets by £3.539million. Each admitted body takes its share of the overstatement and we have informed officers of the PFCC, CC and Voice for Victims Limited of the following errors – CC (£226,552); PFCC (£3,540) and Voice for Victims Limited (£494). We expect these errors will be adjusted in the financial statements.

##### What are our conclusions?

Our work in this area has been completed. The Force has revised the Pension Liability and Reserves for the movement between the original and revised IAS 19 reports provided by the actuary (Hymans Robertson). Our pension specialist has reviewed the actuarial assumptions with the McCloud impact and has determined that the revised amendments for past service costs and disclosures for the Police Pension Scheme of £58.3million in the accounts are within an acceptable range.

For the LGPS scheme, our review of the assumptions for the McCloud and recognition of the GMP scheme are outside of the expected ranges. However these are not material differences but above the level at which we need to report corrected or uncorrected errors. In finalising our summary of audit differences, we will confirm with management the value of the LGPS liabilities for McCloud and GMP that we believe are outside of the range and seek an adjustment, or otherwise an explanation if the letter of representation.

Aside from a reported overstatement in the valuation of pension fund assets, we have completed our programme of work considering the findings from the auditors of the Northamptonshire Pension Fund.



## Areas of Audit Focus

### Inherent risk

#### Collaboration disclosures

##### What is the risk?

Joint arrangements operate with partners across the East Midlands. There is a risk that the allocation of activity in the financial statements is not correctly recorded in their financial statements.

##### What did we do?

We have:

- Reviewed the underlying allocation of expenditure in the PFCCs, CCs own accounts against agreements in place; and
- Sought further assurance from external auditors at the other PCC, CCs over any significant stream of expenditure not controlled by Northamptonshire.

##### What are our conclusions?

We have noted no issues as a result of our work.



## Other Areas of Audit Focus



### IFRS 9 and IFRS 15

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

##### IFRS 9 financial instruments

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

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

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9.

##### IFRS 15 Revenue from contracts with customers

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

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

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

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

#### What did we do?

We:

- Assessed the Group and PFCC's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered the classification and valuation of financial instrument assets;
- Reviewed new expected credit loss model impairment calculations for assets; and
- Checked additional disclosure requirements.

We:

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

#### Results

No issues were noted as a result of our work.

No issues were noted as a result of our work.



# 03 Audit Report



# Audit Report

## Draft audit report (Group and PFCC)

### Our draft opinion on the group financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE POLICE, FIRE AND CRIME COMMISSIONER FOR NORTHAMPTONSHIRE

##### Opinion

We have audited the financial statements of the Police, Fire and Crime Commissioner for Northamptonshire for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police, Fire and Crime Commissioner for Northamptonshire and Group Comprehensive Income and Expenditure Statement;
- Police, Fire and Crime Commissioner for Northamptonshire and Group Movement in Reserves Statement;
- Police, Fire and Crime Commissioner for Northamptonshire and Group Balance Sheet;
- Police, Fire and Crime Commissioner for Northamptonshire and Group Cash Flow Statement;
- related notes 1 to 42; and
- Police, Fire and Crime Commissioner for Northamptonshire Police Officer Pension Fund Accounts and explanatory 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police, Fire and Crime Commissioner for Northamptonshire and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Police, Fire and Crime Commissioner for Northamptonshire and 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 the Comptroller and Auditor General's (C&AG) AGN01, 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The other information comprises the information included in the Financial Statements set out on pages 3 to 18, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Police, Fire and Crime Commissioner for Northamptonshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. (This wording will be updated to reflect an 'except for' modification on the project delays and cost overruns for MFSS and Project Fusion).



## Audit Report

# Draft audit report (Group and PFCC), continued

### Our draft opinion on the group financial statements

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

#### Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Statement of Account set out on page 31, 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police, Fire and Crime Commissioner'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 the Police, Fire and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

The Police, Fire and Crime Commissioner is responsible for putting in place proper arrangements to secure 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 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Police, Fire and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police, Fire and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police, Fire and Crime Commissioner had put in place proper arrangements to secure 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 satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Police, Fire and Crime Commissioner has put in place 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



# Audit Report

## Draft audit report (Group and PFCC), continued

### Our draft opinion on the group financial statements

#### Certificate

We certify that we have completed the audit of the accounts of the Police, Fire and Crime Commissioner for Northamptonshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

#### Use of our report

This report is made solely to Police, Fire and Crime Commissioner for Northamptonshire, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police, Fire and Crime Commissioner for Northamptonshire in , for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton  
Date

The maintenance and integrity of the Police, Fire and Crime Commissioner for Northamptonshire web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04

# Audit Differences



## Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Audit differences as at 29<sup>th</sup> February 2020 and status ahead of the final audited financial statements

At the time of writing, we are concluding our audit procedures and this will include finalising our summary of audit differences (corrected and uncorrected errors), then receipt of and checking the final version of accounts. We list below those matters which have been identified as audit differences in the group accounts (and the relevant single entity) to date:

We highlight the following misstatements in the financial statements greater than £207.9k for the PFCC Group; £75.5k for the CC Single Entity; £175.5k for PFCC Single Entity and £32.5k for the Police Pension Fund identified during the audit. These have been corrected by management:

As noted in the Executive Summary a national issue has resulted in a relatively late change to the accounts and IAS19 liability disclosure. It relates to legal rulings regarding age discrimination (commonly known as the McCloud case) and gender discrimination (relating to Guaranteed Minimum Pensions – GMP). Since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government’s appeal against the McCloud ruling, which suggested that the amounts relating to the rulings should be able to be fully calculated and so included the IAS 19 liability disclosed within the financial statements. The actuary has now estimated the impact of the McCloud ruling and GMP for the Authority.

The Force has agreed to amend the accounts for the changes in actuarial values from the IAS 19 reports.

We have corroborated within a reasonable range the actuaries revised assumptions and adjustments to Police Pension Fund in the financial statements. The impact of the adjustments is decreasing pension fund assets of LGPS and increasing the net defined benefit pension liability reported by £0.101million for the PFCC and £2,036million for the CC. We will confirm the final position on any remaining adjusted or uncorrected adjustments for the LGPS scheme.

As well as some other related disclosure changes, including changes to the disclosure of sources of estimation uncertainty and post balance sheet events, have been agreed to be made.



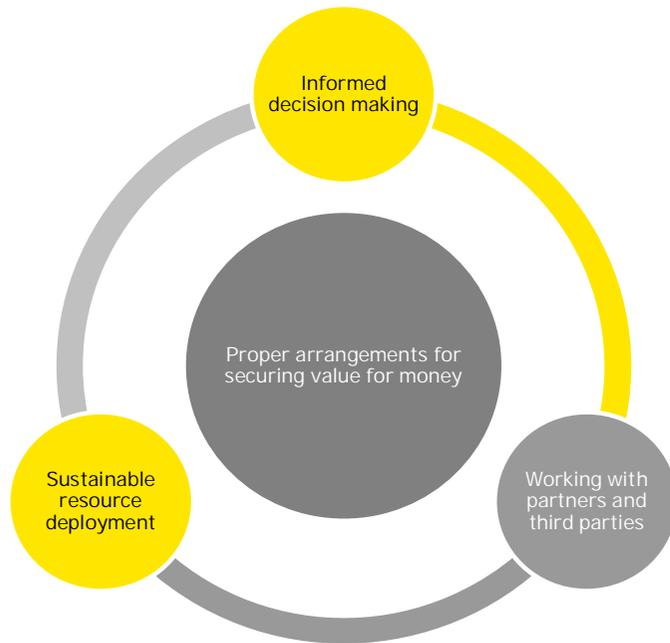
05

# Value for Money Risks





# Value for Money



## Background

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

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

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

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

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

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

## Overall conclusion

At the planning stage of the audit we identified two significant risks in relation to the following:

- Taking informed decisions and sustainable resource deployment as regards the Multi-Force Shared Services (MFSS): the adequacy of arrangements for governance and risk management for the implementation of new financial systems at the CC (Project Fusion). We have noted the significant overspend on MFSS Project Fusion in 2018/19 of £1.4 million against a £0.9 million budget. We have undertaken appropriate procedures and concluded that we expect to issue an "except for" conclusion in relation to the significant overspend on Project Fusion in 2018/19.
- Securing the PFCC and CC financial resilience: We obtained information from the PFCC and CCs financial team on the assumptions set out in the medium term financial strategy and completed a qualitative and quantitative assessment of the PFCCs and CCs financial resilience. This did not highlight any further significant concerns and as a result we determined at the execution phase of the audit that the risk on the PFCC and CCs financial resilience was no longer a significant audit risk. We have undertaken appropriate procedures and concluded that we have no matters to include in the auditor's report about your arrangements to secure economy efficiency and effectiveness in your use of resources and have issued an unmodified opinion.

Our findings are in the table below.

## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We present below the findings of our work in response to additional risks identified since our audit planning report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Multi-Force Shared Services (MFSS) Adequacy of arrangements for governance and risk management on the implementation of Project Fusion</p> <p>The MFSS provides transactional back office services to Cheshire, Nottinghamshire and Northamptonshire Police and the Civil Nuclear Authority.</p> <p>The Force migrated to Oracle Cloud Applications (FUSION) in April 2019. is to offer expanded application functionality, real-time Business Intelligence and related modules all via Oracle Cloud Applications.</p> <p>However, the project was not implemented by the due date of April 2018 and has incurred significant budget overruns.</p>	<p>Informed decisions</p> <p>Deploy resources in a sustainable manner</p>	<p>The Authority introduced the Development Group, enabling it to internally evaluate the value gained from the MFSS and the alternative options should they decide to exit the contract. This is an improvement on the previous year as the meeting minutes show that actions have been allocated to individuals at the meeting, with progress being made towards completing them, and there is a keen awareness of the cost overruns that have become so problematic.</p> <p>The Development Group has included Terms of Reference ('ToR') which indicates the meetings had a unified focus and goals. However, these ToR are not specific, measurable or outcome focussed, which limits their usefulness and ability to drive change. Review of the Contract and of meeting minutes indicates there are no penalty clauses in place relating to cost or time overruns in delivery. This had been raised as a risk in May 2018 in the MFSS Sub-Committee meeting, but there is no evidence of further discussions around rectification.</p> <p>Guidelines are in place setting out the process to be followed when cost or time overruns are anticipated, although these do not include a procedure for dealing with unapproved overruns, which further reduces the contractual control that can be exercised. While overruns have always been unanimously approved, the Contract still leaves the Partners open to risk. The Authority is not the “lead partner”, which means that all procurement and invoicing for services goes through Cheshire. This indirect method of contracting and communication reduces the control and oversight that the Authority can exercise.</p> <p>The Authority has faced a cost overrun of £1.3m in 2018/19 relating to the implementation of the MFSS, bringing total expenditure for the year to £2.286m. Furthermore, it has seen an increase in its business as usual ('BAU') costs of £389k (32%) in 2018/19 compared to 2017/18. This has resulted in the payback period for the project doubling to eight years, according to the TowersHolt review paper. TowersHolt was put into place by the East Midlands Strategic Commercial Unit. Formed in 2019, it supports police forces in the procurement of goods and services. However, at the date of this report, we have been unable to verify the appropriateness and experience of TowersHolt due to a lack of available information about the firm.</p>

## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Securing the PFCC and CC financial resilience</p> <p>In common with other Police bodies the PFCC and CC is facing significant financial pressures in the medium term.</p> <p>In January 2019, the PFCC and CC reported within the Medium Term Financial Plan (MTFP) that to balance the budget, efficiencies would be required of £1.62m and £4.612m by 31 March 2021 and 31 March 2022 respectively,</p> <p>Achieving efficiencies and the ability to use reserves depends on strong budgetary control.</p>	<p>Deploying resources in a sustainable manner</p>	<ul style="list-style-type: none"> <li>• Current and planned levels and use of available reserves</li> </ul> <p>In reviewing the PFCC and CC arrangements for the financial year to 31<sup>st</sup> March 2019, the updated MTFP set out assumptions supporting no budget gaps for 2019/20 and presents a budget gap of £6.632million over the medium term to 2021/22. The PFCC and CC has sufficient reserves to offset the gap to 2020/21 (anticipated to be £7.553) and are confident that investment opportunities will also contribute to savings required, Since then, the PFCC and CC are expected to deliver against its 19/20 budget and have presented in February 2020 a 20/21 budget of £146.771million, proposed precept and MTFP to the 24/25 financial year. This takes account of the positive financial impact from the national police uplift programme and financial settlement. Recognising the uncertain financial landscape, the PFCC and CC have modelled best, mid-point and worst case scenarios subject to the 2020 Spending Review. As the recent national policing uplift has certainty for one year, each of the scenarios shows that the PFCC and CC expect to balance its budget for the 20/21 financial year. Beyond that, the PFCC and CC are forecasting by 2024/25:</p> <ul style="list-style-type: none"> <li>• Under a worst case scenario, £6million cumulative budget shortfall.</li> <li>• Under a mid-point scenario, £2million cumulative budget shortfall.</li> <li>• Under a best case scenario, a £547k cumulative budget surplus.</li> </ul> <p>Throughout this period, the PFCC are assuming they maintain a general level of working balances and reserves of £4.8million. By our calculations, the PFCC could also make available to use earmarked reserves of up £4million if it absolutely had to in support of future budgets and its medium term financial plan. This is a theoretical test to establish if under a worst case scenario, the PFCC and CC would have some headroom to absorb the worst financial shocks. Our calculations indicate that the PFCC and CC could be able to use up to £8.8million of its reserves which exceeds a worst case budget shortfall of £6million by 2024/25 and significantly ahead of its mid and best case scenarios.</p> <p>In its revenue budget papers, the PFCC and CC are still demonstrating a commitment to transformation, efficiency programmes and maximising the benefit from collaborative and shared service initiatives, particularly through the Fire governance model and the East Midlands PCCs and CCs. The budget papers also appropriately recognise the ongoing financial risks associated with the transition to Project Fusion and the future options associated with the current MFSS contract. We also note that the PFCC, OPFCC and the CC continue to make representations to the Home Office on the relative levels of funding for Northamptonshire.</p> <p>Taking all of this in to account, we are satisfied that the PFCC and CC have put in place appropriate arrangements to secure its financial resilience.</p>

## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Securing the PFCC and CC financial resilience</p> <p>In common with other Police bodies the PFCC and CC is facing significant financial pressures in the medium term.</p> <p>In January 2019, the PFCC and CC reported within the Medium Term Financial Plan (MTFP) that to balance the budget, efficiencies would be required of £1.62m and £4.612m by 31 March 2021 and 31 March 2022 respectively,</p> <p>Achieving efficiencies and the ability to use reserves depends on strong budgetary control.</p>	<p>Deploying resources in a sustainable manner</p>	<p>Continued...</p> <ul style="list-style-type: none"> <li>• Arrangements to identify and implement savings, efficiencies and transformation, including from the enabling services programme and any assumed gains from collaborative and partnership working</li> </ul> <p>The Force has undertaken an expectations of continued efficiency savings which will be required through collective procurement and shared services. There will be an expectation that every force contributes substantially to procurement savings and the Home Office will be working with the police to agree the “right force level objectives for 2019-20 and 2020-21. Whilst the 2019-20 settlement provides more funding than had been previously expected there is still a drive for efficiency, productivity and effectiveness in future years. The PFCC and OPFCC oversight is committed to identifying savings and efficiencies, at a regional and local level, where this includes the regular Accountability Board, meetings with the Chief Constable and attendance by the OPFCC at the Force Change Board to ensure scrutiny, challenge and full consideration of change and savings proposals.</p> <ul style="list-style-type: none"> <li>• Outcomes from the CCs zero based budgeting exercise that was undertaken in the 18-19 financial year</li> </ul> <p>From our review it appears that the budget has been prepared on a robust basis, includes investment opportunities to help manage demand and increase efficiency and/or capacity. It is noted that in the short term, the budget is stable and reserves are adequate, however, the financial landscape after 2019/20 is less certain and the MTFP identifies a need for further savings and the MTFP will be under regular review as savings plans progress.</p> <ul style="list-style-type: none"> <li>• Robustness of assumptions underpinning the budget and medium term financial plans</li> </ul> <p>The process for setting the PFCC’s and CC’s budget is sound. We concluded that the MTFP identifies the key assumptions expected to underpin the 2019/20 budget and for future years. Management use scenario planning effectively to provide guidance to the PFCC and CC to make decisions on the level of precept to set. The Treasury Management report alongside the MTFP also considers the impact of Brexit within its assumptions.</p> <p>Taking all of this in to account, we are satisfied that the PFCC and CC have put in place appropriate arrangements to secure its financial resilience.</p>



# 06 Other reporting issues



## Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Annual Accounts with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have also reviewed the PFCC's and CC's Annual Governance Statement. These cover ensuring that the Statements comply with the Code of Practice and that the statements and including disclosures covering governance arrangements with the MFSS and the overspend on MFSS . We have also reviewed the PFCC's and CC's Narrative Report for consistency with the financial statements and our knowledge.

We have no significant matters to report as a result of this work. In concluding our audit and prior to the approval of the audited 2018/19 accounts and receipt of our audit opinion, we may make some final observations on where the governance and narrative statements could be updated to reflect relevant significant events up to the date of approval and provide further context for governance and financial decisions at the PFCC and CC.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office but for the PFCC and CC, the value of gross expenditure, income, assets and liabilities is below the NAOs threshold for detailed audit procedures. We will submit our assurance statement to the NAO at the point we issue our opinion on the 2018/19 financial statements for the PFCC Group, PFCC and CC.

## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report to you.



07

# Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the PFCC and CC to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the PFCC and CC have put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Our main concern with respect to the preparation of the 2018/19 financial statements is the overall project management arrangements the PFCC and CC has in place in addition to a resilient financial team who are responsible for the preparation of annual accounts and response to the external audit process. Our experience to date has shown the following concerns:

- Working papers to support the financial statements (particularly in respect debtors/creditors, income and expenditure) were not readily available to show a breakdown of the items included in the year end reported positions.
- Multiple versions of accounts and confused version control. This has meant that working papers provided for audit do not always agree to the final version of accounts, and there is a lack of clarity over who is responsible for certain disclosure notes,

We are working with the officers of the PFCC, CC on the steps they are taking to improve their closedown processes and have factored this in to our preliminary assessment of risk and scheduling for the 2019/20 external audit.



08

# Independence

## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 15 May 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Joint Independent Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the JIAC on 11 March 2020.

## Independence



### Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), the PFCC and CC, their directors and senior management and affiliates, including all services provided by us and our network to the PFCC and CC, their directors and senior management and affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

#### Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of our services have been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019. We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Proposed Final Scale fee	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£
Total Audit Fee – PFCC Code work*	See below	22,554	29,291
Total Audit Fee – CC Code work*	See below	11,550	15,000
Total Audit Services	See below	34,104	44,291
Non-audit work	-	-	-
Total	See below	34,104	44,291

\* We anticipate that our final fee for 2018/19 will be subject to a scale fee variation for the work carried out in response to significant risks and change of scope, specifically the work identified in this report covering:

- Additional pensions procedures as a result of the McCloud and GMP judgements, and the engagement of EY Pensions estimated to be £6,000;
- The engagement of EYRE specialists to review a sample of Property, Plant & Equipment estimated to be £5,000;
- The VFM significant risks identified estimated to be £5,000; and
- Delays in audit readiness, including adequacy of working papers and resolution of audit queries estimated to be £5,000.

We will discuss a breakdown of these proposed additional fees with management in the first instance, before agreeing them with you and requesting approval from Public Sector Audit Appointments (PSAA). In the event the PFCC and CC do not agree with the proposed fee variations, we will inform PSAA of this and ask PSAA to determine the additional fee.



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Appendices

## Appendix A

# Required communications with the PFCC and CC

There are certain communications that we must provide to the PFCC and CC. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the PCC (and since 1 <sup>st</sup> January 2019 the PFCC) and CC of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan, March 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan, March 2019
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> <li>• Findings and issues regarding the opening balance on initial audits</li> </ul>	Audit results report, March 2020 (Verbal updates to the JIAC at its meetings that took place between June 2019 and December 2019).

 Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about PFCC and CC for Northamptonshire ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Audit results report, March 2020 (Verbal updates to the JIAC at its meetings that took place between June 2019 and December 2019).
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the Joint Independent Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit results report. 11 <sup>th</sup> March 2020
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the PFCC, CC and Joint Independent Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the PFCC and CC</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the PFCC and CC, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to PFCC, CC &amp; Joint Independent Audit Committee responsibility.</li> </ul>	Audit Plan, March 2019. Audit results report, March 2020 (Verbal updates to the JIAC at its meetings that took place between June 2019 and December 2019).

 Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	Significant matters arising during the audit in connection with the PFCC's and CC's related parties including, when applicable: <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the PFCC or CC</li> </ul>	Audit results report, March 2020 (Verbal updates to the JIAC at its meetings that took place between June 2019 and December 2019).
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan, March 2019 And Audit results report, March 2020 (Verbal updates to the JIAC at its meetings that took place between June 2019 and December 2019).

 Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>Enquiry of the PFCC, CC and Joint Independent Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Independent Audit Committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report, March 2020 (Verbal updates to the JIAC at its meetings that took place between June 2019 and December 2019).

 Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Group Audits	<ul style="list-style-type: none"> <li>• An overview of the type of work to be performed on the financial information of the components</li> <li>• An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>• Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>• Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>• Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Audit Plan, March 2019 Audit results report, March 2020 (Verbal updates to the JIAC at its meetings that took place between June 2019 and December 2019).
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>• Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report, 11 <sup>th</sup> March 2019 and subsequently prior to the audit opinion.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report, March 2020 (Verbal updates to the JIAC at its meetings that took place between June 2019 and December 2019).
Auditors report	<ul style="list-style-type: none"> <li>• Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report, March 2020 (Verbal updates to the JIAC at its meetings that took place between June 2019 and December 2019).
Fee Reporting	<ul style="list-style-type: none"> <li>• Breakdown of fee information when the audit planning report is agreed</li> <li>• Breakdown of fee information at the completion of the audit</li> <li>• Any non-audit work</li> </ul>	Audit Results Report, March 2020.

 Appendix B

# Management representation letter

Draft Management representation letter for the Chief Constable (a separate, similar, representation letter will be required for the PFCC/Group)

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Mr Neil Harris  
Ernst & Young LLP  
400 Capability Green  
Luton LU1 3LU

Dear Neil,

This letter of representations is provided in connection with your audit of the financial statements of the Chief Constable for Northamptonshire Police ("the CC") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Chief Constable for Northamptonshire Police as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of the CC's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as those charged with governance and members of management of the CC, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As those charged with governance and members of management of the CC, we believe that the CC has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the CC's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the CC (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the CC's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the CC's activities, its ability to continue to operate, or to avoid material penalties;

 Appendix B

# Management representation letter (continued)

## Management Rep Letter

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the CC and committees, including the Joint Audit Committee, (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 27 January 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the CC's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the CC has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm there are no guarantees that we have given to third parties.

### E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### G. Going Concern

1. We are not aware of any matters that are relevant to the CC's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### H. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### I. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

### J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of the Pension Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

 Appendix B

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# Management representation letter (continued)

## Management Rep Letter

### K. Estimates (pensions valuation)

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the estimate of the pension liability appropriately reflects our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in financial statements with respect to the accounting estimate are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the CC financial statements due to subsequent events.

### L. Retirement Benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

---

Chief Finance Officer

---

Chief Constable

## EY | Assurance | Tax | Transactions | Advisory

### About EY

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ED None

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**AGENDA ITEM: 4b**

**NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,  
NORTHAMPTONSHIRE POLICE and  
NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE  
JOINT INDEPENDENT AUDIT COMMITTEE  
11 MARCH 2020**

<b>REPORT BY</b>	EY/Helen King
<b>SUBJECT</b>	External Audit Update – NCFRA
<b>RECOMMENDATION</b>	To consider the update on the 2018/19 Statement of Accounts for NCFRA and the EY Audit Results Progress Report

**1 PURPOSE OF THE REPORT**

- 1.1 To discuss and consider the update on the 2018/19 NCFRA Statement of Accounts and the attached EY Audit Results Progress Report.

**2. RECOMMENDATION**

- 2.1 Members are requested to consider the update and report.

Northamptonshire  
Commissioner Fire and  
Rescue Authority  
ISA260 Audit results report

Year ended 31 March 2019

2 March 2020

Northamptonshire Commissioner Fire and Rescue Authority  
Wootton Hall Park,  
Northampton,  
NN4 8BW



2 March 2020

Dear Members of the Joint Independent Audit Committee

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Independent Audit Committee (JIAC). This report summarises our preliminary audit conclusion in relation to the audit of the 2018/19 financial statements for the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA).

We have substantially completed our audit procedures on the accounts of NCFRA for the year ended 31 March 2019 with the exception conclusion of our work on the testing of benefits payable for the Firefighters Pension Scheme. Pending our conclusions on this and after we have agreed our final summary of audit differences with management, the NCFRA can finalise audited financial statements, the letter of representations and receive our statutory audit opinion which we expect to be completed before the 31<sup>st</sup> March 2020. We do understand the considerable impact the rescheduling of our 2018/19 audit has had on the officers of the NCFRA, for the exercise of your role as an Audit Committee and the advice provided to the Police, Fire and Crime Commissioner and officers of NCFRA ahead of the approval and publication of the audited accounts. The timing of our audit has been influenced by a number of factors; our resourcing constraints, the impact of over-running Major Local Audits and the circumstances leading to a delay in the receipt of pension fund (IAS19) assurance letters from the auditors of the Northamptonshire Pension Fund. We received IAS19 assurance letters at the end of January 2020. For our audit of NCFRA, we do also acknowledge that we have experienced inefficiencies and delays to our audit as a result of examples where we have issued duplicate audit requests and lacked the appropriate consistency and continuity in our project management and communication of the audit status and matters arising at several key stages. Whilst we have safeguarded audit quality and undertaken detailed audit procedures with specialist technical, real estate and actuarial support for our first-year audit of NCFRA since its inception from 1<sup>st</sup> January 2019, we could and should have done so more efficiently and effectively. We apologise for the impact this had on NCFRA officers and the financial closedown support they have received from Local Government Shared Services (LGSS) team.

This is our first year as the appointed auditor for the NCFRA. We have undertaken extensive audit procedures in the transition to and during this first year to understand newly formed Authority's entity level controls and assess the readiness of the closedown of accounts, preparation of supporting working papers and the ability to respond to an increasingly technological and data-driven audit. NCFRA have prepared well for audit with good closedown arrangements, supporting working papers and timely resolution to audit queries. This assessment is informing decisions on the scheduling of the 2019/20 external audit. This report is intended solely for the use of the JIAC and Authority as corporate soles, other members of the Authority and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent. We would like to thank your staff for their help during the engagement. We welcome the opportunity to discuss the contents of this report with you at the meeting of the Joint Independent Audit Committee on 11 March 2020.

Yours faithfully

Neil Harris  
Associate Partner, For and on behalf of Ernst & Young LLP  
Encl

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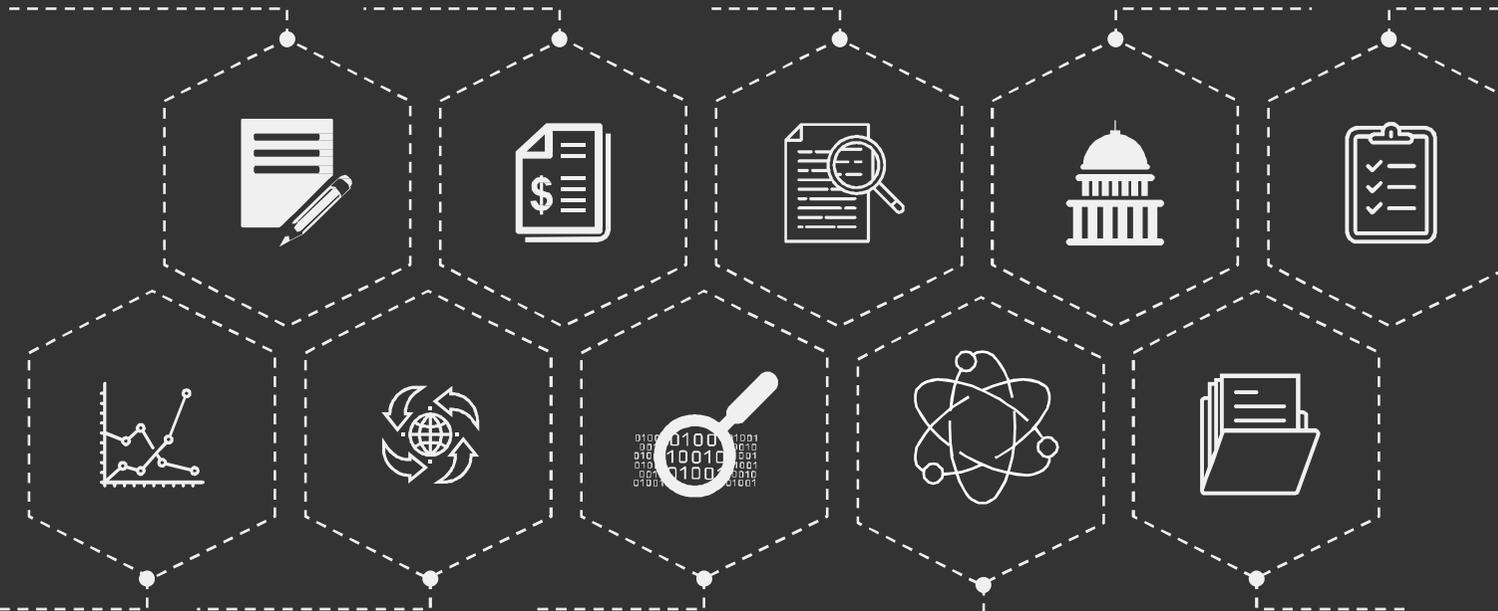
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02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

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06 Other Reporting Issues

07 Assessment of Control Environment

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10 Appendices

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



# 01 Executive Summary

## Executive Summary

### Scope update

In our audit planning report tabled at the 20<sup>th</sup> of March 2019 Joint Independent Audit Committee (JIAC) meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- The Government Actuary's Department ("GAD") has been able to estimate the potential impact of various age discrimination cases. The impact related to the transitional protection granted to certain members as part of the 2014/15 changes to the LGPS, Police and Fire schemes (the "McCloud" judgement), which also referenced a related judgment relating to the Firefighters' Pension Schemes (the Sargeant judgement). The Supreme Court denied the Government leave to appeal. The decision therefore creates a constructive obligation as at the balance sheet date which would increase the liability of the to the Pension Fund. Therefore we requested the NCFRA to request of its actuaries revised actuarial reports to effect the adjustment to the financial statements. We extended our audit procedures to review management's consideration of the judgment and applied sensitivity analysis to the amendments made by the local government actuaries in response to the McCloud/Sargeant judgments.
- The NCFRA has also considered the result of the Lloyds Bank High Court case, whereby all pension schemes must equalise Guaranteed Minimum Pensions between males and females.
- At the time of issuing actuarial reports, the actuary estimates the Pension Fund asset value as at the 31 December. There can be material movements in asset values to the final position. The NCFRA also commissioned a revised actuarial report with asset values at 31 March 2019. We have extended our procedures to review the variance between the two figures to assess the changes in the estimate for the NCFRA share of Pension Fund Assets.

### Changes in Materiality

- We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. As this is our first year audit of the 3 months ended 31 March 2019 we have utilised two basis for our materiality. For the comprehensive income and expenditure statement, our materiality measure was in relation to gross expenditure on provision of services, we have updated our overall materiality assessment to £228k (Audit Planning Report – £111k). This results in updated performance materiality, at 50% of overall materiality, of £114k (£55k), and an updated threshold for reporting misstatements of £11k (£5.5k). For the Balance sheet our materiality was based on assets due to the significant of the asset balances in NCFRA's balance sheet. The figures have remained unchanged since planning: Planning Materiality £453,290, 50% of overall materiality £226,645, reporting threshold £22,665.
- We also updated our materiality in respect of the Firefighters' Pension Fund Accounts. Based on our materiality measure using Benefits Payable, we have updated our overall materiality assessment to £22,960 (Audit Planning Report – £79,530). This results in updated performance materiality, at 50% of overall materiality, of £11,480 (£39,765), and an updated threshold for reporting misstatements of £1,148 (£3,977). This revision in materiality is as a result of NCFRA amending the financial statements for the Pension Fund Accounts following a technical review. The Pension Fund Accounts now only include 3/12<sup>th</sup> of the expenditure on benefits payable for the 2018/19 financial year. This revision to materiality during the course of the audit has led to additional procedures on our testing of the Firefighters benefits payable. Due to the reduction in materiality, lower testing thresholds and this being the first-year audit of NCFRA, we have been unable to perform substantive analytical procedures to a persuasive level. As a result, we have needed to undertake direct substantive testing of benefits payable and significantly increased our sample testing to 90 cases. This is an area of work we are now in the process of completing and will update when we have concluded.

## Executive Summary

### Status of the audit

We have substantially completed our audit of NCFRA's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the NCFRA financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise. The following areas of the audit are to be completed:

- Firefight Pensions - Benefits Payable sample testing;
- Review of the final version of the financial statements;
- Completion of subsequent events review;
- Receipt of the signed management representation letter; and
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

We will update the JIAC at the meeting regarding the status of the outstanding work. We expect to issue the audit certificate at the same time as the audit opinion.

### Audit differences

To date we have identified a number of adjustments (set out in section 4) which have been discussed with management and we understand are likely to be corrected in the final financial statements. We will update the final position on the conclusion of our audit procedures.

### Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the NCFRA financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, including our work on the valuation of assets, group accounts and the revised actuarial reports commissioned by the Authority in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Northamptonshire Commissioner Fire and Rescue Authority.



## Executive Summary

### Control observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risk:

- Sustainable resource deployment: the NCFRA arrangements for securing financial resilience given the financial challenges NCFRA faced as a new organisation with no working balances and reserves.

We have undertaken appropriate procedures and concluded that we have no matters to include in the auditor's report about your arrangements to secure economy efficiency and effectiveness in your use of resources and we will be issuing an unmodified opinion. Our key considerations are outlined in section 6.



## Executive Summary

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### Other reporting issues

We have reviewed the NCFRA Annual Governance Statement and Narrative Statement as a result of our work (see Section 6). We have also reviewed the Authority's Narrative Report for consistency with the financial statements and our knowledge. We may make some final observations on recommended changes for enhancing the context to reflect any relevant subsequent events within the report prior to the date of approval of the audited accounts. We have no other matters to report as a result of this work.

The Authority updated its notice of inspection for the exercise of public rights for areas where it had not complied with the 2015 Accounts and Audit Regulations.

We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the Authority falls below the £500 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

### Independence

Please refer to Section 9 for our update on Independence. We have no independence issues to bring to your attention.



# 02 Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

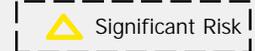
#### Risk of misstatement due to fraud or error

##### What is the risk?

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

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

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We consider this risk is not material in relation to our audit.



##### What judgements are we focused on?

For Fire and Rescue Authorities, we consider potential for the incorrect classification of revenue spend as capital as a particular area where there is a risk of fraud or error. NCFRA had no PPE additions for the three months from 1<sup>st</sup> January to 31<sup>st</sup> March 2019.

##### What did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

##### What are our conclusions?

- We obtained the responses we requested from management and those charged with governance and used these to inform our understanding of fraud risks. We noted that key elements of the entity level control framework that we would expect to see, especially arrangements for counter fraud and risk management, were in place.
- Our walkthrough testing included considering what controls are in place to address significant risks. We confirmed that these controls were in place, although our approach was not to rely on controls.
- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied.
- We have not identified any material misstatements from the incorrect capitalisation of expenditure items.



## Areas of Audit Focus

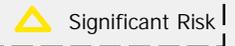
### Significant risk

#### Valuation of the net pension liability

##### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require extensive disclosures within the financial statements regarding membership of the Local Government Pension Scheme administered by Northamptonshire County Council.

NCFRA recognition for the first time of the net pension liability will be a material estimated balance. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.



##### What judgements are we focused on?

We have identified the potential for the incorrect accounting for the net pension liability as a result of the newly formed fire authority, combined with the effect of the McCloud and GMP cases referred to in the above sections.

##### What did we do?

In response to this risk, we (applicable to both Local Government Pension Scheme (LGFS) and Fire Fighters Pension Scheme (FFPS)):

- Updated our documentation of management's processes and controls over pension expenditure and deduction of employer and employee contributions;
- Liaised with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to NCFRA;
- Reviewed the work of the Local Government actuary and the Fire Fighter pension actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team to ensure they are in our expected range; and
- Reviewed and tested the accounting entries and disclosures made within the financial statements to ensure consistency with the IAS 19 entries in both actuarial reports.

In relation to the FFPS only, we have:

- Tested a sample of lump sums and pension payments for the fire fighter pensioners (benefits payable is concluding);
  - Completed where possible a predictive analytical review for both the pensions payroll and employees and employers pension contributions;
- Assessed management's arrangements to reconcile the active and pensioner membership numbers.

##### What are our conclusions?

We assessed the assumptions within the NCFRA updated actuarial reports and reviewed the movement on the total fund asset values.

The impact of these changes is not material and no adjustments have been proposed.

Management has removed the contingent liability disclosure relating to McCloud as the sums have now been accounted for within a reasonable range through the Accounting for Pension Costs Notes in the financial statements.

We have not identified any issues with the accounting entries and disclosures made within the financial statements for the LGPS or FFPS. Furthermore, we engaged our EY Pensions Specialists to review the assumptions made for the McCloud and GMP impact on the FFPS and noted that they are within a reasonable range.



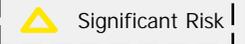
## Areas of Audit Focus

### Significant risk

#### Valuation of land and buildings

##### What is the risk?

In the Property, Rights and Liabilities scheme, 23 Fire Stations transferred to NCFRA from the 1st January 2019, in addition to vehicles, plant and equipment. The valuation of Property, Plant and Equipment (PPE) will represent a significant balance in the first NCFRA financial statements. NCFRA commissioned a revaluation of all of the 23 Fire Stations from their appointed valuer as at 31st March 2019. As this is the first year that NCFRA will be recognising valuation of 23 Fire Stations, there is a heightened risk of material misstatement from valuing these specialised assets. There is a risk that fixed assets may be over/under stated or the associated accounting entries incorrectly posted.



##### What judgements are we focused on?

We focussed on the material management judgemental inputs and estimation techniques applied to calculate the year-end valuation balances recorded in NCFRA's balance sheet.

##### What did we do?

In response to the risk we:

- Considered the work performed by the NCFRA appointed valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Reviewed a representative sample of these assets and test key asset information and assumptions used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre). For this we also engaged our EY Estates Specialists to perform a review on the specialised assets.
- Considered whether the accounting entries have been correctly processed in the financial statements.

##### What are our conclusions?

We engaged our specialist, EY Real Estates, to review the Authority's estimates in relation to the fire stations.

Following their review we have concluded that the value of the assets and therefore those fire station assets are within an expected range of values. An overstatement error in relation to one fire station was identified, refer to section 4 for further details.

Our work concluded that:

- We found the NCFRA external valuer to be appropriately qualified with the relevant skills to perform the valuation analysis.
- The valuation was undertaken in accordance with relevant financial reporting guidance, and the key assumptions used in the valuation were appropriate and within an acceptable range.
- The valuation was undertaken in line with the NCFRA accounting policies.
- We were satisfied that the classification of assets reported in the financial statement is materially correct.



## Areas of Audit Focus

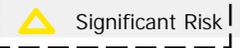
### Significant risk

#### Completeness and accuracy of the opening balances and the disaggregation of the NCFRA balance sheet from NCC

##### What is the risk?

The completeness of opening balances and the disaggregation of the NCFRA balance sheet from its predecessor body, Northamptonshire County Council (NCC), will be a complex exercise.

There is a risk that balances may be incomplete or misclassified.



##### What judgements are we focused on?

Management will be required to make material complex assessments of the disaggregation of balances from Northampton County Council (NCC) to be transferred to the newly formed NCFRA.

##### What are our conclusions?

NCFRA has held extensive meetings with NCC and LGSS to ensure that the transfer is undertaken appropriately and correctly, in accordance with the statutory transfer orders.

##### What did we do?

In response to the risk we considered:

- The correctness and completeness of postings to NCFRA from Northamptonshire County Council.
- The correctness of accounting judgements associated with income, expenditure, assets and liabilities that transfer to NCFRA and are inconsistent with the statutory transfer scheme and orders.
- The correctness of accounting judgements and disclosures associated with contracts, leases, funding and finance towards assets under constructions.
- The correctness of accounting judgements and disclosures associated with any overage clauses and agreements.
- We engaged an EY FAAS specialist to undertake a technical review of the accounts of NCFRA.

Due to the support provided to NCFRA officers from the LGSS finance team in the preparation of the 2018/19 financial statements, we have been able to obtain and corroborate explanations and accounting judgements directly without having to seek assurances from the auditors of Northamptonshire County Council. This together with our technical review of the NCFRA financial statements resolved and addressed our response to this risk.

We are satisfied that the balances taken on by the NCFRA transferred from NCC are complete in terms of the statutory instrument and transfer order approved by the Home Secretary.

We have substantively tested material balances taken on by NCFRA. Relevant matters arising and issues raised in our technical review have been adequately addressed and adjusted for in the revised financial statements.



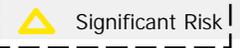
## Areas of Audit Focus

### Significant risk

#### Faster closure of the accounts

##### What is the risk?

There is a risk that the NCFRA will not be able to prepare a complete set of NCFRA accounts for audit by 31st May 2019 and/or the completion of the audit and approval of the accounts by 31st July 2019.



##### What did we do?

Officers of NCFRA and EY LLP held ongoing discussions about the risks, implications and expectations of each other in communications and project planning. We held a workshop with NCFRA JIAC, officers and LGSS on the key issues to consider ahead of the closedown of the 2018/19 financial statements. The EY Partner in Charge met with NCFRA officers and LGSS to understand the timetable and approach for closedown of accounts, preparation of working papers and disaggregation of balances from NCC.

Through EY Partner in Charge, NCFRA officers and JIAC were informed of EYs resourcing constraints in being unable to start the external audit of NCFRAs accounts before 31<sup>st</sup> July 2019, and the circumstances leading to further delays to the NCFRA audit thereafter.

##### What are our conclusions?

We are satisfied that the NCFRA were able to prepare their first set of financial statements with good project management, working papers and timely resolution to the audit process. NCFRA officers and LGSS engaged positively with the accounts and audit process in spite of the constraints and inefficiencies experienced during the course of audit work. We are using our assessment of NCFRAs readiness for preparing accounts and external audit to inform our scheduling decisions for the 2019/20 external audit.



## Areas of Audit Focus



### Valuation methods applied

Financial statement area	Valuation method applied and related disclosures	Impact of changes made to the valuation method applied
Valuation of land and buildings	<p>Specialised assets, primarily fire stations, are valued at depreciated replacement cost where no market exists.</p> <p>Where comparable information is available assets are valued at fair value.</p>	<p>Owing to NCFRA being a new entity there are no changes to valuation methods.</p> <p>Our EY Estates Specialists reviewed a sample of the assets and did not identify any material issues relating to the valuation methods or assumptions.</p>
Valuation of Pension assets and liabilities	<p>Actuarial valuations of pension liabilities.</p> <p>Actuarial valuation of pension assets with reference to the assets and returns reported by the pension fund.</p> <p>The pension fund assets are not able to be allocated to individual members of the fund.</p>	<p>The impact of the McCloud judgement and refusal of right to appeal, since the draft statements were prepared, has resulted in an immaterial additional estimated value of the liability for the LGPS scheme. Our EY Pensions Specialists review of the FFPS noted that the material values and changes arising for McCloud judgement were within an acceptable range.</p> <p>The NCFRA requested a revised IAS19 Accounting Information Report from the actuary using asset values as at 31 March 2019.</p> <p>In receiving and considering the outcome of programme of work from the auditors of the Northamptonshire Pension Fund, we were informed of one error which overstated the valuation of the pension fund assets by £3.539million. Each admitted body takes its share of the overstatement and we have informed officers of the NCFRA of an error of £7,080. We expect this error will be adjusted in the financial statements.</p>



## Areas of Audit Focus



### Other matters

#### Assessment of new Accounting Standards

##### IFRS 9 financial instruments

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

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

We have:

- Assessed the NCFRAs implementation arrangements that will include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered the classification and valuation of financial instrument assets;
- Reviewed new expected credit loss model impairment calculations for assets; and
- Checked additional disclosure requirements are met.

We did not identify and material errors or errors or disclosure from our audit work.

##### IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on Fire and Rescue Service accounting is likely to be limited as large revenue streams like council tax and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We have

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

We did not identify any material errors or errors of disclosure from our audit work.



# 03 Audit Report



# Draft Audit Report for NCFRA

## Our opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY

#### Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Northamptonshire Commissioner Fire and Rescue Authority for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Comprehensive Income and Expenditure Statement,
- Authority Movement in Reserves Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement;
- Related notes **1 to 30**; and
- The firefighters' pension fund financial statements comprising the Fund Account, and the Net Assets Statement

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 2018/19.

In our opinion the financial statements:  
give a true and fair view of the financial position of Northamptonshire Commissioner Fire and Rescue Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and  
have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority 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 the Comptroller and Auditor General's (C&AG) AGN01, 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:  
the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or  
the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

#### Other information

The other information comprises the information included in the Narrative Report other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible



# Draft Audit Report for NCFRA

## Our opinion on the financial statements

### Other information

The other information comprises the information included in the Narrative Report other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Northamptonshire Commissioner Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officers Responsibilities set out on [page 12](#), the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund 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 2018/19, and for being satisfied that they give a true and fair view.



## Draft Audit Report for NCFRA

# Draft audit report for NCFRA

### Our opinion on the financial statements

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority'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 the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure 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 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Northamptonshire Commissioner Fire and Rescue Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Northamptonshire Fire and Rescue Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Northamptonshire Commissioner Fire and Rescue Authority had put in place proper arrangements to secure 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 satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



# Audit Report

## Draft audit report

### Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Certificate

We certify that we have completed the audit of the accounts of Northamptonshire Commissioner Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

#### Use of our report

This report is made solely to the members of Northamptonshire Commissioner Fire and Rescue Authority as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton

The maintenance and integrity of the Northamptonshire Commissioner Fire and Rescue Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# 04 Audit Differences



## Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Status of audit differences

At the time of writing, we are concluding our audit procedures and this will include finalising our summary of audit differences (corrected and uncorrected errors), then receipt of and checking the final version of accounts. We list below those matters which have been identified as audit differences in the accounts to date:

NCFRA:

#### Adjustments agreed to be made:

- Reclassification of revaluation in the revaluation reserve to the Capital Adjustment Account (£8,133million)
- Recording of transition costs: understatement of Expenditure and Creditors (£188,420).
- Reduction of depreciation written out to Revaluation Reserve: overstatement of PPE and Revaluation Reserve (£247,000).
- Recognition of the Accumulated Absences Provision £35,902.
- Reclassification of commitments: understatement of expenditure (£188,420), Long-term liabilities (£125,613) and Creditors (£62,807).

We are continuing to discuss with NCFRA officers and LGSS on a potential accruals adjustment and will update for the final position.

Firefighters Pensions:

- Misclassification of Contributions Receivable: Understatement of Employer Contributions (£20,319), understatement of Employee Contributions (£172,215), overstatement of Top-up Grant Receivable (£192,534).
- Unrecorded benefits payable liability: understatement of Pensions Liability and Top-up Grant Receivable (£27,652)
- Incorrect cut-off of benefits payables: Overstatement of closing balances (£533,213), Overstatement of opening balances (£500,419), understatement of in-year pensions (£32,794). This is as result of updating the Pension Fund accounts to include 1/3<sup>rd</sup> of the transactions for the 18/19 financial year.

### Uncorrected misstatements in the statement of cash flows

There are no further uncorrected errors in the statement of cash flows.

### Disclosure misstatements

In response to our technical review, NCFRA have agreed and made a number of disclosure changes.

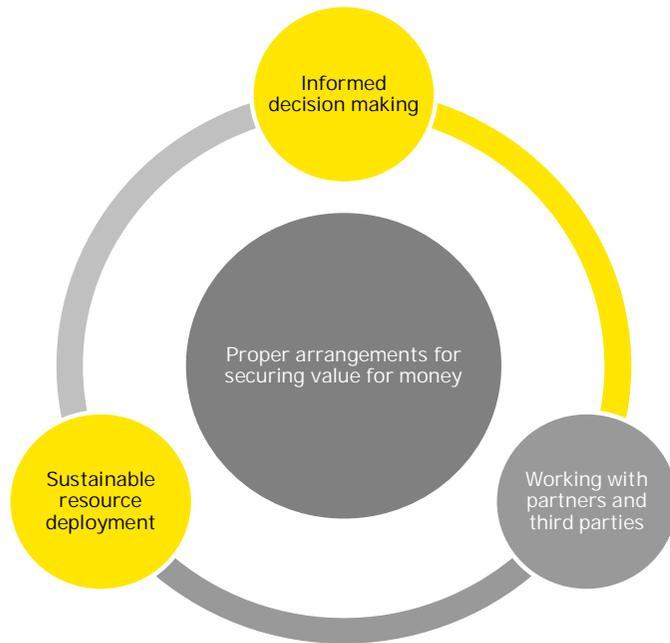


05

## Value for Money Risks



# Value for Money



## Background

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

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

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

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

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

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

## Overall conclusion

In our audit planning report to the Joint Audit Committee in March 2019, we identified a significant audit risk associated with NCFRA financial resilience. Due to the nature of the concerns expressed by NCFRA officers at the inception of the new organisation from 1st January 2019, we said at the time that we may need to consider a qualification to our 2018/19 Value for Money Conclusion. This was in light of:

- The governance transfer from 1st January 2019 led to NCFRA starting to operate without any working balances and general reserves.
- Significant concerns expressed by the Chief Financial Officer on the insufficient level of reserves and balances in her robustness statement to the Northamptonshire Police, Fire and Crime Panel up to February 2019 and in preparing the 2019/20 revenue budget.

Our responsibilities are to consider whether the NCFRA have put in place appropriate arrangements to secure its financial resilience. We have undertaken appropriate procedures and concluded that we expect having no matters to include in the auditor's report about your arrangements to secure economy efficiency and effectiveness in your use of resources and anticipate issuing an unmodified opinion.

Our findings are in the table below.

## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Securing NCFRA’s financial resilience:</p> <p>The NCFRA has set a balanced budget for the 2019/20 financial year and expects to achieve its budget for the remainder of the 18-19 financial year. In accordance with the decision of the Home Secretary with the Fire governance business case, NCFRA are needing to build up from nothing its reserves and balances over the next 3 years to minimum and sustainable levels. Doing so will require NCFRA to deliver a programme of savings, efficiency and transformation. NCFRA’s Chief Financial Officer has already and appropriately set out concerns on the adequacy of reserves and balances in the 19-20 budget, medium term financial plan and reserves strategy.</p>	<p>Sustainable resource deployment</p>	<p>We have corroborated the following during the course of our audit and the arrangements in place for the financial year ended 31st March 2019:</p> <p>NCFRA’s governance transfer was approved by the Home Secretary in the knowledge that there were no working balances and general reserves and a business case to build financial stability over a three-year period. NCFRA have put in place appropriate financial regulations, standing orders, governance and risk management practices since inception.</p> <p>Following an appropriate process, NCFRA have appointed Internal Auditors who have focussed on reviewing NCFRA’s systems of internal control, financial and risk management. NCFRA quickly aligned their three-month financial plans for 18/19 and annual budgets thereafter to their integrated risk management and strategic, corporate plans. By the financial year ended 31st March 2019, NCFRA were able to add £499k to its general level of reserves, just under 2% of its annual spend. The Chief Financial Officer has appropriately discharged statutory responsibilities in robustness statements and outlining concerns on the future financial resilience of the NCFRA in public meetings. As we are close to issuing our statutory audit opinion on the 2018/19 financial statements before the end of March 2020, it is relevant to consider NCFRA’s financial position at this stage. We have noted the following: NCFRA proposed a balanced budget for the 19/20 financial year and in its recent report to the Police, Fire and Crime Panel in February, are forecasting a small underspend of £80k. The 19/20 budget builds in a further £300k transfer to general reserves, which will see general reserves now at £699k, increasing to 2.8% of its annual spend.</p> <p>NCFRA financial officers have worked with the Chief Fire Officer and operational teams to improve the rigour of financial controls, budget monitoring and establishing, using zero-based budgeting techniques, a more robust baseline for core expenditure. This is in light of considerable volatility in spend throughout the first full-year of the NCFRA where officers have sought to understand operational and budgetary pressures whilst at the same time identifying, developing and needing to embed policies and plans to address historical and ongoing repairs and maintenance needs for equipment, ICT and premises.</p>

## Value for Money Risks (continued)

### What are our findings?

NCFRAs 2020/21 budget is based on the maximum precept increase of 1.99% but the Local Government financial settlement (2020 Spending Review) could see some greater flexibility and NCFRA have modelled the benefit that a precept increase could have to operational budgets. NCFRA have modelled a five-year medium-term financial plan with a balanced budget in the 2020/2021 financial year and a small forecast shortfall in 2021/22 financial year. This continues to build in contributions to general reserves each year.

NCFRA are forecasting that financial pressures will start to increase as capital financing charges accelerate from the 2022/23 financial year onwards. This uncertain financial landscape is not dissimilar and disproportionate to other Local Government and Fire and Rescue Services.

Both the Police, Fire and Crime Commissioner and the Chief Financial Officer have made balanced statements in the revenue budget papers on the importance of the NCFRA moving towards having 10% of spend in both general (4%) and earmarked (6%) reserves by the end of the MTFP so that financial stability underpins the operational budgets and ongoing operational, budgetary pressures including the appropriate investment to support the NCFRAs strategic direction and risk management plans (including responding appropriate to threat/harm/risk).

NCFRA are exploring options to achieve ongoing efficiencies through collaboration and partnerships, enabling services. There are opportunities to do this through the governance arrangements with Northamptonshire Police but also with other regional FRAs. Commitments to ongoing repairs and maintenance and the capital programme will be prioritised.

By the end of the MTFP period (2024/25 financial year), NCFRA are forecasting a cumulative shortfall of £831k. We have calculated the forecast level of reserves and balances that could be available to support the NCFRA budget in a worst-case scenario and this theoretical level is £1.429million (£1.070million general reserves forecast by 31/3/20205 plus £359k on earmarked reserves for transformation, operational equipment and staffing). The Chief Financial Officer has continued to discharge statutory responsibilities in robustness statements and outlining current position on the future financial resilience of the NCFRA in public meetings.

In conclusion, whilst we would agree and support the Chief Financial Officer's continued public statements on the current financial fragility of NCFRA with the level of reserves and uncertain financial landscape, we are satisfied that in a short period of time, NCFRA have put in place all appropriate arrangements and made significant strides to build financial stability.

It remains important that the Chief Fire Officer and the Police, Fire and Crime Commissioner continue to prioritise the steps set out in the revenue budget and MTFPs. In particular, the importance of contributing to general and earmarked reserves so that future financial plans strike the appropriate balance between delivering operational budgets and securing ongoing and sustainable investment to support future strategic direction of NCFRA. Inevitably this will require an ongoing financial discipline to explore all choices and alternatives in making decisions on commitments in the capital programme and in reacting to any external events that are outside of the control of NCFRA (e.g. business rates and pensions). This is an area we will continue to review closely during our 2019/20 and 2020/21 external audit.



# 06 Other reporting issues

## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Annual Accounts with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. We have reviewed the NCFRA's Annual Governance Statement. These cover ensuring that the Statements comply with the Code of Practice and that the statements and including disclosures covering governance arrangements. We have also reviewed NCFRA's Narrative Report for consistency with the financial statements and our knowledge.

We have no significant matters to report as a result of this work. In concluding our audit and prior to the approval of the audited 2018/19 accounts and receipt of our audit opinion, we may make some final observations on where the governance and narrative statements could be updated to reflect relevant significant events up to the date of approval and provide further context for governance and financial decisions at the NCFRA.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As the NCFRA falls below the £500 million threshold for review as per the NAO's group instructions, we are not expecting to report any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the NCFRA, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

## Other reporting issues

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### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the NCFRAs financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.



07

## Assessment of Control Environment



# Assessment of Control Environment

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## Financial controls

It is the responsibility of the Northamptonshire Commissioner Fire & Rescue Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the NCFRA has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



# 08 Data Analytics



# Use of Data Analytics in the Audit

## ▶ Data analytics

### Analytics Driven Audit

#### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the NCFRA audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We performed a completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data.

Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

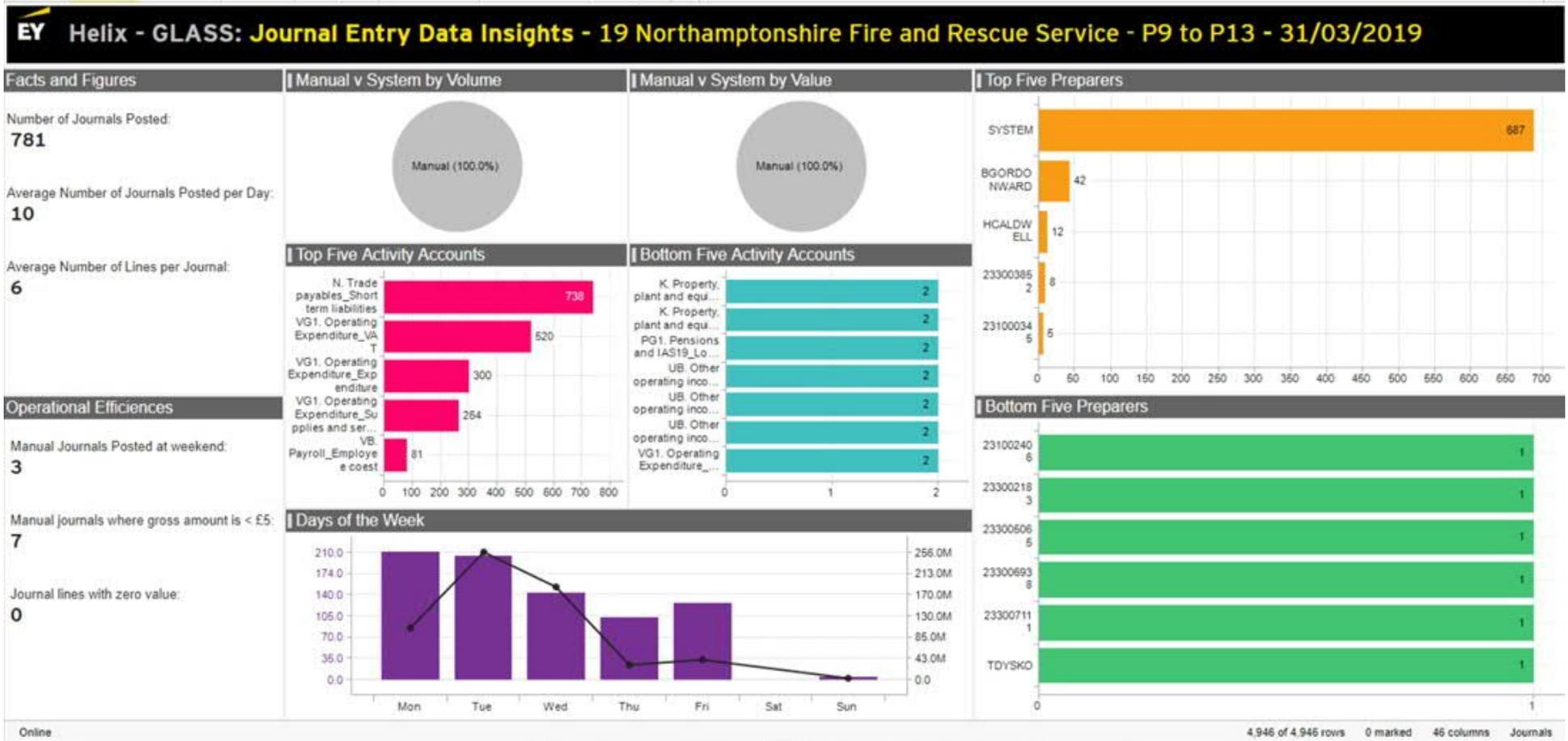


# Data Analytics

## Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





## Journal Entry Testing

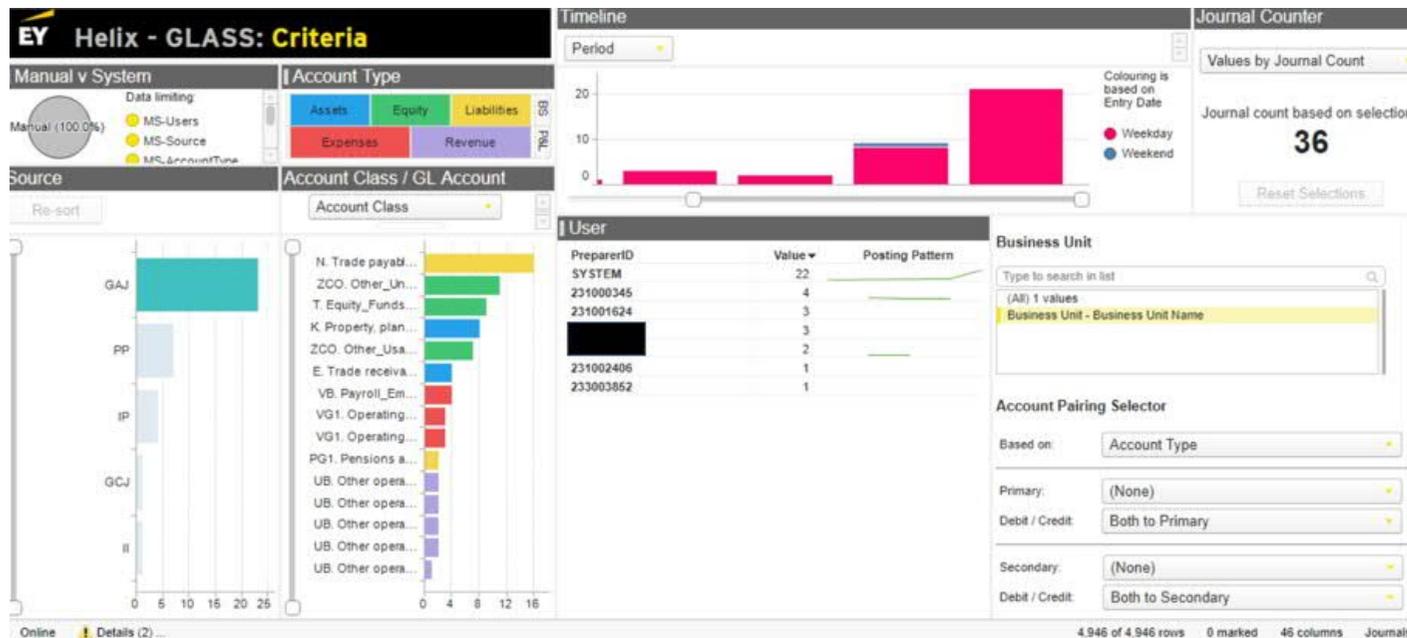
### What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

### What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2019



### What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

### What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

# Independence

## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report presented to JIAC in March 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that Northamptonshire Commissioner Fire and Rescue Authority consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the JIAC on 11 March 2020.

## Independence



### Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

#### Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed below has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19
	£	£	£
Total Audit Fee – Code work	25,000	25,000	25,000

We agreed with NCFRA officers and PSAA a fee of £25,000 to address the significant audit risks identified at the inception of the NCFRA and recognising that the NCFRA's financial statements would only cover three months of the financial year. These risks included the valuation of assets with real estate support (which in the end covered a sample of the 23 assets), valuation of the net pension liability, completeness of balances and the work to arrive at a VFM conclusion given the financial risks we were aware of at the inception of the organisation.

Ordinarily and in accordance with our PSAA contract, we should consider additional fees for work carried out in response to changes in audit scope and matters arising during the course of the audit specifically the work identified in this report, covering:

- Additional audit procedures with specialist actuarial support as a result of the McCloud and GMP judgements; and
- Work associated with technical review undertaken by EY specialist (FAAS) on the statements of account, the resulting amendments to the financial statements and audit procedures as a result of the audit differences and amendments arising.

However, we recognise the audit process has led to considerable inefficiencies and weaknesses in project planning and communication at key stages. Our scale fee also allowed for a review by our real estate team of all 23 Fire station valuations whereas we were able to obtain sufficient assurance from a representative sample and our own procedures by the audit team. We also recognise the good closedown arrangements, supporting work papers and resolution of queries from NCFRA officers and LGSS support in this first year. The scale fee of £25,000 for an organisation with three months financial data and reporting, and the work required to address our audit risks, is commensurate with other Fire and Rescue Authorities. We therefore do not plan to seek a scale fee variation in concluding the 2018/19 external audit but we report these matters as any changes in audit risk and scope would still lead to us considering a variation to the 2019/20 scale fee.



# 10 Appendices

## Appendix A

# Required communications with the Joint Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Northamptonshire Commissioner Fire and Rescue Authority of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report - 20 March 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report - 20 March 2019
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> <li>• Findings and issues regarding the opening balance on initial</li> </ul>	Audit Results Report - 11 March 2020

 Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about NCFRA ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Audit Results Report – 11 March 2020
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report – 11 March 2020
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Northamptonshire Fire and Rescue Authority to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:             <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> <li>d. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>e. Any other matters related to fraud, relevant to the Northamptonshire Fire and Rescue Authority responsibility.</li> </ol> </li> </ul>	Audit Results Report – 11 March 2020

 Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	Significant matters arising during the audit in connection with the NCFRA related parties including, when applicable: <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the NCFRA</li> </ul>	Audit Results Report – 11 March 2020
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report – 20 March 2019 Audit Results Report – 11 March 2020

 Appendix A

		Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Results Report - 11 March 2020
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - 11 March 2020

 Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report – 11 March 2020
Material inconsistencies or misstatements	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report – 11 March 2020
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit Results Report – 11 March 2020
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Planning Report – 20 March 2019 and Audit Results Report – 11 March 2020

 Appendix B

# Management representation letter

## Management Rep Letter

To be placed on headed letter paper

[Date]

Ernst and Young LLP  
400 Capability Green  
Luton  
LU1 3LU

Dear Neil,

Northamptonshire Commissioner Fire and Rescue Authority - Audit for the year ended 31 March 2019

This letter of representations provided in connection with your audit of the consolidated and Authority financial statements of Northamptonshire Commissioner Fire and Rescue Authority ("the Authority") for the year ended 31 March 2019. We recognise that obtaining representations from us is concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Authority financial statements give a true and fair view of the Group and Authority financial position of Northamptonshire Commissioner Fire and Rescue Authority as of 31 March 2019 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our consolidated and Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

ourselves:

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves.

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the Authority financial statements. We believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the Authority financial statements.

3. The significant accounting policies adopted in the preparation of the Authority financial statements are appropriately described in the Authority financial statements.

4. As members of management of the Authority, we believe that the Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are free from material misstatement, whether due to fraud or error.

 Appendix B

# Management representation letter

## Management Rep Letter

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Authority financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [\[specify reasons for not correcting misstatement\]](#).

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

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

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the Authority financial statements.

3. We have made available to you all minutes of the meetings of the Fire and Rescue Authority held through the year to the most recent meeting on the following date: [\[list date\]](#).

 Appendix B

# Management representation letter

## Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Authority financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Authority financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

### E. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the Authority financial statements or notes thereto

### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative report and Annual Governance statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

### G. Ownership of Assets

1. The Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheets.

 Appendix B

# Management representation letter

## Management Rep Letter

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the Authority financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

### I. Reserves

1. We have properly recorded or disclosed in the Authority financial statements the useable and unusable reserves.

### J. Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the value of property, plant and equipment and the IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### K. Estimates

#### Pension Liability and PPE Valuations Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority financial statements due to subsequent events.

### L. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

 Appendix B

# Management representation letter

## Management Rep Letter

### L. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours sincerely

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Chief Financial Officer

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Chair of the JIAC

## Schedule of Uncorrected Misstatements

{to insert}

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ED None

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**Agenda Item: 5a**

**APPENDIX 1**

**LGSS Internal Audit & Risk Management**

**Northamptonshire  
Commissioner Fire and Rescue Authority (NCFRA)**

**Audit and Fraud Progress Update – Q4**

Duncan Wilkinson, Chief Internal Auditor

11 March 2020

**1 INTRODUCTION**

- 1.1 This progress report provides stakeholders, including the Joint Internal Audit Committee, with a summary of the Fire Authority Internal Audit activity for the period December 2019 to end of February 2020.
- 1.2 **Annex A** (page 4) provides the background and context for how Governance is tested and evaluated.
- 1.3 The report summaries work done on evaluating the robustness of systems of control and governance in place from when the new legal entity was created. The effectiveness of the controls will be assessed through extensive substantive testing of transactions during quarter four.
- 1.4 During the reporting period, the Audit team has also undertaken risk management workshops with Senior Managers and lead officers across the Service, to review risk registers and the risk management processes they are robust and embedded. A quarterly reviewing cycle is to be agreed with management, where risks highlighted in the risk registers will be reviewed and the effectiveness of mitigating controls identified therein are tested by Internal Audit.

**2 KEY ACTIVITIES:**

- 2.1 **Annex B** (page 6) shows the 2019/20 Audit plan and a status update of where work is - complete, in progress or due to start.
- 2.2 **Annex C** (page 6) details the agreed time schedule for risk workshops with NCFRA management and operational teams, to review, challenge and update their enterprise risk registers, facilitated by LGSS Internal Audit team. During 2020, the risk registers will be reviewed quarterly to ensure emerging key risks are reflected in the registers and mitigating controls noted in the registers will be tested to assess their effectiveness in reducing the potential impact of the risks should they crystallise.
- 2.3 Two of the audits that were reported as in progress at the last Committee have now progressed to final report stage.
- 2.4 Assurance ratings are given for both the Adequacy of the System and Compliance with the System of Controls. The definitions are detailed in Annex B and highlight the following:

<b>Assurance Rating</b>	<b>Adequacy of System</b>	<b>Compliance</b>
Good	1	1
Satisfactory	0	0
Limited	1	1
<b>Total</b>	<b>2</b>	<b>2</b>

The reports have been issued to management and include Action Plans highlighting agreed actions needed to improve the control environment as appropriate.

**ICT systems controls** audit was given a Limited assurance opinion. Field work identified the following key weaknesses:

- A documented and approved IT Disaster recovery Plan was not in place.
- An Independent network penetration test had not been undertaken.
- There was no process for IT risks identified on the IT Risk Register to be escalated onto the Corporate Risk Register.

### 3 PROGRESS AGAINST 2019-20 AUDIT PLAN

3.1 The key target for the Internal Audit Service is to complete its plan by the 31<sup>st</sup> March 2020.

3.2 As at the 29 February 2020, the second tranche of Audits due to be completed in Q4 are in progress, along with MTFP review from the first tranche of planned audits, which was deferred to Quarter 4 . All of the audits are on course to be completed by end of March 2020.

3.3 As agreed with management the audits for quarter 4 will involve follow up of findings from earlier audits, with substantive testing to assess embeddedness of controls. **Annex B** (page 6).

3.3 The table below provides a precis of the objectives of the audits undertaken and the risks.

Assignment	Status	Objectives and Risk
Target Operating Model	Final Report Issued	<p><b>Objective(s)</b> To provide assurance that NCFRA operates effectively to deliver its defined objectives</p> <p><b>Risks(s)</b> Operations are not aligned to the approved organisational objectives</p>
ICT Systems Controls	Final Report Issued	<p><b>Objective(s)</b> To review the ICT control systems environment for NCFRA</p> <p><b>Risks(s)</b> Inability to withstand a targeted attack or deliver an ICT service in the event of a major incident</p>
Organisational Governance-2	In Progress	<p><b>Objective(s)</b> To provide assurance that the Strategic and Senior governance of NCFRA is effective and it allows statutory obligations to be fulfilled.</p> <p><b>Risk(s)</b> Reputational and fraud risks</p>
Scheme of Delegation - 2	In Progress	<p><b>Objective(s)</b></p>

Assignment	Status	Objectives and Risk
		To provide assurance that NCFRA's Scheme of Delegation is formally defined and operating effectively <b>Risk(s)</b> Reputational and fraud risks
Policies and Procedures 2	In Progress	<b>Objective(s)</b> To provide assurance that Key Policies and Procedures for NCFRA are established and operating effectively. <b>Risk(s)</b> Reputational and fraud risks
Accounts Receivable 2	In Progress	<b>Objective(s)</b> To provide assurance that the process ensures suppliers are paid the right amount at the right time <b>Risk(s)</b> Inappropriate payments made
Accounts Payable 2	In Progress	<b>Objective(s)</b> To provide assurance that the process ensures that debtors are promptly charged and that there are systems in place to recover debt owed Substantive testing of large sample  <b>Risk(s)</b> Money due to NCFRA is not collected
Payroll 2	In Progress	<b>Objective(s)</b> To ensure all employees of NCFRA are bona fide and are paid the right amount at the right time. Substantive testing of large sample <b>Risk(s)</b> Inappropriate payments made

**Internal Audit Context and Background**

**How Controls are Audited and Evaluated**

There are three elements to each internal audit review. Firstly, the CONTROL ENVIRONMENT is documented and assessed to determine how the governance is designed to deliver the service’s objectives.

IA then needs to test whether COMPLIANCE is evident in practice.

Finally, IA undertakes further substantive testing and/or evaluation to determine the ORGANISATIONAL IMPACT of weaknesses found.

The tables below outline the criteria for assessing the above definitions:

Control Environment Assurance	
Assessed Level	Definitions
Substantial	Substantial governance measures are in place and give confidence that the control environment operates effectively.
Good	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Assessed Level	Definitions
Substantial	Testing has proven that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.

<b>No Assurance</b>	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.
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<b>Organisational Impact</b>	
Level	Definitions
Major	The weaknesses identified during the review have left NCFRA open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left NCFRA open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left NCFRA open to low risk. This could have a minor impact on the organisation as a whole.

## ANNEX B

## 2019-20 Audit Plan for NCFRA

AUDIT TITLE	STATUS	PROGRESS	Quarter Work Allocated	Assurance Rating	
				System	Compliance
Organisational Governance	Closed	Final Report		Good	Good
Scheme of Delegation	Closed	Final Report		Good	Limited
Policies and Procedures	Closed	Final Report		Good	Satisfactory
Accounts Payable	Closed	Final Report		Good	Limited
Accounts Receivable	Closed	Final Report		Satisfactory	Satisfactory
Payroll	Closed	Final Report		Good	Good
Target Operating Module	Closed	Final Report		Good	Good
ICT –System Controls	Closed	Final Report		Limited	Limited
Medium Term Financial Planning	Open	In progress	Q4		
Risk Management	Open	In progress	Q4	Various workshops	
Organisational Governance	Open	In progress	Q4		
Scheme of Delegation	Open	In progress	Q4		
Policies and Procedures	Open	In progress	Q4		
Accounts Payable	Open	In progress	Q4		
Accounts Receivable	Open	In progress	Q4		
Payroll	Open	In progress	Q4		
ICT Systems	Open	In progress	Q4		
Target Operating Model			Q4		

## ANNEX C

## ENTERPRISE RISK REVIEW WORKSHOP SCHEDULE

Department	Activity	Date
Strategic Risk	1-2-1 review	28 January 2020
Corporate Response	1-2-1 & Group challenge	14 & 17 February 2020
Facilities	1-2-1 & Group Challenge	17 February 2020
Training Team	1-2-1 & Group challenge	5 March 2020
Prevention Team	1-2-1 & Group Challenge	9 March 2020
Protection Team	1-2-1 & Group Challenge	2 April
Fleet & Engineering	1-2-1 & Group Challenge	9 April 2020
ICT	1-2-1 & Group Challenge	16 April 2020
Business Services	1-2-1 & Group Challenge	16 & 20 April 2020

***For the public sector***

SIT	1-2-1 & Group Challenge	20 April 2020
Operations Team	1-2-1 & Group Challenge	23 April 2020

*For the public sector*





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

Internal Audit Progress Report 2019/20

March 2020

Presented to the Joint Independent Audit Committee meeting of: 11<sup>th</sup> March 2020

# Contents

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

## Appendices

- A1 Summary of Reports
- A2 Internal Audit Plan 2019/20
- A3 Definition of Assurances and Priorities
- A4 Contact Details
- A5 Statement of Responsibility

## 01 Introduction

- 1.1 The purpose of this report is to update the Joint Independent Audit Committee (JIAC) as to the progress in respect of the Operational Plan for the year ended 31<sup>st</sup> March 2020 which was considered and approved by the JIAC at its meeting on 20<sup>th</sup> March 2019.
- 1.2 The Police, Fire and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year, and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.
- 1.3 Internal audit provides the Police, Fire and Crime Commissioner and Chief Constable with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPFCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.
- 1.4 Responsibility for a sound system of internal control rests with the Police, Fire and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.
- 1.5 Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.
- 1.6 Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

## 02 Summary of internal audit work to date

- 2.1 Since the last meeting of the JIAC we have issued two draft report in respect of the 2019/20 audit plan, these being in regards to GDPR and the collaboration Performance Management audit. Further details are provided in Appendix A1.

Northamptonshire 2019/20 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Business Continuity	Final	Satisfactory		1		1
Complaints Management	Final	Satisfactory		1	2	3
Project Benefit Realisation	Final	Satisfactory		2		2
Absence Management	Final	Satisfactory		4		4
Force Management of MFSS	Final	Satisfactory		2		
GDPR Follow Up	Draft					
<b>Total</b>				<b>10</b>	<b>2</b>	<b>12</b>
Collaboration 2019/20 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Performance Management	Draft					

- 2.2 The scheduled audits of Governance and Health and Safety have been requested to be delayed until 2020/21. The Governance audit has been requested for delay by the Office of the Police, Fire and Crime Commissioner and JIAC are requested to approve this delay, a date of August 2020 has been outlined for the completion of this work. As discussed during the JIAC meeting in December 2019, the Force were struggling to recruit a Health and Safety Manager despite the efforts of the Force, which were highlighted by DCC Nickless. The Force have been unable to recruit still and therefore it has been requested that the JIAC approve a delay of this audit to be carried out in 2020/21 once the Health and Safety Manager post has been filled.

- 2.3 The fieldwork for the Core Financial Systems and Balance Transfers have been completed and the draft reports will be issued shortly. Audit are awaiting a Force response to enable the IT Security Follow Up audit to be arranged. The Property Management audit, which is a follow up audit of the 2018/19 when a limited opinion was given, has been arranged and is scheduled to begin the week commencing 13<sup>th</sup> March. Further details are provided in Appendix A2.
- 2.5 As reported in the previous progress report, with regards the collaboration audits that form part of the internal audit plans for 2019/20, it was agreed at the Joint Chief Finance Officers meeting that a similar approach to 2018/19 will be taken whereby a number of 'themed' audits will be carried out across a sample of units. The proposed 'themed' audits are Performance Management, Business Continuity and Health & Safety. As noted in 2.1 above audit have issued the Performance Management draft report to the CFO lead for this audit, Julie Flint (OPCC Lincolnshire), who will co-ordinate the management responses from the region. The Health and Safety fieldwork has been completed and the draft report will be issued shortly, audit are awaiting dates from some collaboration units for completion of the Business Continuity audit but the work should be completed in March and draft report issued thereafter.

## 03 Performance

3.1 The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators that were set out within Audit Charter.

No	Indicator	Criteria	Performance
1	Annual report provided to the JIAC	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the JIAC	As agreed with the Client Officer	Achieved
3	Progress report to the JIAC	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	83% (5/6)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (5/5)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	Achieved
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (8/8)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (2/2)

## Appendix A1 – Summary of Reports

No final reports issued.

## Appendix A2 Internal Audit Plan 2019/20

Auditable Area	Plan Days	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Core Assurance</b>							
Core Financial Systems	18	Dec 2019	Jan 2020			Mar 2020	Fieldwork completed, draft report to be issued shortly.
Governance	10	Feb 2020	n/a	n/a	n/a	Oct 2020	Requested to be deferred to 2020/21. Dates for fieldwork agreed – August 2020.
<b>Strategic &amp; Operational Risk</b>							
IT Security	10	Nov 2019				July 2020	Awaiting Force response from Nikki Butt.
Business Continuity	10	May 2019	May 2019	May 2019	May 2019	July 2019	Final report issued.
Force Management of MFSS Arrangements	7	Oct 2019	Oct 2019	Nov 2019	Nov 2019	Dec 2019	Final report issued
Project / Benefit Realisation	12	Aug 2019	Aug 2019	Aug 2019	Aug 2019	Sept 2019	Final report issued.
Property Management	10	Mar 2020				July 2020	Dates for fieldwork in March agreed.
General Data Protection Regulations (GDPR)	7	Nov 2019	Nov 2019	Feb 2020		Mar 2020	Draft Report Issued.
Health & Safety	10	Mar 2020	n/a	n/a	n/a	TBC	Requested to be deferred to 2020/21.
Absence Management	8	July 2019	July 2019	July 2019	July 2019	Sept 2019	Final report issued.
Complaints Management	8	May 2019	May 2019	May 2019	June 2019	July 2019	Final report issued.

Auditable Area	Plan Days	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Collaboration</b>							
Performance Management	12	Oct 2019	Nov 2019	Feb 2020		July 2020	Draft report issued.
Business Continuity	12	Jan 2020	Feb 2020			July 2020	
Health & Safety	12	Feb 2020	Feb 2020			July 2020	

## Appendix A3 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## Appendix A4 - Contact Details

### Contact Details

David Hoose  
07552 007708  
[David.Hoose@Mazars.co.uk](mailto:David.Hoose@Mazars.co.uk)

Mark Lunn  
07881 284060  
[Mark.Lunn@Mazars.co.uk](mailto:Mark.Lunn@Mazars.co.uk)

## A5 Statement of Responsibility

### **Status of our reports**

*The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.*

*The contents of this report are confidential and not for distribution to anyone other than the Office of the Police, Fire and Crime Commissioner for Northamptonshire and Northamptonshire Police. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.*



## AGENDA ITEM: 6a

### NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER, NORTHAMPTONSHIRE POLICE and NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

#### JOINT INDEPENDENT AUDIT COMMITTEE

11 MARCH 2020

<b>REPORT BY</b>	Business Planning Manager Julie Oliver
<b>SUBJECT</b>	Internal Audit Recommendations Summary Report - Fire
<b>RECOMMENDATION</b>	Committee to note report

#### 1 PURPOSE OF THE REPORT

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

#### 2 OVERALL STATUS

- The report shows 5 actions that have not yet reached their implementation date and remain ongoing.
- 2 actions have been completed.

### **3 OVERVIEW**

#### **3.1 2019/20 Audits**

- 1 audit has been completed since the December JIAC raising no additional recommendations.
- 5 have not yet reached their implementation date and remain open following the December JIAC.
- 2 actions have been completed.

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

3.3 The Fire Executive Board has oversight of all outstanding audit actions and directs the activities required to complete any actions that have passed their targeted implementation date.

#### **List of Appendices**

**Appendix 1:** Internal Audit recommendations March 2020

## INTERNAL AUDIT RECOMMENDATIONS DASHBOARD

The required Audit opinion for every audit is provided in 3 parts as below:

Control Environment Assurance	
Level	Definitions
<b>Substantial</b>	Minimal control weaknesses that present very low risk to the control environment
<b>Good</b>	Minor control weaknesses that present low risk to the control environment
<b>Satisfactory</b>	Control weaknesses that present a medium risk to the control environment
<b>Limited</b>	Significant weaknesses that present a high risk to the control environment
<b>No Assurance</b>	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment

Compliance Assurance	
Level	Definitions
<b>Substantial</b>	The control environment has substantially operated as intended although some minor errors have been detected.
<b>Good</b>	The control environment has largely operated as intended although errors have been detected
<b>Satisfactory</b>	The control environment has mainly operated as intended although errors have been detected.
<b>Limited</b>	The control environment has not operated as intended. Significant errors have been detected.
<b>No Assurance</b>	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

## Summary of Audit Outcomes

Audits are graded as No Assurance, Limited Assurance, Satisfactory Assurance, Good Assurance or Substantial Assurance for adequacy of system and compliance.

Likelihood	H	S	I	E	<b>The Agreed Actions are categorised on the following basis:</b>	
	M	S	I	E		
	L	S	I			
		L	M	H		
	Impact				<b>Essential</b>	Action is imperative to ensure that the objectives for the area under review are met.
					<b>Important</b>	Requires action to avoid exposure to significant risks in achieving objectives for the area under review.
					<b>Standard</b>	Action recommended enhancing control or improving operational efficiency.

### 2019/20

AUDIT	DATE	Adequacy of System	Compliance	Organisational Impact of findings	Agreed Action plans		
					<b>Essential</b>	<b>Important</b>	<b>Standard</b>
Payroll	September 2019	Good	Good	Minor	0	0	2
Accounts payable	September 2019	Good	Limited	Moderate	3	0	0
Accounts receivable	September 2019	Satisfactory	Satisfactory	Minor	0	1	1
Organisational Governance	October 2019	Good	Good	Minor	0	0	2
Policies & Procedures	October 2019	Good	Satisfactory	Moderate	0	0	1
Scheme of Delegation	October 2019	Good	Limited	Moderate	0	0	0
Target Operating Model	October 2019	Good	Good	Minor	0	0	0
MTFP							
ICT systems security	February 2020	Limited	Limited	Moderate	1	4	1

### **Summary of Audit Recommendations Progress**

This table shows a summary of the progress made on new audit recommendations raised at each JIAC during the current year and annual totals for previous years where audit recommendations are still active.

<b>2019/20 Audits</b>	<b>Reported to JIAC 11<sup>th</sup> Dec 2019</b>	<b>Reported to JIAC 11<sup>th</sup> March 2020</b>	<b>Totals for 2019/20</b>
<b>Recommendations Raised</b>	10	0	
<b>Complete</b>	3	2	
<b>Ongoing</b>	7	5	
<b>Overdue</b>	0	0	

## OUTSTANDING RECOMMENDATIONS

### Key to Status

 Action completed since last report

 Action ongoing

 Action outstanding and past its agreed implementation date

 Action no longer applicable or superseded by later audit action

### 2019/20

#### Payroll – October 2019

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/responsibility	Status
1	<p><b>WEAKNESS:</b></p> <p>Evidence was not made available as part of the internal audit to support mileage claims (fuel receipts).</p> <p><b>RISK:</b></p> <p>There is the risk that HMRC challenges and demands repayment of Input VAT claimed by NCFRA on expenses, if no supporting evidence has been retained.</p>	<p>Consider reviewing the wording of the Travel and Expenses Policy from “Employees must keep all receipts relating to claims made for up to six years.</p> <p>It is important that these receipts are retained, as they will need to be provided in the event of a VAT inspection. Failure to provide receipts covering business travel and expense claims made could result in the organisation paying back thousands of pounds to HMRC. Employees should ensure that all receipts are provided to managers on termination of employment.”</p> <p>To ensure that evidence is available for inspection as detailed at <a href="https://www.gov.uk/employer-reporting-expenses-benefits/record-keeping">https://www.gov.uk/employer-reporting-expenses-benefits/record-keeping</a></p>	standard	<p>Assistant Chief Fire Officer Corporate Services to task an update to the Business Travel and Expenses Policy to include the retaining of receipts.</p> <p>RP 16.01.2020 Communication being prepared for fuel vat receipts to be uploaded with mileage claim; also included in FEG visit communications. Action; RP to add fuel receipts onto the ECF agenda.</p> <p>RP 27.2.20 – comms sent to all staff, rolling out in FEG visits and added to ECF agenda.</p>	<p>31.12.2019</p> <p>Completed</p>	

### Payroll – October 2019

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
2	<p><b>WEAKNESS:</b></p> <p>NCFRA do not receive reports from LGSS including monthly sign off reports, net pay variance, pay analysis reports, BACS listing or any summaries.</p> <p><b>RISK:</b></p> <p>Inappropriate payments made to staff.</p> <p>Actuals of staff salaries may not be as budgeted.</p>	NCFRA to liaise with LGSS to obtain monthly reports to aide management review of payroll to ensure the accuracy and completeness of payments made to staff.	<b>Standard</b>	<p>Head of Finance</p> <p>Reports will be requested from LGSS by 31/12/19</p> <p>If agreed by LGSS, reports will be used and in place from 1/4/20.</p> <p>HK 20.01.2020 Reports have been requested and LGSS are considering what can be supplied – the timescale for that is not yet due</p>	01.04.2020	

### Accounts Payable – October 2019

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
1	<p><b>WEAKNESS:</b></p> <p>Evidence of quotations was not provided to support transactions of below £10k or between £10k and £25K.</p> <p><b>RISK:</b></p> <p>NCFRA could be paying too much for goods, services or works. Reputational risk of accusation of fraud or corruption.</p>	<p>OPFCC/NCFRA management to ensure that all budget holders are reminded of the requirements for evidence to be retained to support every transaction in line with the requirements within the NCFRA Corporate Governance Framework.</p> <p>(It was suggested that a Requisition to Order proforma be devised to support the ordering of goods, services and works).</p>	<b>Essential</b>	<p>Chief Fire Officer to task to Project Director of Enabling Services/ Procurement Board guidance notes for purchase orders to be produced and procurement policy reviewed.</p> <p>Quotes/evidence of value for money can be attached to ERP requisitions.</p> <p>Example Req231801862 PO no 31180002032 (quote attached).</p> <p>22.1.20 PB UPDATE: Procurement policy is contained within the Corporate Governance Framework and that will be reviewed during 2020. Guidance notes for procurement have previously been produced and circulated by EMSCU. This</p>	31.03.2020	

				<p>has been followed up since the audit with further inputs at FEG, TLT and in specific training sessions for budget holders.</p> <p>EMSCU and finance monitoring spend and flagging to PB/HK any specific issues.</p>		
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### Accounts Payable – October 2019

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
2	<p><b>WEAKNESS:</b> Evidence was not provided to support transactions with a value of £25K or higher.</p> <p><b>RISK:</b> NCFRA could be paying too much for goods, services or works. Reputational risk of accusation of fraud or corruption.</p>	<p>A procurement panel has been set up. The panel intend to complete a full review of all Suppliers where spend exceeds £25K with support from the East Midlands Strategic Commercial Unit.</p> <p>Actions will be taken to ensure that contracts or frameworks are agreed following on from formal tendering processes in line with the guidance within the NCFRA Corporate Governance Framework and the advice or collaboration with EMSCU.</p>	Essential	<p>Chief Fire Officer to task to Project Director of Enabling Services/ Procurement Board to progress with support of EMSCU</p> <p>22.1.20 PB UPDATE: EMSCU hold pipeline for contracts which identifies all known requirements. Over £25k orders monitored by EMSCU and any issues flagged to PB/HK.</p> <p>Procurement Board will drive this work by managing and monitoring the procurement pipeline. All spend over £25k goes through EMSCU as per guidance notes and CGF which has been re-trained to budget holders.</p> <p>Suggest this can be closed as an action.</p>	<p>31.03.2020</p> <p>Completed</p>	

### Accounts Payable – October 2019

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
3	<p><b>WEAKNESS:</b></p> <p>Order dates on ERP later than the date on the invoice – retrospective orders.</p> <p><b>RISK:</b></p> <p>Non-compliance with NCFRA Corporate Governance Framework</p> <p>Overspend – no commitment accounting</p>	<p>NCFRA will ensure that all expected expenditure will be committed on ERP at the beginning of the year.</p> <p>NCFRA will regularly review purchase order requisitions against invoice dates to ensure the problem of retrospective orders has improved. (As detailed within the NCFRA Corporate Governance Framework at D3 Ordering of Goods and Services point 2 of the Key Controls it states “All orders should be raised at the time of placing the order and not on receipt of the goods/services or invoice.”)</p>	Essential	<p>Chief Fire Officer to task Project Director of Enabling Services/ Procurement Board Guidance notes for purchase orders (identified above) to include this direction. Service wide communications to follow up will be required.</p> <p>22.1.20 PB Update: Finance colleagues are reviewing this and flagging issues as required.</p>	31.03.2020	

### Accounts Receivable – October 2019

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
1	<p><b>WEAKNESS:</b></p> <p>The Chargeable Services Policy dated August 2013 (B33) is out of date.</p> <p><b>RISKS:</b></p> <ul style="list-style-type: none"> <li>•This could result in NCFRA not collecting all monies due and income may therefore not be as</li> </ul>	<p>NCFRA to review and update the Chargeable Services Policy (B33) to ensure that all special services to be charged are administered correctly in order that income is collected in line with the requirements</p>	Important	<p>Area Manager Operations to task to Joint Operations Manager to review and update the policy.</p>	31.03.2020	

budgeted. •Reputational risk •Misappropriation	within the NCFRA Corporate Governance Framework.				
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### Accounts Receivable – October 2019

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
2	<p><b>WEAKNESS:</b></p> <p>There is no process in place for checking the details on the FB009 form against the current scale of charges for Special Services, to ensure accuracy, before the forms are entered onto the ERP system.</p> <p><b>RISK:</b></p> <ul style="list-style-type: none"> <li>•Reputational risk for NCFRA if charges are not accurate</li> <li>•Possible legal action to challenge the charges made</li> </ul>	<p>NCFRA to implement a checklist for use by the Service Information Team that checks the completion of the FB009 in its entirety including the amount detailed for charges for the Special Services and evidence that the customer has been notified of any discrepancy between the FB009 and the sales invoice. This could either be a separate sheet or a modification to the existing FB009 form.</p>	Standard	<p>Assistant Chief Fire Officer Corporate Services to task review of checklist and FB009.</p> <p>Due date in line with policy review</p>	31.03.2020	



COMMUNITY JUSTICE SECURITY



## Report to the Joint Independent Audit Committee 11 March 2020

### Internal Audit Recommendations Summary Report

#### RECOMMENDATION

The Committee is asked to note this report.

#### 1 PURPOSE OF THE REPORT

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

#### 2 OVERALL STATUS

- The report shows 31 actions that were open following the last JIAC meeting or have subsequently been added.
- 20 actions have been completed.
- 3 actions have been superceded and are no longer applicable.
- 3 actions not yet reached their implementation date and remain ongoing.
- 5 actions have passed their implementation dates and are overdue.

#### 3 OVERVIEW

##### 3.1 2016/17 Audits

- 11 audits were completed making 60 recommendations.
- 1 action remained open following the December JIAC.
- All actions are now complete

##### 3.2 2017/18 Audits

- 11 audits were completed making 93 recommendations.
- 13 actions remained open following the December JIAC.
- 10 actions have subsequently been completed and are closed.
- 3 have passed their implementation dates and are overdue.

##### 3.3 2018/19 Audits

- 9 audits were completed making 39 recommendations.
- 12 actions remained open following the December JIAC.
- 8 actions have subsequently been completed and are closed.
- 3 actions have been superceded and are no longer applicable.
- 1 action has not yet reached its implementation date and remains ongoing.

#### 3.4 **2019/20 Audits**

- 4 audits had been completed prior to the December JIAC making 10 recommendations.
- 3 actions remained open following the December JIAC.
- 1 further audit has been completed making another 2 recommendations.
- 1 action has subsequently been completed and is closed.
- 2 actions have not yet reached their implementation date and remain ongoing.
- 2 actions have passed their implementation dates and are overdue.

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

3.6 The Force Assurance Board has oversight of all outstanding audit actions and directs the activities required to complete any actions that have passed their targeted implementation date.

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

None

#### **HUMAN RESOURCES IMPLICATIONS**

None

#### **RISK MANAGEMENT IMPLICATIONS**

None.

#### **ENVIRONMENTAL IMPLICATIONS**

None

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Continuity Advisor

**Chief Officer Portfolio Holder:** Simon Nickless, Deputy Chief Constable

**Background Papers:** Summary of Internal Audit Recommendations  
for JIAC March 2020

## INTERNAL AUDIT RECOMMENDATIONS DASHBOARD

### Summary of Audit Outcomes

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

### Northants Audits

#### 2016/17

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
OPCC Victims Code	June 2016	Limited Assurance	0	7	3
Complaints Management	June 2016	Satisfactory Assurance	0	2	2
Firearms Licensing	September 2016	Satisfactory Assurance	0	2	1
Financial Planning & Savings Programme	November 2016	Satisfactory Assurance	0	3	1
Code of Corporate Governance	November 2016	Satisfactory Assurance	0	4	3
Procurement Follow Up – EMSCU level purchases > £25k	November 2016	Limited Assurance	2	3	1
Procurement Follow Up – Local level purchases < £25k		Satisfactory Assurance			
Business Continuity	December 2016	Satisfactory Assurance	0	2	3
ICT Review	January 2017	Satisfactory Assurance	0	3	1
Walgrave Wellbeing Centre	January 2017	Limited Assurance	2	4	0
Risk Management	February 2017	Satisfactory Assurance	0	5	0
Capital Expenditure	April 2017	Limited Assurance	3	2	1

#### 2017/18

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Audit Committee Effectiveness	June 2017	Not Rated	0	7	4

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Seized Property	July 2017	Limited Assurance	4	4	0
Victims Code of Practice	July 2017	Not Rated	0	5	1
Fleet Management	August 2017	Satisfactory Assurance	0	4	0
Procurement Follow-up	November 2017	Satisfactory Assurance	0	4	0
Core Financial Systems	December 2017	Satisfactory Assurance	0	7	3
Data Quality	January 2018	Satisfactory Assurance	0	3	3
Financial Planning	February 2018	Satisfactory Assurance	0	2	4
Estates Management	March 2018	Limited Assurance	1	4	1
Crime Management	May 2018	Substantial Assurance	0	0	4
Counter Fraud Review	May 2018	Not Rated	3	14	11

### 2018/19

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Absence Management & Wellbeing	July 2018	Limited Assurance	1	2	2
Northants Police - IT Strategy	August 2018	Satisfactory Assurance	0	1	1
Victims Voice	October 2018	Satisfactory Assurance	0	2	2
Seized Property	November 2018	Limited Assurance	2	4	0
MFSS Contract Management	December 2018	Limited Assurance	2	2	0
GDPR	February 2019	Limited Assurance	4	0	4
Service Delivery Model	February 2019	Satisfactory Assurance	0	4	0
Risk Management	April 2019	Satisfactory Assurance	0	3	2
Performance, Skills & Talent Management	14 May 2019	Satisfactory Assurance	0	1	0

### 2019/20

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Business Continuity	31 May 2019	Satisfactory Assurance	0	1	0
Complaints Management	04 June 2019	Satisfactory Assurance	0	1	2
Project / Benefits Realisation	22 August 2019	Satisfactory Assurance	0	2	0
Absence Management & Wellbeing	22 July 2019	Satisfactory Assurance	0	4	0
Force Management of MFSS Arrangements	21 January 2020	Satisfactory Assurance	0	2	0

## **Summary of Audit Recommendations Progress**

This table shows a summary of the progress made on new audit recommendations raised at each JIAC during the current year and annual totals for previous years where audit recommendations are still active.

### **Position as at 11 December 2019**

Previous Years Audits	Totals for 2016/17	Totals for 2017/18	Totals for 2018/19	2019/20 Audits	Reported to JIAC 26 Jul 19	Reported to JIAC 30 Sep 19	Reported to JIAC 11 Dec 19			Totals for 2018/19
Recommendations Raised	60	93	39	Recommendations Raised	4	6	0			<b>10</b>
Complete	59	80	27	Complete	4	3	0			<b>7</b>
Ongoing	0	5	6	Ongoing	0	3	0			<b>3</b>
Overdue	1	8	6	Overdue	0	0	0			<b>0</b>

### **Position as at 28 February 2020**

Previous Years Audits	Totals for 2016/17	Totals for 2017/18	Totals for 2018/19	2019/20 Audits	Reported to JIAC 26 Jul 19	Reported to JIAC 30 Sep 19	Reported to JIAC 11 Dec 19	Reported to JIAC 11 Mar 20		Totals for 2018/19
Recommendations Raised	60	93	39	Recommendations Raised	4	6	0	2		<b>12</b>
Complete	60	90	38	Complete	4	3	0	0		<b>7</b>
Ongoing	0	0	1	Ongoing	0	1	0	2		<b>3</b>
Overdue	0	3	0	Overdue	0	2	0	0		<b>2</b>

## OUTSTANDING RECOMMENDATIONS

**Key to Status**

 Action completed since last report

 Action ongoing

 Action outstanding and past its agreed implementation date

 Action no longer applicable or superseded by later audit action

### 2016/17

#### Risk Management – February 2017

	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
4.5	<p><b>Training for OPCC Staff</b></p> <p><i>Observation:</i> In order to ensure that staff have the appropriate skills to identify, report and assess risks to their service areas, they should be provided with adequate and appropriate risk management and/or awareness training.</p> <p>Discussion with the Director of Delivery and Director of Resources and Governance confirmed that the risk management processes within the OPCC are currently under review and a new working methodology for risk management is to be implemented. This includes the use of the IPSO Risk Management software. The Director of Delivery has been trained on IPSO as he will be the officer who updates the system and it is not expected that any other members of staff will require access.</p> <p>However, other members of staff within the OPCC will require training on the new risk management processes, including their roles/responsibilities. Training was not provided on the previous methodology and will be required once the new risk management working practices have been finalised. At the time of the audit no training had been provided.</p> <p><i>Risk:</i> If staff do not have adequate risk management skills, key risks may not be identified and managed effectively across the OPCC.</p>	<p>Key staff within the OPCC should receive appropriate risk management training, whilst wider risk awareness should be developed across the OPCC including training on the new risk management processes implemented.</p> <p>A recommendation regarding training for OPCC staff was raised within the 2015/16 internal audit report of risk management. (OPCC)</p>	2	<p>The risk lead in the OPCC recognises this issue. The OPCC lead is currently reviewing and refreshing the OPCC risk policy. Once completed this will be shared with all staff and will be the subject of a whole team briefing to aid understanding. Training and awareness briefings will be arranged and delivered to all staff on the identification of, adoption of and management of risks.</p> <p>The lead officer is seeking to source more formalised training for himself. All of this will be documented for next audit.</p> <p>Update – The OPCC and Force are currently exploring joint training to be undertaken by an external provider in spring/summer 2018.</p> <p>Update: May 2018: The OPCC are seeking to procure new Risk management software with the Force and training will be undertaken after it is in place. This remains ongoing.</p> <p>Update August 2018 – New risk management training for the OPCC and Force is being developed in conjunction with Gallagher Bassett. Draft training material has been produced and is being evaluated prior to roll out of the training later in the year.</p> <p>Update Jan 2019 – The new risk management system is anticipated to be implemented in March 2019. The risks training will then be scheduled to be delivered.</p>	Paul Fell, Director for Delivery October 2017	

				<p>Update May 2019 – Training on the new system is scheduled for the beginning of July 2019. General risk management training will then be developed to be rolled out for all managers.</p> <p>Update – Training in the 4Risk system has been provided to key staff from the OPFCC and Force. General risk management training is being developed alongside Gallagher Bassett and this will be provided to all key staff.</p> <p>Update – The training material has been updated to reflect the changes to internal processes as a result on introducing 4Risk. Dates are to be confirmed with Gallagher Bassett with the aim of carrying out the training early in 2020.</p> <p>Update - Paul Fell- As lead for risk management in the OPFCC I have undertaken a team briefing to all team members that relates to what is a risk, how are they identified, how they ought to be raised, how they are recorded and how they are managed. We have redrafted and circulated a revised risk policy. Three members of staff as points of contact have received a full day's training in risk assessment and management. New risk management software has been procured, installed and is operational. Directors in the OPFCC have received training in new software and risk identification.</p>		
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**2017/18****Data Quality – January 2018**

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
4.1	<p><b>Niche Governance</b></p> <p><i>Observations:</i> When the Force adopted the Niche system a Niche Governance Board was set up to monitor any issues that the Force were facing in regard to the new system. Audit were informed that the Board meet on a quarterly basis and discuss wide ranging issues, from local governance to more operational issues such as data quality. Audit confirmed this through the Action Log that is maintained for this group. Whilst the Board does have a documented Terms of Reference in place it has not been reviewed or updated since its creation in 2014. In addition to the Niche Governance Board, a quarterly Data Quality Working Group meeting is held with leads of departments attending, including the Crime Management and Intelligence department, to discuss the operational issues. Whilst an action log is maintained to track the work this group is undertaking, there is no Terms of Reference in place that clearly sets out the role and responsibility that this group has.</p> <p>Moreover, there are two further groups who have a role in managing data quality in respect of Niche – the Regional Data Quality Team and the Local Data Quality Team. However, it is unclear on the remit and role of each team in dealing with data quality issues relating to Niche.</p> <p><i>Risk:</i> There is a lack of clear governance underpinning the management and maintenance of Niche.</p>	<p>The Force should put in place clear terms of reference for the Niche Data Quality Working Group. The Terms of Reference should include but not be limited to:</p> <ul style="list-style-type: none"> <li>• Purpose</li> <li>• Scope</li> <li>• Membership</li> <li>• Decision making authority</li> <li>• Reporting Requirements</li> <li>• Frequency of meetings</li> <li>• Review period for terms of reference</li> </ul> <p>Moreover, the roles and responsibilities for data quality of the system should be clearly stated within the Terms of Reference of all Governance Groups for the Niche System, including the Regional &amp; Local Data Quality Teams.</p>	2	<p>Agreed. It would be best practice to update the Terms of Reference for the Niche Governance Board and review the remit of the Niche Working Group to ensure no duplication of responsibilities.</p> <p>Update - The terms of reference will be for review and update/resign off when the next governance board happens.</p> <p>Update - The Niche team, and interested parties, are working together to decide on ownership, format and frequency of ongoing meetings, and what that will look like is yet to be determined.</p> <p>There have been no further Niche governance boards to revisit or agree terms of reference, and the Business user group, which is looking to become a core part of the ownership of the strategy is also currently looking at how it will be run, governed etc. in the future with a new chair.</p> <p>The Data Quality strategy will not be updated to dictate what has been done so far, but will be based on the new models once agreed.</p> <p>There is also national strategic prioritisation regarding data quality emerging which may also influence Northants next steps.</p> <p>Update Jan 19 - Due to significant capacity challenges, our limited size team has focused on priorities agreed through the Change Board to improve transparency and solutions to data quality issues:</p> <ul style="list-style-type: none"> <li>• Pronto – delivery of this middleware solution provides the opportunity to define and mandate inputting to</li> </ul>	<p>Niche Operational Lead Jim Campbell 30th April 2018</p> <p>Revised date 30 June 2018</p> <p>Advised June 2019 that Mark Manning is now the lead for this.</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>agreed business rules, resulting in the greatest likelihood of improving data quality.</p> <ul style="list-style-type: none"> <li>• Qlik (proof of concept, business case and implementation of an enterprise solution) – this Visual Analytics platform provides self-serve access to near real time visualisations that allow better resource management, improved performance, a reduction in harm, mitigation of risk and a potential future reduction in more manual data mining work and associated software licences. There will be much greater transparency of data quality issues, empowering individuals and supervisors to take more ownership in addressing these and avoiding common mistakes.</li> </ul> <p>Update – The Regional Data Quality Team have produced a document outlining their roles and responsibilities. Det Supt Vernon has arranged to meet with key staff to review and formalise the internal governance arrangements.</p> <p>Update – A new Niche Governance Board is being established with relevant individuals informed and a first meeting to be arranged.</p> <p>Update October 2019- The First Force Niche Strategy Meeting has taken place and a schedule of future meetings planned. Representation from key business area's are present.</p> <p>This will provide the forum to ultimately resolve this risk.</p> <ul style="list-style-type: none"> <li>➢ The Force has met with the Home Office and is in the process of setting up the Data quality dashboard for the force. This will inform our decisions in this area. ETA November 2019. This</li> </ul>		

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>can be used to inform Regional and Local Data Quality Responsibilities.</p> <ul style="list-style-type: none"> <li>➤ A Draft National Data Quality Strategy is about to enter consultation, an early version has been obtained by the force.</li> </ul> <p>Update – Dec 19 – The Terms of Reference have been reviewed and will be signed off in January</p> <p>Update Feb 2020 - The Draft ToR is to be circulated to the group ahead of the meeting on 19 March.</p>		
4.2	<p><b>Niche Data Quality Strategy</b></p> <p><i>Observations:</i> A Data Quality Strategy for the Niche system was been completed and signed off by the Deputy Chief Constable in February 2017. The aims of the Strategy is “to ensure that Northamptonshire has a system that can best protect people from harm, with consistently applied standards that deliver accurate statistics that are trusted by the public and puts the needs of victims at its core”.</p> <p>The strategy sets out a number of tasks that it would like to achieve and the next steps that should be taken to deliver these.</p> <p>However, it was found that there is currently no monitoring of these next steps to ensure the aims of the strategy are being achieved.</p> <p><i>Risk:</i> Failure to achieve the aims of the Data Quality Strategy.</p>	<p>The Data Quality Strategy for the Niche system should be owned by the Niche Governance Board and it should be reviewed at each meeting to ensure that the achievements and next steps set out in the strategy are being delivered.</p>	<b>2</b>	<p>Agreed. The performance monitoring on the strategy had yet to be completed although this has been identified and will be carried out.</p> <p>Update – EH is updating the strategy ahead of handover as business as usual.</p> <p>Update – as per 4.1</p> <p>Update - December 2019. The National Data Quality Strategy is about to be signed off. We will then need to develop a local strategy to cover implementation and monitoring/governance We have not yet been able to secure our Data Quality Dashboard, (awaiting ISD change) will be pressed in 2020 to attempt to raise the priority. A Data Maturity Assessment is planned Mid Feb 2020 for the force. Both of these actions will assist in informing the local strategy. An initial Data Quality meeting took place on 30/10/19, where to above two points were discussed, Pauline Sturman has been appointed the lead for Data Quality.</p>	<p>Niche Operational Lead Jim Campbell 30th April 2018</p> <p>Revised date 30 June 2018</p> <p>Advised June 2019 that Mark Manning is now the lead for this.</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				Update February 2020 - The software has been successfully installed and the relevant data tables created. We will receive our PND dashboard shortly before the 16 <sup>th</sup> March 2020.		
4.6	<p><b>Performance Reporting of Data Quality</b></p> <p><i>Observation:</i> The Force have developed a number of monitoring tools for data quality, including an application that reviews data quality issues within Niche, as well as a dashboard for individuals to see data quality issues.</p> <p>The data quality application allows an oversight of the data quality issues by volume, however there is no regular reporting of this performance data. Audit were informed that a Business Objectives reporting tool can summarise the data but is unable to track it over time to show the trend of issues being reported.</p> <p>Moreover, as the version of Niche used by the Force is the same as the regional partners, there is an opportunity for being able to benchmark the Force's data quality performance against other Forces to provide a contrast in data quality performance.</p> <p><i>Risk:</i> The data quality performance of the Force is unknown by key decision makers.</p>	<p>The Force should develop the reporting functionality of the data quality application to allow for effective performance reports on data quality issues to be utilised by those charged with governance of the system.</p>	3	<p>The performance team at the Force are already developing the reporting functionality across the Force systems. Liaison will be done with the Performance Team to ensure appropriate reports can be utilised in the management of data quality within Niche.</p> <p>The business intelligence tool we are looking to implement shortly will help increase the visibility of data quality issues. A project team is being established to progress a proof of concept and we have a good case study from another force to develop from.</p> <p>Update Jan 19 - The Data Quality App developed in ISD as a temporary measure to monitor key data quality issues is not the forces long term solution. Development resources are being recruited to support the rollout of more advanced functionality within Qlik, learning lessons from the Qlik Data Quality App and Dashboards developed in Avon &amp; Somerset. In the interim, The Regional Niche Data Quality Team manage key data quality issues on a daily basis, resolving duplicates and providing feedback in force. Summary statistics are then made available to assess ongoing trends. The Performance Team will also highlight and escalate Data Quality issues on a regular basis through to the Force Strategy Board.</p>	<p>Niche Operational Lead Jim Campbell 30th June 2018</p> <p>Advised June 2019 that Mark Manning is now the lead for this.</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>Update October 2019 – Discussions to take place with Qlik leads to review the Force Data Quality Dashboard (once available, ETA November 2019) to review and potentially present data quality issues to the end users to generate better awareness of the causes and hopefully task the correction of.</p> <p>Update December 2019 - We have not yet been able to secure our Data Quality Dashboard, (awaiting ISD change) will be pressed in 2020 to attempt to raise the priority.</p> <p>Update February 2020 - The software has been successfully installed and the relevant data tables created. We will receive our PND dashboard shortly before the 16<sup>th</sup> March 2020.</p>		

### Crime Management – May 2018

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b><u>Clear Roles &amp; Responsibilities</u></b></p> <p><i>Observation:</i> The Service Delivery Model was implemented by the Force in October 2017 and included changes to the way that the Force manages the incidents and crimes that are reported. The changes were designed to deliver efficiencies and ensure compliance with the National Incidents and National Crime Recording Standards throughout the process. Whilst the teams included as part of the process remain the same – Force Control Room and Crime Management Unit – their roles have changed slightly as to when a crime or incident is recorded, including the introduction of a new Managed Appointments Unit.</p>	<p>The roles and responsibilities stated on the intranet, for the departments involved in crime management and crime recording, should be updated to reflect the changes since the Service Delivery Model went live.</p>	3	<p>There are a number of changes in the next month with the crime allocation policy being finalised and Sgts being able to file crimes directly. The page will be refreshed/updated over the next month in line with these changes, this is an ongoing piece of work.</p> <p>Update – 06/08/18 - The Crime Allocation Policy is still awaiting agreement by Chief Officers. In addition there is now an ongoing review, Op Stereo, around demand management and resources. As soon as the policy is agreed the intranet will be updated.</p>	<p>DI Tania Ash Head of Crime Management Unit</p> <p>31 July 2018</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>The intranet provides the Force with details about each department and the Force Control Room and the Crime Management Unit have a page on the intranet. However, it was noted that the intranet pages have not been updated post the Service Delivery Model going live and therefore they are not in line with the current processes followed.</p> <p><i>Risk:</i> Lack of clarity within crime recording and crime management leading to failure to comply with relevant standards and regulations.</p>			<p>Update – 29/10/18 - The Crime Allocation policy has not yet been approved by Senior management. This may not be approved quite yet due to another structural crime review taking place.</p> <p>Update Jan 2019 – The new policy has been drafted in line with the further review of the Force structure and is currently being reviewed by the Head of Crime.</p> <p>Update – As part of the FP20 review a new Desktop Investigation team (static investigations) is being created from 1<sup>st</sup> July and there is a matrix detailing allocation of volume crime.</p> <p>The Crime Allocation Policy is still in draft form, it is awaiting further review and analytical work to see what the volume looks like.</p> <p>Update – The Interim Crime Allocation Policy was approved by the Force Executive Meeting on 02 August and subsequently published.</p> <p>Update Oct 2019 – A request has been made to Forcenet administration to replace the existing CMU webpage with the attached revised information.</p>  <p>The role of the Crime Management Unit (2).</p> <p>The request includes the removal of docs that are irrelevant such as the old "screening and allocation" policies to be replaced with the two new policies (Proportionality policy and Interim allocation policy).</p>	<p>Expected to be completed by end of September 2019</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
			Update – Dec 2019 – The CMU webpage has now been updated with the revised role of the CMU and associated policies.		

### Counter Fraud Review– May 2018

Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status	
<b>EMSCU - Data Handling in the Procurement Process</b>						
1	OPCCN and Northamptonshire Police should consider moving the definitions sections to the start of the process.	Staff should ensure they have a clear understanding of the terms referred to within the policy prior to reading it.	3	Noted. EMSCU is a regional unit so this is not necessarily a matter for the Force. To be remitted to the EMSCU lead Update - The Policy is a regional Unit Policy and was reviewed last in Oct 2018 by the lead force and agreed; further variations will be reviewed in Oct 2019 to be agreed at the EMSCU board.  Update Dec 19 - Amendments completed	Head of EMSCU	
3	OPCCN and Northamptonshire Police should update the third bullet point within section 4 policy statement to refer to the Information Security Policy.	It currently refers to the Security Policy, however we assume this is a typo.	3	Noted Update – The Force Information Security Manager has confirmed the process should refer to the Information Security Policy. This action is being reallocated to the Head of EMSCU. Update - The Policy is a regional Unit Policy and was reviewed last in Oct 2018 by the lead force and agreed; further variations will be reviewed in Oct 2019 to be agreed at the EMSCU board.  Update Dec 19 – Amendments completed	Head of EMSCU 30/09/18	
<b>EMSCU - Policy SME Friendly Procurement</b>						
<b>Gifts and Hospitality Procedure</b>						

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
<b>Information Security Policy</b>						
1	OPCCN and Northamptonshire Police should make clear what they are referring to by the acronym 'ACC' within section 4.1.	It is currently unclear as to who OPCCN and Northamptonshire Police is referring to. The policy needs to be as easy to understand as possible.	3	<p>Noted</p> <p>Update - The policy review will be finalised by end of Sep 2018, at which point it will be considered whether a full re-write of the policy is needed. If full re-write is required this will be post appropriate accreditation for the author.</p> <p>Update Feb 2019 – The IS policies have not yet been updated. The Information Security Strategy was given priority, and the policies will be reviewed/rewritten in line with the new strategy.</p> <p>Update Oct 2019 - This reference has been changed to "Deputy Chief Constable (DCC)".</p> <p>Update Jan 2020 – The draft Policy has been circulated to Information Assurance Board members for comment and no issues have been raised. It will be presented at IAB in February for approval.</p> <p>Update Feb 2020 – The updated policy was approved by IAB and has been uploaded to the Policy Library.</p>	Force Information security manager 30/09/18	
2	OPCCN and Northamptonshire Police should update section 4.5.1 'All Staff' to include the following: 'Staff should advise line managers and the Information Security Officer, as appropriate, of any potential weaknesses in information security or associated procedures'.	This is proactive and should reduce future breaches or issues related to information security.	2	<p>Noted</p> <p>Update - This will be reflected as part of the review at point 1</p> <p>Update Oct 2019 - "Staff are obliged to report any security breaches, near misses or potential weaknesses in Information Security, including people, processes and technology weaknesses, to the Information</p>	Force Information security manager 30/09/18	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
				Security Officer (via Force Form 1010)".  Update Jan 2020 – As above  Update Feb 2020 – The updated policy was approved by IAB and has been uploaded to the Policy Library.		
3	OPCCN and Northamptonshire Police should update section 6 'All Staff' to include the following: 'Where staff are unclear on any matters relating to the implementation and application of this policy, they should seek clarification from the Information Security Officer or the Senior Information Risk Officer'.	This area of information security can often be complicated. This demonstrates a clear line of communication if staff are not clear on the policy.	3	Noted Update - This will be reflected as part of the review at point 1  Update Oct 2019 - Section 6 has been provisionally removed as part of the wider review but the suggested wording has been added to section 4.3 below the list of procedures (except SIRO reference is corrected to – Senior Information Risk Owner).  Update Jan 2020 – As above  Update Feb 2020 – The updated policy was approved by IAB and has been uploaded to the Policy Library.	Force Information security manager 30/09/18	
4	OPCCN and Northamptonshire Police should update Section 6 to include related documents. Some examples are: <ul style="list-style-type: none"> <li>• Computer Misuse Act 1990;</li> <li>• Copyright, Designs and Patents Act 1988;</li> <li>• Civil Contingencies Act 2004;</li> <li>• Freedom of Information Act 2000;</li> <li>• General Data Protection Regulation 2016 (as of 25 May 2018);</li> <li>• Human Rights Act 1998; and</li> <li>• Official Secrets Acts 1911, 1920 and 1989.</li> </ul>	It is important that staff are aware of relevant legislation and documentation.	3	Noted Update - This will be reflected as part of the review at point 1  Update Oct 2019 - Section 6 has been provisionally removed as part of the wider review but the examples have been added to Section 3 – Legislative Compliance  Update Jan 2020 – As above  Update Feb 2020 – The updated policy was approved by IAB and has been uploaded to	Force Information security manager 30/09/18	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
				the Policy Library.		
<b>Scheme of Governance</b>						
2	OPCCN and Northamptonshire Police should make reference to the Intellectual Property Act (2014) within Appendix 1.	Appendix 1, Section C6 currently refers to intellectual property. However, it does not mention the act by which it is governed.	3	<p>Noted. EMSCU is a regional unit so this is not necessarily a matter for the Force. To be remitted to the EMSCU lead</p> <p>Update - The Scheme of Governance is an OPFCC document, not an EMSCU one. The Corporate Governance Framework issued in April 2018 included comments and input from all key partners and is a Joint Governance Framework for the Force and OPFCC. The recommendation will be considered and if appropriate, wording updated in the review which is scheduled to take place in the Summer of 2019. Revised completion date is October 2019.</p> <p>Update Oct 2019 - The review of the Corporate Governance Framework will incorporate these queries and be completed by the end of December 2019</p> <p>Update Nov 2019 - The review of the Framework is underway and will be presented to JIAC in March as some elements of it cannot be completed until after the Police, Fire and Crime Panel in January.</p> <p>Update - Feb 2020 - Reference C6 Updated to reflect this in the February 2020 Review</p>	<p>Head of EMSCU</p> <p>OPFCC Oct 2019</p> <p>Dec 2019</p> <p>March 2020</p> <p>VA/HK/PB Completed</p>	
3	With regards to the use of procurement cards, OPCCN and Northamptonshire Police should consider a 'key control' concerning a review of the actual purchases.	Appendix 1, Section D9 currently details a review of who the cards are issued to and the limits on each card. However, it does not	1	<p>Noted. EMSCU is a regional unit so this is not necessarily a matter for the Force. To be remitted to the EMSCU lead</p>	Head of EMSCU	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
		<p>refer to the type of spend permitted on these cards.</p> <p>It is important that staff do not purchase items for personal use or items that could bring OPCCN and Northamptonshire Police into disrepute.</p>		<p>Update - The Scheme of Governance is an OPFCC document, not an EMSCU one.</p> <p>The Corporate Governance Framework reflects the separate policies and financial instructions in place for Procurement Cards which will include how and when they are to be used.</p> <p>The Corporate Governance Framework issued in April 2018 included comments and input from all key partners and is a Joint Governance Framework for the Force and OPFCC.</p> <p>The recommendation will be considered alongside the separate policies and financial instructions and if appropriate, wording updated in the review which is scheduled to take place in the Summer of 2019. Revised completion date is October 2019.</p> <p>Update Oct 2019 - The review of the Corporate Governance Framework will incorporate these queries and be completed by the end of December 2019.</p> <p>Update Nov 2019 - The review of the Framework is underway and will be presented to JIAC in March as some elements of it cannot be completed until after the Police, Fire and Crime Panel in January.</p> <p>Update Feb 20 - Updated in the CGF Revision February 2020</p>	<p>OPFCC</p> <p>Oct 2019</p> <p>Dec 2019</p> <p>Mar 2020</p> <p>VA/HK/PB/ Completed</p>	
4	OPCCN and Northamptonshire Police should update the EU Procurement Thresholds. Supplies and services are now £181,302 (€221,000) and works are now £4,551,413 (€5,548,000).	Appendix 2, Appendix C details the old thresholds. The thresholds have been updated and are effective from 1 January 2018.	2	<p>Noted.</p> <p>EMSCU is a regional unit so this is not necessarily a matter for the Force.</p> <p>To be remitted to the EMSCU lead</p>	Head of EMSCU	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
				<p>Update - The Scheme of Governance is an OPFCC document, not an EMSCU one.</p> <p>The Corporate Governance Framework issued in April 2018 included comments and input from all key partners and is a Joint Governance Framework for the Force and OPFCC.</p> <p>The recommendation will be considered and appropriate wording used to reflect that thresholds do change (and it is too big a document to update for every such change – this happens annually) and included in the review which is scheduled to take place in the Summer of 2019. Revised completion date is October 2019.</p> <p>Update Oct 2019 - The review of the Corporate Governance Framework will incorporate these queries and be completed by the end of December 2019</p> <p>Update Nov 2019 – The review of the Framework is underway and will be presented to JIAC in March as some elements of it cannot be completed until after the Police, Fire and Crime Panel in January.</p> <p>Update Dec 19 - The EU Thresholds will change on 1 Jan 2020. Supplies and Services will be €224,000 or £189,330. Works will be €5,350,000 or £4,733,252.</p> <p>Update Feb 2020 - Contract Standing Orders Passed to EMSCU to review as part of the CGF Review February 2020. All other references to EU threshold throughout the document will remove the value and reference the threshold as the limit in order that the CGF can remain as up to date as possible.</p>	<p>OPFCC Oct 2019</p> <p>Dec 2019</p> <p>Mar 2020</p> <p>VA/HK/PB/EMSCU Completed</p>	

**2018/19****Seized Property (Evidential Property – EP) – November 2018**

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
4.1	<p><b>Property Recording</b>  <i>Observation:</i> Audit carried out visits to two temporary stores to carry out testing to confirm that property records matched actual items in store. Audit testing found:</p> <ul style="list-style-type: none"> <li>• 323 items were recorded in the property management system but only 135 could be located</li> <li>• 26 items were physically in the property stores but were not recorded as being in that location on the property management system.</li> </ul> <p>There were similar findings in last years audit. Since last year a number of communications have been issued across the Force to remind officers and staff of the correct procedures to be followed when handling seized property.  <i>Risk:</i> Where items are not tracked there is a risk of property going missing. This questions the integrity of the underlying records held on the NICHE system and could lead to reputational damage should key evidence or individuals' property be unable to be located.</p>	<p>There are a number of recommendations to address the root causes of these errors including – training and store audits (see 4.3 &amp; 4.4 below). The Force should continue with regular communications to help raise awareness of the issues.</p> <p>The Detained Property Team should review the items that audit could not locate and carry out inquiries to ensure they are located.</p>	<b>1</b>	<p><b>Summary:</b> A business case was agreed for growth within the department, which will enable audits more frequently. The increased staffing will enable the investigation of anomalies and the development of officer training for the appropriate management of property. We have changed the rota, to include the investigation of anomalies.  Update - Recruitment progressed, interviews completed. Predominately external appointments which will be subject the vetting delays, hence anticipated starting Sept 19. Proposed start date for implementing new responsibilities i.e. training &amp; coaching officers –  Oct 19. A new staff model &amp; related timeline is linked to recruitment and the last staff to join will be in post for the 14/10/19. Following a training period, the new staff model will be implemented w.e.f. 1/12/19, whereby our Evidential Property (EP) officers will geographically base themselves to complete the required audits and train and coach officers.  19/12/19 – Recruitment delays resulted in new staff model being implemented 2/12/19. In respect of Training, the new structure/job descriptions include coaching, briefing and training officers. Our staff have received appropriate consultation &amp; training, ready to commence this activity at their designated geographical areas according to our new rota following implementation of the new structure wef 2/12/19.</p> <p><b>Communications</b> will continue to be sent i.e. update circulated last week regarding electronic exhibits. See also 4.3 &amp; 4.4 for further staff engagement activities.  Oct 19 - Update - Comms ongoing – i.e. shortly be circulating a new cash seizure protocol which will address the Insurance issues around cash holdings.  Update Oct 2019 - Communications continue, for example we are shortly launching the 'Cash Counting Protocol' &amp; a coms package is being developed for circulation to support this and instruct officers accordingly. In respect of training, in addition to circulated coms, a Forcenet site is in development to support officers. The Property Senior manager engages operational leads, to escalate issues.  19/12/19 - Regular communications  Communications continue, for example we recently launched the cash seizure protocol to support and instruct officers accordingly. Communications have recently been circulated regarding the new department function &amp; structure, linked to the launch of our new force net site.</p> <p><b>Reporting</b></p>	<p>Detained Property Senior Manager  Sep 2019 - team growth (extended timeframe to include recruitment, training and implementation)  Coms Ongoing</p> <p>19/12/19 - New staff model /rota &amp; geographical responsibility wef 2/12/19</p> <p>Dec 19 - Coms ongoing</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>There are issues with the data extracts from Niche, in that incorrect data is returned due to limitations of the system. A business objects universe has been developed, and staff from Property, are working with corporate development to develop accurate reports to be used in place of the existing Niche reports. Testing/quality assurance will take place and should be finalised by the end of December 2019.</p> <p>Oct 19 Update - Testing/quality assurance should be finalised by the end of March 2020 in place before the next audit</p> <p>Dec 19 Update – In respect of reporting, see 4.2 below</p> <p><b>Store Audits – Investigation of Anomalies</b></p> <p>Oct 19 - Temporary store audits are already rostered to identify and resolve discrepancies between Niche reports reflecting property held verses actual property held in temporary stores, which will be enhanced when the new staff model is implemented as above. The items that the auditors could not locate in the store have subsequently been located and the records on Niche corrected. Discrepancies will continue to occur due to human error (i.e. officers placing items in the wrong location, moving items for collection and not updating Niche etc.) These are identified by the audits which currently take place monthly. With effect from 01/12/19 the new staffing model will allow these audits to take place on a weekly basis which will enable discrepancies to be corrected earlier.</p> <p>Dec 19 Update - All anomalies are investigated upon detection. The introduction of weekly audits of our temporary stores, in addition to our geographical ownership and attendance to work closely with officers, will address anomalies at the earliest opportunity and provide coaching/training to ensure the reason for the issue is addressed, i.e. officers correctly checking their property into the correct location.</p> <p>The new staff structure &amp; associated rota includes the weekly store audits and regular audits of high risk areas.</p>	<p>Reporting development has commenced following a delayed start. Report testing and implementation should be complete by Mar 2020.</p> <p>New staff model 1/12/19</p>	
4.2	<p><b><u>NICHE Reports</u></b></p> <p><i>Observation:</i> When audit carried out the testing to reconcile items recorded on the system to the physical location, a report from the Niche system provided the current items held within the store.</p> <p>The shelves within the temporary stores are numbered 1 – 31 and the date they are booked into the store should be</p>	<p>The detained property team should explore any reporting capabilities that will assist them in the management of detained property.</p>	2	<p>Further to the comments in 4.1 re Niche reporting, the volume of property occurrences and associated property items causes difficulties with business object reports. Further work is required to assess how this can be improved, i.e. increasing the levels of accountability e.g. additional property locations, meaning reports are run for smaller volumes.</p> <p>Oct 19 Update - Property holding locations have been increased to support reporting functionality. Niche reports are limited, hence we rely on BOXI for reports that enable us to understand our property holdings and their status, and provide management oversight. Due to the volume of exhibits i.e. if you have 1 Niche location with 20000 exhibits (small items such as DNS samples) in that location, the BOXI system cannot cope with the volumes when searching the location, or return any data. Through increasing the locations, we are reducing</p>	<p>Detained Property Senior Manager</p> <p>Mar 2020</p> <p>May 2019 (review &amp; commence implementation)</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>the corresponding shelf number where they are stored. Therefore a report run on a set date should detail all items held on that particular shelf.</p> <p>However, it was identified by the Property Officers that when they ran reports on a set date, the reports included other items that had been actioned on these dates as well as those booked in on those days. Therefore the reports may not detail the exact location of the item when running this report type.</p> <p>The reporting capabilities of the Niche system are limited, however the Force are able to use Business Objects software to extract data from the Niche system. More accurate reporting would assist in quickly identifying the location of property held within the temporary stores.</p> <p><i>Risk:</i> The Force are unaware of the full picture in regards to detained property as reports are unable to be produced to demonstrate key statistics.</p>			<p>the number of items/entities that Boxi is trying to report on, hence improving our ability to interrogate.</p> <p>We are also reviewing the management of temporary stores (shelves/collections etc). This includes comparisons to regional partner's processes such as the introduction of a red/amber/green method as opposed to the use of dated shelves, to see if there are any improvements and efficiencies that can be made.</p> <p>Update - Review completed &amp; no benefits identified. Reporting improvements &amp; changes in staff responsibilities will support reporting requirements &amp; outcomes</p> <p>Update Oct 2019 - There are issues with the data extracts from Niche that are being investigated. A business objects universe has also been developed by Northants, to improve reporting capability. Evidential Property manager met with Sarah Crampton from the Corporate Development Department (CDD) &amp; others nominated from her team, and both teams continue to develop required reports including management oversight.</p> <p><b>Dec 19 Update</b>  A business objects universe has been developed by Northants Police, to improve reporting capability and provide management oversight. Reports in development / testing, include:</p> <ol style="list-style-type: none"> <li>1. A report that identifies if an occurrence becomes unlinked from the property entity(ies), which Niche does not prevent</li> <li>2. Report where the responsible officer is different from the OIC</li> <li>3. Property report without an OIC after 28 days</li> <li>4. Report of all cash held in stores, confirming cash value captured for all exhibits, or identifying where no cash value exists</li> <li>5. A report that highlights property marked for disposal not disposed within 28 days</li> <li>6. A report for Sgts to show what his/her staff are holding &amp; the status of the case</li> <li>7. Replicated higher level report of above that shows Sgts/teams property by geographical area (for Inspectors and property Officers)</li> </ol> <p>The Evidential Property manager is working with organisational leads to review and adjust reports according to feedback and need.</p> <p>Anomalies will continue where officers make an error, i.e. checking an item into a store which is in their possession, putting in the wrong location etc, hence point 1 will address this.</p>	<p>CDD &amp; EP report collaboration ongoing. Some reports already created &amp; being tested. Others in development for review Dec 2019, aiming for full implementation pre Mar 2020</p> <p>Dec 19 - Reports are in development / testing, due for completion/sign off, Feb 2020.</p>	
<b>4.3</b>	<p><b>Property Audits</b></p> <p><i>Observation:</i> During the previous audit visit it was recommended that periodic audits of the temporary stores</p>	The property audit process should be developed to ensure a summary	<b>2</b>	The CJU senior management team circulate comms to the force via Force media avenues and via senior officers (chief superintendents & Inspectors). CJU Senior management attend Force area SMT's where possible, to discuss ongoing issues.	Detained Property Senior Manager Ongoing	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>should be carried out to identify any missing items or incorrectly recorded items on the system so that remedial action can be taken.</p> <p>The Detained Property Team are now carrying out periodic audits of the temporary stores on a rotational basis in line with their collections.</p> <p>Where errors are found during the audits, officers responsible for the items are emailed and chased to locate the item or correctly record them in the system where applicable.</p> <p>However, an overall summary of the audits is not reported which increases the risk that senior officers are unaware of the current status of detained property around the region.</p> <p><i>Risk:</i> Actions are not taken to address issues that the property stores audits are highlighting.</p>	<p>of findings is appropriately reported to senior officers so that action can be taken to address the issues found in a timely manner.</p> <p>The Property Team should consider rolling out further audits of high risk areas such as Cash Valuables, Freezer, Firearms and Ammunition stores on a periodic basis to confirm items are correctly recorded.</p>		<p>The approved business case and subsequent growth will enable us to affect audits more frequently, including the Cash Valuables, Freezer, Firearms and Ammunition stores.</p> <p>The increased staffing will facilitate the production of detailed reports for senior officers to understand and address issues in a timely manner. Update - See also 4.1 &amp; 4.2 above. A cash seizure protocol will address control issues, whereby facilities will support officers counting cash. The protocol also supports an exercise to be commenced in July, to count and bank all cash holdings. The increased staffing will facilitate the production of detailed reports for senior officers to understand and address issues in a timely manner and support the ongoing audits, including that of high value items</p> <p>Update Oct 19 - Reports to provide senior officers with information and oversight of property holdings are in development as referred above in 4.2. Known issues are reported by the Evidential property manager to senior officers or at SMT's. High risk audits have been completed for required areas including the safe/strong room, firearms and drugs holdings. Audits continue and frequency will increase when new staff model implemented. The evidential property position is discussed at the Criminal Justice Department Senior Management meeting and the Crime Command Senior Leadership team meeting each month. In addition reports have previously been provided for the Accountability Board, the Force Strategic Board and the Force Assurance Board.</p> <p><b>Dec 19 Update</b>  <b>Reports to provide senior officers with information and oversight of property holdings are in development as referred above in 4.2. Known issues are reported by the Evidential property manager to senior officers or at SMT's. High risk areas within the secure central property store are audited monthly. These areas have CCTV, increased security and our strong room also has the addition of card access &amp; tracking.</b></p>	<p>Further to 4.1 .2- Sep 2019 (extended timeframe to include recruitment, training and implementation) cash counting protocol implemented. New staff model - 1/12/19 CDD &amp; EP report collaboration ongoing. Some reports already created &amp; being tested. Others in development.</p> <p><b>Reports are in development &amp; testing. Completion / sign off Feb 2020</b></p>	
<b>4.4</b>	<p><b>Training</b>  <i>Observation:</i> During the previous audit a recommendation was raised in regards to providing Officers with training to ensure that the correct processes were being followed when managing detained property. This was raised following audit findings that highlighted a number of cases where property was not recorded correctly. Due to lack of staffing resources there has been no roll out of detailed training as yet. Discussions with the Head of Detained Property confirmed that communications have been sent</p>	<p>The Force should proceed with plans to roll out further training with officers to ensure that property is correctly recorded. The Detained Property Team should consider updating their staff skills matrix to include the</p>	<b>2</b>	<p>As per 4.3, discussions are held at a senior level to highlight areas of concern. As part of core training, new officers receive an input on property; however there is no mechanism for ongoing training. The approved business case will mean an increase in team leader posts, with additional resource to drive and facilitate a training program.</p> <p>Update Oct 19 - The new agreed structure includes coaching &amp; training as referred above.</p> <p>The CJU senior manager is progressing a Niche 'request for change – RFC', which will change the way officers manage their property, streamlining processes. This will require a program of training which the new team leader posts will support.</p> <p><b>In respect of the training skills matrix, this has been adjusted to include the audit recommendation regarding transport</b></p>	<p>DP Senior Manager</p> <p>RFC timescales Minerva (external company) dependant</p> <p><b>Cleared</b></p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>since the last audit however, due to staff shortages they have been unable to roll out detailed training as they had hoped to do.</p> <p>The Staff within the Detained Property Team have a training skills matrix to ensure the staff are fully competent in their duties. This was introduced three years ago and the staff who have been their longer than this have not completed the matrix as they are considered competent, It was noted that the Transport of Property between the temporary stores and central stores was missing from the current skills matrix.</p> <p><i>Risk:</i> Staff do not record the location and movements of detained property leading to lost items that could affect criminal prosecutions.</p>	collection and transportation of detained property.		<p>Update Oct 19 - The Evidential Property (EP) Team updated their staff skills training matrix to include the collection and transportation of detained property as recommended by Mazars. The training matrix referred by Mazars reflects the tasks &amp; responsibilities that EP staff must demonstrate competency in, to pass their probation. <b>Item Cleared</b></p> <p>The new staff model includes the required element of staff training, along with the development of the Forcenet Website to support this, as referred above.</p> <p>A Northants 'Request For Change (RFC)' has been submitted to simplify how officers manage property directly in Niche. This is Minerva dependent for implementation  <b>Dec 19 Update</b>  The new staff model includes the required element of staff training, along with the development of the Forcenet Website to support this, as referred in 4.1. above, which is now active.</p>	<p>New staff model - 1/12/19.</p> <p>No Minerva timeframe has been provided despite chasers.</p> <p>New staff model, roles &amp; responsibilities in place.  2/12/19</p>	
4.5	<p><b>Disposals</b></p> <p><i>Observations:</i> It was noted during the previous audit that the Detained Property Team had a backlog of items that were approved for disposal but, due to a lack of resources within the team, they had been unable to action the items awaiting disposal.</p> <p>Audit were informed that whilst additional resources have been added to the team, these took some time to put in place and therefore the team have only been able to deal with the current daily workloads from May 2018 onwards. As a consequence, there has not been a concentrated effort to reduce the back log.</p> <p>At the time of audit visit it was confirmed that there are 8,125 items that are awaiting disposal.</p>	Actions to address the backlog of items for disposal should be agreed upon and implemented.	2	<p>The approved business case included finances to recruit a team dedicated to clearing the backlogs in 1 year, from an agreed date when the recruited staff can be appointed. As an interim measure, a change in rotas and responsibilities has meant we have managed to chip away and clear some of the backlogs, such as sealed sacks and return to owner shelves. Work will continue to tackle the backlogs and this has been factored to provide a revised FTE requirement for the backlog team to complete the remaining backlogs when appointed.</p> <p>Update Oct 19 - Backlog team all now appointed and working through, investigating and disposing of property holdings. Niche tasks reduced from 12000 to less than 1000. The backlog team appointment was delayed i.e. vetting delays, which have resulted in the work not progressing as quickly as planned. Outside of core/new daily business, to date the backlog team have: cleared 27897 disposals, audited 77,471 centrally held exhibits, cleared a backlog of 1706 return to owner exhibits, counted 437 cash exhibits to support the Cash &amp; Income Generation officer (must be 2 individuals per count), audited and cleared 69,100 exhibits from bulk stores. They are now completing the second sweep of the central store, reviewing property pre Dec 2013 &amp; taking investigative decisions &amp; have reviewed and resolved 690 exhibits to date. This work will take considerable time, however frees up officer capacity in reviewing these property items. Once all pre 2013 is complete, they will move forward year by year, until all property has been reviewed in conjunction with the Core team. They have also supported the core team to clear a backlog of 12000 Niche tasks. Salthouse Road has also been cleared of all Evidential Property Some items remain outstanding including the clearance of Evidential Exhibits at</p>	<p>DP Senior Manager  1 year from team appointment.  Initially recruit management post then the backlog team. All posts to be established via finance and human resources, and then recruited. Vetting currently has delays of a minimum of 12 weeks.  Extension / roll over of finances required to complete this work due to the delayed commencement of the team and associated</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
<p>Audit were informed that Process Evolution undertook an independent review of the resourcing required to address the backlog. Their findings are due to be presented at the Change Board with associated options that could be taken to address this issue moving forward.</p> <p><i>Risk:</i> Inefficient use of detained property resources by retaining items beyond their required retained date.</p> <p>Potential breaches of legislation by holding items that are required to be disposed of.</p>			<p>the Campbell Square Basement, the continuing investigation &amp; clearance of all property orphans and the cleansing of Niche records linked to Genie requirements for RRD. The rollover of finances has been requested and the budget set to reflect this. However, the final budget will not be agreed until Jan/Feb 2020.</p> <p><u>Dec 19 Update</u> The backlog team have all now been appointed. To date the backlog team have: cleared 37,619 disposals, audited 112,638 centrally held exhibits, cleared 2,423 return to owner exhibits, counted 3625 cash exhibits to support the Cash &amp; Income Generation officer (must be 2 individuals per count), audited 70,246 exhibits from bulk stores. They reviewing property holdings &amp; taking investigative decisions &amp; have reviewed and resolved 3,704 exhibits to date. This work takes some considerable time, however frees up officer capacity in reviewing these property items. They supported the core team to clear a backlog of over 12000 Niche tasks. Salthouse Road has also been cleared of all Evidential Property. They assisted the core team to clear 4890 RRD records requiring cleansing from Niche.</p> <p>Some items remain outstanding including the clearance of Evidential Exhibits at the Campbell Square Basement and continuing evidential property reviews.</p>	<p>works. Estimated Sep 2020.</p> <p>Business case being prepared to extend and continue on property reviews, freeing officer capacity</p>	

### MFSS Contract Management – December 2018

Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
<p><b>4.2 Performance Management</b></p> <p><i>Observation:</i> It has been acknowledged by the Force that the current service level agreement and associated key performance indicators between the Force and MFSS are being reviewed and updated. Audit were informed work is ongoing to finalise these and put them in place. In the meantime it was noted that some interim KPI's are being delivered at the Service Review Meeting between the Force and MFSS. These are currently focused on Finance and HR specifically and no overall review of total services is able to be effectively carried out.</p> <p>Audit found that the performance information that was provided to the Joint Oversight Committee was the same as the performance information provided at the Management Board. These groups have a different focus (strategic versus operational) and therefore</p>	<p>The Force should ensure that the updated SLA with MFSS is put in place as soon as possible to ensure effective performance indicators can be established.</p> <p>The Force should review the performance information that would be most relevant at each of the governance forums then work with MFSS to ensure they receive this information.</p> <p>The number of individual complaints raised and managed by MFSS should be centrally co-ordinated by the Force and form</p>	<b>1</b>	<p>Agreed</p> <p>The performance information is considered at the management Board and these papers will be made available to Force staff to review.</p> <p><u>Update Aug 2019</u> MFSS have appointed a Customer Relations Manager who will manage this area of business.</p> <p>A new SLA has not yet been produced but progress is being made via the Management Board with regards to a 'recovery plan'. KPIs are being produced and monitored at both the Management Board and Service Review meetings.</p>	<p>Force MFSS Leads 31 March 2019</p> <p>MFSS 31 March 2019</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>would require differing information to allow for effective oversight and scrutiny of MFSS performance across the totality of services provided.</p> <p>From the performance information that was provided to the Force, there was a lack of analytical information that would allow context and root causes to be identified. One omission from the performance data was the number of errors that had occurred throughout the different service levels.</p> <p>MFSS have a complaints process that should be followed when individuals are not happy with the level of service received. They will investigate and resolve the matter within a set time frame. However, it was noted that the number of complaints received, investigated and resolved are currently not reviewed or reported as part of the performance information provided at any of the governance forums.</p> <p><i>Risk:</i> Poor performance by the shared service is not timely identified so appropriate actions can be put in place to address.</p> <p>The shared service fails to deliver the expected service to the Force</p>	<p>part of the service review meeting.</p> <p>Any unsatisfactory responses to complaints by MFSS should be escalated through the governance structure accordingly to ensure effective performance management.</p>		<p>Update Nov 2019</p> <p>A performance measures workshop took place in November and a new framework is being developed between the partners.</p> <p>Update – A follow up audit was completed in October 2019 with the draft report issued on 20 November.</p> <p>The audit found that the SLA's and KPI's are still to be established. It was noted that a performance pack had been produced however more work was still required. Performance information is provided at the Service Review Meetings for the Force, however further work is required to develop this.</p> <p>A new recommendation has been raised. (Recommendation 4.1 Jan 2020)</p>		
4.3	<p><b>Quality Control</b></p> <p><i>Observation:</i> The terms of reference for the Optimisation Board states that they will provide direction to the individual Business Process Transformation groups to drive improvements in the service processes and maintained an improvement plan. There are seven BPTs:</p> <ul style="list-style-type: none"> <li>- Purchase to Pay / Accounts &amp; Payables (Finance)</li> <li>- Recruit to Retire (HR)</li> <li>- Record to Report</li> <li>- Duty Planning</li> <li>- Logistics</li> <li>- Technology</li> <li>- Estates &amp; Facilities</li> </ul> <p>As previously mentioned in Recommendation 4.1, not all the groups have been meeting to carry out this review, with Duty Planning, Logistics and Estates &amp; Facilities having not met regularly to carry out their roles.</p>	<p>The Improvement Plan should be updated to include target completion dates for activities to ensure MFSS and Partners are held to account for non-delivery of activities, the Force should raise this at the Optimisation Board.</p> <p>The Force should co-ordinate its data quality issues internally across the totality of services and ensure this is fed back to the MFSS Business Relationship Manager.</p>	2	<p>Agreed</p> <p><u>Update Aug 2019</u></p> <p>The Optimisation Board was deemed ineffective and subsequently discontinued. There is now a new more rigorous governance structure which includes the Service Review Sub-Committee (SISC) which meets monthly to review and task areas for improvement and to track progress.</p> <p>The BPTs have been replaced with Workstream Meetings that address more detailed issues and feed into the other boards so there is clear accountability and visibility.</p> <p>Update Nov 2019</p>	<p>Force MFSS Leads</p> <p>31 March 2019</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>However, the Optimisation Board does maintain an Improvement Plan that lists specific activities that are to be completed across the service lines. Audit reviewed the latest version of the plan and found that there are 38 open activities made up of 14 'not started', 22 'work in progress' and 2 'on hold'.</p> <p>For each activity it includes the area of service, the relevant BPT, an activity owner and an activity lead, although one key omission is a target / expected date of completion. Whilst not all start dates or date activity agreed was included on the plan, where dates were noted these dated back as far as 2014 in some cases.</p> <p>The improvement plan did include a prioritisation matrix of effort versus benefit for each activity listed to help the Board ensure they focus efforts in the right areas. However, due to the lack of target dates for completion, a large number of improvement activities are still outstanding.</p> <p>The Force were able to provide audit with a number of examples when the data they received from MFSS was not in line with their expectations. Whilst this included the process to 'pause' service requests when MFSS return queries to the Force, the number of paused SR's are not part of any monitoring or performance review at present. Internally the Force does not co-ordinate the data quality issues across the totality of services.</p> <p><i>Risk:</i> Failure of the partners and MFSS to complete improvement activities leading to a poor quality service.</p> <p>Failure of the Board to hold individuals to account for nondelivery.</p> <p>Failure to evaluate the quality of data being used to scrutinise MFSS</p>			<p>Further enhancements to the governance/meetings will be made now that Simon Roscoe is in post as Interim Head of MFSS.</p> <p>TO CLOSE</p> <p>Update from follow up audit - The Optimisation Board has been replaced by the Service Improvement Sub Committee and the Improvement Plan has been replaced by the Forward Schedule of Change. A review of this schedule confirmed that target completion dates for activities were missing in all instances.</p> <p>The Force is still in the process of recruiting a MFSS Relationship Manager to take over the role of co-ordination.</p> <p>A new recommendation has been raised (Recommendation 4.2 Jan 2020)</p>		
4.4	<p><b>Governance, Communication &amp; Co-ordination</b></p> <p><i>Observation:</i> The Shared Service Joint Oversight Committee and Management Board terms of reference are set out in the Collaboration Agreement and the creation of the Optimisation Board, Business Process Transformation groups &amp; a Service Review Group has been developed.</p>	<p>The Force should put in place appropriate co-ordination between the attendees of MFSS governance forums to ensure the key information is shared.</p>	2	<p>Agreed</p> <p>The PCC has taken over as the Chair of the SSJOC and as such coordination within Northamptonshire has already improved as</p>	<p>Monitoring Officer/Project Director 31 March 2019</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>Audit reviewed the governance system in place and found that there are a number of ongoing reviews within the current governance structure:</p> <ul style="list-style-type: none"> <li>- The Collaboration Agreement itself is currently under review;</li> <li>- Optimisation Boards terms of reference has been re-drafted and is being re-named Service Improvement Sub- Committee;</li> <li>- A review of the BPT's role in the governance system is being undertaken.</li> </ul> <p>Moreover, it was clear that the seven Business Process Teams, that were set up to review specific MFSS services, have not all been taking place as intended. Audit found that internally at the Force the attendees at the various governance meetings were not communicating or coordinating appropriate information to allow a clear and consistent message to be delivered.</p> <p><i>Risk:</i> Problems/issues are not escalated through the governance structure by the Force. MFSS are not held to account at the correct governance forum. The Force does not get the service it requires through lack of individual service line improvements. The Force fails to manage the total service that it currently receives from MFSS.</p>	<p>The Force should seek clarity from MFSS and partners to confirm the roles of each governance forum as well as ensuring the BPT's are operating as intended.</p>		<p>information from these forums is disseminated. The CEO is also part of the weekly MFSS senior team meeting. This will be further reviewed to see if all key individuals are updated.</p> <p>New terms of reference were already developed as part of the Task force work and the S22 is under review.</p> <p><u>Update Aug 2019</u> The governance structure, terms of reference and attendance requirements are now clear and have been agreed by all partners. Recommended for closure</p> <p>Update from follow up audit – Partially implemented. A governance structure and terms of reference for the new structure have been developed and have begun to operate. However audit noted that there was lack of clarity over how the defects raised in the new system are being scrutinised and monitored effectively in the new governance structure.</p> <p>A new recommendation has been raised (Recommendation 4.2 Jan 2020)</p>	<p>MFSS 31 March 2019</p>	

### GDPR – February 2019

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<b>4.3</b>	<p><b>Resources</b> <i>Observation:</i> The organisation has two Full Time Equivalent (FTE) staff involved in disclosure requests. This includes not only Subject Access Requests (1 FTE) but also Freedom of Information (1 FTE). Other</p>	<p>The organisation should consider its resourcing levels in this area and in particular look to reduce its backlog of requests.</p>	<b>1</b>	<p>Training needs analysis for Information Assurance, Information Security, Information Management, GDPR should be undertaken commissioned by IAB with a</p>	<p>2 months for initial meeting to be held and discussed.</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>resources can support the process but this is additional activity to their own business as usual role.</p> <p>This ranks the force 5<sup>th</sup> out of the 5 East Midlands forces in available resource but 3<sup>rd</sup> out of 5 in total number of disclosure requests where we have reviewed GDPR processes. We also note the organisation has a significant back log of subject access requests beyond the 30 day response time, the largest of the five forces reviewed. This backlog, for the period between May and October 2018 was 69 subject access requests.</p> <p>This suggests the organisation has insufficient resources to manage its current work load, as well as move forward with areas such as action plan management and policy development. As such we would recommend that the organisation consider if more resource should be in place.</p> <p>The levels of formal training both to the Information Unit and wider organisation has been limited and should be improved.</p> <p>We do understand that the structure is currently under review and proposals have been made but these are currently on hold awaiting further information.</p> <p><i>Risk:</i> The organisation has insufficient resources to manage the demand for disclosures and may be at risk of not achieving the statutory time limit.</p>	<p>The level of training provided to date to both the team and the wider organisation has been insufficient and further formal training should be considered which can then be cascaded to others internally.</p>		<p>request for support from EMCHRS via the learning and development panel.</p> <p>This should be discussed at initial IAB meeting. Requires an overarching force wide plan, which considers teams and individual requirements.</p> <p>Forcenet messages should be formulated for more immediate issues.</p> <p>Update – Additional resources have been taken on until July 2020 which provides a temporary solution to the resourcing issues. A longer term solution will be discussed through IAB.</p> <p>Initial meetings have been held with EMCHRS about training.</p> <p>Update Oct 2019 – Resource was immediately addressed following the enforcement letter and an additional 4 FTE was provided from within force, all police officers on adjusted duties, this has since reduced to 3. This was in addition to the 2 FTE that had been highlighted through OBB, advertised and positions filled. Prior to the enforcement letter two police officers on adjusted duties had been assigned to the unit. Only the 2 FTE identified through OBB are permanent, only 1 of which is allocated to ICO measured work. All other officers that were assigned to the unit are on a temporary basis. A force Business Analyst has carried out a review of processes, resource and demand. The final report, which is expected to comment on the required level of FTE for the unit as a whole and for each area of work, will not be released until 05/11/19.</p> <p>FOI training has been provided by NPCC for 2 members of the team, with additional 1 to attend when the course runs next in</p>	<p>6 months for more extensive delivery plan to be formed and added to training needs and execution to begin.</p> <p>This should continue for the foreseeable future with no end date.</p> <p>IAB and EMCHRS August 2019</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
			<p>February. Training has not been available for DP staff due to NPCC not yet replacing their DP Officer.</p> <p>There is a proposed Training Plan in draft for approval via IAB to address training needs of the wider organisation in relation to IA/IM. There are action owners identified and clear accountability for delivery and timescales via Information Assurance Board. This plan is expected to be ratified at the October IAB.</p> <p>Update Jan 2020 – Bespoke training has been developed for all Information Asset Owners. Level 2 or 3 NCALT training is being undertaken by all relevant staff.</p>		

### Risk Management - April 2019

Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
<p><b>4.4 OPCC Risk Management Processes</b></p> <p><i>Observation:</i> Organisations should have agreed and robust procedures in place to manage risk and to provide stakeholders with assurance that risks are being effectively managed.</p> <p>The size of the respective organisations, and the level of resource available to oversee the risk management process, is acknowledged. Whilst the Force has a Risk &amp; Business Continuity Advisor in place, the role of risk management oversight for the OPCC is subsumed within the wider responsibilities of the Director of Delivery.</p> <p>With the forthcoming introduction of 4risk, audit understands that it is the intention to introduce two further members of the OPCC team to the process, thereby mitigating the current risk of reliance being placed on the one person.</p> <p>In addition to reporting on risk referred to above, Directors Meetings are held on a weekly basis within the OPCC, with the attendees being made up of the risk</p>	<p>As part of the review of risk management policies and procedures within the OPCC, consideration should be given to the following:</p> <ul style="list-style-type: none"> <li>Establishing the respective roles of the Risk Owners, Director of Delivery and two support staff in the risk management process.</li> <li>The above should include each person's access to 4risk and the expectations placed on them following the introduction of the new system.</li> </ul>	<b>3</b>	<p><b>OPFCC Response – Agreed</b></p> <p>Update - Paul Fell- As lead for risk management in the OPFCC I have undertaken a team briefing to all team members that relates to what is a risk, how are they identified, how they ought to be raised, how they are recorded and how they are managed. We have redrafted and circulated a revised risk policy. Three members of staff as points of contact have received a full day's training in risk assessment and management. New risk management software has been procured, installed and is operational. Directors in the OPFCC have received training in new software and risk identification.</p>	Paul Fell 1 <sup>st</sup> July 2019	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>owners for each risk on the OPCC risk register. Whilst this gives the opportunity for risk to be discussed, and audit were provided with evidence that this had happened, it was acknowledged that consideration could be given to ensuring risk is a standing agenda item.</p> <p>The introduction of 4risk, together with other staff to support the oversight of risk within the OPCC, is an ideal opportunity to review and strengthen risk management arrangements.</p> <p><i>Risk:</i> The opportunity to strengthen risk management arrangements is missed.</p>	Developing a Forward Plan for the Directors Meeting where standard agenda items, such as risk management, are considered.				
4.5	<p><b>4Risk</b></p> <p><i>Observation:</i> Both the Force and OPCC have utilised the IPSO software package for the recording and managing of risk for a number of years. As the system is now no longer supported, and is felt to no longer be fit for purpose, a procurement exercise was carried out and 4risk, a risk management solution provided by RSM, was selected as the proffered to new system.</p> <p>The benefits of using 4risk, as set out on the RSM website, include:</p> <ul style="list-style-type: none"> <li>• "enables reporting on profiling, categorisation and prioritisation of enterprise-wide risks;</li> <li>• provides visibility of the enterprise controls environment;</li> <li>• allows for enterprise wide assurance mapping and production of a board assurance framework;</li> <li>• tracks progress of actions through to implementation and outcome;</li> <li>• reduces risk management administration costs."</li> </ul> <p>At the time of the audit, 4risk was still going through user testing and, as such, IPSO was still being used to manage risk. It was envisaged that 4risk would be in place early in the new financial year.</p> <p>From discussions with the Risk &amp; Business Continuity Advisor, it was envisaged that 4risk would address many, if not all, the issues currently being encountered with IPSO, a number of which are highlighted in this</p>	A post-implementation review of 4risk should be carried out to measure whether the perceived benefits of the new system are being realised and an action plan be established where appropriate.	2	<p>A post implementation review of the effectiveness of 4Risk will take place within 6 months of implementation.</p> <p>Update – Due the delayed full implementation of 4Risk the PIOR will now take place in March 2020</p>	<p>November 2019</p> <p>March 2020</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p>report. As such, a fundamental action that will be need to be addressed once 4risk has been in place for a defined time will be a post-implementation review of the system. This would aim to measure whether the perceived benefits of the new system are being realised and, if not, what further action is required.</p> <p><i>Risk:</i> The 4risk system does not deliver the anticipated benefits, leading to risks to the Force and OPCC not being effectively managed.</p>					

### Performance, Skills & Talent Management – May 2019

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p><b>4.1 Quality Assurance of Performance Development Reviews (PDR)</b></p> <p><i>Observation:</i> The PDR Policy provides line managers with guidance on what the PDRs should include such as setting objectives and appropriate recording of evidence. The completed PDRs are currently submitted to the retained HR team who are able to demonstrate completion rates for the mandatory PDR. It was noted that there is currently no dip sampling to check that the contents of the PDR's are compliant with the PDR Policy. Moreover, there is no process in place for moderation of scores awarded for performance within the PDR process.</p> <p><i>Risk:</i> PDRs are completed but are inappropriate or ineffective for managing performance. Lack of consistency in PDR scoring.</p>	<p>The retained HR function should carry out dip sampling on completed PDRs to ensure they are compliant with Force Policy.</p> <p>The Force should consider an appropriate moderation process to ensure fairness and consistency within the performance management process.</p>	2	<p>Whilst I am not adverse to dip sampling or moderation, I am not sure this is where Hr should focus their time, however in the new structure that is being currently implemented, the business partner's role will be with the business to link in and ensure that moderation is undertaken. Add to this a level of dip sample via the Leadership administrators this will improve the outputs which should then be reported to the People Board</p> <p>Update Aug 19 – A PDR Implementation Plan has been put in place to support and manage the PDR process. Dip sampling could not take place in June as planned due to a system access issue. This is being actioned with MFSS and should allow us to dip sample PDRs in September as planned. PDR Moderation is scheduled for Feb and Mar 2020 with Ali Roberts (HR Business Partner).</p>	<p>End August 2019</p> <p>Head of HR /HRBP/ Leadership Team</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>Update Oct 2019 - We had scheduled to dip sample in June and September which has passed due to being unable to access the data. We are still awaiting an outcome from Cheshire in terms of system access, this has been on-going since June this year.</p> <p>Update Dec 2019 - At the end of November, our access was restored so we are now in a position to do QA checks. This is scheduled to take place now in January 2020.</p> <p>Update Feb 2020 - Reviewing 26 officers as part of new Sergeant Promotion Process and will dip sample their PDRs this month. This will be our sample for February.</p>		

**2019/20****Absence Management & Wellbeing – July 2019**

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Sickness Absence Management</b></p> <p><i>Observation:</i> The Force have an Attendance Management Policy that sets out the expectations of staff and line managers. It refers to the use of a self-service approach to recording sickness absence and the availability of HR to provide advice and guidance where needed.</p> <p>These expectations include:</p> <ul style="list-style-type: none"> <li>• Staff to report sickness within 1 hour of their shift and report the expected number of sick days;</li> <li>• Line managers to contact staff and maintain a record of communications on DMS;</li> <li>• After 7 days of absence it is the staff members' responsibility to ensure that the "Statement of Fitness" is provided to their manager within 3 working days of its issue where the statement advised that they are unfit for work and line managers must record this on DMS;</li> <li>• Managers must carry out a Return to Work Interview when an individual returns to work following each period of sickness absence and this must be recorded on DMS.</li> </ul>	<p>HR should review the data available to confirm that individuals are recording sickness correctly in line with the stated procedure and return to work interviews are being conducted. The process for recording line manager communications with staff who are off sick should be re-communicated to line managers and then reviewed to monitor compliance.</p> <p>Line Managers should be reminded of the need to upload Fit Notes for sickness absence longer than 7 days.</p> <p>Line Managers should be reminded of the need to complete Return to Work Interviews in all instances of sickness.</p> <p>Line Managers should be reminded of the need to complete a formal review for individuals having</p>	2	<p>This is accessible via direct system information on Qlik and line managers should ensure they regularly check and update this.</p> <p>The introduction of additional staff in HR will also support this as an overview ad "secondary" dip sample.</p> <p>Within the HR hub on Forcenet there is a wide variety of tools and information all designed to assist managers and supervisors with attendance matters, and this has been well publicised and remains visible for them to take personal responsibility to review and use in their roles.</p> <p>To assist with this HR have appointed to a number of roles for a limited period of two years to help embed the correct management culture around attendance management. We advised the auditor around the Attendance Support Officer role whose role it will be to go out into the business and support around casework, correct procedures and contact with</p>	<p>All line managers Head of HR Recruitment in progress</p> <p>Head HR On-going</p> <p>Head of HR All Line managers On-going</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<ul style="list-style-type: none"> <li>A formal review to take place with individuals who have had more than three periods of sickness in a six month time periods.</li> </ul> <p>Audit carried out testing on a sample of 10 cases of sickness recorded over the previous six months and testing found:</p> <ul style="list-style-type: none"> <li>In four cases there was no record on DMS to support the correct sickness reporting procedure had been followed i.e. within 1 hour, expected number of days and the line manager communication had taken place;</li> <li>Six of the ten cases reviewed were for periods of sickness longer than seven days and required a Statement of Fitness. However, in 2/6 Statements were not evident on the system;</li> <li>Nine of the ten cases had returned to work after the sickness absences, however in 7/9 cases there was no record of a return to work interview;</li> <li>In two cases, the planning team had updated the individuals' sickness record.</li> </ul> <p>Audit carried out testing on a sample of five cases where a formal review should have taken place and found:</p> <ul style="list-style-type: none"> <li>In one instance from a review of DMS there was no evidence of a formal review having taken place.</li> </ul> <p>Issues were raised during the 2018/19 audit in respect of compliance with absence management</p>	<p>more than three periods of sickness in a six month period. All members of staff should be reminded, in cases of sickness absence, they should either call in prior to their shift starts or to contact their line manager at the earliest opportunity.</p>		<p>individuals, including signposting to the relevant support service outside and also two additional administration roles which, amongst other tasks to support managers, will review DMS and follow up with managers and supervisors where they have not completed the return to work forms or updated the individuals records with a fit note, absence dates etc.</p> <p>Update: 16/10/19 HR Adviser Projects has now been recruited, concentrating on attendance and ensuring that line manager are completing the necessary information on DMS. They are looking at those individuals who are currently off sick and checking DMS. They are then contacting line managers informing them of where they have not updated an individual's record accordingly. Coaching of those managers to ensure that they are aware of their responsibilities and providing them with the necessary coaching in order to complete these tasks. Comms plan to be devised around attendance to remind individuals of their responsibilities. HR Advisers to undertake coaching sessions out in the business as a drop in to</p>	<p>March 2020</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>procedures. Whilst testing confirmed that some improvements had been made, audit continued to find instances where evidence of following procedures was not always available.</p> <p><i>Risk:</i> Staff are not complying with the sickness absences procedures, leading the Force open to abuse of the system and unauthorised sickness absences not being addressed.</p> <p>Lack of oversight of compliance with the system leading to the Force being unaware of levels of compliance.</p>			<p>ask questions and advice, to be in place from November. HR Advisers attending monthly meetings with Sgt/Insp to talk about cases and individuals.</p> <p> Attendance Action Plan.xlsx</p> <p>Update12/2/20 Back to Basic Attendance Management Open sessions were held out in the business during November – very little attendance from supervisors.</p> <p>Since 1 November 95 cases have required direct support in relation to recording of information on DMS. 94% of managers have updated the records on intervention. Response has been from the business as been positive mixture of face to face, emails and telephone conversations.</p> <p>Absence management surgeries to be held within the People Services hub every Monday. Comms published 12/2.</p> <p>Reminder comms published on 4/2 regarding line management responsibilities,</p>		

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				individual's responsibilities and signposting to information on Force Net regarding absence management.		
4.2	<p><b>Wellbeing Strategy &amp; Monitoring.</b></p> <p><i>Observation:</i> The Wellbeing Strategy was refreshed in November 2018 and includes aims, goals, principles and strategic objectives. The Force have a Wellbeing Plan in place that supports the delivery of the Strategy. The Wellbeing Plan documents four facets of wellbeing identified by the College of Policing and, under each facet, it is outlined how they will be achieved. Additionally, the Force Strategy Board has identified five actions within the plan that would be taken forward as a priority. Whilst audit noted that verbal reporting of progress against delivery of the Wellbeing Plan to the relevant forums, including the FSB, is conducted, it is not reported formally by way of a documented report outline progress against target.</p> <p><i>Risk:</i> Lack of appropriate monitoring leading the Force to fail to achieve its strategic aims. Failure to monitor the delivery of the action plans leading the Force to fail to achieve the desired outcomes.</p>	<p>There should be a formally documented agreed monitoring process within the Wellbeing Governance structure to demonstrate the delivery of all strands of the Wellbeing Strategy at a strategic and operational level.</p> <p>There should be a formally documented action plan for the wellbeing plan to monitor progress and achievements of the future progress of the plan.</p>	2	<p>The wellbeing strategy is being re-vamped and re-launched in November with timescales and outcomes will be measured via the people board.</p> <p>Update: 16/10/19 Wellbeing Plan to be re-launched in November. Wellbeing and Attendance tasking group set up to ensure that appropriate action is taken where required. Will report to the Culture and People Board – first meeting has taken place on 15/10</p>  <p>Wellbeing Action Plan.xlsx</p> <p>Update: 12/2/20 Wellbeing Plan revised and to be presented at the Culture and People Board on 24 February 2020. Resources have been limited to deliver the new plan as the responsibility lies with as part of a role within People Services. New part time wellbeing adviser started on</p>	Head of HR Autumn 2019	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				12/2, this will assist with the monitoring and meeting the requirements of the plan.		
4.3	<p><b>Special Leave</b></p> <p><i>Observation:</i> The Force have a Special Leave policy that provides guidance to line managers on the approach to take when granting special leave for staff. It covers instances such as Compassionate Leave, Care Leave and Time Off for dependents. Following a recommendation raised during the 2018/19 audit, the special leave policy was updated to provide clarity to managers. As per the updated policy, managers are allowed to approve a maximum of five days. Requests for additional paid days will need to be referred to the head of department by the line manager for their consideration and authorisation. The head of directorate/department should email the HR Policy and Service Team to advice of their decision and the absence recorded on DMS. Audit carried out testing on a sample of five cases where special leave was granted and found:</p> <ul style="list-style-type: none"> <li>In one case nine days of special leave was granted by the line manager and had not been referred to the head of department for approval.</li> </ul> <p><i>Risk:</i> Special leave is applied incorrectly / inconsistently.</p>	Staff and line managers should be reminded of the process for applying and approving special leave.	2	<p>The updated special leave policy has been in place since January and this audit found one example of a manager who had disregarded the process and authorised an extended period of paid leave for their member of staff without going to the Head of Department. HR were made aware that the correct process was not followed in this case and provided strong advice to the Head of Department around the procedure that should have been followed. There is a plan in place to provide guidance and training to the planning team to assist them in advising managers around correct levels. Additionally, we have produced an electronic form which formally record decisions made by Heads of Department where they have authorised days over and above the 5 days. This will be publicised to update the force around the new form and the procedure that must be followed.</p> <p>Update:16/10/19 Guidance being worked on in relation to special leave and working with planning.</p>	Head HR Plan rolled out when the new role starts, anticipated by Sept 2019 Head HR End August 2019	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
			<p>Concerns will be taken to wellbeing and attendance tasking group.</p> <p>Update: 12/2/20 Guidance has been produced. Special leave is covered as part of the second line managers course. Review to be undertaken by Mid March 2020 to identify those individuals who have been granted special leave and whether this sits within policy. If further support is required then will contact the supervisors directly for advice and guidance.</p>		

### Force Management of MFSS Arrangements

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p><b>4.1 Performance Management</b> <i>Observation:</i> During the previous audit the Force acknowledged that there were no agreed service level agreements or key performance indicators between the Force and MFSS. Audit were informed work was on-going to finalise these and put them in place. The follow up audit has confirmed that service levels have yet to be agreed and work is still ongoing to establish a performance Framework that is able to be regularly produced, reviewed and scrutinised.</p>	<p>The Force should develop an appropriate Performance Framework for MFSS. Once established, this should be effectively monitored to ensure the Force are receiving the required level of service from MFSS.</p>	<b>2</b>	<p>All Partners have supplied their top 5 measures in each functional area to MFSS which is now being developed into a performance document aligned to minimum SLAs.</p> <p>Complaints have been included and will report on the number of Complaints Received by Category i.e. Service/data etc,</p>	<p>June 2020 MFSS contract lead</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>A performance pack has been provided to the September 2019 Management Board meeting however audit noted that of the 72 performance indicators included:</p> <ul style="list-style-type: none"> <li>- 12 were listed as unable to be produced</li> <li>- 12 were listed as Targets Yet to be agreed</li> <li>- 38/72 did include a target and of these 24 were below target.</li> </ul> <p>Therefore it is evident further work needs to be undertaken before an effective performance management framework for MFSS is established. Some performance information is provided to the Force at their Service Review meeting with MFSS, however the data provided was of limited use and does not allow the Force to review MFSS performance effectively.</p> <p>During the previous audit it was highlighted that MFSS have a complaints process that should be followed when individuals are not happy with the level of service received but these complaints were not being reported at any governance forum. Audit confirmed that this was still the case.</p> <p><i>Risk:</i> Poor performance by the shared service is not identified in a timely manner to allow appropriate actions to be put in place to address the issue. The shared service fails to deliver the expected service to the Force.</p>	<p>Areas of poor performance should be identified, raised and appropriate challenges made to MFSS to address the identified issues.</p> <p>The Force should ensure that the Complaints that are raised against MFSS are included in the Performance Framework.</p>		<p>number still open, sources of complaints, average working days to final response and the number of breaches.</p> <p>This should be available in due course and areas of poor performance will be challenged with resolutions sought. The aim is to operate to a minimum SLA standard.</p> <p>A local dashboard is currently in development which will assist with this once implemented. This should be available in due course.</p>		
<b>4.2</b>	<p><b>Governance</b></p> <p><i>Observation:</i> During the previous audit a number of reviews of the governance structure were underway. It is noted that a proposed governance structure and draft terms of reference was circulated to partners and is now in operation.</p> <p>Under the new proposed governance structure the Service Improvement Sub Committee have the objective to "prioritise the Forward Schedule of Change (FSoC)".</p> <p>Whilst the Schedule includes a prioritisation assessment, together with an action owner, target dates for completion are not included and this increases the risk that actions are not completed in a timely and effective manner.</p>	<p>The Schedule of Changes should be updated to include target completion dates for activities to ensure action owners, at both MFSS and Partners, are held to account for non-delivery of activities. Moreover the Force should seek clarity on the management of the 'Defects List'. The Force should raise this at the Service Improvement Sub Committee.</p> <p>Poor performance in the delivery of actions should be escalated to</p>	<b>2</b>	<p>All defects result in a service request that we enter and track and we have and are further developing a performance dashboard to track the progress of service requests as a whole and against functional areas.</p> <p>A review is taking place of all Release, Project, External and Internal Requests for Change so this work can be prioritised, feedback was returned on the 10<sup>th</sup> January 2020 and we await the outcome. Completion dates should be added to the prioritised work. This work was initiated at</p>	June 2020 MFSS contract lead	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>Audit also noted that, due to the issues since the new system has gone live, a 'Defects List' is being managed to correct the issues that have been highlighted. However the Force are not currently regularly sighted on the progress of these and the impacts that the defect lists may have on progressing the Forward Schedule of Change.</p> <p><i>Risk:</i> Failure of the partners and MFSS to complete improvement activities leading to a poor quality service.</p> <p>Failure of the Board to hold individuals to account for non-delivery.</p>	<p>the Management Board for consideration.</p>		<p>the Service Improvement Sub Committee and will be tracked through that, exceptions will be raised to Management Board.</p> <p>A new Internal Board has been set up, complete with a terms of reference, which brings all involved parties in the Force and OPFCC together so that there is overall governance and the posts previously mentioned have and will provide a key role in this.</p>		

## **Regional Collaboration Audits**

**2018/19**

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Strategic Financial Planning	February 2019	Satisfactory Assurance	0	4	0
Risk Management	February 2019	Satisfactory Assurance	0	3	3
Business Planning	March 2019	Satisfactory Assurance	0	2	1

### **Strategic Financial Planning**

	Recommendation	Priority	Timescale/ responsibility	Update	Status
4.1	We concur with attempts to establish a longer term financial plan. These should follow a clearly defined MTFP Process that is agreed and applied across the regions collaboration units.	2	CFOs/FDs April 2019	This was discussed agreed at the April 2019 meeting. Closed	
	This should include a clear timetable for the preparation of plans and the appropriate levels of scrutiny through to final approval.		CFOs/FDs EMSOU HoFCS April 2019	This has been discussed and continues to be discussed during the MTFP and budget-setting processes. The HoFCS is working with the regional DCC on a first-cut of the budget (scenario modelled) for discussion with Chiefs, DCCs, PCCs, and CFOs. Closed	
			CFOs/FDs April 2019	This was discussed and agreed amongst CFOs at the April 2019 meeting. Closed	
			CFOs/FDs April 2019	Budgeting timetables across the region are being consolidated by the Regional Secretariat Team on behalf of OPCCs. The 'ask' of the HoFCS and regional DCC has been discussed and tasked out by both the Resources Board and PCC/CC Board. Closed	
4.2	The Collaboration budget setting process should be aligned with local Forces to ensure budgets are sufficient to meet service requirements. When collaboration budgets include	2	EMSOU HoFCS Immediate	The HoFCS will seek assurances from individual Finance departments regarding	

	Recommendation	Priority	Timescale/ responsibility	Update	Status
	elements that are held with the local Force (such as Officers in Kind), these are correctly stated across the Force budget and the collaboration budget.			the content of Force budgets, which, it should be noted, remain a local matter. Where difficulties are encountered, the HoFCS will escalate via the respective CFO/FD for resolution. An update will then be provided to the CFOs/FDs. Complete	
4.3	To ensure consistency and clarity for financial planning, clear reporting lines should be established so that individual(s) who have responsibilities for delivering budgets are clearly held to account.	2	CFOs/FDs April 2019	Accountability is clear- the HoFCS reports regularly to CFOs, DCCs and both the Resources Board and PCC/CC Board. The empowerment of the HoFCS by CFOs should assist with that. Complete	
4.4	The Resource Board should determine a consistent approach to budget underspends and efficiency savings to ensure each collaboration unit is engaged and incentivised to deliver efficiency savings.  Moreover, there should be clarity when savings are being prepared and proposed so that it is understood what type of saving are being proposed and the impact for all stakeholders.	2	CFOs/FDs April 2019	This has been discussed but it is subject to a proposal that will be tabled to the Resources Board and then agreed with PCCs/CCs.	

## Risk Management

	Recommendation	Priority	Timescale/ responsibility	Update	Status
4.1	The EMSOU unit should establish a Risk Management Policy or Strategy to formally document their existing system for managing risk.	2	Jon Peatling EMSOU 30 June 2019	A Risk Management Policy has been drafted for EMSOU – this will be introduced at the next Meeting of the Risk and Board (18 <sup>th</sup> July 2019) before wider circulation. Dec 2019 – Discussed at the EMSOU H&S, Risk, Assurance & Compliance meeting held on 02/12/19. Feb 2020 - A new Risk Policy for EMSOU was introduced in December and was circulated to members of the Risk and Assurance Board.	
4.2	The responsibilities of risk and actions owners that are assigned on collaboration unit risk registers should be clearly defined and communicated.	3	Jon Peatling EMSOU 30 June 2019	The role of Risk Owners will be defined in the Risk Management Policy.	

	Recommendation	Priority	Timescale/ responsibility	Update	Status
			<p>Malcolm Turner EMPLS 30 June 2019</p> <p>Kerry Smith EMOpSS 30 June 2019</p>	<p>Dec 2019 – This has been included in the draft of the Risk Management Policy for EMSOU. Complete</p> <p>The EMPLS Risk Management Policy has been revised in order to make clear the roles and responsibilities of risk owners, including refreshing the structure for internal reporting of progress made in mitigation. – Nov 2019 - Complete</p> <p>As a result we are working through our risk register to ensure that all appropriate risks are moved back to risk owners and actions owners within the relevant force. Any risks for Specialist Operations Training are also being reviewed as with the changes made a number of individuals have also changed. For the remaining collaboration this will be completed by the 30<sup>th</sup> June 2019. Nov 2019 - Complete</p>	
4.3	<p>Collaborations should consider adopting a standard risk scoring matrix.</p> <p>Mazars should recommend a consistent risk register format and scoring matrix.</p>	3		<p>Jon Peatling- Leics and Derby's have recently implemented a new Risk Management Software (Keto). Demo of the system has taken place with the collaborations to consider the relevance and appropriateness of implementing in the respective Units to ensure a consistent approach to the recording and scoring of risks. Discussions with respective leads in Derbys are Leics are taking place to pursue this opportunity.</p> <p>Kerry Smith- Our risk scoring matrix has been shared with Jon Peatling. To assist in compiling a single agreed matrix.</p> <p>Nov 2019 - No force update received. Mark Lunn looking into this action regarding Mazars recommending a</p>	

	Recommendation	Priority	Timescale/ responsibility	Update	Status
				consistent risk register format and scoring matrix.	
4.4	The Collaboration Units should ensure that their Risk Registers are fully completed.	2	Jon Peatling EMSOU 30 June 2019  Malcolm Turner EMPLS 30 June 2019  Kerry Smith EMOpSS 30 June 2019	Monthly review meetings are now held in EMSOU to ensure that risks are reviewed and updated on a regular basis. Complete  This action formed part of the same process as outlined at actions 4.2 and 4.5. Complete  One error on the risk register was found, which has now been corrected. Complete	
4.5	The collaboration units should review their risk mitigation actions to confirm they clearly align to the risks.  The collaboration units need to ensure that the risk registers are regularly reviewed and updated.  Updates need to be specific to the risks and agreed mitigating actions.  When the risk registers are reviewed by management within the collaboration units, the lack of updates on risks should be challenged and actions set to ensure risks are being actively managed.	2	Jon Peatling EMSOU 30 June 2019  Malcolm Turner EMPLS 30 June 2019  Kerry Smith EMOpSS 30 June 2019	Monthly review meetings are now held in EMSOU to ensure that risks are reviewed and updated on a regular basis. Complete  In tandem with 4.2 above. We have now revised the internal Policy to more clearly define the responsibility of the Silver (SMT) group for review of risks and the actions taken to mitigate them. The Risk Register has been updated and is now routinely reviewed on a minimum fortnightly cycle. Complete  The mitigation of risks on the EMOpSS risk register were clearly aligned. A monthly review process has now been implemented and Jane Timms is responsible for this. An internal audit process of the risk register and a number of other areas of business is now being implemented. Complete	
4.6	The Forces should consider how the strategic risks of the collaboration units will be collated and reviewed. Moreover, who has responsibility for doing so.	3	DCC Chris Haward 30 June 2019	EMSOU have a risk management meeting and risk register and we attend respective force boards. These are escalated where necessary to the EMSOU Governance Board and / or the DCC Board.	

	Recommendation	Priority	Timescale/ responsibility	Update	Status
				<p>DCC Board is now getting bi-annual updates from each collaborated function to look at demand, resources, effectiveness, efficiency and risks emerging.</p> <p>Kerry Smith- Operational risks will now sit on force risk registers and be monitored through the individual risk boards. For Specialist Operations Training, Jane Timms will attend each force risk board to ensure all forces who are part of the collaboration are aware of the risks. Quarterly, the risks are also reported to the Strategic Management Board and reviewed by CC Skelly.</p>	

### Business Planning

	Recommendation	Priority	Timescale/ responsibility	Update	Status
4.1	<p>The EMSOU collaboration unit should progress plans to adopt business plans for the four main areas of operation – Serious Organised Crime, Major Crime, Forensic Services and Special Branch. A timetable should be established to ensure these business plans are put in place in a timely manner.</p> <p>The EMOpSS collaboration unit should ensure an appropriate business plan is adopted once the new format of the unit has been established.</p>	2	<p>Jon Peatling EMSOU March 2019</p> <p>Kerry Smith EMOpSS May 2019 with implementation to follow</p>	<p>An EMSOU Strategy 2 year plan is in place. <b>Complete</b></p> <p>Business plan has been written and approved for EMSOT. <b>Complete</b></p>	
4.2	<p>The Collaboration Units should ensure that there is an agreed business planning process that is scheduled annually.</p> <p>The planning process should include:</p> <ul style="list-style-type: none"> <li>• Coverage of both the current year but also includes future year considerations.</li> <li>• The assessment of resources to achieve the stated objectives / priorities.</li> </ul>	2	<p>Regional Collaboration Manager April 2019</p>	<p>As with 4.3 this will need to be a Force lead process and as such discussions are taking place regarding the allocated lead to ensure this person can progress that action.</p>	
4.3	<p>The Forces should consider if a template/format for collaboration business plans should be established.</p>	3	<p>Regional Collaboration Manager</p>	<p>Elaine Grocock requested the existing business plans from collaboration units with a view of considering the current</p>	

	Recommendation	Priority	Timescale/ responsibility	Update	Status
			April 2019	<p>position prior to considering a template and awaits these being provided. It will be a Forces decision on whether a template/format should be established and discussions are currently taking place on where this decision and consideration should be tabled.</p> <p>Feb 2020 - While this action was originally allocated to the Regional Collaboration Manager to co-ordinate the consideration to implement a template/format for collaboration business plan needs to be a force based one. A request has been made for this audit agenda item to be tabled at the DCC board for discussion for a way forward. I is due to be discussed at the March board and a renewed target date for 4.2/4.3 to be discussed then.</p>	

# **Internal Audit of NCFRA**

## **2020/21 Audit Plan**



LGSS Internal Audit  
March 2020

## 1. STATUTORY BACKGROUND

1.1. The Accounts and Audit Regulations (2015) sets out that:

*A relevant authority must ensure that it has a sound system of internal control which—*

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*
- (b) ensures that the financial and operational management of the authority is effective; and*
- (c) includes effective arrangements for the management of risk.*

And 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.*

*A relevant authority must, each financial year—*

- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and*
- (b) prepare an annual governance statement*

1.2. LGSS is a Local Authority Shared Service organisation with joint 'ownership' by Northamptonshire County Council, Cambridgeshire County Council and Milton Keynes Council managing services via delegated budgets. LGSS provides Internal Audit services to the above 3 Councils and a variety of customers. Delegated budgets remain subject to the legal provisions applicable to all its sovereign / owning Councils i.e. subject to the Accounts and Audit Regulations.

1.3. The Public Sector Internal Audit Standards (PSIAS) issued in April 2016 defines the service and professional standards for public sector internal audit services. These include the need for risk-based audit plans to be developed and to receive input from management and the 'Board'.

1.4. Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) is considered a 'relevant authority' under the above provisions. The PSIAS terms 'Board' and 'senior management' are highlighted within PSIAS as needing 'to be interpreted in the context of governance arrangements within each public sector organisation'. In the context of NCFRA:

- The term the 'Board' refers to NCFRA Commissioner and as defined within its terms of reference the Accountability Board
- The term 'Senior Management' refers to the Chief Fire Officer (acting as NCFRA Chief Executive) and other senior officers consistent with the relevant scheme of delegation.

1.5. Key, specific PSIAS provisions include:

PSIAS : 2010 - *“The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.”*

PSIAS : 2450 – *“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”*

1.6. The LGSS Chief Internal Auditor performs the role of the Chief Audit Executive and he/she ensures that internal audit resources are appropriate, sufficient and effectively deployed to achieve the Internal Audit Plan.

1.7. The Audit Plan must also consider the relevant NCFRA Risk Register which is under development as at December 2018. The proposed plan will therefore require review once the Risk Register has been adopted by the relevant NCFRA Board. This is likely to require change to the plan, rather than any increase or decrease in plan days, unless the Risk Register identifies significant non-financial risks.

1.8. The Control Assessment methodology used to form the required Audit Opinion is set out in full at Annex A. In summary it has three key elements:

- 1) Assess and test the CONTROL ENVIRONMENT,
- 2) Test COMPLIANCE with those control systems, and
- 3) Assess the ORGANISATIONAL IMPACT of the area being audited.

1.9. In simple terms, to achieve the above every audit:

- 1) Identifies / documents the agreed objectives of the audited system / service purpose
- 2) Evaluates the control systems / governance arrangements to ensure they:
  - a. align to the delivery of the service purpose
  - b. measure performance effectively
  - c. mitigate the threats to achieving the service purpose
- 3) Tests the adequacy of operation of controls to achieve the agreed objectives / service purpose.

1.10. Audit Reports will be sent to:

- The relevant senior officer responsible for the area audited
- The NCFRA 151 Officer
- The Chief Fire Officer (or their designated deputy)

- 1.11. Reports concluding less than Satisfactory Opinion will also be sent to the Chair of the Audit Committee and at their request those reports shall be considered, in full, by the Joint Internal Audit Committee.
- 1.12. Operationally the Chief Internal Auditor shall report to the 151 Officer. Consistent with PSIAS, the Chief Internal Auditor shall have direct reporting access to the Chief Fire Officer, the Chair of Audit Committee and the Commissioner.
- 1.13. Periodic (usually Quarterly, but aligned to the Audit Committee meeting schedule) summary reports will be issued to the NCFRA Audit Committee.
- 1.14. An Annual Audit Opinion is provided following year end and aligned to the drafting of the Annual Governance Statement.

## **2. THE 2019/20 PLAN**

- 2.1. The formation of NCFRA as at 1<sup>st</sup> January 2019 led to an approved audit plan for the 15 month period 1/1/19 to 31/3/20. The development of the 2020/21 plan remains consistent with a risk profile of a newly formed legal entity within its 1<sup>st</sup> few years of operation.
- 2.2. The 2020/21 plan therefore reflects the evolving governance of NCFRA including:
  - 2.2.1. Findings from key audits
  - 2.2.2. Those emerging risks being identified from the Risk Management processes as the organisation evolves, improves and understands its challenges fully
  - 2.2.3. Feedback from key stakeholders including Chair of JIAC, Commissioner

## **3. PROPOSED 2020/21 PLAN**

- 3.1. The Internal Audit Plan must be sufficiently flexible to enable assurance over current risk areas, as well as emerging risks, and those risks which are yet to be identified. The plan set out below:
  - Identifies the Known Knowns to be audited eg Governance & Financial Systems
  - Takes account of the Known Unknowns ie those new or emerging issues within a new organization eg Agresso implementation
  - Can be flexible for the Unknown Unknowns that may arise during the year eg new partners, contracts etc.
- 3.2. The Audit Plan is designed to be flexible if new risks emerge or existing risks significantly reduce. Progress against the plan will be monitored throughout the year and key issues will be reported to NCFRA Management Board and the NCFRA Audit Committee on a quarterly basis. The Plan targets only those key financial and governance aspects that support the Annual Audit Opinion. Whilst there is a limited ability to replace those

audits listed within the draft plan, it can always be discussed in relation to any emerging risks.

3.3. Where NCFRA identify additional work during the year:

3.3.1. IA and NCFRA will identify whether any original planned work can be substituted, and/or

3.3.2. Additional work undertaken at the agreed daily rate.

3.4. In summary the 20/21 draft plan estimates a total of 104 days in comparison to the initial estimates (as at Dec 2018) of 80-100 days for a 'standard' year's coverage.

*Although this will need to be part of the financial settlement between LGSS and NCFRA it is estimated that the 104 days can be provided at no extra cost to NCFRA. However additional work could only be accommodated at additional cost at the agreed daily rate (where it can be met from other LGSS shared services) or actual cost where external resources must be used (eg technical / expert advice) with a relative daily charge to reflect IA managerial oversight.*

3.5. NCFRA pay an Annual fee of £35,000 for the completion of the internal audit plan. The daily rate (eg for other unplanned work if needed) is therefore £337.

3.6. The table below provides a summary of the proposed IA Annual Plan.

Annual Audit Plan 1 <sup>st</sup> Apr 20 to 31 <sup>st</sup> Mar 21		
Audit Area	Days	Timing
Strategic <ul style="list-style-type: none"> <li>• Corp Governance Framework inc Commissioner, CFO, Accountability Board, Fire Executive Board roles, decisions and oversight.</li> <li>• Key Policies and Procedures – review and compliance</li> <li>• Target Operating Model – Overarching review (see also Operational)</li> </ul>	25	Q3/Q4  Q1/Q4  Q4
Operational <ul style="list-style-type: none"> <li>• Target Operating Model - specific end to end analysis of:               <ul style="list-style-type: none"> <li>- Management of Competencies Q2/3</li> <li>- Mobilisation Policy and assurance around pump and resource availability</li> <li>- Workforce and Succession Planning (including duty planning, staff availability, talent management etc.)</li> <li>- Transformation / Improvement Plans</li> </ul> </li> </ul>	15	Q2

<ul style="list-style-type: none"> <li>- Recruitment and Succession Planning</li> </ul> <p>NB selection of specific workstreams will be informed by HMIRC outcomes @ March 2020 Eg if HMIRC report good assurance re: competencies IA will not test that in detail.</p> <ul style="list-style-type: none"> <li>• Asset Management</li> <li>• Grenfell Action Plan</li> </ul>		<p>Q2</p> <p>Q3</p>
<p>Key Financial Systems</p> <ul style="list-style-type: none"> <li>• Accounts Payable (creditors)</li> <li>• Accounts Receivable (inc Debt Recovery)</li> <li>• Payroll</li> <li>• MTFP / Budget Management</li> <li>• Financial Control Environment (G/L; Bank rec; TM)</li> </ul>	<p>5</p> <p>5</p> <p>10</p> <p>5</p> <p>5</p>	<p>Q4</p> <p>Q4</p> <p>Q4</p> <p>Q2/Q3</p>
<p>Risk Management</p> <p>Quarterly support to Risk Owners for the effective identification / assessment of risk, periodic review and action tracking.</p> <p>As part of the quarterly cycle of supporting risk reviews IA will test a small sample of risk data.</p>	10	All
ICT Systems Security	20	TBA
Audit management and reporting	4	All
<b>TOTAL DAYS</b>	<b>104</b>	

3.7. A more detailed outline of the audit areas and key issues is provided below.

#### Overall Scope

The migration into a separate legal entity creates a 'contingent' audit approach where systems to be audited cannot be considered stable or reliable until sufficient testing has been evidenced. This plan applies to only the 2<sup>nd</sup> years operation for NCFRA as a separate legal entity.

Governance and risks cannot be considered 'mature systems' and future work and audit plans will need to have due regard to test findings from the first 1-2 years audit period.

- Strategic  
NCFRA as a separate legal entity should maintain strategic governance arrangements that clearly and formally record its organisational management, including. The Corporate Governance Framework should provide clearly defined roles and responsibilities.

The plan therefore aims to audit the strategic controls applicable including:

- Decisions and oversight of key roles including Commissioner, Chief Fire Officer, Accountability Board, Fire Executive Board etc
- A review to confirm key policies and procedures are maintained and compliance with those, and
- Assurance that NCFRA maintains effective monitoring of key performance, controls and target achievement.

It is proposed the review of systems, structures and policies etc will be undertaken in Q1 and testing of compliance to those in Q3/Q4

*The plan can be extended to aide NCFRA in the collation of its policies where there are known gaps etc.*

- Operational

This area of the plan, seeks to test and provide assurance for those key priority areas of operational performance / improvement. It is therefore linked to the HMIRC reports and assessments.

Audits will test those specific workstreams 'end to end' from the formal adoption of specific objectives / targets through to their achievement, verifying appropriate oversight / intervention ie timely and reliable assurance to senior management and the other executive NCFRA bodies eg JIAC and the Commissioner.

Specific workstreams will be agreed in the context of the HMIRC outcomes from their March inspection.

Additionally Asset Management and the Grenfell Action Plan are areas highlighted jointly by Internal Audit and NCFRA management as benefiting from specific audit review in 20/21. Specific timing will be agreed following the HMIRC inspection however it is anticipated these will be undertaken in Q2 for reporting in Q3, to provide opportunity for any necessary improvements in Q4.

*It may be possible to reduce this allocation IF the KPI data etc is easily verifiable, however a view has been taken that this may prove more problematic than a more mature organisation with embedded, long standing processes.*

- Key Financials

Creditors / Debtors / Payroll

*These are standard audits at minimal levels of testing.*

Medium Term financial planning (MTFP) / Budget Management

This is a key area of internal audit work designed to provide assurances regarding the operation of financial controls and financial management across NCFRA. It does reflect the findings from 2019/20 but testing levels remain high in the light that Risk Management assessments highlight budget pressures are now being fully

recognised. Testing will target that NCFRA spend priorities reflect those financial targets set within operational business as usual.

The audit is proposed to be undertaken in 2 parts

- Q2 testing its application in the 1<sup>st</sup> quarter of the 2020/21 financial period, to give confidence or provide highlighted improvements at an early stage to allow any necessary improvements
- Q3 testing of same (targeting a late Q3 / early Q4 report) to provide sufficient time for any corrective action before year end.

- Financial Controls Environment

This audit review will look at the key processes that contribute to the trial balance which is the basis for the financial statements. It will aim to give management assurance that the financial transactional environment is robust during the year.

This audit will undertake on a cyclical basis the following areas will be reviewed

- Reconciliation of key control accounts on the General ledger
- Bank Account reconciliation
- Treasury Management
- General ledger – coding and journal controls.

- Risk Management

10 days is provided as a baseline annual provision targeting:

- 1-2 days per quarter support and collation of risk data for a quarterly assurance to JIAC (in simple terms whilst the resource provides support to risk owners, its primary objective is an audit assurance to 151, JIAC etc)
- 2 days allowance for JIAC support eg report preparation, follow up of queries etc
- A sample of risk data to be tested as part of each quarters risk review

Given diary pressures it is possible that 19/20 risk days may not be used by 31/3.

NCFRA can exercise its discretion whether to:

- Allocated those to the 20/21 objectives (with a consequential cost reduction), or
- Provided to NCFRA in Q1 / Q2 20/21 at no extra cost.

- ICT Security

The 19/20 allocation for IT security and systems audits were an initial estimate. The NCFRA Service Improvement Plan and emerging risks re: IT capacity have influenced an increase in days (from 10 to 20) for 20/21 to provide a basis for additional focus on this area.

### Control Assessment Methodology

The required Audit Opinion for every audit is provided in 3 parts as below:

<b>Control Environment Assurance</b>	
<b>Level</b>	<b>Definitions</b>
<b>Substantial</b>	Minimal control weaknesses that present very low risk to the control environment
<b>Good</b>	Minor control weaknesses that present low risk to the control environment
<b>Satisfactory</b>	Control weaknesses that present a medium risk to the control environment
<b>Limited</b>	Significant weaknesses that present a high risk to the control environment
<b>No Assurance</b>	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment

<b>Compliance Assurance</b>	
<b>Level</b>	<b>Definitions</b>
<b>Substantial</b>	The control environment has substantially operated as intended although some minor errors have been detected.
<b>Good</b>	The control environment has largely operated as intended although errors have been detected
<b>Satisfactory</b>	The control environment has mainly operated as intended although errors have been detected.
<b>Limited</b>	The control environment has not operated as intended. significant errors have been detected.
<b>No Assurance</b>	The control environment has fundamentally broken down and is open to significant error or abuse.

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definitions</b>
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.



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

## Draft Internal Audit Plan 2020/21

March 2020

This report has been prepared on the basis of the limitations set out on page 11.

This report and the work connected therewith are subject to the Terms and Conditions of the Framework Agreement dated 21 April 2015 between The Police, Fire and Crime Commissioner for Northamptonshire and Mazars LLP and Order Form dated 12 May 2015, and subsequently extended on 6 November 2018, between Police, Fire and Crime Commissioner for Northamptonshire and Mazars LLP. This report is confidential and has been prepared for the sole use of Police, Fire and Crime Commissioner for Northamptonshire. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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## 1. Introduction

- 1.1 An annual proposed Internal Audit Operational Plan has been prepared on behalf of the Police, Fire and Crime Commissioner for Northamptonshire and Northamptonshire Police (the OPFCC and Force) for the period 1 April 2020 to 31 March 2021.
- 1.2 As part of fulfilling the Joint Independent Audit Committee's (JIAC) responsibilities, the JIAC require assurance that it is focusing its attention on the key risks to the OPFCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPFCC / Force Risk Register with the aim of identifying where the OPFCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.
- 1.3 **Appendix A** contains our proposed **Annual Audit Plan 2020 – 2021**.

## 2. The Scope and Purpose of Internal Audit

- 2.1 Internal Audit's primary role is to provide the organisation's management with independent assurance on the effectiveness of the internal control systems that contribute to the achievement of the organisation's business objectives. In so doing, this will support the OPFCC and Force in signing the Annual Governance Statement. It is also Internal Audit's role to provide the OPFCC and Force with assurance that they have in place effective processes for the management of risk.
- 2.2 In drawing up the internal audit work programme it should be noted that:
  - The OPFCC and Force are accountable for internal control. The OPFCC and Force are responsible for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and for reviewing its effectiveness;
  - The system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives;
  - The system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness; and
  - The system of internal control is based on an on-going risk management process designed to identify the principal risks to the achievement of the organisation's objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

### 2.3 As set out in the Audit Charter, Internal Audit fulfils its role by:

- Coordinating assurance activities with other assurance providers (such as the external auditors and HMICFRS) such that the assurance needs of the OPFCC and Force, regulators and other stakeholders are met in the most effective way.
- Evaluating and assessing the implications of new or changing systems, products, services, operations and control processes.
- Carrying out assurance and consulting activities across all aspects of the OPFCC and Force's business based on a risk-based plan agreed with the Joint Independent Audit Committee (JIAC).
- Providing the Police & Crime Commissioner and Chief Constable with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issuing periodic reports to the JIAC and Senior Management Team summarising results of assurance activities.
- Re-enforcing an anti-fraud, anti-bribery and anti-corruption culture within the OPFCC and Force to aid the prevention and detection of fraud.
- Assisting in the investigation of allegations of fraud, bribery and corruption within the OPFCC and Force and notifying management and the JIAC of the results.
- Assessing the adequacy of remedial action to address significant risk and control issues reported to the JIAC. Responsibility for remedial action in response to audit findings rests with line management.

## 3. Approach

- 3.1 As part of fulfilling the Joint Independent Audit Committee's (JIAC) responsibilities, the JIAC require assurance that it is focusing its attention on the key risks to the OPFCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPFCC / Force Risk Register with the aim of identifying where the OPFCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.

- 3.2 The Assurance Framework provides a top-down identification and analysis of the assurance needs of the JIAC, and aims to provide a co-ordinated view of the activity of the various assurance providers and therefore the right combination of direct, risk and independent assurance activities as shown below:



- 3.3 In drawing up the operational audit plan, the assurance review of the OPFCC / Force risk register identified where the OPFCC / Force obtained assurance it was managing its key risks, with the aim of aligning the Internal Audit plan with other sources of assurance. Audit were supported by management in conducting this review. The review was carried out through discussions with appropriate staff and review of documents to confirm the adequacy of the assurance processes in place. In particular, the review consisted of:

- Reviewing the key strategic risks (OPFCC and Force) that the JIAC require assurance on.
- Using the 'three lines of defence' model referred to above, considering the key sources of assurance that the risks are being effectively managed.
- Identifying and agreeing gaps in assurance.
- Agreeing whether the gaps should be addressed and, if so, whether Internal Audit were the appropriate source of that assurance.

In determining Internal Audit's current and future role in the 'assurance landscape', it should be noted that Internal Audit has a wider remit than purely focusing on just those risks set out in the OPFCC / Force Strategic Risk Register, and is required to provide assurance on the systems of internal control, risk management and governance arrangements. For this reason, we also considered other key areas of assurance, including those relating to Finance, Governance, Procurement, Information Technology and Risk Management.

- 3.4 Through a focused approach to assurance, the internal audit service can be utilised to provide the right level of assurance, it can avoid unnecessary use of its finite resources and it can support the OPFCC and Force in maintaining an effective Assurance Framework. Internal Audit, through its support for the Assurance Framework, should:
- support the OPFCC and Force in managing its risks through the establishment (and, more importantly, the maintenance) of an Assurance Framework that is fit for purpose;
  - look to other sources of assurance and assurance providers, including third party assurance, to supplement the resources of the internal audit team;
  - work alongside other assurance providers, such as External Audit, to more effectively provide assurance and avoid duplication; and
  - through risk-based auditing, focus internal audit resource on what is really important to each organisation.
- 3.5 Further to the above risk identification process, it should also be remembered that Northamptonshire form part of the wider East Midlands Policing Region and, as such, collaborate on a wide variety of services. The aim will therefore be to, wherever possible, align the audit plans across the region in order to secure efficiencies through collaborative auditing.

## 4 External Audit Consultation

- 4.1 We liaise closely with your external auditors in preparing, and then delivering, a co-ordinated approach to the provision of assurance.
- 4.2 We speak regularly with the External Auditors to consult on audit plans; discuss matters of mutual interest; discuss common understanding of audit techniques; methods and terminology; and to seek opportunities for co-operation in the conduct of audit work. In particular, we will offer the External Auditors the opportunity to rely on our work where appropriate, provided this does not prejudice our independence.
- 4.3 Internal audit forms a significant part of the organisation's governance arrangements and it is therefore also important that Internal and External Audit have an effective working relationship. To facilitate this relationship we included in the Audit Charter liaison arrangement with the external auditors under the Public Internal Audit Standards. The key principles behind this agreement are:
- a willingness and commitment to working together;
  - clear and open lines of communication; and
  - avoidance of duplication of work where possible.

## Appendix A – Annual Audit Plan 2020-21

AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JIAC <sup>2</sup>	PLAN DAYS	Commentary on Coverage
<b>Core Assurance</b>				
Core Financial Systems Assurance: <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Payroll</li> <li>• Cash &amp; Bank</li> <li>• Payments &amp; Creditors</li> <li>• Income &amp; Debtors</li> </ul>	Q3	Mar 2021	25	<p>To provide assurance with regards the adequacy and effectiveness of the systems of internal control in operation to manage the core financial systems. The scope of the work will include, but not be limited to:</p> <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Access controls</li> <li>• Amendments to standing data</li> <li>• Reconciliations</li> <li>• Authorisation routines</li> <li>• Reporting</li> </ul> <p>Similar to in previous years, the audit will include operations within the Multi-Force Shared Service (MFSS), although audit will agree with management a more targeted scope in light of any changes.</p>
Governance	Q2	Oct 2020	10	<p>The audit was due to take place in 2019/20 but has been deferred into 2020/21. To provide assurance that the Force and OPFCC have effective arrangements in place to support compliance with the Code of Corporate Governance. In particular, it will review the process for compiling the Annual Governance Statement, providing a challenge with regards the evidence collected to support the declaration.</p>

AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JIAC <sup>2</sup>	PLAN DAYS	Commentary on Coverage
<b>Strategic &amp; Operational Risk Assurance</b>				
Health & Safety	Q3	Dec 2020	10	The audit was due to take place in 2019/20 but has been deferred into 2020/21. It will provide assurance that the Force has effective processes in place in respect of health and safety and these are being consistently applied.
IT	Q3	Dec 2020	10	The scope of the audit will be agreed with management but the audit will review the controls and processes in place in respect of key IT risks, the work will be completed by IT audit specialists.
Performance Management	Q2	Oct 2020	10	The audit will review the controls and processes in place in respect of how the Force manages its performance, including establishing performance targets, managing performance and reporting.
Workforce Planning	Q4	July 2021	10	To provide assurance that key controls in place with regards Workforce Planning are in place and are operating as intended. The scope will be agreed with management but will include, but not be limited to, how Performance Development Reviews and Training are considered.
Fleet Management	Q1	July 2020	10	To provide assurance with regards the systems and controls in place for managing the Force fleet of vehicles.
Follow Up Audits	TBC	TBC	13	Time has been allocated for audit to carry out any follow up audits required where limited assurance has been provided and/or management feel further assurance is needed.

AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JIAC <sup>2</sup>	PLAN DAYS	Commentary on Coverage
<b>Collaboration</b>				
Collaboration	Q2 & Q3	Mar 2021	10	Resources have been allocated across each OPFCC / Force in order to provide assurance with regards the systems and controls in place to deliver specific elements of regional collaboration. The intention would be to carry out audit reviews across the region.  Consideration will be given to assessing whether the area of collaboration is delivering against its original objectives and what arrangements are in place, from an OPFCC / Force perspective, for monitoring and managing the service.

AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JIAC <sup>2</sup>	PLAN DAYS	Commentary on Coverage
<b>Other</b>				
Audit Management	Ongoing	n/a	14	This includes audit planning, production of progress and annual reports, and attendance at progress and JIAC meetings.
Contingency		n/a	8	To allow for additional / unforeseen audits to be carried out in agreement with the JIAC and management.
<b>TOTAL</b>			<b>140</b>	

<sup>1</sup> Proposed timings for each audit to be agreed, with any changes reported to the JIAC.<sup>2</sup> Dates for delivery to the JIAC are estimates at this stage and will be updated when future meeting dates are known and when precise fieldwork dates have been agreed.

## Appendix B – Levels of Assurance & Opinions

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance:</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## Appendix C – Contact Details

### Contact Details

David Hoose	07552 007708 <a href="mailto:David.Hoose@mazars.co.uk">David.Hoose@mazars.co.uk</a>
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## Statement of Responsibility

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

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

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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**AGENDA ITEM: 9a**

**NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,  
NORTHAMPTONSHIRE POLICE and  
NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**11<sup>th</sup> March 2020**

<b>REPORT BY</b>	T / Area Manager Barry Mullan
<b>SUBJECT</b>	NFRS Assurance & Performance Framework.
<b>RECOMMENDATION</b>	Committee to note report

**1 Purpose of report**

1.1 To provide the Joint Independent Audit Committee with an overview of the Services new Assurance and Performance framework.

**2 Relevant Fire Plan/ IRMP strategic objective/ priority**

2.1 This report contributes to the IRMP objectives of:

- Keeping our communities safe and well
- Keeping our staff safe and well
- Making the best use of resources

**3 Background**

3.1 Following the transition over to the PFCC, the Service produced a new Assurance and Performance framework. This was necessary due to stated legacy obligations to Northants County Council, and also to recognise the new obligations under the PFCC and its governance framework.

3.2 The combined Assurance and Performance framework was published in December 2019.

3.3 Significant changes in the new arrangements include the formation of a 'Departmental performance Board', a 'Service Assurance board' and the requirement for departments to compile a consolidated scorecard of assurance and performance activities specific to that function.

#### **4 Assurance and Performance Framework**

4.1 The new Assurance and Performance Framework A 30 (embedded. **See appendix A**) combines two previous separate assurance and performance frameworks into one streamlined document.

#### **5 Terms of reference. (TOR)**

5.1 The framework is supported by a combined set of terms of reference for the four principal meeting forums as identified within the framework (embedded. **See appendix B**).

5.1.1 These principal forums are :

- The Fire Executive Group ( FEG)
- Tactical Leadership Team (TLT)
- Departmental Performance Board (DPB)
- Service Assurance Board (SAB)

5.2 The TOR for these forums should be considered as one document and no changes should be made to any one forum without assessing the impact of the change on the remaining principal meeting forums. The combined TOR should be read in conjunction with the framework document.

#### **6 Dashboards.**

6.1 All departments contribute to departmental dashboards. The dashboards are a compilation of data (local scorecard metrics) and information drawn from different platforms and functions across the service.

6.2 There are generic items included on all dashboards, as well as specific department assurance and performance returns generated by each function as a part of their business as usual activities.

6.3 On a quarterly cycle, the business services team collate all of the information and prepare it for the Departmental Performance Board by putting the information into a PowerPoint document. The dashboards are stored on a public area on the service intranet, Fireplace.

6.4 The dashboards are arranged in a uniform structured format and collate the following data.

- Current red risks from department register
- Department scorecards (Department specific metrics)
- Service project updates
- Service Improvement Plan (list of current department plans).
- Quarterly progress against improvement actions (by exception)
- State of current department owned Policies
- Contract list (department led contracts)
- Areas for discussion

- 6.5 The resulting dashboard provides a comprehensive view of the spectrum of key activities and responsibilities that any one department conducts, or, is responsible for.
- 6.6 There are 12 departmental dashboards in place. An example dashboard is embedded below for the Training and Development department (**See appendix C**).

## **7 1-2-1 meetings.**

- 7.1 The framework employs a structured 1-2-1 process using a template. The template allows individual managers to conduct focussed 1-2-1 meetings with a standard agenda. It also prompts managers to consider, as a result of the 1-2-1 meeting, whether the content of the dashboard should be adjusted.
- 7.2 The framework makes it a requirement that FEG members and their department heads must use the 1-2-1 template. It is also recommended as best practice for all managers.

## **8 Next Steps.**

- 8.1 The Assurance and Performance Framework will continue to be developed with particular attention being paid to the locally produced departmental metrics.
- 8.2 This will allow for routine scrutiny as well as providing confidence to FEG that all key activities are being monitored and progressed.
- 8.3 The Assurance and Performance Framework is currently undergoing audit through the internal audit process and their report will ultimately be available to JIAC in due course.
- 8.4 The framework is scheduled to be reviewed in June 2020 (six months after initial publication) to assess its efficacy and value as a managerial tool. This will take the form of feedback from FEG and all department heads.

## **9 Proposal**

- 9.1 The proposal is for the Joint Internal Audit Committee to note the contents of this report

## **10 Alternative Options Considered.**

- 10.1 There are no alternative options to be considered.

## **11 Financial Implications**

- 11.1 There are no financial implications from this report.

**Appendix A – A 30 Assurance & Performance Framework.**

**Appendix B - Assurance & Performance Framework Terms of reference.**

**Appendix C - Department Dashboard. Example. Training & Development.**

**Appendix D – 1-2-1 Template.**



## NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

*Assurance and Performance Framework*

<b>SERVICE INFORMATION SYSTEM</b>	
<b>Title</b>	<b>Assurance and Performance Framework</b>
<b>Category</b>	<b>A – Administration and HR policies</b>
<b>Number</b>	<b>A30</b>
<b>Status</b>	<b>V1.0</b>
<b>Action</b>	<b>By all Northamptonshire Fire and Rescue Service (NFRS) personnel</b>
<b>Original author</b>	<b>Assurance Manager</b>
<b>Security classification</b>	<b>Official</b>
<b>Executive summary</b>	This policy provides guidance on the Assurance and Performance framework adopted by NFRS.

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<b>Drafted/published by</b>	<b>Barry Mullan</b>
<b>Job title</b>	<b>Assurance Manager</b>
<b>Date</b>	<b>December 2019</b>
<b>Review due</b>	<b>June 2020</b>

## 1. INTRODUCTION

Robust assurance and performance management is fundamental to secure continuous improvement and the delivery of legally compliant, high quality services.

### 1.1 Purpose of Assurance and Performance Framework

This policy applies across the Service including all procedures and processes. Assurance functions to provide the organisation with processes to confirm that the Service, and all of its component departments, is working as required within its statutory duties, legislative and governance obligations.

Performance functions not only manage and drive improvement in pursuit of economy, efficiency and effectiveness, but also to ensure that the interconnected assurance elements are included when assessing how the service is performing. It is evident that if the assurance issues for example financial reporting or business continuity planning are not properly managed, they can readily become performance issues.

It is the goal of the assurance and performance framework to establish the 'Golden Thread' between strategic objectives and the actual activities that staff are undertaking. It aims to do this by providing a cycle of inputs and outputs that makes clear what is required to convert strategies and obligations into action, can deliver and evaluate them and make corrective adjustments when needed.

It is key that both assurance and performance assessments are communicated to the correct forums and any gaps or improvement actions fed back into the Services planning process.

## 2. PLANNING CYCLE

The Services planning cycle is arranged in an annual cycle to coordinate with budgetary and reporting requirements. The annual cycle/calendar of planning is developed with the Fire Executive Group (FEG) and the Police, Fire and Crime Commissioner (PFCC).

## 3. KEY DOCUMENTS AND POLICIES

This policy applies across NFRS and allows the Service to manage its Assurance and Performance processes in line with a number of national documents, these include:

- [Fire and Rescue Services Act 2004](#)
- [Civil Contingencies Act 2004](#)
- [Regulatory Reform \(Fire Safety\) Order 2005](#)
- [Fire and Rescue National Framework Document 2018](#)
- [Health and Safety at Work Act 1974](#)
- [Equalities Act 2010](#)
- [Local Government Act 2003](#)

In addition to statutory duty and legal obligation, the Service has to ensure it is compliant with its own policies and procedures and the [Northamptonshire Commissioner Fire and Rescue Authority \(NCFRA\) Corporate Governance Framework](#).

This policy is integral to, and supports, the following Service documents.

- [NCFRA Corporate Governance Framework](#)
- [A32 – Risk Management](#)
- [A18 – Customer Interaction](#)
- [A34 – Continuous Professional Development \(CPD\) Payments](#)
- [A35 – Performance Appraisal and Development Programme \(PADP\)](#)
- [A39 – Data Quality](#)
- [B12 - Operational Learning and Debrief](#)

#### **4. RESPONSIBILITIES**

##### Chief Fire Officer (CFO)

The CFO has overall responsibility for delivery of the strategic and organisational plans, and for the quality of services provided to the community. The assurance and performance framework supports this, responsibility for which is delegated through the service structure as follows:

##### Assistant Chief Fire Officer (ACFO) Corporate Services

Has responsibility for the assurance and performance framework and ensuring that all departments and functions comply with the instructions contained within this policy. This includes adherence to all identified assurance, performance, planning, delivery, monitoring, auditing, and reviews of corporate information used in support of the Service Integrated Risk Management Plan (IRMP).

To ensure that all Improvement actions and projects have an identified lead officer.

##### Other FEG members

To provide support, guidance and direction for respective departmental leads. This includes approving of departmental activities/improvement actions. As part of FEG, ensuring that all risks, both departmental and strategic are identified, recorded, communicated and actioned.

##### Business Services

The Business Services team supports the ACFO Corporate Services in the design and delivery of the assurance and performance management processes and procedures detailed within this policy and to support the application of PFCC business planning requirements.

### Assurance Manager

Lead the Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection of Service Delivery.

Co-ordinate and plan the continual testing of department business continuity plans (BCPs).

Co-ordinate the planning, design and implementation of 13/16 mutual aid arrangements for the Service, ensuring the plans are reviewed as and when determined and in light of any wide scale changes.

Conduct and coordinate any themed assurance assessments which fall outside of the normal programme of assessments.

### Business Planning Manager (BPM)

Is responsible for the business planning production, monitoring reporting and support of all improvement actions in order to deliver the Service IRMP.

The BPM will manage the services risk registers. This includes the strategic risk register and subordinate area risk registers. These documents will be considered 'live throughout the year and will be subject to periodic quarterly review in a formal setting.

### Department managers

Have ownership and responsibility for the assurance and performance activities for their respective functions.

These activities may be comprised of Business as usual (BAU) activities, project, or improvement actions which contribute to the wider Service Improvement Plan. As such the detail will be held in different locations. Collectively these activities will be used to inform the contents of the departmental dashboard.

Comply with the assurance and performance requirements identified by ACFO Corporate services in this policy.

### Line managers

Line managers will ensure that they conduct PADPs in accordance with Service policy [A35 – Performance Appraisal and Development Programme](#). Hold regular one to one meetings with their staff to discuss objectives and review assurance and performance activities within the functions for which they are responsible.

### Individuals

Individuals are responsible for fulfilling their agreed objectives as set out in their PADP, and to contribute to department and service level objectives.

## Budget Managers

Budget managers are required to complete budget monitoring on a monthly basis; although a continuous approach towards budget monitoring should be adopted.

## 5. ASSURANCE AND PERFORMANCE OVERVIEW

The schematic providing an over view of the Assurance and Performance framework can be found on [Appendix A](#).

[Appendix A](#) also provides the overview of the Services business planning cycle and the processes that relate to performance management.

[Appendix B](#) provides further detail on the management of assurance and performance as it relates to the principal meeting forums that are in place.

### Terms of Reference (TOR)

The assurance and performance framework relies on the further detail contained in the TOR from a number of forums to be effective. The TOR for each forum will provide information as to their purpose and method of operation. These forums, each with distinct reporting requirements or expectations, are arranged as either, **internal** or **external** groups.

### Internal

Those governed within the authority and responsibility of the CFO.

- Fire Executive Group (FEG)
- Tactical Leadership Team (TLT)
- Departmental Performance Board (DPB)
- Service Assurance Board (SAB).

NOTE: The TOR for these internal forums form part of this assurance and performance framework and should be considered as one process. The TOR's for the internal forums listed above have been combined into one document to promote coordination.

The TOR for the Assurance and Performance Framework are available on [FirePlace](#).

The TOR should be read and understood in conjunction with this policy. The TOR will set out the methods and processes and reporting lines employed to ensure that all assurance and performance requirements are visible, complete and are applied effectively. If any changes are made to this policy or any one of the TOR for any one forum, it will be necessary to review the impact on the process as a whole to ensure that gaps in accountability do not form. The TOR for each forum should have a reference that direct it to this policy.

## External

Those that operate outside of the authority of the CFO:

- PFCC Accountability Board
- Joint Independent Audit Committee (JIAC)
- HMICFRS
- Miscellaneous audit and / or statutory reporting bodies.

The terms of reference or instruction from each external forum are subject to review and change independently. The current, relevant, document should be read and understood in addition this document.

## **6. SERVICE IMPROVEMENT PLAN (SIP)**

As described in the overview in [Appendix A](#), the IRMP process will generate the services strategic objectives. These objectives should be reflected in the activities that are being delivered through the Service Improvement Plan. .

There are three mechanisms by which all 'work' is completed in the delivery of the Service Improvement Plan. These three areas will be subject to assurance and performance management by the identified internal forums. They are:

### 1. BAU activities

BAU describes all normal day to day functions that the different functions/managers already complete and report on routinely. Adaptions and changes can be made to BAU activities by the relevant local manager with, if necessary, the approval of the department head.

### 2. Projects

Projects are managed through a board with a senior responsible officer using a standardised project management process. The services programme manager will support and provide assistance to project leads in relation to standardised templates and reporting requirements. ([Project Frameworks](#))

### 3. Improvement actions

Improvements are managed and administered by the BPM. These activities use the '[Plan, Do, Check, Act \(PDCA\) template](#)'. The template and [guidance on its use are available on Fireplace](#).

These will be used to plan, agree and control activities by the relevant FEG lead. The nominated lead for each improvement action will be required to keep the documentation current for each performance reporting cycle.

They will be reported on by the BPM to the Departmental Performance Board (quarterly), and also the Service Assurance Board. All improvement documents will be housed on FirePlace under the management of the BPM.

The identified FEG lead will be responsible for ensuring that the improvement action is formally authorised and reported on.

A feature common to all of these 'work' methods is that they should have a root in reducing risk. That incorporates community, corporate, area, department and personnel risks.

Risk registers form an important part of a well-functioning assurance and performance framework. Further detail on can be found in [A32 - Risk Management](#).

## 7. DASHBOARDS

All department heads will produce or contribute to dashboards that account for assurance activities as well as performance returns for their function across the three work activities.

- BAU
- Projects
- Improvement actions

The dashboard is a combination of centrally provided data (e.g. data provided by business services on KPIs and LPIs) as well as each functions local records that are utilised to demonstrate the assurance and performance status for that function.

All dashboards will be agreed by FEG as providing the necessary assurance and performance information at the departmental performance board. The content of the dashboard will be subject to routine revision based on the assurance and performance returns supplied.

The focus of the dashboard will be the delivery of the Service Improvement Plan (SIP) with a dual focus on performance and the associated assurance activities.

There will be a number of items that are generic and will be applied to each dashboard. These include.

Relevant department KPIs and LPIs	- Monitored by Lead or DPB.
Status of BCP	- In date. Communicated. Tested.
Status of policies assigned to post holder	- Number. In date.
Status of PADPs.	- Numbers completed.
Status of budget.	- Profiled. Reporting cycles met.
Status of any improvement actions.	- PDCA template.
Risk register entries.	- If required.

Other items held on the dashboard will be bespoke for that relevant function. These items will include the assurance and performance items that are individual to that department e.g. Fleet will have specific assurance (compliance) activities for vehicle management. These bespoke assurance and performance activities

will be agreed with the department head or at the quarterly Departmental Performance Board meeting.

It is NOT the intention of dashboards to have owners duplicate information or data held in other systems or management tools. The dashboard should be used by managers to account for, or sign post to, those work activities.

A measure of exactly what or how much should go into a dashboard would be to determine if the detail held would provide a new post holder with enough information to continue that function operating without missing out the known important assurance and performance arrangements in place.

## 8. ONE TO ONE MEETINGS (1-2-1)

In order to deliver the assurance and performance goals, managers are expected to hold regular 1-2-1 meetings with their staff. This is also a requirement of [Policy A35 – Performance Appraisal and Development Programme \(PADP\)](#).

All department heads, and their FEG leads, will complete the approved [1-2-1 template](#) as an integral part of the Assurance and Performance Framework.

This standard approach to 1-2-1 meetings will inform and assist in determining the contents in each departmental dashboard.

The 1-2-1 standardised template may be used by successive managers throughout the managerial chain to promote consistency and clarity of ownership.

## 9. REVIEW

This policy and the associated documents identified as forming part of the Assurance and Performance Framework will be reviewed in 6 months from the time of publishing.

## 10. DOCUMENT HISTORY

Impact assessments

An Equality Impact Assessment (EqIA) was completed on:

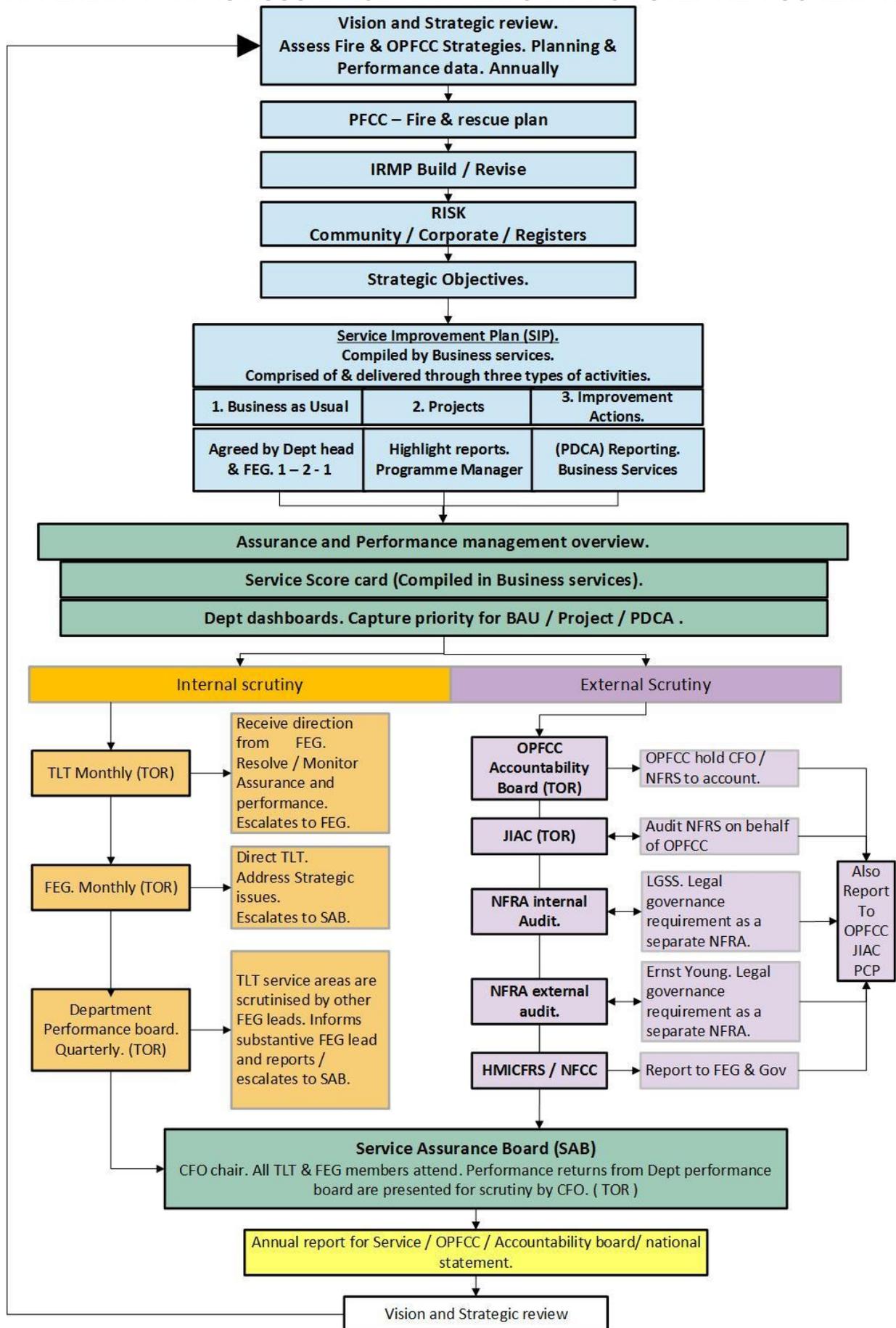
Equality Impact Assessment	TBC
22 November 2019	<a href="#">EqIA</a>

### Audit trail

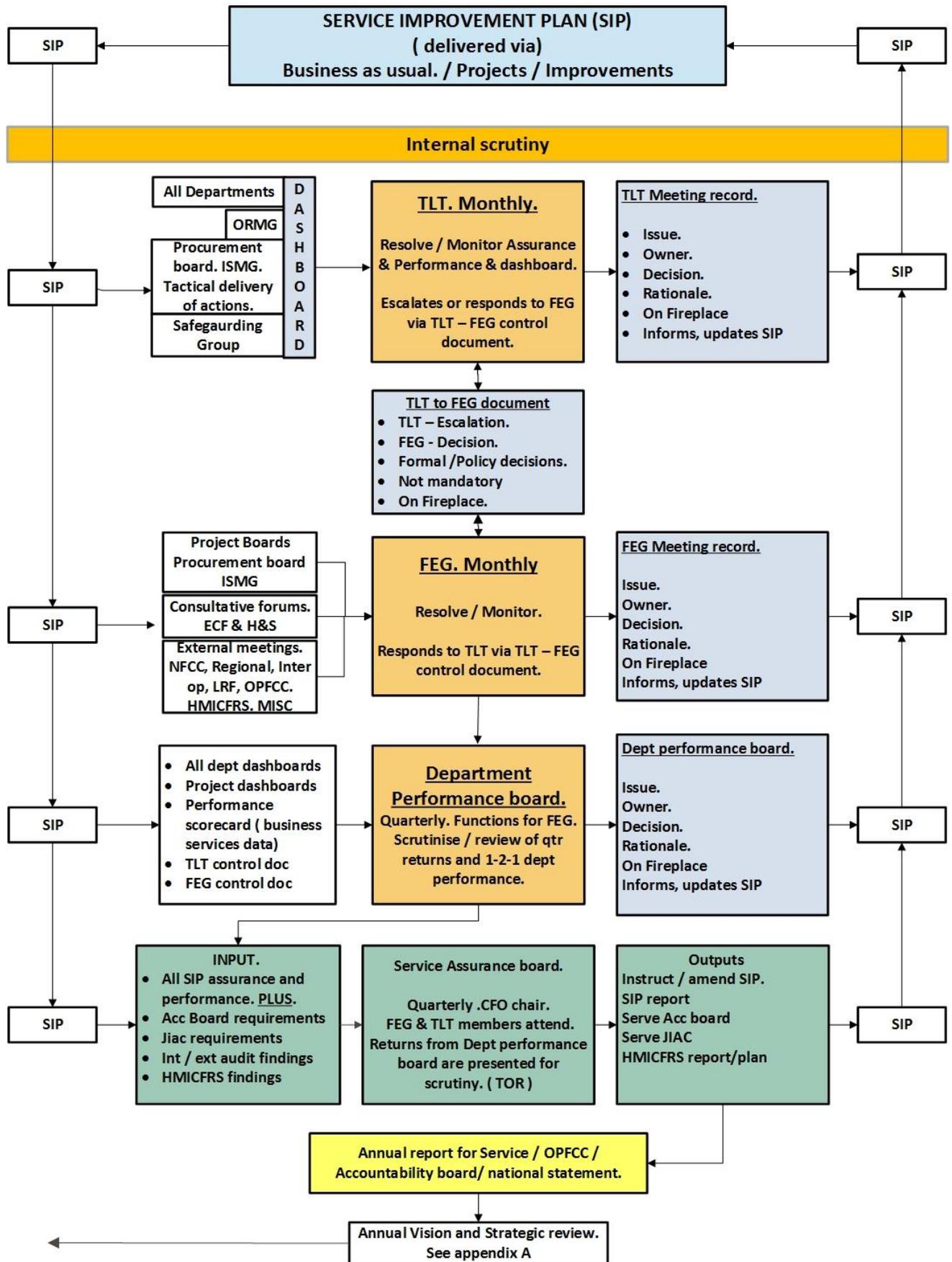
Listed below is a brief audit trail, detailing published versions of this policy:

<b>Document Control</b>			
<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Status</b>
0.1	05/07/2019	B Mullan	Initial draft
0.2	09/07/2019	SIT	Formatted for consultation
0.3	07/08/2019	B Mullan	Draft
0.4	19/08/2019	SIT	Further review
0.5	22/08/2019	SIT	Updated appendices
0.6	25/09/2019	B Mullan	Adjusted from initial consultation with TLT. Scorecards changed to dashboard. Schematics changed.
0.7	07/10/2019	SIT	Formatted for consultation
0.8	19/11/2019	B Mullan	Adjusted following 28 day consultation. Main changes. Removal of certain meeting recording arrangements (including draft minutes to be available immediately, updating of live documents.) which were considered difficult to achieve or potentially impractical. Updating of post holders titles. Change to the term 'Service Organisational plan, to Service Organisational plan.
1.0	16/12/2019	SIT	Updated formatting and published to FirePlace

**APPENDIX A – NFRS ASSURANCE AND PERFORMANCE OVERVIEW SCHEMATIC**



**APPENDIX B – INTERNAL SCRUTINY, REPORTING FORUMS, REPORTING ROUTES**



**TERMS OF REFERENCE (TOR) FOR EACH PRINCIPAL MEETING GROUP IDENTIFIED IN THE ASSURANCE AND PERFORMANCE FRAMEWORK**

This document sets out the terms of reference and general rules by which the principal meeting forums identified in the assurance and performance framework policy operate.

These forums are:

- **Tactical Leadership Team (TLT)** (Monthly)  
(Reports to)
- **Fire Executive Group (FEG)** (Monthly)  
(Extends FEG authority to)
- **Departmental Performance Board (DPB)** (Quarterly)
- **Service Assurance Board (SAB)** (Quarterly)

Each of these groups operates with specific terms of reference set out below, however they also operate collectively to manage the flow of activities and service delivery. If any one of the TOR is modified, it is necessary to consider whether it will impact on other meeting forums TOR.

The TOR for the Assurance and Performance framework should only be changed and approved by the ACFO Corporate Services who has responsibility for compliance with the framework.

There are also general rules which apply to all the meetings identified.

Each specific TOR should be read in conjunction with the schematics shown on appendices A and B of the Assurance and Performance Policy to ensure that escalation routes and mechanisms are understood.

**General rules for all meeting forums**

- The four meeting groups listed above should be coordinated to promote the flow of information through the service. These meetings will be scheduled via PA support or SIT as appropriate.
- The emphasis should be to drive decision making down to the lowest responsible owner so that it is progressed in the appropriate forum as opposed to escalating it.
- Meetings will be recorded and, after agreement with the chair, be published on FirePlace, ideally no later than 5 working days after the meeting. Chairs should ensure that draft meeting records are approved as quickly as possible to promote prompt publication.
- Meeting records should provide an accurate account of the meeting.



- For practical purposes, records may be comprised of more than one document e.g. minutes of discussions, with a separate action log, and should include.
  - The issue. Numbered (brief narrative/explanation /discussions)
  - The owner of any actions
  - A decision and if appropriate, a rationale for that decision.
  - Status (Open/closed/ pending/delegated to whom)
  - Target date for update or completion date.
- Attendance will be by appointment.
- Appointments will be sent by the PA support or SIT.
- If the appointee cannot attend, a delegate must be nominated, or apologies and relevant updates sent to the chair.
- A record is kept of attendance at meetings.
- Requests for attendance of visitors should be directed to the chair.
- Participants should arrive on time.
- The use of phones and laptops should be avoided so as not to be a distraction during meetings by conducting separate work.
- Confidential items will be recorded on pink papers and have a restricted audience.

### Ethos for all meetings

- The meeting records listed above may be made available for public scrutiny through publishing on the NFRS website. It will be necessary to obtain the approval of ACFO Corporate Services first.
- All meetings should encourage an environment of open and honest reporting, where emphasis is placed on continuous improvement.
- Confidentiality of information with regard to any discussion about individuals is vital.
- All meetings should promote the advantages of operating in a culture of diversity, thereby prompting equality of opportunity.
- All meetings and groups should operate in a manner conducive to the Service values



### Tactical Leadership Team (TLT) Terms of Reference.

#### 1. Roles and responsibilities of the group

- To manage the operation of the Service with consideration to local, regional and national agendas and ensure that, through the Service planning process they remain aligned to the delivery of the Service Improvement Plan (SIP) and the Fire and Rescue Service priorities.
- To support the delivery of departmental objectives, activities, roles and responsibilities.
- Manage the implementation of decisions made by FEG, DPB or the SAB.
- Supporting, influencing and challenging fellow managers in their delivery of actions.
- To challenge organisational assurance and performance issues and determine corrective actions as appropriate.
- To recognise and identify persons for staff appreciation.
- To gain support and advice from other TLT members on specific issues that would benefit from collective interdepartmental discussions (shared awareness of risks and issues).
- To identify any gaps in policy that may exist and take appropriate action.
- To escalate policy issues/decisions to FEG where appropriate.
- To review the dashboard of Service projects and take appropriate decisions/actions to ensure delivery.
- To review the framework of departmental assurance and performance indicators and take appropriate decisions/actions to ensure sustained compliance or approval.
- To oversee the application of the policy management framework.
- To provide communication to staff and ask for their views on issues covered at TLT. To approve post-consultation draft policy documents for publication, subject to being satisfied that all parts of the FB160 have been fully considered, including completion of the Equality Impact Assessment.

*NOTE: As detailed in [policy A1 - Service Information System \(SIS\) Document Framework](#), the TLT must read all documents prior to the presentation at scheduled TLT meetings or they may decide to set up an Approvals Committee to deal with the approval of a large number of documents or complex documents.*

#### 2. Composition of the Group

**Chair:** will be a nominated FEG member supported by a Vice Chair who will be a nominated member from the TLT standing attendees. This will be refreshed on a six-monthly basis, with a new Chair and Vice Chair being nominated.

#### **Other Standing Attendees**

- Fire Protection Manager
- Prevention, Safeguarding and Partnerships Manager
- CRG Group Managers (at least one CRG Manager should attend)
- Fleet Manager



- Facilities Manager
- Health and Safety Adviser
- Information and Communications Systems Manager
- Operations Manager
- Senior HR Adviser
- Programme Manager
- Service Information Manager
- Training and Development Manager
- Assurance Manager
- Other persons, by invite, required to support TLT

### 3. Operation of the Group

#### Meetings

- Monthly, administered by SIT.
- Formal agenda agreed by the chair, one week in advance of the meeting.

#### Communication

- TLT escalates to FEG.
- TLT will have a formal direct link with FEG by way of a TLT to FEG control document. This can be used by the chair to formally record that any policy issue has been escalated from TLT to FEG. It is not intended for use in all circumstances.
- Items formally escalated by TLT to FEG, should be responded to via the control document by FEG in a timely manner and vice versa.
- Other functions and groups will normally escalate tactical issues to TLT for resolution/delivery, when those issues are not being addressed effectively within that function or group e.g. ORMG actions, debrief system actions etc.

#### Record of meeting and actions

- Meeting records will be held on Fireplace.
- This record will include:
  - The issue. Numbered (brief narrative/explanation /discussions)
  - The owner of any actions
  - A decision and if appropriate, a rationale for that decision.
  - Status (Open/closed/ pending/delegated to whom)
  - Target date for update or completion date.

**Fire Executive Group (FEG) – TERMS OF REFERENCE****1. Roles and responsibilities of the Group**

- To drive the Service's strategic direction with consideration to local, regional and national agendas and ensure that the IRMP, the Fire and Rescue Plan, and the derived, Service Improvement Plan remains aligned to them.
- To ensure areas of joint working are exploited to deliver "A Safer Northamptonshire".
- To develop the Service's responses to the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) initiatives.
- FEG reports to the PFCC through the Accountability Board.
- To agree and set the objectives for the Service assurance and performance framework.
- To ensure shared awareness of relationships with key stakeholders and groups within and external to the authority.
- To ensure there are robust public and staff satisfaction consultation / feedback arrangements.
- To oversee the securing of dedicated resources including people, time and money – and monitoring of such resources to include the oversight of revenue and capital budgets.
- To track progress towards meeting outcomes by regular review of action plans and programs, as informed by the SAB or the DPB.
- To monitor strategic risks and agree mitigating actions and ownership.
- To provide an open forum for the passing of information and views both from and to the group.
- To ensure key issues, information and / or decisions are cascaded through the Service.

**2. Composition of the Group**

**Chair:** Chief Fire Officer (CFO)

**Other Standing Attendees**

- Assistant Chief Fire Officer (ACFO) Corporate Services
- ACFO Community Risk
- ACO Enabling Services (Police and Fire)
- Area Manager (AM) – Organisational Development
- AM – Service Delivery
- AM - Operations
- Fire Protection Manager
- Prevention, Safeguarding and Partnerships Manager.
- OPFCC Director of Delivery
- OPFCC Section 151 Officer
- Senior HR Advisor
- Other persons, by invite, required to support FEG



### 3. Operation of the Group

#### Meetings

- Held once a month, administered by PA support.
- Formal agenda agreed by the chair, one week in advance of the meeting.
- The meetings will be conducted around the following purposes:-
  - To consider decision papers.
  - To respond promptly to matters escalated from TLT.
  - To review the progress of actions to date.
  - To review progress with budgets – capturing costs and benefits.
  - To review performance of the Service and address any areas of concern
  - To consider and discuss strategic issues that impact or have the potential to impact the service.
  - To consider any legislative changes, bulletins, alerts etc. and to assign ownership for implementation.
  - To agree any new actions arising.
- Each member will have been sent papers electronically at least 5 working days in advance for advised attendees.
- Invitations will be agreed, where possible at the preceding meeting.
- Confidential items will be recorded on 'pink papers' and are restricted.

#### Communication

- FEG will have a formal direct link with TLT by way of a TLT to FEG control document. This can be used by the TLT chair to formally record that any policy issue has been escalated from TLT to FEG. It is not intended for use in all circumstances. Items formally escalated by TLT should be responded to via the control document.
- FEG exercises authority to, and relies on, the DPB and the SAB for delivery of the assurance and performance framework.
- FEG escalates to the PFCC Accountability Board.

#### Record of meeting and actions

- Meeting records will be held on FirePlace.
- This record will include:
  - The issue. Numbered (brief narrative/explanation /discussions)
  - The owner of any actions
  - A decision and if appropriate, a rationale for that decision.
  - Status (Open/closed/ pending/delegated to whom)
  - Target date for update or completion date.
  - Any actions will be carried forward until delegated or complete



### DEPARTMENTAL PERFORMANCE BOARD (DPB) - TERMS OF REFERENCE

#### 1. Roles and responsibilities of the Group

The Departmental Performance Board (DPB) is a function of FEG. Its role is to develop, set, approve and amend all indicators and dashboard content for each of the three categories of activities by which work is completed in the Service. The dashboards will reflect the priorities (both assurance and performance) for each department.

The Service Improvement Plan is comprised of three grouped activities:

- Business as usual
- Projects
- Improvement actions (PDCA template)
- To review the departmental performance of business as usual activities projects and improvement actions.
- To scrutinise departmental/area returns.
- To identify blockers and potential solutions.
- To support managers in the identification of remedial actions.
- To drive ownership of the agreed indicators to key post holders and, into the relevant management forum.
- To approve realignment of priorities and actions where required.
- To review, update and align actions and priorities within the Strategic and Area risk registers.
- To identify relevant staff attendance at the meeting to question and resolve any assurance and performance issues.
- To reduce the opportunity and impact of 'silo based' working, across functions, by confirming where interdepartmental issues are impeding delivery of the Service Improvement Plan.

#### 2. Composition of the Group

**Chair:** A nominated Principal Officer.

**Secretary:** Business Planning Manager (BPM)

#### **Standing Attendees:**

This will usually be the same person that represents the department / function in TLT:

- Fire Protection Manager
- Prevention Safeguarding and Partnerships Manager
- Community Risk Group (CRG at least one CRG GM should attend).
- Fleet Manager
- Facilities Manager
- Health and Safety Adviser
- Information and Communications Systems Manager
- Operations Manager
- Senior HR Adviser
- Programme Manager
- Service Information Manager



- Training and Development Manager
- Assurance Manager
- Other persons, by invite, required to support the DPB

### 3. Operation of the Group

#### Meetings

- Quarterly, administered through the Business planning manager.
- Operate the meeting through a set agenda agreed by the chair.
- The Chair should have access to the TLT and FEG meeting records to prevent duplication or conflict with decisions that have already been made.
- Attendees will be agreed by FEG and appointments sent by the Business planning manager.
- The FEG chair should ideally **not** have immediate responsibility for the function being reviewed. It is acknowledged that may not always be possible or appropriate.
- Each department lead/representative will attend separately unless it is determined that there is an interdepartmental issue to be addressed.
- The lead should bring their agreed dashboard and have access to any agreed relevant assurance and performance data that the function relies on.
- Each performance board should take no longer than two hours as a guide.

#### Communication

- The Department Performance Board operates as a function of FEG
- The board may direct their decisions/actions to any relevant forum, function or person, other than the Service Assurance Board.

#### Record of meeting and actions

- Meeting records will be held on Fireplace.
- This record will include:
  - The issue. Numbered (brief narrative/explanation /discussions)
  - The owner of any actions
  - A decision and if appropriate, a rationale for that decision.
  - Status (Open/closed/ pending/delegated to whom)
  - Target date for update or completion date.
  - Any actions will be carried forward until delegated or complete

### **SERVICE ASSURANCE BOARD (SAB) - TERMS OF REFERENCE**

#### 1. Roles and Responsibilities

The SAB is a function of the FEG.

Its role is to provide the CFO with the top level over view of the assurance and performance framework and all its subordinate components as detailed in the assurance and performance framework policy.

- To monitor, review and challenge performance against our vision, purpose, strategic objectives and priorities identified within the IRMP, and delivered through the Service Improvement Plan.



- To review and challenge areas of underperformance identified within the DPB.
- To identify any areas of assurance or performance that need to be addressed in TLT, FEG, or the DPB, if a resolution is not apparent.
- To provide communication to staff, where appropriate, on current performance or to highlight areas of good performance.
- To validate and confirm information that is to be provided to the PFCC forums, specifically;
  - The Accountability Board,
  - The Joint Independent Audit Committee (JIAC)

To review the adequacy or effectiveness of:

- Delivery of services as set out in the Service Improvement Plan
- Identification, assessment and management of corporate and operational risk.
- Compliance with regulatory and statutory requirements
- Management of and response to internal and external audits or inspections.
- Business continuity arrangements.
- Issues highlighted from the Service Risk Register.
- Health and Safety issues.

### 2. Composition of the Group

**Chair:** CFO

**Standing Attendees:**

- FEG members
- TLT members
- Assurance Manager
- Business Planning Manager
- Programme Manager
- IRMP Manager
- Other persons, by invite, required to support the SAB

### 3. Operation of the Group

**Meetings**

Quarterly, administered by PA support.

**Communication**

The SAB is a function of FEG. As such the board may direct their decisions / actions to any relevant forum, function or person that operates within the assurance and performance framework.

### 4. Input/Information required may include:

- Assurance and performance dashboards from all functions, supported by performance data provided by Business Services.
- Reporting on the status of improvement actions



- Reporting on status of projects, ongoing and proposed.
- Risk register updates and status.
- Reporting on progress against service responses to HMICFRS inspection.
- Reporting on progress against management responses/plans to audit recommendations highlighting any exceptions or areas of concern. These audits include, internal/external audits as part of PFCC and the JIAC.
- Reports on any other regulatory compliance issues or concerns (i.e. Health and Safety, Information Security, Financial Management, Regulations, Code of Ethics, Complaints etc.).
- Reports on any business continuity issues or concerns including the status of Business Continuity Plans highlighting any that are in exception.

### 5. Outcomes/products produced

- CFO assured that the arrangements in the Assurance and Performance Framework are operating effectively.
- Recommendations for additional actions where required.
- Summary reports on risk management, regulatory compliance, progress against audit Recommendations and progress against HMICFRS inspection.
- Providing reports to the PFCC Accountability Board, and the JIAC board in relation to 'areas for improvement' and recommendations.
- Formal sign-off of any completed HMICFRS inspection, areas for improvement and recommendations, audit actions and any corporate risks that are recommended for closure.
- Escalation of key issues and concerns to PFCC Accountability Board.

### 6. Record of meeting and actions

- Meeting records will be held on Fireplace.
- This record will include:
  - The issue. Numbered (brief narrative/explanation /discussions)
  - The owner of any actions
  - A decision and if appropriate, a rationale for that decision.
  - Status (Open/closed/ pending/delegated to whom)
  - Target date for update or completion date.
  - Any actions will be carried forward until delegated or complete



**Quarter 3**  
**Corporate Services – Training and**  
**Development**  
**Departmental Performance Board**  
**(October to December 2020)**

29<sup>th</sup> January 2020

# 234 Documents to have available during this board



- Strategic risk register
- Department risk register
- Service dashboard/scorecard
- Chair to have access to TLT and FEG meeting records
- Access to Improvement Plans for any update (within meeting)
  
- DPB Tor states
- Communications – The board may direct their decisions/actions to any relevant forum, function or person, other than SAB
- How will a redirection of action be carried out in practice?



- This report provides an overview of progress/performance for department within **Training and Development** as at the end of Quarter 3 2019/20
- The following elements are covered within this presentation:
  - Current red risks from department register
  - Department dashboards/scorecards
  - Service project updates (only possible if we have a project highlight report available. Governance of projects – who/where else reviewed?)
  - HMICFRS, IRMP, Fire & Rescue plan, Internal Audit SIP (list of department plans)
  - Quarterly progress against improvement actions (by exception)
  - State of current department owned Policies
  - Contract list (department led contracts)
  - Areas for discussion



# Training & Development Risk Register – Red risks

## Training & Development

22/01/2020 16:10:11

Risk	TD10 Time taken for Operational Staff to complete the operational elements of development programmes					Risk Owners	Mick Berry	Current Score	16	Last Review	
Likelihood	5							Target Score		Next Review	24/02/2020
	4				X			Previous Score			
	3							Triggers		Likelihood Factors (Vulnerability)	
	2							Staff not completing self study elements of firefighter and incident command development programmes		Potential Consequences	
	1							Time taken for On call staff to complete phase 1 course		Under establishment numbers of competent operational staff at all levels	
								Cancellation of phase 1 courses (basic skills and safe to command)		Impact to availability for Firecover & efficiency of service delivery	
	1	2	3	4	5	Consequence					

Controls	Adequacy	Critical Success
Initial Incident Command Course	Good	
Review of scorecard indicators for % personnel operationally competent	Good	
Support evenings for On Call staff phase 1 FF's	Good	
Support sessions for potential safe to command delegates	Good	

Action Plans	Responsibility	Target Date
TaD 03 Ensure the Service has in place transparent staff promotion and development processes which are clearly understood Due for overall completion by end of March 2020	Judith McQuaid	31/03/2020
TaD 06 Review current RDS training and development processes to support the RDS review in improving availability of crew Due for overall completion by end of Sept 2020	Mick Berry	30/09/2020
TaD07 Implement the succession and workforce planning framework	Paul Greenwood	31/03/2020
TaD10 Introduce and embed apprenticeship programmes into Service, including leadership programmes and any required speci To include introduction of Firefighter apprenticeship programmes	Judith McQuaid	31/12/2020



# Training & Development Risk Register – Red risks

## Training & Development

22/01/2020 16:12:00

Risk		TD17 Time taken for Operational personnel to complete their role development programme to be deemed competent in role.					Risk Owners		Current Score		Last Review	
Likelihood	5						Mick Berry; Judith McQuaid	16	Next Review	27/02/2020	Previous Score	
	4				X							
	3											
	2											
	1											
		Consequence					Triggers		Likelihood Factors (Vulnerability)		Potential Consequences	
							Staff not providing evidence of their competence within agreed timelines due to lack of, Effort, Planning Understanding of requirements Opportunity to undertake specific work or training Support from assessors or IQA's				Demotivation of staff Impact on service delivery due to staff being unable to undertake role competently Claims for back-pay due to unsupported development programmes Failure to gain external QA accreditation potentially resulting in costs to service due to the removal of development pay.	

Controls	Adequacy	Critical Success
Development QA manager support	Good	
IQA and Assessor standardisation	Good	
Line management support	Good	
Onefile	Good	
Providing oversight on progress	Good	
Progression scorecard results	Good	

Action Plans	Responsibility	Target Date
TaD03 Ensure the service has in place transparent staff promotion and development processes which are clearly understood	Judith McQuaid	31/03/2020
TaD07 Implement the succession and workforce planning framework	Paul Greenwood	31/03/2020
TaD10 Introduce and embed apprenticeship programmes into service, including leadership programmes and any required speci To include introduction of firefighter apprenticeship programmes, and leadership/mgt programmes linked to development programmes	Judith McQuaid	31/12/2020
TaD14 Business skills training for all managers	Judith McQuaid	30/06/2020
TsD08 Develop a comprehensive quality assurance process for all training and development arrangements Includes QA processes for development programmes	Mick Berry	31/03/2020

# 238 Training & Development Scorecard – Dec 19

## Assessment of competence scorecard:

(NOTE: Populates automatically - do not enter data on this overview worksheet, refer to coloured tabs below to enter data)

						KEY: > 90%	80%- 89%	<80%
<b>BA competences:</b>	Month ending:	scorecard owner	% of WDS that have completed in last TWO years	% of RDS that have completed in last TWO years	% ALL that have completed in last TWO years			
Hot wear		SM Lister	95	97	96			
BA S&R					96			
CFBT					95			
BA Emergency					90			
<b>RTC:</b>	Month ending:	scorecard owner	% of WDS that have completed in last TWO years	% of RDS that have completed in last TWO years	% ALL that have completed in last TWO years			
RTC Revalidation		SM Lister			82			
<b>Incident Command:</b>	Month ending:	scorecard owner	% of WDS that have completed in last TWO years	% of RDS that have completed in last TWO years	% ALL that have completed in last TWO years			
ICL1 Assessments (based upon 101 L1 commanders)		SM Welch			97			
ICL2 Assessments (Based upon 24 L2 response officers)					100			
ICL3 Assessments (Based upon 7 L3 response officers)					86			
ICL4 Assessments					80			
<b>Incident Command:</b>	Month ending:	% of COMANDERS that have completed in last TWO years	% of WDS that have completed in last TWO years	% of RDS that have completed in last TWO years	% ALL that have completed in last TWO years			
JESIP Packages (all perosnnel)		78			62			
<b>Hazmat</b>	Month ending:	scorecard owner	% of WDS that have completed in last year	% of RDS that have completed in last year	% ALL that have completed in last year			
CBRN IOR (all operational personnel)		WM Sale	98	79	90			
Specialist Operational Response (all WDS except 09)						95		
PRPS (all WDS except 09)						94		
HVP ( station 12 only)						93		

# Training & Development Scorecard – Dec 19

<b>IEC</b>	Month ending:	scorecard owner	% of <b>WDS</b> that have completed in last THREE years	% of <b>RDS</b> that have completed in last THREE years	% <b>ALL</b> that have completed in last <b>THREE</b> years
IEC qualification		SM Peden			89
IEC Annual update (defib)					89
Officer IEC					66
<b>Winching</b>	Month ending:	scorecard owner	% of <b>WDS</b> that have completed in last THREE years	% of <b>RDS</b> that have completed in last THREE years	% <b>ALL</b> that have completed in last <b>THREE</b> years
Winching qualification		SM Peden			77
<b>Driving</b>	Month ending:	scorecard owner	% of <b>WDS</b> that have completed in last THREE years	% of <b>RDS</b> that have completed in last THREE years	% <b>ALL</b> that have completed in last <b>THREE</b> years
ERDT Cat C (LGV EFAD)		SM Peden	tbc	tbc	87
ERDT Cat B (Emergency response light vehicles EVLD)					90
<b>Water rescue and awareness</b>	Month ending:	scorecard owner	% of <b>WDS</b> that have completed in last THREE years	% of <b>RDS</b> that have completed in last THREE years	% <b>ALL</b> that have completed in last <b>THREE</b> years
Water Awareness (all operational personnel)		SM Peden			95
Water First Responder (Corby)					77
SRT (Mereway & Wellingborough)					100
SRT Instructors					100
Boat Operators (SFRBO)					94
Water Incident Managers					100
<b>Safe Working at height</b>	Month ending:	scorecard owner	% of <b>WDS</b> that have completed in last THREE years	% of <b>RDS</b> that have completed in last THREE years	% <b>ALL</b> that have completed in last <b>THREE</b> years
SWaH Awareness (Officers)		SM Peden			10
SWaH Level 1 (RDS)					76
SWaH Level 2 (WDS)					94

# Project Overview Report – Dec 2019



## Progress

<p><b>Running</b></p>	<p>4</p>	<p><b>Project Milestones Jan 2020</b></p> <table border="1"> <caption>Project Milestones Jan 2020 Data</caption> <thead> <tr> <th>Project</th> <th>Completed</th> <th>Overdue</th> <th>Remaining</th> <th>In progress</th> <th>Awaiting Closure</th> <th>Awaiting Rescoping</th> </tr> </thead> <tbody> <tr> <td>HSV</td> <td>4</td> <td>0</td> <td>5</td> <td>4</td> <td>0</td> <td>0</td> </tr> <tr> <td>Fleet &amp; Stores</td> <td>2</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>ESN / ESMCP</td> <td>4</td> <td>0</td> <td>9</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>CRG Role review</td> <td>6</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Project	Completed	Overdue	Remaining	In progress	Awaiting Closure	Awaiting Rescoping	HSV	4	0	5	4	0	0	Fleet & Stores	2	1	0	0	0	0	ESN / ESMCP	4	0	9	0	0	0	CRG Role review	6	0	1	0	0	0
Project	Completed	Overdue	Remaining	In progress	Awaiting Closure	Awaiting Rescoping																															
HSV	4	0	5	4	0	0																															
Fleet & Stores	2	1	0	0	0	0																															
ESN / ESMCP	4	0	9	0	0	0																															
CRG Role review	6	0	1	0	0	0																															
<p><b>Awaiting Closure Report</b></p>	<p>3</p>	<p>Volunteers, Tactical Firefighting Centre and Compact Appliances</p>																																			
<p><b>Closed awaiting evaluation</b></p>	<p>4</p>	<p>TRV – RTC – PPE – Duty System – CRG Role review trial will end in March and will then be evaluated</p>																																			

# Project Overview Report – Dec 2019



## Analysis

	Finance	Schedule	Risk	Highlight reports	Closure report request	
HSV						<p><b>RED &amp; AMBER</b></p> <p><b>Volunteers-</b> Project tracked through Interop's, awaiting closure report.</p> <p><b>Tactical Firefighting Centre</b> – Decision been made to close this in its current state, awaiting closure report for this project since Aug.</p> <p><b>ESN/ESMCP</b> – There is a risk to SANH control room operations as they may no longer be able to run on a supported platform after January 2020.</p> <p><b>Compact Appliances</b> – Awaiting closure report</p>
Fleet and Stores Integration						
ESN / ESMCP						
Compact Appliances					✓	
Volunteers					✓	
CRG WM role review						
Tactical Firefighting Centre					✓	

**HSV** – Lack of CFRMIS Administrator/Co-ordinator affects ability to introduce new processes.

**ESN/ESMCP** – NFRS (Simon Iddon) will continue to work closely within the SANH partnership and Capita and monitor timeline for ESN implementation closely.

**CRG Role Review** – Will be evaluated March 2020 following trial

**Compact Appliances** – Final pump went on the run 3<sup>rd</sup> December 2019 – awaiting a closure report and decision if going to be evaluated.

# Quarterly summary update at end of Q3 19/20

## Training & Development

Area	Yes/No - number	Next review date
Dept Risk Register Quarterly review	No	ASAP
Business Continuity Plan up to date	18.2.19	18.2.20
Monthly Budget review completed	Yes	
How many PADP's not reviewed & updated?	13	
How many Return to work outstanding?	2	

# Training & Development Improvement Plans

	TaD 01 Review of existing MOC framework arrangements	22/01/2020 16:52	Karl Crocker
	TaD 02 Next stage expansion of MOC frameworks	22/01/2020 16:58	Karl Crocker
	TaD 03 Policy and guidance on promotion and development of operational staff_	27/11/2019 10:11	Mick Berry
	TaD 04 Review and implement refreshed WDS and RDS recruitment processes	26/11/2019 16:25	Julie Oliver
	TaD 05 Introduce the National Operational Guidance Training specifications	22/01/2020 17:05	Karl Crocker
	TaD 07 Implement the succession and workforce planning framework	27/11/2019 15:59	Julie Oliver
	TaD 08 Develop a comprehensive quality assurance process for all training and development arrangements	17/12/2019 14:57	Mick Berry
	TaD 09 Review and implement a revised induction programme process for all staff	27/11/2019 16:00	Julie Oliver
	TaD 10 Introduce and embed apprenticeship programmes into Service	17/12/2019 15:19	Mick Berry
	TaD 13 Introduce a training programme and support practical exercises for revised high rise guidance	27/11/2019 16:00	Julie Oliver
	TaD 14 Introduction of Business skills training	17/12/2019 15:33	Mick Berry

# Training & Development Improvement Plans

TaD 01	Review existing MOC framework to ensure effectively directing and recording staff competencies.**	Open	2019/ 20 - Q4	GM Training/Phase 3 Team	ACFO Corporate Services	CRG Managers Redkite - Business case pending for development of system	
TaD 02	Next stage expansion of Redkite MOC frameworks to other staff groups**	Open	2020/ 21 - Q2	GM Training/Phase 3 Team/Development Support Manager	ACFO Corporate Services	Officer groups, Fire Staff, Specialist Instructors	
TaD 03	Ensure the Service has in place transparent staff promotion and development processes which are clearly understood by all staff.	Open	2019/ 20 - Q4	Development Support Manager	ACFO Corporate Services	CRG Managers	
TaD 04	Review and implement refreshed WDS and RDS recruitment processes to ensure they accommodate workforce planning framework requirements, national leadership framework behaviours and the NFCC best practice recruitment toolkit	Open	2020/ 21 - Q2	AM Organisational Development	ACFO Corporate Services	CRG Managers	
TaD 05	Introduce the National Operational Guidance Training specifications	Open	2020/ 21 - Q2	GM Training/Phase 3 team	ACFO Corporate Services	JOT/CRG Managers	
TaD 07	Implement the succession and workforce planning framework	Open	2019/ 20 - Q4	Establishment Board	ACFO Corporate Services	CRG Managers	
TaD 08	Develop a comprehensive quality assurance process for all Training and Development arrangements	Open	2020/ 21 - Q1	GM Training	ACFO Corporate Services	CRG Managers	
TaD 09	Review and implement a revised induction programme process for all staff ( was TRG13)	Open	2019/ 20 - Q4	GM Training/Development Support Manager	ACFO Corporate Services	Require input from CRG and TLT managers	
TaD 10	Introduce and embed apprenticeship programmes into Service, including any required specialist programmes.	Scoping	2020/ 21 - Q1	Development Support Manager	ACFO Corporate Services		Scoping
TaD 13	Introduce a training programme and support practical exercises for the implementation of the revised high rise incident response guidance.	Open	2020/ 21 - Q1	GM Training	ACFO Corporate Services	Availability of CRG staff External - Publication of regional guidance	
TaD 14	Introduction of Business skills training	Open	2020/ 21 - Q1	Development Support Manager	ACFO Corporate Services		

# IA milestones not completed

## Training & Development

IA	Reason not completed	link	Action/Impact
TaD04	Still awaiting the national recruitment best practice guide from NFCC? No Q3 update		
TaD07	TaD07 – only IA not updated.		
TaD01	Other IA's have target dates that have been pushed back, example TaD01. SIP = Q4 19/20 but IA states Q2 20/21	<a href="#">TaD01</a>	

# 246 Current state of Training & Development policies Q3

Amber = review needs to start

Policy	Owner	Review date	Status
D4 Coaching	DEV	Apr 2021	
D6 Staff Induction	TRG	Aug 2022	
D8 Phase 1 dev for roles above FF level	TRG	Apr 2011	
D14 Ops Promotion & development	DEV	Nov 2021	
D15 Maintenance of Competence	TRG	May 2021	
D18 Workplace assessment	DEV	May 2020	
D19 BA training	TRG	Dec 2021	
D47 Officer & Supervisory Manager Training days	TRG	July 2009	
D51 Higher Education Courses	TRG	Aug 2022	

# Contracts Register – Training & Development

(List from EMSCU divided out into departments from Jan)

Review end date and challenge if work started on replacement

Contract #	Contract Title	Contract Description	Contract Status	Start Date	End Date	Contract Value	Supplier Name
CN1002086	Breathing Apparatus - Total Care Training Centre	Breathing Apparatus used by Training - maintenance package. £9,897.20pa x 4 This is part of a 10yr contract 2013-2023 previously procured by LGSS. Each year new contract to cover requirements is put in place. This is training element - there is also operational contract. OPFCC agreed annual spend can increase by RPI and by 5% increase of users, if greater than this - must go back to OPFCC for further approval. Final amount might exceed total bid value as RPI/User increases unknown. See Notes on CN1002087 re end contract date & annual renewal date (last one will be 9 or 21 months)	Active	01/04/2019	31/03/2020	39,588.80	Draeger Safety Ltd
CN1002098	Swiftwater and Flood Rescue Boat Operator Courses (SFRBO COURSE)	STA Attached in documents. A procurement was ran through the bluelight portal, however no tenders were submitted. Due to the urgency an STA was raised reflecting this and the contract awarded to Plas Menai.	Active	05/09/2019	04/09/2022	68,775.00	Sports Council for Wales
CN1002107	OSB Timber Chelveston	Contract to be 1+1+1 Duration due to the regular changes in timber pricing. The costs may change accordingly on an annual basis. TAR needs to be signed yearly. Overall contract value will be approx. £42,500.00	Approved	09/05/2019	08/05/2020	14,160.00	Junction 4 Pallets
CN1002108	OSB Timber Chelveston	Contract to be 1+1+1 duration due to the regular changes in timber pricing. The costs may change accordingly on an annual basis therefore the TAR will need to be presented each year for signing. The projected contract value will be approx. £66k	Approved	10/05/2019	09/05/2020	21,940.00	Grafton Merchanting GB Ltd
CN1002215	RTC Vehicles	RTC vehicles for fire training use.	Active	14/10/2019	13/10/2022	122,840.00	Burttons Car Disposal

# Contracts Register – Training & Development

(List from EMSCU divided out into departments from Jan)  
Review end date and challenge if work started on replacement

SOR1001014	Incident Command Course	A range of courses to cover Incident Command to ensure NFRS maintain their Fire and Rescue statutory obligations over a three year period	Approved	30/10/2019	05/12/2019	133,492.00	With Procurement - Lucy
SOR1001053	Cobra Frame	The cost is £39,087 plus maintenance costs of £4,500 over 3 years for one service per year. (Paid by credits) This is a mobile unit (not on an operational fire appliance, which would have had to be utilised to support training, also provides resilience if an appliance cobra fails)	Completed	19/06/2019	26/07/2019	43,587.00	With Procurement - Narinder
SOR1001063	Manikins	full training manikin replacement program. Each WDS VCS and RDS station will receive 1 x 50kg Adult, 1 x 10kg Toddler. A 75kg will be used for Safe working @ height, and a further 2 x 50 kg with fire overalls will be supplied to the training department.	Completed	30/07/2019	26/08/2019	18,433.50	RUTH LEE LTD
SOR1001091	Basic Skills Course - Fire Fighters	Course to provide Basic Skills Training for 20 Fire Fighters. This is required to be delivered by supplier no later than start date of Feb 2020. This will be for this year, with a view that NFRS learn how the initial apprenticeship process works. We can use the EMSCU Training Framework Lot 5 - direct award under proof of concept. There is budget of £200k for this, but expected to be £170k	Approved	24/09/2019	08/11/2019	170,000.00	With Procurement - Lucy
SOR1001139	Chellveston - Rig Repairs	This is to cover cost of repairing rig at Chellveston	Draft	03/12/2019	20/12/2019	15,000.00	With Procurement - Alec

## **Areas for discussion - EXAMPLE**

- **KPI's for FI's, discipline/grievances & Firecover resourcing. Impact to officers workload – does this need to be on a scorecard?**
- **Additional in-band training 2 days extra (quarter) per officer on flexi – Impact of this with less 'office' hours**

250	Q3 Notes 29 <sup>th</sup> January 2020	Actions/Notes for SAB
Risk Register		
Dashboard		
Projects & IA's		
Policies and contracts		
General		

## Managers 1-2-1 meeting template

<b>Employee's Name</b>	
<b>Manager's Name</b>	
<b>Team/Watch</b>	
<b>Date of Meeting</b>	

The following items should be covered during the 1-2-1 meetings. Additions will be required for specific roles. Apart from personal data, the content of the 1-2-1 should inform the department dashboard.

	Notes/Comments/Questions /Summary
<b>Goal of 1:1 meeting:</b> Check on, Wellbeing / BAU activities / success / pressures / future focus / service & dept. strategies.	
<u><b>Objectives set in PADP</b></u> <ul style="list-style-type: none"> <li>• Still relevant</li> <li>• Accurate</li> <li>• Achievable</li> </ul>	
<u><b>Business plan</b></u> <ul style="list-style-type: none"> <li>• Current performance of business plans</li> <li>• Review progress</li> <li>• Review milestones</li> <li>• See SharePoint for relevant Improvement actions (PDCA)</li> </ul>	( copy links to improvement actions on fire place)
<b><u>Review existing Assurance activities.</u></b>	
• <b>BCP.</b> (In date. Exercises)	
• <b>Policies</b> ( in / out of date)	(List relevant Policies)
• <b>PADP's</b> (completed / scheduled)	
<b>Budget.</b> (profiled / reports)	
<b>Risk register</b> ( strategic or department)	See risk register entry.
<b>Dashboard</b> (content / relevance)	
<b>Personnel</b> ( issues / succession)	
<b>Other Assurance activities specific</b> Business services that need confirmation. To clarify roles in business services , future 1-2-1 and content of DBP dashboard.	
<b>Other</b> ( generate list of assurance activities specific	
• Next 1-2-1 date and focus.	

**Signed: Employee** .....  
**Manager** .....  
**Date:** .....

# JIAC - Northamptonshire Police Performance Frameworks

To provide an overview of how Northamptonshire Police approaches performance and the frameworks in place.

Author: Sarah Crampton, Performance Manager

Chief Officer Sponsor: DCC Simon Nickless

Decision Required: For information only

Date: 24<sup>th</sup> February 2020

Version Control: 0.2

In an emergency call **999**  
For non emergencies call **101**



[www.northants.police.uk](http://www.northants.police.uk)



**Northamptonshire Police**

Fighting crime, protecting people

## **1. Introduction**

Northamptonshire Police is committed to understanding performance at all levels within the organisation. The change to the organisational structure in October 2019 resulted in additional governance arrangements to monitor performance that complemented existing arrangements. The force has a clear set of force priorities and a strategic plan for the next 5 years that are central to performance discussions.

## **2. Performance Frameworks**

The notion of a “performance framework” can mean different things to different audiences but in the context of this paper, it means the arrangements in place not products themselves. The framework on which performance is monitored in the force is reliant on understanding what is important to all levels within the organisation, the conversations being discussed and most importantly the questions being asked (or should be being asked).

Over the course of the last 12 months, Northamptonshire Police has moved towards a performance culture of Key Performance Questions (KPQs). The notion being that if leaders ask more open ended questions on performance that begin “to what extent...” or “how well...” those responsible for performance can provide a more rounded view of performance, triangulating both quantitative and qualitative evidence and not provide a numerical response. This is a key element of a continuous improvement culture or performance improvement framework and avoids looking at performance through a single lens. It also means that a more balanced view of performance is obtained as it often includes financial and people data.

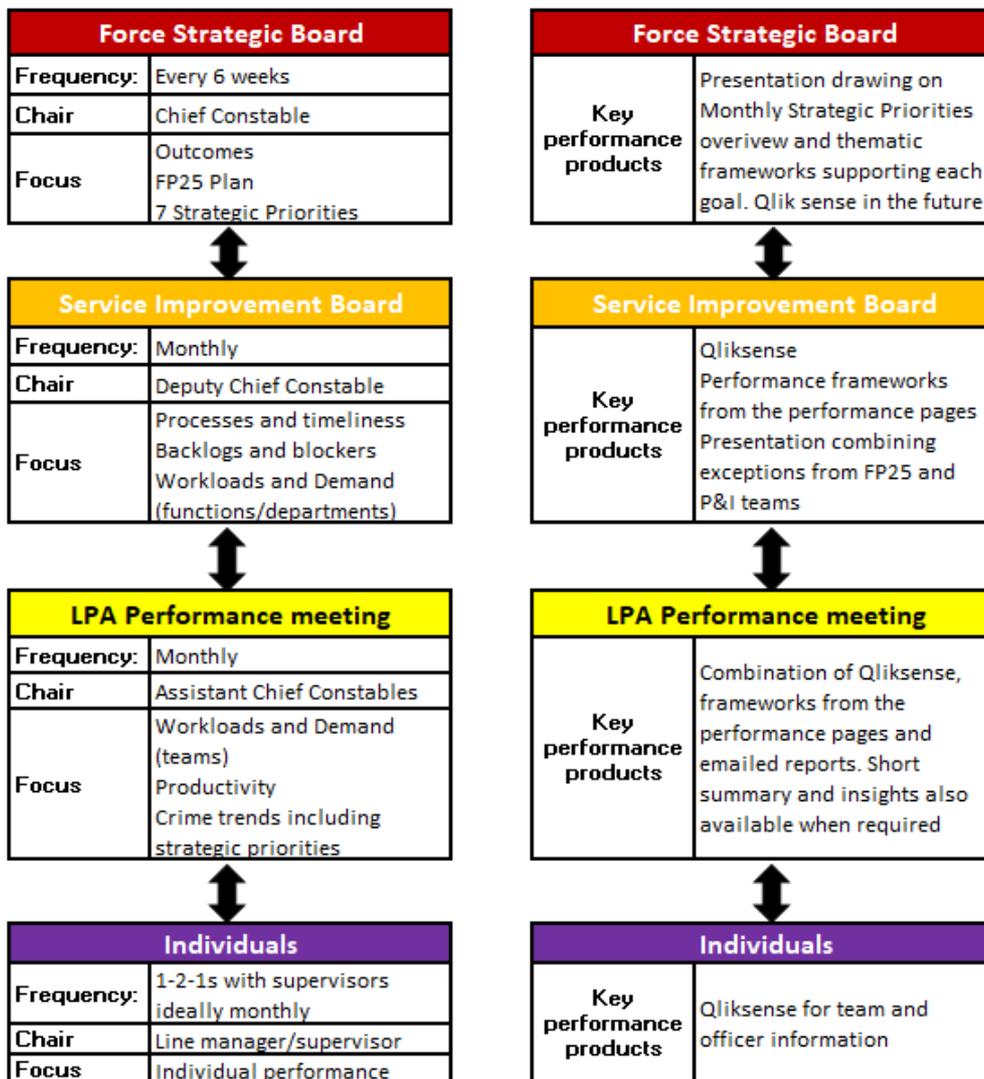
The KPQs are supported by a series of Key Performance Indicators (KPIs) identified with the business that are known to be a core part of understanding the performance of each question. These KPIs are not exhaustive and will change over the course of the lifecycle of the KPQ as things improve or change; however the KPIs are supported by a vast layer of diagnostic measures which provide context to the KPIs. They are not reported on unless by exception, to ensure the KPIs are the focus as it is these we have identified as the most critical and should be linked to the activities for each question and goal.

Supporting this approach, the products used that are called ‘frameworks’ can be found on the intranet performance pages and are an integral part of conversation but are the detail not the driver of performance conversations. They are often thematically structured to allow conversations to take place on various aspects of the theme or department e.g. victims, offenders, response times. These are regularly reviewed provide insights not just data, charts and comparisons.

## **3. Governance**

The current approach to governance is complex with a number of boards in existence that can touch on specific aspects of performance e.g. Health and Safety, Early Intervention & Prevention. These arrangements are being reviewed by Corporate Services to identify overlap and efficiencies that could be made.

Wider organisational performance is focused on 3 meetings with the addition of 1-2-1s with line managers, each with a different level of focus to avoid duplication but always on the same key elements that are important to the force.



Information to support each of the 4 levels above is tailored as far as possible to provide information at the right level and insights that make sense. Where possible, context and narrative is provided to make sense of the data and charts as not all users are familiar with interpreting them and knowing what action to take. Appendix A has some examples or links to products available.

### **Force Strategic Board**

This meeting is focused on outcomes from the FP25 Plan (Appendix B) and the 7 strategic priorities (Appendix C). Each goal in the plan has an owner who is responsible for the coordination of force wide activity that contributes to it and acts as an advisor to other leaders across the force. However, all attendees at the meeting are collectively responsible for the success and delivery of the goal and are encouraged to contribute to discussions and solve issues where they arise.

The meeting discusses 2 or 3 goals each time, allowing the goals to be discussed in depth and provide assurance to the Chief Constable that the activities being undertaken are delivering improvement.

In addition, the meeting is updated on the outcomes from the 7 strategic priorities (the key issues identified through the latest strategic threat and risk assessment). Comparative data is considered alongside current and past performance, to offer insights into whether the current activity will deliver further performance improvements over the coming months.

### ***Service Improvement Board***

This meeting is focused on the delivery of organisational changes under the FP25 program but also the impact these changes then have on performance. This would include but not be limited to the workloads and queues of work within specific departments, the efficiency of how processes are undertaken, the effectiveness of these processes and any common themes that emerge that are causing the current performance e.g. staffing and absence, training, technology and policy.

The FP25 team closely monitor the impact of recent changes made within the organisation ensure the desired outcomes are being achieved. As the changes embed within the organisation monitoring is incorporated into routine performance management by Performance & Insight and raised by exception at each SIB.

Whilst Police data is the main contributor, it also considers how supporting functions contribute and support e.g. EMCJS (CPS, custody and Justice) and EMSOU-FS with exceptions raised as needed.

### ***LPA Performance meeting***

These more intrusive meetings explore specific issues for LPA North or West where demand differences may impact on performance. They also help to identify inconsistency between locations or teams and raise questions for further exploration and understanding by the local management teams. They also seek to understand the strategic priorities and where any further focus is needed e.g. on investigation.

These are new meetings for 2020 and the content is deliberately broad to ensure a 'cradle to grave' approach to performance is considered.

### ***Individuals***

The launch of the new PDR system in June 2020 will cement the need for regular 1-2-1s with line managers and QlikSense data will form part of these conversations so that both parties can understand what is working well and where further support is needed.

## **4. Interdependencies**

The arrows between each of the 4 levels shows the interdependencies from a performance perspective. Issues that cannot be resolved at one level need to be escalated to the layer above for direction and support, and problem solving should be remitted to an appropriate level below to avoid getting into the weeds.

## **5. Technology**

Monitoring of performance is achieved through a number of systems and approaches which whilst offering greater choice to users, has also identified a need to simplify wherever possible and signpost users through a single mechanism. In time, this will be

Qlik sense but the force is not yet in a position to achieve this. In the meantime, the current approach is being reviewed with the business to reduce wherever possible the number of places or reports performance is discussed.

The four main options currently used are:

- Emailed business objects reports (automated)
- The Performance pages of the Intranet<sup>1</sup>
- MiPAD<sup>2</sup>, and
- Qlik sense<sup>3</sup>.

The organisation is familiar with the 'pushing' of information to users via email. However this is impacting on ISD systems and does not always answer the questions users have or indeed should be asking.

Performance products/frameworks on the performance pages of Forcenet have been developed with the business and offer insights and narrative as well as trend charts and comparisons. However they are updated weekly or monthly and users do not have access to the depth of detail they often want.

MiPAD is a statistical tool that helps identify exceptions in crime and incident data through signals. It presents data in time series 'statistical process control' charts automatically to help identify emerging issues and threats to performance. It has a number of self-service options including mapping, but is not widely used by operational colleagues who may not understand the techniques employed.

Qlik sense is a self-service tool and users can select data using filters to answer questions on various subjects. The tool is gaining traction but the content is currently limited as the time to develop the 'apps' is longer than other approaches. However, once built offers flexibility that other tools don't have and a drill down in some cases to individual officers.

All of the above methods are used together to complement the insights they individually generate and support the governance structure that exists.

## 6. Summary

Northamptonshire Police has created a framework for 2020 that allows it to easily and appropriately understand performance relevant to the level that is in discussion. It has embraced the concept of Key Performance Questions to allow wider discussions to take place and move away from a numerical understanding of organisational performance. The "story" is now centre stage of performance conversations and continues to develop as participants become more familiar with this approach.

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<sup>1</sup> Performance pages can be found here

<https://northants.intranet.police.uk/departments/corporateservices/performance/Pages/performance.aspx>

<sup>2</sup> MiPAD is accessed here using Northants1/Northants1

<http://hqvmsspss001:8080/sfn/viewer?modelid=e6dff1b6-a9b4-4d55-af33-d45dfad5f0f2>

<sup>3</sup> Access to Qlik can be found by clicking on the following link but is controlled

<https://northants.intranet.police.uk/systems/qlik/Pages/Qlik.aspx>

## Appendix A – Examples of briefing products on Force Performance

### Strategic products

#### [Monthly Strategic Overview](#)

Provides time series overview of incident demand, sickness, response times, crime, outcomes, victim satisfaction and peer performance.

### Department/functional frameworks:

#### [FCR Performance Framework](#)

#### [Response Performance Framework](#)

#### [Investigations Framework](#)

#### [Custody scorecard](#)

### Thematic frameworks:

#### [Domestic Abuse](#)

#### [Missing persons](#)

#### [MOSOVO](#)

#### [Safeguarding Adults framework](#)

#### [Safeguarding Children's framework](#)

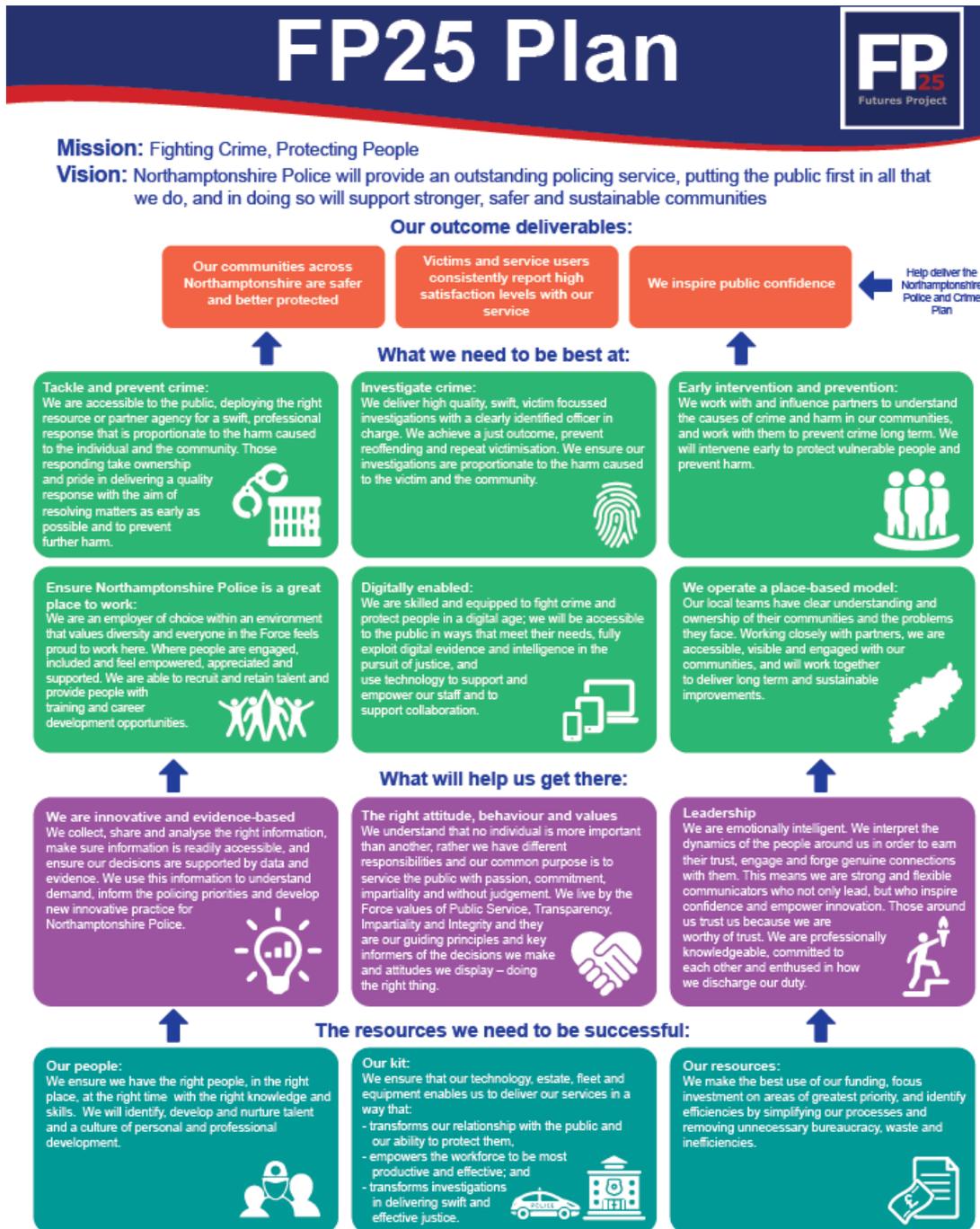
### Other frameworks

#### [Stop and search](#)

#### [Use of Force](#)

## Appendix B –FP25 Plan

<https://northants.intranet.police.uk/departments/communication/Corporate%20Posters%20and%20Leaflets/FP25%20Plan%20-%20Portrait%20Poster.pdf>



## Appendix C – Strategic Priorities 2020

[https://northants.intranet.police.uk/news/Shared%20Documents/Corporate%20Communications/Policing%20Priorities\\_colour.pdf](https://northants.intranet.police.uk/news/Shared%20Documents/Corporate%20Communications/Policing%20Priorities_colour.pdf)

# Policing Priorities 2019/20



### Serious and organised crime

We will work with our policing partners to vigorously pursue those involved in serious and organised crime, working to actively reduce the threat and harm they pose to our communities



**213**  
crimes  
involving  
firearms

**54** modern  
slavery and human  
trafficking offences  
**408** drug  
trafficking offences

### Child abuse and exploitation

We will investigate and prosecute all forms of child abuse, neglect and exploitation

**1135**  
occurrences  
with CSE/  
CSA flag

**1369** referrals  
for concerns over  
CSE  
**508** missing  
children with a CSE  
risk identified



### Domestic abuse

We will better support those affected by domestic abuse by working hard to reduce threat and harm, helping victims to feel safer



**16096**  
domestic  
abuse  
occurrences

**45%** are  
repeat victims

**15%**  
of all crime is  
domestic related

### Preventing/reducing road fatalities and serious injury

We are committed to keeping people safe on our roads



**35** people killed

**217** seriously injured



### Knife crime

We will use a range of tactics to tackle knife crime and work with partners to deter people from carrying knives



**609**  
crimes  
involving  
knives

**392** possession  
of knife offences

### Rape and sexual violence

We will vigorously investigate and prosecute crimes of rape and sexual violence and work with partners to support victims

**835**  
rapes  
recorded



**1605** other sexual  
offences recorded



### Residential burglary

We will investigate all instances of residential burglary and increase feelings of safety within communities



recorded **2295**  
home invasion  
burglaries

**=44**  
a week

### Cross cutting themes

We will reduce the threat of harm and fear caused by the use and supply of illegal drugs

We will work with partners to support the needs of vulnerable people



The harm caused by drugs  
Vulnerability and mental health

\*Data is 12 months up to September 2019 unless otherwise stated



**Northamptonshire Police**

Fighting crime, protecting people





**AGENDA ITEM: 10a**

**NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,  
NORTHAMPTONSHIRE POLICE and  
NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE**

**JOINT INDEPENDENT AUDIT COMMITTEE (JIAC)**

**11 March 2020**

<b>REPORT BY</b>	Biyi Adegbola, NCC, Helen King, OPFCC
<b>SUBJECT</b>	Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) Treasury Management Strategy 2020/21
<b>RECOMMENDATION</b>	To note report

**1. Background**

- 1.1 The second Treasury Management Strategy for NCFRA has been prepared alongside the Capital Programme, the Revenue Budget and Precept and is attached for member's consideration.
- 1.2 Treasury Management expertise is provided by NCC for NCFRA and the Chief Finance Officer is grateful to NCC colleagues for reviewing and updating the Strategy.
- 1.3 NCFRA governance had transferred without any reserves, therefore, a prudent approach has been taken to the operational boundary and authorised limits to ensure there is sufficient headroom available to the PFCC to facilitate short term borrowing.
- 1.4 Given that NCFRA has only been operating for twelve months, work is still required to build knowledge and understanding of the NCFRA cashflow as the first year is not indicative of a consistent pattern of income and expenditure.
- 1.5 The Treasury Management Strategy for 20/21 will be discussed by the PFCC on the 10 March 2020 and will publish the strategy on the website by the 31 March 2020, after he has considered the feedback from the JIAC meeting.

- 1.6 In line with its Terms of Reference (reviewed and updated July 2019), the JIAC undertakes a key role with regards to the Treasury Management Strategy:

*“A Corporate Governance, Risk Management, Internal Control  
And the Regulatory Framework*

*To support the PCC, Chief Constable and statutory officers in ensuring effective governance arrangements are in place and are functioning efficiently and effectively, across the whole of the Commission’s and Force’s activities, making any recommendations for improvement, to support the achievement of the organisations’ objectives.*

*Specific annual activities of the Committee will include:*

*To be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies”*

### **Key Elements of the Strategy**

- 2.1 It is recognised that the Strategy is a lengthy document, however, to comply with the requirements of the CIPFA Prudential Code of Practice, the PFCC is required to set a range of prudential indicators prior to the start of the financial year. The code states that prudential indicators for Treasury Management should be considered alongside the Investment Strategy. The content of this report addresses this requirement.
- 2.2 Under the Code, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the code.
- 2.3 The draft Capital Programme for NCFRA has been updated following the Police, Fire and Crime Panel and PFCC is due to authorise this at the Accountability Board on the 10 March 2020. This information has been used to inform the Treasury Management Strategy and will reduce costs on the MTFP. These will be updated in the next MTFP quarterly review.
- 2.4 The Strategy will be reviewed during the year and quarterly Treasury Management updates considered by the JIAC and the Accountability Board as required during the year.

## **2. Recommendation**

- 2.1 It is recommended that the JIAC consider the strategy and provide comments for the PFCC consideration.



Northamptonshire Commissioner  
Fire and Rescue Authority

Treasury Management Strategy  
2020-21

## Introduction

### **CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes**

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as “the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

### **CIPFA Prudential Code for Capital Finance in Local Authorities**

- 1.2 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) is a professional code of practice. Authorities have a statutory requirement to comply with the Prudential Code when making capital investment decisions and carrying out their duties under Part 1 of the Local Government Act 2003 (Capital Finance etc. and Accounts).
- 1.3 The CIPFA Prudential Code sets out the manner in which capital spending plans should be considered and approved, and in conjunction with this, the requirement for an integrated treasury management strategy.
- 1.4 Authorities are required to set and monitor a range of prudential indicators for capital finance covering affordability, prudence, and a range of treasury indicators.

### **Treasury Management Policy Statement**

- 1.5 The Authority’s Treasury Management Policy Statement is included in Appendix 1. The policy statement follows the wording recommended by the latest edition of the CIPFA Treasury Code.

### **Treasury Management Practices**

- 1.6 The Authority’s Treasury Management Practices (TMPs) will set out the manner in which the Authority will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities.
- 1.7 The Authority’s TMPs Schedules will cover the detail of how the Authority will apply the TMP Main Principles in carrying out its operational treasury activities. They are reviewed annually and any amendments approved by the Authority’s Chief Finance Officer.

### **The Treasury Management Strategy**

- 1.8 It is a requirement under the Treasury Code to produce an annual strategy report on proposed treasury management activities for the year. The purpose

of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Authority's treasury management activity, including the Authority's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

- 1.9 The Authority's Treasury Management Strategy is prepared in the context of the key principles of the Treasury Code and incorporates:
- The Authority's capital financing and borrowing strategy for the coming year;
  - Policy on borrowing in advance of need;
  - Policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt;
  - The Affordable Borrowing Limit;
  - The Annual Investment Strategy for the coming year, including creditworthiness policies;
- 1.10 The strategy takes into account the impact of the Authority's Medium Term Financial Plan (MTFP), its revenue budget and capital programme, the balance sheet position and the outlook for interest rates.
- 1.11 The Authority 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. The Treasury Management Scheme of Delegation is detailed within the Authority's Corporate Governance Framework.

### **Current Treasury Management Position**

The Authority was established from the 1 January 2019 and has had over 12 months of operations.

The Authority's projected treasury portfolio position at 1<sup>st</sup> April 2020, with forward projections into future years, is summarised below. Table 1 shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the CFR).

- 1.12 The CFR is the total of outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's underlying borrowing need.

- 1.13 Any capital expenditure which has not immediately been paid for will increase the CFR. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need over each asset's life.

**Table 1: Forecast Borrowing and Investment Balances**

£m	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
<b>External borrowing</b>					
Borrowing at 1 April b/f	nil	0	3.256	4.397	4.471
Net Borrowing Requirement to fund capital programme	nil	3.504	1.659	0.804	1.115
MRP	nil	(0.269)	(0.354)	(0.383)	(0.476)
<b>(1) Borrowing at 31 March c/f</b>	<b>nil</b>	<b>3.235</b>	<b>4.541</b>	<b>4.962</b>	<b>5.601</b>
<b>(2) CFR – the borrowing need</b>	<b>nil</b>	<b>3.235</b>	<b>4.541</b>	<b>4.962</b>	<b>5.601</b>
Funds Available for Investment at 1 April b/f	nil	0.200	0.400	0.600	0.800
Change in Funds Available for Investment	0.200	0.200	0.200	0.200	0.200
<b>(3) Investments at 31 March c/f</b>	<b>0.200</b>	<b>0.400</b>	<b>0.600</b>	<b>0.800</b>	<b>1.000</b>
<b>(4) [1 – 3] Net borrowing</b>	<b>0</b>	<b>2.835</b>	<b>3.941</b>	<b>4.162</b>	<b>4.601</b>

- 1.14 Within the set of prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well-defined limits. Among these the Authority needs to ensure that its gross borrowing does not, except in the short term, exceed the total of the CFR in the preceding years. This ensures that borrowing is not undertaken for revenue purposes except to cover short term cash flows.
- 1.15 The Chief Finance Officer does not envisage difficulties complying with these indicators based upon current commitments, existing plans, the proposals in this strategy, the Budget report, the Capital Programme and the Medium Term Financial Plan.

### Prospects for Interest Rates

- 1.16 The Authority's assessment of the likely path for Bank base rate, investment market rates (The London Interbank Bid Rate - LIBID), and PWLB borrowing rates are set out below:

**Table 2: Interest Rate Outlook**

Interest Rate outlook													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

- 1.17 The above forecasts are based on a central assumption that there will be some form of middle through agreement on a reasonable form of Brexit trade deal. While the general election in December 2019 has provided political certainty leading to implementation of the UK leaving the EU at the end of January 2020, there is still much uncertainty on what sort of trade deal may be agreed by the end of 2020 and its likely impact on the UK economy. As the PWLB rate is driven by gilt rates any incoming government that seeks to fund their expenditure commitments through additional borrowing will place pressure on the gilt rate as demand increases. Therefore the above forecasts may need to be materially reassessed in the light of events over the coming weeks or months.
- 1.18 It is not surprising in the context of what is described above that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2020. In its meeting in November, the MPC became more cautious due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then it is likely the MPC would cut Bank Rate. In its meeting in December, the MPC again voted for no change in Bank Rate as it was unclear what impact the post-election Brexit circumstances would have on the economy, so they will take no action until there is more clarity.

### Investment and borrowing rates

- 1.19 Borrowing rates have increased modestly during 2019 and it is expected that Bank rates long term forecast to be 2.25%. PWLB certainty rates are above that now so the Authority will need to assess the risk associated with seeking cheaper alternative or seek short term borrowing.

## Borrowing Strategy

1.20 The overarching objectives for the Authority's borrowing strategy are as follows:

- To manage the Authority's debt maturity profile; this is achieved by monitoring short and long term cash flow forecasts in tandem with balance sheet analysis;
- To maintain a view on current and possible future interest rate movements, and to plan borrowing accordingly; this is achieved by monitoring of economic commentary to undertake sensitivity analysis;
- To monitor and review the balance between fixed and variable rate loans against the background of interest rates and the Prudential Indicators; this is achieved by monitoring of economic commentary to undertake sensitivity analysis;

1.21 Given that short term borrowing rates are significantly lower than long term, and this position is set to remain this way for some years to come, it is currently more cost efficient to use shorter term borrowing where necessary. However, the decision to raise short dated loans to generate cost savings must be evaluated against the potential for incurring additional long term expense in future years when long term interest rates are forecast to be higher.

1.22 Against this background and the risks within the economic forecast, caution will be adopted with the 2020-21 treasury operations. The LGSS Treasury Team will monitor interest rates in financial markets and regularly brief the Chief Finance Officer so the Authority may adopt a pragmatic approach to changing circumstances. For example:

- if it was felt that there was a significant risk of a sharp FALL of 25% or more in long and short term rates (e.g. due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings may be postponed and potential rescheduling from fixed rate funding into short term borrowing considered (where appropriate);
- if it was felt that there was a significant risk of a much sharper RISE of 25% or more in long and short term rates than that currently forecast (e.g. arising from an acceleration in the start date and rate of increase in central rates in the USA and UK) then the portfolio position will be re-appraised. This may include drawing fixed rate funding whilst interest rates are lower than they are projected to be in the next few years.

## Prudential & Treasury Indicators

1.23 There is a requirement under the Local Government Act 2003 for Authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The Prudential Code was recently updated in 2018.

- 1.24 A full set of Prudential Indicators and borrowing limits are shown in Appendix 2.

### **Policy on Borrowing in Advance of Need**

- 1.25 The Authority's policy is to keep cash balances as low as possible and not to borrow in advance of need for capital purposes.

### **Debt Rescheduling**

- 1.26 The Authority is currently debt-free and so does not hold external borrowing to consider rescheduling. If this situation were to change, the reasons for any rescheduling to take place may include:

- the generation of cash savings and/or discounted cash flow savings;
- helping to fulfil the treasury strategy; and
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

- 1.27 Any rescheduling activity decision will be made by the Chief Finance Officer, and reported in the next Treasury Management report following its action.

### **Minimum Revenue Provision**

- 1.28 The Authority is required to repay annually an element of its outstanding capital expenditure which has not yet been paid for from either revenue or capital resources (the CFR). This is achieved through a revenue charge known as the minimum revenue provision – MRP. It is also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP).

- 1.29 MHCLG Regulations have been issued which requires the Authority to approve an MRP Statement in advance of each year. A variety of options are provided so long as there is a prudent provision. The Authority is recommended to approve the MRP Policy in Appendix 3 which sets out how MRP will be charged against particular asset types or other forms of capital expenditure.

### **Investment Strategy**

- 1.30 Government guidance on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. The Guidance permits the Treasury Management Strategy Statement (TMSS) and the AIS to be combined into one document.

- 1.31 The Authority's general policy objective is to invest its surplus funds prudently. As such the Authority's investment priorities, in priority order, are:

- security of the invested capital;
- liquidity of the invested capital; and

- yield received from the investment.

1.32 The Authority's Investment Strategy is shown in Appendix 4.

## **Risk Analysis and Forecast Sensitivity**

### **Risk Management**

- 1.33 The Authority 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. Treasury management risks are identified in the Authority's approved Treasury Management Practices.
- 1.34 The TMP Schedules set out the ways in which the Authority seeks to mitigate these risks. Examples are the segregation of duties (to counter fraud, error and corruption), and the use of creditworthiness criteria and counterparty limits (to minimise credit and counterparty risk). Officers will monitor these risks closely.

### **Sensitivity of the Forecast**

- 1.35 The sensitivity of the forecast is linked primarily to movements in interest rates and in cash balances, both of which can be volatile. Interest rates in particular are subject to global external influences over which the Authority has no control.
- 1.36 Both interest rates and cash balances will be monitored closely throughout the year and potential impacts on the Authority's debt financing budget will be assessed. Action will be taken as appropriate, within the limits of the TMP Schedules and the treasury strategy, and in line with the Authority's risk appetite, to keep negative variations to a minimum. Any significant variations will be reported in the next available Treasury Management report.

## **Reporting Arrangements**

### ***Capital Strategy***

- 1.37 CIPFA's revised 2017 Prudential and Treasury Management Codes requires all local authorities, for 2019-20, to prepare an additional capital strategy report, which will provide the following:
- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
  - an overview of how the associated risk is managed;
  - the implications for future financial sustainability;
- 1.38 The aim of this capital strategy is to ensure a full understanding of the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

### **Treasury Management Reporting**

1.39 The Authority is required to report, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals:

a) **Treasury Management Strategy and Prudential and treasury indicators (this report)** - The first report is forward looking and covers:

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

b) **A mid-year treasury management report** – This is primarily a progress report and updates on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) **An annual treasury outturn report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### **Treasury Management Budget**

1.40 The table below provides a breakdown of the treasury management budget.

**Table 3: Treasury Management Budget**

Description	2020-21	2021-22	22/23	23/24
	£m	£m	£m	£m
Interest payable on borrowing	Nil	0.98	0.144	0.167
MRP	Nil	0.270	0.354	0.383
<b>Total</b>	<b>Nil</b>	<b>1.25</b>	<b>0.498</b>	<b>0.55</b>

MRP charges have been calculated in line with the Authority's MRP policy at Appendix 3.

Budget estimates will be revised during the year reflect the further development of capital programme plans and other relevant strategies.

### **Policy on the use of External Service Providers**

1.41 The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times. The Authority also recognises there is value in employing an external provider of treasury management services in

order to acquire access to specialist skills and advice to support the treasury management function.

The Chief Finance Officer will determine the need to the use of external Treasury Management advisors in the coming year.

### **Future Developments**

- 1.42 Public bodies are having to consider innovative strategies towards improving service provision to their communities. This approach to innovation also applies to treasury management activities. The Government has already introduced new statutory powers, and regulatory agencies such as CIPFA are introducing policy changes, which will have an impact on treasury management approaches in the future. Examples of such changes are:

### **Localism Act**

- 1.43 A key element of the Act is the “General Power of Competence”: “A local authority has power to do anything that individuals generally may do.” The Act opens up the possibility that a local authority can use derivatives as part of their treasury management operations. The Authority has no plans to use financial derivatives under the powers contained within this Act.

### **Loans to Third Parties**

- 1.44 The Authority may borrow to make grants or loans to third parties for the purpose of capital expenditure. This will usually be to support local economic development, and may be funded by external borrowing.
- 1.45 The Authority has not lent any funds to third parties and has no plans to do so in the immediate future.

### **Proposals to amend the CIPFA Treasury Management and Prudential Codes**

- 1.46 CIPFA conducted a review of the Treasury Management Code of Practice and the Prudential Code. This review particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions would affect treasury management. The Capital Strategy will cover non-treasury investments to deal with such purchases, their objectives, how they have been appraised, how they have been financed, and what powers were used to undertake these purchases.

## **Impact of International Financial Reporting Standard 9 (IFRS 9)**

- 1.47 All public bodies are required to adopt the principles of accounting standard IFRS 9 from 1<sup>st</sup> April 2018. A key element of this new standard a requirement to set aside financial provision within revenue budgets for losses on financial assets based on potential expected losses (i.e. the likelihood of loss across the asset lifetime). This however is not expected to have a material impact upon the traditional treasury management investments the Authority will undertake.

### **Training**

- 1.48 The Authority needs to ensure appropriate training and knowledge in relation to treasury management activities, for officers engaged in treasury activity and those with oversight responsibilities charged with governance of the treasury management function. Treasury management training will be considered and delivered as required to facilitate best practices, informed decision making and challenge processes.

### **List of Appendices**

- Appendix 1: Treasury Management Policy Statement
- Appendix 2: Prudential & Treasury Indicators
- Appendix 3: Minimum Revenue Provision (MRP) Policy Statement
- Appendix 4: Annual Investment Strategy

## **Treasury Management Policy Statement**

Northamptonshire Commissioner Fire and Rescue Authority defines its treasury management activities as:

- The management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Authority 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 their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

## Prudential and Treasury Indicators

### The Capital Prudential Indicators

1.1 The Authority's capital expenditure plans are the key driver of Treasury Management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

#### Capital Expenditure

1.2 This prudential indicator shows the Authority's capital expenditure plans; both those agreed previously, and those forming part of this budget cycle. The table below summarises the net borrowing funding need of the capital expenditure plans. Those detailed capital expenditure plans are set out in the Capital Programme 2020-2025.

Capital Expenditure	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Net financing need for the year	nil	3.235	4.541	4.962	5.601

#### The Authority's Borrowing Need (the Capital Financing Requirement)

1.3 The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Authority's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
<b>Capital Financing Requirement</b>					
CFR	nil	3.235	4.541	4.962	5.601
Movement in CFR	nil	3.235	1.306	3.656	1.944

<b>Movement in CFR represented by:</b>					
Net financing need for the year (see Table above)	nil	3.504	1.659	0.804	1.115
Less: MRP	-	-0.269	-0.354	-0.383	-0.476
<b>Movement in CFR</b>	<b>nil</b>	<b>3.235</b>	<b>1.306</b>	<b>0.421</b>	<b>0.639</b>

### The Operational Boundary

- 1.4 This is the limit beyond which external borrowing is not normally expected to exceed. All things being equal, this could be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing undertaken as impacted by the level of current and future cash resources and the shape of the interest rate yield curve.

Operational Boundary	2020-21	2021-22	2022-23	2023-24	2024-25
	£m	£m	£m	£m	£m
<b>Total Borrowing</b>	nil	4.853	6.812	7.443	8.401

- 1.5 The rising trend of the Operational Boundary reflects that of the CFR above. The level set is at a 50% margin above the CFR so that if borrowing was taken to the CFR level, sufficient headroom exists for further short-term borrowing should it be required for in year cashflow purposes.

### The Authorised Limit for external borrowing

- 1.6 A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised in line with the Authority's Corporate Governance Framework. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit:

Authorised Limit	2020-21	2021-22	2022-23	2023-24	2024-25
	£m	£m	£m	£m	£m
<b>Total Borrowing</b>	nil	5.824	8.174	8.932	10.081

- 1.7 The rising trend of the Authorised Limit reflects that of the CFR and subsequently the Operational Boundary. The level set is at a 20% margin above

the Operational Boundary, providing additional headroom for further short-term borrowing should it be required for cashflow purposes, before the legal limit is reached.

## 2 Treasury Management Limits on Activity

2.1 There are four debt and investment related treasury activity limits. The purpose of these are to contain 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 or improve performance. The indicators for debt are:

- **Upper limits on variable interest rate exposure;** this identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- **Upper limits on fixed interest rate exposure;** this is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- **Maturity structure of borrowing;** these gross limits are set to reduce the Authority's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

2.2 The interest rate exposure is calculated as a percentage of net debt. Due to the mathematical calculation, exposures could be greater than 100% or below zero (i.e. negative) depending on the component parts of the formula. The formula is shown below:

Fixed rate calculation:

$$\frac{(\text{Fixed rate borrowing} - \text{Fixed rate investments})}{\text{Total borrowing} - \text{Total investments}}$$

Variable rate calculation:

$$\frac{(\text{Variable rate borrowing} - \text{variable rate investments})}{\text{Total borrowing} - \text{Total investments}}$$

£m	2019-20	2021-22	2022-23	2023-24
<b>Interest rate Exposures</b>				
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	50%	50%	50%	50%

2.3 The indicators above therefore allow for a maximum 100% of borrowing to be undertaken on a fixed interest rate basis, but a maximum of 50% on a variable interest rate basis. This allows flexibility to utilise variable rate instruments for

up to half the Authority's borrowing requirement where prudent to do so, whilst limiting the variable interest rate risk against the Authority's revenue budget.

- 2.4 The maturity structure of borrowing indicator represents the borrowing falling due in each period expressed as a percentage of total borrowing. These gross limits are set to manage the Authority's exposure to sums falling due for refinancing or repayment.

<b>Maturity Structure of borrowing</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	80%
12 months to 2 years		50%
2 years to 5 years		50%
5 years to 10 years		50%
10 years to 20 years		100%
20 years to 30 years		
30 years to 40 years		
40 years to 50 years		
50 years and above		

- 2.5 The Authority does not expect to hold any investments that exceed 365 days, but may do so in the future if it holds sufficient cash balances and such investments assist in the prudent management of the Authority's financial affairs.

### **Affordability Prudential Indicator**

- 2.6 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework is an indicator required to assess the affordability of the capital investment plans. This provides an indication of the impact of the capital investment plans on the Authority's overall finances.
- 2.7 The Authority is asked to approve the actual and estimates of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against net revenue stream. The estimates of financing costs include current commitments.
- 2.8 This is calculated as the estimated net financing costs for the year divided by the amounts to be met from government grants and local taxpayers.

<b>£m</b>	<b>Actual and estimates of financing costs to net revenue stream</b>				
	<b>2020-21</b> %	<b>2020-21</b> %	<b>2021-22</b> %	<b>2022-23</b> %	<b>2023-24</b> %
Financing costs to net revenue stream	nil	0.38	0.54	0.61	0.71

## Minimum Revenue Provision Policy Statement

### 1 Policy Statement

- 1.1 The Authority is required to repay an element of the accumulated General Fund capital spend each year (Capital Financing Requirement - CFR) through a revenue charge (Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required.
- 1.2 The Ministry for Housing, Communities and Local Government (MHCLG) have issued regulations that requires the Authority to approve an MRP Statement in advance of each year. A variety of options are provided in the guidance with the underlying principle that a prudent provision is made.

#### **Accumulated Debt Liability**

- 1.3 For unsupported capital expenditure, MRP will be charged from the year after the assets funded have become operational and spread over the estimated useful life of the assets using an equal annual instalment method.
- 1.4 Estimated useful life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted. However, the Authority reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.
- 1.5 As some types of capital expenditure incurred are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure with substantially different useful economic lives.

#### **Non-operational assets**

- 1.6 The Authority will not charge MRP on non-operational assets. MRP will only be charged in the financial year following the asset becoming operational. This policy will be reviewed annually.

#### **Use of Capital Receipts**

- 1.7 The Authority may use capital receipts in the year in which they are received to reduce the CFR and to offset the MRP charge for that year. Any unapplied capital receipts will be available in future years and will be applied in a prudent manner.



## Annual Investment Strategy

### 1 Investment Policy

- 1.1 MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.
- 1.2 The Authority's appetite for risk must be clearly identified in its strategy report. The Authority affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the Authority will seek to maximise yield from its investments, consistent with the applying of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.
- 1.3 Responsibility for risk management and control lies within the Authority and cannot be delegated to an outside organisation.

### 2 Creditworthiness Policy

- 2.1 The Authority's counterparty and credit risk management policies are set out below. These, taken together, form the fundamental parameters of the Authority's Investment Strategy.
- 2.2 The Authority defines high credit quality in terms of investment counterparties as those organisations that are:
  - Minimum strong grade long term credit rating (equivalent to A- / A3 / A from Fitch, Moody's and Standard and Poor's)
  - UK banking or other financial institutions, or are;
  - UK national or local government bodies, or are;
  - Countries with a sovereign ratings of -AA or above, or are;
  - Triple-A rated Money Market funds.
- 2.3 The Authority will assess the credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties will be supplemented with the following overlays:
  - credit watches and credit outlooks from credit rating agencies;
  - Credit Default Swaps (CDS – a traded insurance policy market against default risk) spreads to give early warning of likely changes in credit ratings;

- Sovereign ratings to select counterparties from only the most creditworthy countries.
- 2.4 This approach of combining credit ratings, credit Watches and credit Outlooks along with an overlay of CDS spreads will be used to determine duration for investment. The Authority will apply these duration limits to its investments at all times, unless otherwise approved by the Chief Finance Officer.
- 2.5 Credit ratings will be monitored on a regular basis. If a rating downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition extreme market movements (which may be an early indicator of financial distress) may result in the removal of a counterparty from new investment.
- 2.6 The Authority will also use market data, financial press and information on any external support for banks to help support its decision making process.
- 2.7 The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and so to enable the effective management of risk in relation to its investments, the Chief Finance Officer shall have the discretion during the year to:
- Strengthen or relax restrictions on counterparty selection;
  - Adjust exposure and duration limits; and
- 2.8 Where this discretionary authority is exercised, records will be maintained and details reported in the next available Treasury Management update report.

### **3 Banking Services**

- 3.1 The Authority uses NatWest to provides banking services. The Authority may continue to use its own bankers for short term liquidity requirements if the credit rating of the institution falls below the minimum credit criteria set out in this report, monitored daily. A pragmatic approach will be adopted and rating changes monitored closely.

### **4 Investment Position and Use of Authority's Resources**

- 4.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).
- 4.2 Investments will be made with reference to the core balances and cash flow requirements and the outlook for interest rates.
- 4.3 The Authority will primarily utilise business reserve accounts, notice accounts, low-volatility money market funds (known as LVNAV class) and short-dated

deposits. This strategy will be reviewed and developed in future years as the Authority establishes itself.

## 5 Specified Investments

5.1 The Authority assesses that an investment is a specified investment if all of the following criteria apply:

- The investment is **denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.**
- The investment is **not a long term investment (i.e. up to 1 year).**
- The making of the investment is **not defined as capital expenditure** by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended].
- The investment is **made with a body or in an investment scheme of high credit quality** (see below) or with one of the following public-sector bodies:
  - The United Kingdom Government.
  - A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland.
  - High credit quality is defined as a minimum credit rating as outlined in this strategy.

Instrument	Minimum 'High' Credit Criteria	Maximum Amount
Debt Management Agency Deposit Facility (DMADF)	N/a	No maximum
Call Accounts with the Authority's bankers	N/a	No maximum
Certificate of Deposits	A / A3 / A	£2m per individual/group in total
Term Deposits - Banks and Building Societies	A / A3 / A	
Term Deposits - Local Authorities and Housing Associations	Considered on an individual basis	
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -</b>		
1. Money Market Funds (CNAV, LVNAV or VNAV)	AAA MMF rating	£2m per individual/group in total

5.2 The Authority may enter into forward agreements up to 1 months in advance of the investment commencing. If forward agreements are made, the forward period plus the deal period should not exceed the 1 year to be classified as a specified investment.

5.3 Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is compounded by the counterparty to the principal investment amount. In such instances the interest amounts will be withdrawn as soon as reasonably practicable.

## **6 Non-specified investments**

- 6.1 Non-specified investments are defined as those not meeting the specified investment criteria above (including investments exceeding 1 year).
- 6.2 At this point in time, the Authority has no plans to invest in any Non-specified investments.

## **7 Investments Defined as Capital Expenditure**

- 7.1 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded from capital or revenue resources and will be classified as 'non-specified investments'.
- 7.2 Investments in "money market funds" which are collective investment schemes and bonds issued by "multilateral development banks" – both defined in SI 2004 No 534 – will not be treated as capital expenditure.
- 7.3 A loan, grant or financial assistance provided by this Authority to another body will be treated as capital expenditure if the Authority would define the other bodies use of those funds as capital had it undertaken the expenditure itself.

## **8 Provisions for Credit Related Losses**

- 8.1 If any of the Authority's investments appear at risk of loss due to default (i.e. this is a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Authority will make revenue provision of an appropriate amount.

## **9 End of Year Investment Report**

- 9.1 At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

## **10 Governance Arrangements**

- 10.1 By approving this strategy, the Authority is setting the framework from which treasury activity will be conducted and reported.
- 10.2 The Chief Finance Officer has delegated powers through approval of this strategy to take the most appropriate form of borrowing from approved sources, and to make the most appropriate form of investments in approved instruments. Paragraph 2.7 above delegates powers to the Chief Finance Officer giving discretion during the year to lift or increase the restrictions on the counterparty lending list and/or to adjust the associated lending limits on values and durations should it become necessary, to enable the effective management of risk in relation to its investments.

- 10.3 The Chief Finance Officer may delegate powers to borrow and invest within the confines of this strategy to members of staff and the LGSS Treasury team, who will provide regular updates on treasury activity.
- 10.4 Any other amendments to this strategy must be approved in line with the Authority's Corporate Governance Framework.



**AGENDA ITEM: 10b**

**NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,**

**NORTHAMPTONSHIRE POLICE and**

**NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**11 MARCH 2020**

<b>REPORT BY</b>	Helen King, Vaughan Ashcroft
<b>SUBJECT</b>	Treasury Management Strategy 2020/21
<b>RECOMMENDATION</b>	To consider the report

1. Background
  - 1.1 The Treasury Management Strategy is reviewed annually alongside the Capital Programme, the Revenue Budget and Precept and Capital Strategy.
  - 1.2 The Treasury Management Strategy for 2020/21 has been considered by the PFCC and will be approved at the 10 March 2020 Accountability Board (subject to JIAC observations)
  - 1.3 In line with its Terms of Reference (reviewed and updated July 2019), the JIAC undertakes a key role with regards to the Treasury Management Strategy:

*“A Corporate Governance, Risk Management, Internal Control and the Regulatory Framework*

*To support the PCC, Chief Constable and statutory officers in ensuring effective governance arrangements are in place and are functioning efficiently and effectively, across the whole of the Commission’s and Force’s activities, making any recommendations for improvement, to support the achievement of the organisations’ objectives.*

*Specific annual activities of the Committee will include:*

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*To be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies”*

- 1.4 The PFCC will review JIAC comments on the Strategy before publishing the 2020/21 Treasury Management Strategy on his website.

## **2. Key Elements of the Strategy**

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

## **3. Recommendation**

- 3.1 It is recommended that the JIAC consider the strategy and provide comments for the PFCC consideration.
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# **NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER**

**1st April 2020**

## **Treasury Management Strategy Statement 2020-21**

### **Including Minimum Revenue Provision Policy Statement**

#### **1. Introduction**

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##### **Background**

Treasury management is defined as:

The management of the Police, Fire and Crime Commissioners (PFCC) investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

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

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

##### **Statutory requirements**

The 'Code of Treasury Management' published by CIPFA and updated in 2017, and recommended by the Home Office, has been adopted by the Office of the PFCC.

In addition, the Department for Communities and Local Government (DCLG) issued revised guidance on Local Authority investments in March 2010 that requires the PFCC to approve an investment strategy before the start of each financial year.

This report fulfils the PFCC's legal obligations under the Local Government Act 2003 to have regard to both the CIPFA Code and DCLG guidance.

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The Treasury Management Strategy is approved annually to run from 1st April to the following 31st March.

The Local Government Act 2003 included capital regulations that applied from 1st April 2004. These regulations allow the PFCC freedom to borrow to fund capital expenditure provided it has plans that are affordable, prudent and sustainable. The requirements are covered in the Prudential Code.

### **Specialist Advice**

The PFCC engages the services of specialists for investment/borrowing advice, updates on economic factors and credit ratings. This service is currently provided by Link Asset Services and is referred to throughout this document.

## **2. Treasury Management Strategy**

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The successful identification, monitoring and control risk is central to the PFCC's Treasury Management Strategy

Uncertainty in the financial markets is likely to continue during 2020/21 as the UK exits the European Union, with uncertainty around the exit arrangement and economic forecast.

The core aim of the Treasury Management Strategy is to generate additional income for the PFCC but by balancing risk against return. The avoidance of risk to the principal cash amounts takes precedence over maximising returns.

### **Managing daily cash balances and investing surpluses**

In order that the PFCC can maximise income earned from investments, the target for the un-invested overnight balances in our current accounts is a maximum of £15k.

At any one time, the PFCC has between £5m and £30m (depending on the cash flow of both revenue and capital financing) available to invest. This represents income received in advance of expenditure plus balances and reserves.

Currently most of the PFCC's surplus cash is invested in short term unsecured bank deposits and money market funds.

In order to minimise exposure to credit risk, a minimum credit quality of counterparties available for investment is set and detailed in Appendix 2.

### **Credit Ratings of current institutions**

These ratings have been provided by Link Asset Services and reviewed to assess the security of the PFCC's cash reserves and are as follows:

<b>Bank / Building Society</b>	<b>Current Ratings</b>
Royal Bank of Scotland PLC	F1 / A-1 / P-1
Santander UK PLC	F1 / A-1 / P-1
Barclays Bank plc	F1 / A-1 / P-1
Lloyds Bank plc	F1 / A-1 / P-1

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## Investment of Principal Sums

No investments will be made for more than 2 years.

### 3. Borrowing

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The main objective when borrowing funds is strike a balance between securing low interest costs and achieving certainty of those costs over the period for which the funds are required.

The strategy continues to address the key issues of affordability. Short-term interest rates have recently been lower than long term rates so it is likely to be more effective in the short-term to either use internal resources, or to borrow short-term loans instead.

Borrowing internally enables the PFCC to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk. The benefits of internal versus external borrowing will continue to be monitored.

In addition, the PFCC may borrow short term loans to cover unplanned cash flow shortages.

The recommended sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB)
- UK Local Authorities
- Any other bank or building society authorised to operate in the UK

Whilst the PFCC has previously raised all of its long term borrowing from the PWLB other options will be explored with Link Asset Services to ensure that the most favourable rates are secured.

Short term and variable rate loans can leave the PFCC exposed to the risk of short term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the Treasury Management Indicators.

The PFCC's policy on borrowing in advance of need and debt rescheduling is included within Appendix 2.

### Current Portfolio Position

The PFCC's borrowing portfolio position at 1<sup>st</sup> April 2020 is estimated to be:

		£'000	£'000	Average % rate
Fixed rate funding	- PWLB	£1,300		<b>4.82%</b>
Variable rate funding	- PWLB	£0		
New loans (TBC)		£1,572		
<b>Gross Debt</b>			<b>£2,872</b>	

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The PFCC's estimated borrowing requirement is as follows:

Borrowing	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
	Probable	Estimate	Estimate	Estimate	Estimate
Opening Borrowing	1,300	2,872	20,814	30,334	41,533
New Borrowing	1,572	17,943	9,519	11,200	3,883
Repayment of Debt	0	0	0	0	0
<b>Total Estimated Borrowing Requirement</b>	<b>2,872</b>	<b>20,814</b>	<b>30,334</b>	<b>41,533</b>	<b>45,417</b>

### Affordable and Authorised Limits

It is a statutory duty under Section 3 of the Act and supporting regulations, for the PFCC to determine and keep under review how much they can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The OPFCC must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon the future PFCC Council Tax is 'acceptable'.

The Authorised Limit is to be set taking account of the Affordable Limit, on a rolling basis.

Details of the Authorised Limit and how it has been calculated for our MTFP are detailed below:

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
<b>Authorised Limit*</b>	12,000	21,900	31,400	42,600	46,500
<b>Interest Payable on Variable rate Borrowing</b>	50	50	50	50	50
<b>Interest Payable on Fixed Rate Borrowing</b>	600	1,095	1,570	2,130	2,325

\*The Authorised Limit is based on the capital borrowing need and includes £1m headroom, for short term borrowing (cash flow) needs.

The calculation of the full indicators is contained within Appendix 4.

The Authorised Limit for external debt sets the maximum level of external borrowing that the PFCC can incur. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable in the longer term. It is the PFCC's expected maximum borrowing need with additional scope for unexpected cash flow. The limit also provides scope for the PFCC to borrow in advance of need.

The Affordable Borrowing Limit is made up of the PFCC's Capital Investment plans that are affordable, prudent and sustainable and that local strategic planning and asset management planning are in place, in line with the Authorised Limit.

### Maturity Structure of Debt

The Prudential Code recommends that the PFCC sets upper and lower limits for the maturity structure of its fixed rate borrowing:

	Upper Limit	Lower Limits	Actual
Under 12 Months	33%	0%	0%
12 months and within 2 years	33%	0%	0%
2 years and within 5 years	33%	0%	0%
5 years and within 10 years	66%	0%	54%
10 years and above	100%	0%	46%

The actual values will move as fixed maturity dates draw nearer with each advancing year.

#### 4. The Economy

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The banking sector is expected to continue to show signs of instability alongside the wider economy following Brexit. In this context, investments outside of the 'core list' are only advisable where the rating, insight and advice shows the investment to be more favourable, balancing risk and return. This aligns to the PFCC's stated aim of protecting the principal (cash) amount, by ensuring creditworthiness over returns.

Funds are placed as part of a daily decision-making process with institutions based on (a) Available Headroom and (b) Rate of Return. A balance is struck between the desired level of return and the need to provide liquid funds to meet the PFCC's obligations i.e. supplier payments, payroll costs and tax liabilities.

Continued monitoring of the ratings agencies' assessment of institutions takes place and is reported to JIAC throughout the year via the quarterly "Treasury Management Performance" report.

The Bank of England raised the base interest rate from 0.5% to 0.75% in July 2018. However, the investment income budget has been maintained at £24k for 2020/21 as this is deemed a more achievable target. Investment returns and the proposed budget for 2020/2021 are detailed below:

Year	Interest Income £'000	Budget £'000
2017/18	29	69
2018/19	23	59
2019/20	30	24
2020/21		24

Given the continued uncertainty in the economy a full review of the Treasury Management Strategy will be undertaken during 2020/21 to review whether there are other investment and borrowing options available.

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## **APPENDIX 1**

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### **Minimum Revenue Provision Policy Statement 2020/21**

The PFCC implemented the Minimum Revenue Provision (MRP) guidance, and will assess their MRP for 2020/21 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

All of the existing debt as at 1<sup>st</sup> April 2008 of the MRP for 2020/21 relates to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with Option 2 of the guidance. Expenditure that is funded by new borrowing will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the PFCC. However, the PFCC reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the PFCC are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

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## APPENDIX 2 - Specified and Non-Specified Investments

### Specified Investments

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable

	Minimum Credit Criteria	Use
Debt Management Agency Deposit Facility	-	In-house
Term deposits – local authorities	-	In-house
Term deposits – banks and building societies	See note 1	In-house

### Term deposits with nationalised banks and banks and building societies operating with government guarantees

	Minimum Credit Criteria	Use	Max total investment	Max. maturity period
Contracted Bank Group (NatWest)	See note 1 & 2	In-house	£36m *	364 days
Contracted Bank Group Short Term Interest Bearing Account (SIBA)	See note 1 & 2	In-house	£8m	364 days
UK national banks	See note 1	In-house	£5m	364 days
UK nationalised banks	See note 1	Fund Managers	£5m	364 days
UK Building Societies	See note 1	Fund Managers	£3m	182 days
Banks nationalised by high credit rated (sovereign rating**) countries – non UK	Sovereign rating	In-house and Fund Managers	£5m	182 days

\* This is an extremely unlikely situation, the £36m is a contingency should grants, precepts and other funding be received on the same day into the NatWest Account and/or there was another banking crisis resulting in frozen accounts or there is not the capacity to transfer funds out to call accounts/ money markets or investments.

\*\* Sovereign Rating is the rating of the country.

Where significantly advantageous for Value for Money purposes or unavoidable due to exceptional situations (such as banking crisis), individual cases to exceed the above stated limits will be made to the S151 Officer to approve time limited changes, which will not exceed 6 months in each individual case.

### Note 1

These colour codes are used by the PFCC to determine the suggested duration for investments. The PFCC will therefore use counterparties within the following durational bands;

- Purple 2 years
- Blue 1 year (only applies to nationalised or semi-nationalised UK banks/building societies)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

P	B	O	R	G	N/C
2	3	4	5	6	7
Up to 2yrs	Up to 1yrs	Up to 1yrs	Up to 6mths	Up to 100 days	None

## Note 2

The PFCC contracts a UK nationalised bank to provide its banking facilities. The risk of failure of any bank is equally weighted across any given working day/hour. It is important that the PFCC highlights that if the bank were to fail, any assets at this time would be frozen and all deposits at that point in time potentially seized (subject to a governmental guarantee).

Therefore, the calculated maximum liability for the PFCC's own bank could be in excess of £30m (assuming the busiest transactional day with precept, grants and ad hoc receipts along with the balance invested within the high interest account provider by NatWest known as SIBA (Short Term Interest Bearing Account)).

The banking community is tightening up third party deposit management, which has resulted in occasional requirements for minimum deposits to exceed £10m with providers meeting the minimum risk criteria. This combined with fiscal constraints has meant that many providers are offering below Bank of England interest rates (even when terms over 3 months are agreed, with the UK Debt Management Office offering either zero or negative interest rates within June 2013) and this has left the OPFCC either unable to place risk adverse deposits or to place deposits within interest bearing facilities.

The guarantee previously offered by the UK Government generally covers the PFCC's banking provider and is unlimited. However, this could change if the fiscal position of the UK economy changes, but this would also affect other facility providers and would require a full review of the Strategy.

Therefore, it has been determined that where the PFCC is unable to place deposits with providers that meet the minimum creditworthiness criteria, a provider offers interest that are either negative or zero or those providers require deposits that is above the maximum investible threshold for the PFCC, that the PFCC assumes a strategy to minimise the risk to cash balances and to maintain Value for Money within the TM strategy. The approved process is to maintain balances within its own banking provider up to the limit of £36m on any given day\*, but this will be subject to daily review and scrutiny by the investment team. This will give the PFCC the flexibility to move and manage these funds at very short notice and not to hamper cash flow management, whereas placing deposits with long term providers to avoid the £5m cap, could result in cash flow management difficulties and not reduce perceived risk.

\*unless under exceptional circumstances, such as with the 2007/08 banking crisis, and the S151 Officer approves such a decision.

Deposits across the PFCC's Banking Group (the three NatWest PFCC Bank Accounts and NatWest SIBA account) that exceed the standard £8m TM cap (excluding end of day balances which do not usually exceed £0.1m (£8.1m)) as a result of not being able to invest in another body, will not be held for a time exceeding 30 days without referral to the PFCC Section 151 officer. But in accordance with the above, any balance above £8.1m will be reviewed on a daily basis until it can be reduced to the standard allowable threshold (£8.1m).

## Non-Specified Investments

### 1. Maturities of ANY period

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
<b>Fixed term deposits with variable rate and variable maturities:</b> -Structured deposits	See note 1	In-house	100%	2 years
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	See note 1	In-house and Fund Managers	20%	364 days

### 2. Maturities in excess of 1 year

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – local authorities	--	In-house	20%	2 years
Term deposits – banks and building societies	See note 1	In-house	100%	2 years

### Countries meeting the standard for investment (above B and an appropriate country as at 07.02.2020)

Country	S&P Rating	Moody's rating	Fitch Rating
Australia	AAA	Aaa	AAA
Belgium	AA	Aa3	AA-
Canada	AAA	Aaa	AAA
Denmark	AAA	Aaa	AAA
Finland	AAA	Aaa	AAA
France	AA	Aa2	AA
Germany	AAA	Aaa	AAA
Netherlands	AAA	Aaa	AAA
Saudi Arabia	AA	Aa2	AA
Singapore	AAA	Aaa	AAA
Sweden	AAA	Aaa	AAA
Switzerland	AAA	Aaa	AAA
United Kingdom	AA	Aa2	AA
United States of America	AA+	Aaa	AAA

It is assumed unless the UK reduces below BB that this will continue to be an investible country, unless mandated by UK Government to ensure liquidity of UK nationwide resources and GDP (e.g. as part of a UK banking crisis requiring the UK Government to ensure that liquid cash balances are maintained within the UK).

## Appendix 3

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### Policy on borrowing in advance of need

The PFCC will not borrow more than or in advance of need purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the PFCC can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the PFCC will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance, on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them

### Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment.

The reasons for any rescheduling to take place will include:

- The generation of cash savings and / or discounted cash flow savings
- Helping to fulfil the strategy
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Audit Committee, at the earliest meeting following its action. Currently, the debt is £1.3m which reduces the opportunity for rescheduling.

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## APPENDIX 4

<b>PRUDENTIAL INDICATORS</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Extract from budget setting report</b>	<b>Probable</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b>	<b>12,116</b>	<b>21,462</b>	<b>10,984</b>	<b>14,149</b>	<b>6,474</b>
<b>Net borrowing requirement</b>					
brought forward 1 April	1,300	2,872	20,814	30,334	41,533
Repayment of Debt					
in year borrowing requirement	1,572	17,943	9,519	11,200	3,883
carried forward 31 March	2,872	20,814	30,334	41,533	45,417
<b>Incremental impact of capital investment decisions</b>	<b>£ p</b>				
Increase in precept per annum *	(2.90)	5.25	7.01	7.84	(0.05)

<b>TREASURY MANAGEMENT INDICATORS</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>Probable</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Authorised Limit for external debt -</b>					
borrowing	12,000	21,900	31,400	42,600	46,500
other long term liabilities					
TOTAL	12,000	21,900	31,400	42,600	46,500
<b>Operational Boundary for external debt -</b>					
borrowing	11,500	20,900	30,400	41,600	45,500
other long term liabilities					
TOTAL	11,500	20,900	30,400	41,600	45,500
<b>Actual estimated external debt</b>	2,872	20,814	30,334	41,533	45,417
<b>Upper limit for fixed interest rate exposure</b>					
Net interest re fixed rate borrowing / investments	5.00%	5.00%	5.00%	5.00%	5.00%
<b>Upper limit for variable rate exposure</b>					
expressed as either:-					
Net interest re variable rate borrowing / investments	2.00%	2.00%	2.00%	2.00%	2.00%
<b>Upper limit for total principal sums invested for over 364 days</b>					
(per maturity date)	£1m	£1m	£1m	£1m	£1m



## AGENDA ITEM: 11

<b>REPORT BY</b>	Chief Finance Officer
<b>SUBJECT</b>	Joint Independent Audit Committee (JIAC) - Agenda Plan – Updated March 2020
<b>RECOMMENDATION</b>	To discuss the agenda plan

Date of JIAC	20.03.19	6.6.19 FINAL ACCOUNTS WORKSHOP	26.7.19	30.9.19	27 November 2019 Workshop	11.12.19	February FP20 Workshop 26 February 2020	11 March 2020	3 June 2020 Accounts Workshop	29 July 2020	7 October 2020	November 2020 Workshop TBC	16 December 2020
Confirmed agenda to be circulated	22.02.19		28.06.19	02.09.19		12.11.19							
Deadline for papers to be submitted to OPCC (HK)	06.03.19		12.07.19	13.09.19		26.11.19							
Papers to be circulated	13.03.19	01.06.19	19.07.19	23.09.19		03.12.19			31 May 2020				

Date of JIAC	20.03.19	6.6.19 FINAL ACCOUNTS WORKSHOP	26.7.19	30.9.19	November 2019 TBC WORKSHOP	11.12.19	February FP20 Workshop Date TBC	11 March 2020	3 June 2020 Accounts Workshop	29 July 2020	7 October 2020	November 2020 Workshop TBC	16 December 2020
	Apologies		Apologies	Apologies		Apologies		Apologies		Apologies	Apologies		Apologies
	Declarations		Declarations	Declarations		Declarations		Declarations		Declarations	Declarations		Declarations
	Meetings log and actions		Meetings log and actions	Meetings log and actions		Meetings log and actions		Meetings log and actions		Meetings log and actions	Meetings log and actions		Meetings log and actions
			Meeting of members and Auditors without Officers Present							Meeting of members and Auditors without Officers Present			
<b>Governance, Assurance and Strategies</b>													
	Capital Prog 2019/20 PFCC & CC NCFRA			Budget & MTFP process and plan update & Timetable PFCC & CC NCFRA	Enabling Services Update		FP25, Demand and Force Management Statement Workshop					Budget & MTFP process and plan update & Timetable PFCC & CC NCFRA	
	Treasury Mgmt Strategy 2019/20 PFCC & CC NCFRA	Statement of Accounts Review: PFCC & CC NCFRA	Statement of Accounts Update: PFCC & CC NCFRA	Statement of Accounts Update: PFCC & CC NCFRA	Seized and Found Property Update	Corporate Governance Framework Review PFCC & CC NCFRA		Treasury Mgmt Strategy 2019/20 PFCC & CC NCFRA	Statement of Accounts Review: PFCC & CC NCFRA	Statement of Accounts Update: PFCC & CC NCFRA			
	Capital Strategy 2019/20 PFCC & CC NCFRA	JIAC annual report review	JIAC Annual Report and Terms of Reference Review	Treasury Management outturn 2018/19 & 2019/20 Update NCFRA PFCC					JIAC annual report review			Treasury Management outturn 2019/20 & 2020/21 Update NCFRA PFCC	
									Results of the JIAC Self Assessment				
<b>HMICFRS Reviews</b>													
	HMIC VFM												
	HMIC reviews – update CC NCFRA					HMIC reviews – update CC NCFRA						HMIC reviews – update CC NCFRA	

Date of JIAC	20.03.19	6.6.19 FINAL ACCOUNTS WORKSHOP	26.7.19	30.9.19	November 2019 TBC WORKSHOP	11.12.19	February FP20 Workshop Date TBC	11 March 2020	3 June 2020 Accounts Workshop	29 July 2020	7 October 2020	November 2020 Workshop TBC	16 December 2020
<b>Updates:</b>													
	Update on: MFSS		Update on: MFSS	Update on: MFSS		Update on: MFSS & LGSS		Update on: MFSS & LGSS (In restricted)		Update on: MFSS & LGSS	Update on: MFSS & LGSS		Update on: MFSS & LGSS
	Update on: Fire Governance			Update on: Business Continuity and Disaster Recovery PFCC CC NCFRA				Update on: Performance Frameworks NCFRA CC		Update on Processes in Place for how Complaints and Ethics are overseen (not detail)	Update on: Business Continuity and Disaster Recovery PFCC CC NCFRA		Update on: ICT Governance, Behavioural Change and Finance Arrangements
	Update on : Fire Governance					Update on: Estates Strategy PFCC NCFRA							
				Dates of Meetings and Workshops 2019						Update on: Fraud & Corruption Controls and Processes PFCC & CC NCFRA	Dates of Meetings and Workshops 2019		
	Update on PFCC Monitoring Officer Arrangements			Update on Key Roles		Member Update on: CIPFA Training Day for Audit Committee Members (or other Training and Development)							
<b>Risk Management:</b>													
	PFCC Risk Register			Force strategic risk register		PFCC Risk Register		Force strategic risk register		PFCC Risk Register	Force strategic risk register		PFCC Risk Register
	NCFRA Risk Register			NCFRA Risk Register				NCFRA Risk Register			NCFRA Risk Register		

Date of JIAC	20.03.19	6.6.19 FINAL ACCOUNTS WORKSHOP	26.7.19	30.9.19	November 2019 TBC WORKSHOP	11.12.19	February FP20 Workshop Date TBC	11 March 2020	3 June 2020 Accounts Workshop	29 July 2020	7 October 2020	November 2020 Workshop TBC	16 December 2020
<b>Internal Audit</b>													
Internal Audit Plan 19/20 PFCC & CC			Internal Audit Plan 19/20 NCFRA					Internal Audit Plan 20/21 PFCC & CC NCFRA					
			Internal Audit Annual Report 18/19 PFCC & CC							Internal Audit Annual Report 19/20 PFCC & CC NCFRA			
Progress report PFCC & CC			Progress report PFCC & CC NCFRA	Progress report PCC & CC NCFRA		Progress report PCC & CC NCFRA		Progress report PCC & CC NCFRA		Progress report PCC & CC NCFRA	Progress report PCC & CC NCFRA		Progress report PCC & CC NCFRA
Implementation of recommendations PFCC & CC			Implementation of recommendations PFCC & CC	Implementation of recommendatio ns PFCC & CC NCFRA		Implementati on of recommendati ons PFCC & CC NCFRA		Implementat ion of recommend ations PFCC & CC NCFRA		Implement ation of recommen dations PFCC & CC NCFRA	Implementat ion of recommen dations PFCC & CC NCFRA		Implementation of recommendatio ns PFCC & CC NCFRA
<b>External Audit:</b>													
External Audit Plan 18/19 NCFRA			External Audit Update: PFCC & CC NCFRA	Update on External Audit ISA260: PFCC & CC NCFRA				External Audit ISA260 )Reports to those Charged with Governance ) 2018/19		External Audit ISA260: PFCC & CC NCFRA	External Audit ISA260: PFCC & CC NCFRA		
External Audit Verbal Update PFCC & CC NCFRA			External Audit proposed Fee Scales 2019/20 PFCC & CC NCFRA					External Audit Plan & Proposed Fee Scales 19/20: PFCC & CC NCFRA			External Audit Annual Audit Letter		External Audit Verbal Update PFCC & CC NCFRA
<b>Plan, Training and AOB:</b>													
Agenda plan			Agenda plan	Agenda plan		Agenda plan		Agenda plan		Agenda plan	Agenda plan		Agenda plan
								Members Training/Up dates		Members Training/U pdates	Members Training/Up dates		Members Training/Update s
AOB			AOB	AOB		AOB		AOB		AOB	AOB		AOB
Next meeting			Next meeting	Next meeting		Next meeting		Next meeting		Next meeting	Next meeting		Next meeting