



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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**10<sup>th</sup> March 2021 at 10.00am to 12.30pm**

**Microsoft Teams virtual meeting  
(the Teams meeting room will open from just after 09.30am)**

**If you should have any queries in respect of this agenda, or would like to join  
the meeting please contact Kate Osborne 03000 111 222**

**[Kate.Osborne@northantspfcc.gov.uk](mailto:Kate.Osborne@northantspfcc.gov.uk)**

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***

\* \* \* \* \*

<b>Public Meeting of the Joint Independent Audit Committee</b>				Time
	<b>Public meeting of the Joint Audit Committee</b>			
1	Welcome and Apologies for non- attendance			10.00
2	Declarations of Interests			10.00
3	Meetings and Action log 16 <sup>th</sup> December 2020	HK/KO	Report	10.05
4a	Treasury Management Strategy 2020/21 PFCC & CC	HK/Vaughan	Report	10.10
4b	NCFRA	HK/Nick A		
5.a	HMIC Reviews update CC	Simon Nickless Rob Porter	Report	10.20
5b.	NCFRA			
6a.	Risk Policy and Processes – Annual Review PFCC	Paul Fell	Report	10.30
6b.	CC	Richard Baldwin		
6c.	NCFRA	Rob Porter		
7a.	Internal Audit plan 2021/22 PFCC & CC	Mazars	Report	10.45
7b.	NCFRA	LGSS		
8a.	Internal audit progress report PFCC & CC	Mazars	Report	10.55
8b.	NCFRA (Tabled together with Agenda Item 7b)	LGSS		
9a	Internal audit – implementation of recommendations PFCC & CC	Richard Baldwin Julie Oliver	Report	11.05
9b	NCFRA			
10.	Update from Professional Standards Department	Natalee Wignall	Report	11.15
11a	External audit update PFCC & CC (including 18/19 Annual Audit Letter AAL)	Neil Harris – EY	Verbal/ Report (AAL)	11.25
11b	NCFRA (including 18/19 Annual Audit Letter AAL)			
12	Agenda Plan	Helen	Report	11.35
13	AOB	Chair	Verbal	11.40
14	Confidential items – any	Chair	Verbal	11.50
15	Resolution to exclude the public	Chair	Verbal	11.50
	Items for which the public be excluded from the meeting:  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:			

	<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>			
16a	Update on Business Continuity and disaster recovery PFCC	Paul Fell Richard Baldwin	Report	11.55
16b	CC			
16c	NCFRA	Rob Porter		
17	Update on: MFSS, LGSS, new systems arrangement	Paul Bullen	Report	12.10
18	PFCC Risk Register	Paul Fell	Report	12.15
19	Force Strategic Risk Register	Simon Nickless	Report	12.20
20	<p>Future Meetings held in public:</p> <ul style="list-style-type: none"> <li>- 29<sup>th</sup> July 2021</li> <li>- 6<sup>th</sup> October 2021</li> <li>- 15<sup>th</sup> December 2021</li> </ul> <p>Future Workshops not held in public:</p> <ul style="list-style-type: none"> <li>• 24<sup>th</sup> February 2021 – Fire ICT</li> <li>• June 2021 – Statement of Accounts, Date TBC</li> <li>• November 2021 – Date and Content TBC</li> </ul>			12.25

**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:**

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

*or by email to:*  
*kate.osborne@northantspfcc.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

\* \* \* \* \*

## Agenda Item : 3

## Joint Independent Audit Committee (JIAC) ACTION LOG –16 December 2020

Attendees: Members: John Beckerleg (JB), John Holman (JH), Gill Scoular (GS), Ann Battoms (AB)

Helen King (HK), Neil Harris, EY (NH), Mark Lunn (ML), Kate Osborne (KO), Vaughan Ashcroft (VA), Julie Oliver NCFRA Officer (JO), Nick Alexander (NA), Jacinta Fru (JF), Emily Evans – Complaints manager (EE), Barry Mullen (BM), Richard Baldwin (RB), Simon Nickless (SN)

Agenda	Issue	Action	Responsible	Comments
1	Welcome and apologies		Chair	<ul style="list-style-type: none"> <li>Nicci Marzec (NM), Rob Porter (RP), Duncan Wilkinson (DW), Paul Bullen (PB)</li> <li>Edith Watson (EW),</li> </ul>
2	Declarations of Interests		Chair	<ul style="list-style-type: none"> <li></li> </ul>
3	Meeting Log and Actions – 7 <sup>th</sup> October 2020		Chair	<ul style="list-style-type: none"> <li>Agreed okay</li> </ul>
4a. i 4a. ii 4b	Update on Corruption and Fraud Control and processes PFCC and CC CC Ethics Process NCFRA	Action VA	SN/VA  RP	<ul style="list-style-type: none"> <li>VA – report presented in a structured way that helps committee see different aspects of process and procedures. Focus on self awareness and empowering individual police officers and staff and what is expected of them particularly in relation to integrity. Code of ethics – campaign to raise awareness of it. Included in training and on internal and external websites.</li> <li><b>Action VA</b> – can send appendices if members wanted to view</li> <li>Legitimacy in HMICFRS inspection – was positive view in regards to Northamptonshire Police behaviour</li> <li>AB – gave thanks for report. Question about Suppliers and procurement team – how we ensure they're ethical etc. – VA MINT procurement team to ensure ethically sources items. And majority of suppliers are from national frameworks. New suppliers due to COVID background checks occurred to ensure suppliers are not fraudulent. Those companies found to be sub-par were not used.</li> </ul>

		Action JB	<ul style="list-style-type: none"> <li>• JH – asked for clarity around what is a gift and what crosses the line and appropriate use of vehicles – VA – gifts and gratuity policy does lay out value and appropriate gifts etc. all gifts accepted are logged. Use of vehicles – evidence is required and details of claim are scrutinised. Work provided vehicles being used for personalised use. VA – centralised booking process to ensure vehicles are booked for the right purposes and vehicles are not permitted to be taken home. Policies in place for Chief officer vehicles.</li> <li>• JB – good series of frameworks to promote honesty and integrity. How many examples of fraud have there been? VA – very few legitimate fraud claims. Most things are error or honest mistakes or low-level inappropriate claim or breaches the subsistence claim. Every issue found is challenged and corrected. NA – all are referred to PSD for examination.</li> <li>• SN – Ethics – fundamental for everything we do. Code of ethics and Nolan Principles. 9 policing principles derived from Nolan and adopted for policing and describes the standard of behaviour. Also operate within values of organisation.</li> <li>• NDM – adopted and embedded within operational policing</li> <li>• ACPO principles – balanced decisions</li> <li>• When it goes wrong – this is where we move into complaints or conduct regulations – Chief Constable delegates to SN who works with professional standard lead to decide if it was justified or if an investigation needs to take place.</li> <li>• How this is embedded – external and internal ethics committees. – preventative measures discussed and practical decisions</li> <li>• Transparency – these are published on the internet. Internal newsletter – The Standard shared within organisation.</li> <li>• JB – content of external committee – SN – generated internally. There is a national ethics committee – advice sought from these.</li> <li>• HK – gave thanks for report</li> <li>• SN – PSD can provide report for type of complaints can be reported to audit committee. <b>Action - JB to consider if required</b></li> <li>• JH – flexibility to respond to changes in environment are the standard and values broad enough to respond flexible to changing demands – SN – yes, which is strengthened by national codes of ethics (college of policing).</li> </ul>
--	--	-----------	---

		Action SN & KO		<ul style="list-style-type: none"> <li>• <b>Action SN &amp; KO – code of ethics can be circulated</b></li> <li>• HK – the first ever fraud and corruption update from NCFRA and will be part of annual programme moving forwards.</li> <li>• BM – national arrangements – sector wide consultation to develop national leadership framework. All about providing clarity about expectation about behaviours of officers and staff. As part of report there was general recommendation that a code of ethics be developed. More work to be done from NFCC but progress is being made.</li> <li>• BM – locally – code of conduct, polices, rules procedures based on principles in report. wouldn't do anything that they couldn't justify their actions. Whistleblowing arrangement moved to third party – organisation called 'Protect'.</li> <li>• Based on previous core values/ service values (when previously at NCC). These are laced and threaded through much of the other policies, plans and initiatives to see they conform to values at every level.</li> <li>• NFI – NCFRA would have previously been included through NCC submission – now NCFRA has own submission (2020) – when results start to come out NCFRA will be their own organisation. Big change, big move forward. We look forward to seeing what these results will show.</li> <li>• HK – local policies and procedures – supported by corporate governance framework and mirrors police set up, is due for review. Will be using shared working to ensure checks and processes take place – using shared services to achieve this.</li> <li>• Fire have had a HMICFRS covid inspection – early sept 2020 – verbal feedback provided. All very positive – business continuity, financial response to covid. Will be published early Jan 2021. Also expect to find out further inspection dates.</li> <li>• AB – positive moving forward. Especially in reference to “positive culture” as this is good in an organisation.</li> <li>• JH – very positive and comprehensive.</li> <li>• JB – how many cases of fraud? <b>Action BM – unsure but can find out – no cases in the last 5 years.</b></li> </ul>
--	--	----------------	--	--

		Action BM - completed		
5a	JIAC Self-Assessment and review of other audit committees		Chair	<ul style="list-style-type: none"> <li>• JB – committee and measuring own effectiveness</li> <li>• Report based on CIPA survey which has been used before and slightly adapted to open it up and offer opinions for the improvement of the committee.</li> <li>• Challenge PCC and CC to circulate far and wide to get a more varied response. To be independently reviewed and reported to maintain impartiality.</li> <li>• AB – good survey and agree with wide circulation – partly box – needs to be expanded to explain why/ elaborate response is “partly”</li> <li>• JH – agree – is there a comparison with similar organisation? Benchmarking – JB – other audit committees do this so may be opportunities to make comparison</li> <li>• How might we analyse? 25 questions – lots of information potentially. – JB – look at opinions from different members/ officers</li> <li>• HK – previous self assessment experience. Can look at other audits – HK has contacts who might help with best practise, <b>Action HK to follow up</b></li> <li>• <b>Action - JB and KO to circulate</b></li> </ul>
5b	JIAC TOR	Action KH Action JB & KO		
6a	Internal audit: implementation or recommendations		Mazars – ML	<ul style="list-style-type: none"> <li>• ML – section 2 – current progress with impact of covid. Good managed to get two final reports but did want to highlight others are underway. Already have dates agreed for future audits in Q4.</li> <li>• One outstanding collaboration report is still outstanding. JB aware and regional meeting is being arranged to develop new ideas and thinking</li> <li>• 20/21 collaboration audits – asked regional chairs about regional priorities. Both scheduled Jan/Feb 2021</li> <li>• HK – has been talking to VA about plan for this year. Issues encountered with remote auditing and timescales. There has been discussion, and these are being combatted. Key thing – we have as much included from internal audit as possible – enough to give members and PFCC and CC assurance.</li> <li>• JB – is overall assurance of control framework achievable? – ML if all work scheduled takes place – yes.</li> </ul>
6b	PFCC & CC NCFRA			

			LGSS - JF	<ul style="list-style-type: none"> <li>• JF – reporting reasonably good progress. Facilitated by collaborative working. Weekly updates taking place to ensure issues are tackled and resolved to maintain progress. 63% of plan is at final report or in progress. 25% final stage, 38% in progress. Quietly confident plans achieved by May</li> <li>• Grenfell report finalised – robust processes in place agreed. Implementation strategy in place, comprehensive action plan, and allocated owners and timeframes for implementation and nominated officers to receive report. All these to ensure progress.</li> <li>• Assurance offered on Covid spend and asset management review – extended. Looking to give assurance over controls of accountability of assets. These two reports confident finalised Jan 2021 and will bring to next committee meeting</li> <li>• Plan needs to be flexible and looking for committee approval for changes to the plan.</li> <li>• JH – stores audit was on previous policing – audit JF is looking at for Fire – management have requested this. There are still a lot of unknowns since the transfer of governance. HK so extra special audits have been requested in order to feel assured.</li> <li>• JB – IT systems – adequacy of IT systems – are we losing something by reducing the number of days on the IT audit.</li> <li>• New joint head of ICT had just been recruited – this may change the future plans.</li> <li>• <b>Action JB – NCFRA fire – IT arrangements for future agenda item.</b></li> </ul>
		Action JB		
7a	Internal audit: implementation of recommendations:		SN	<ul style="list-style-type: none"> <li>• SN – straight forward report – in relation to NICHE – data quality strategy across the organisation is required as part of wider ICO plan to examine data quality and data streams. Information asset owners to improve this too. New app within Qlik to identify and examine data quality.</li> </ul>
7b	PFCC & CC NCFRA		RB/ JO	<ul style="list-style-type: none"> <li>• Payroll – MFSS migration plan – reintegrating into organisations – less issues raised and more quickly able to resolve issues as more control about processes.</li> <li>• Fleet – font monitor emissions – Paul Bullen – more effective system required. So currently more reliant on current system until future plans can be investigated.</li> </ul>

		<p>Action for all</p>	<ul style="list-style-type: none"> <li>• Procurement – actions taking place and push through assurance board and testing how we make sure it doesn't happen again</li> <li>• Regional chairs to meet to discuss regional collaborations.</li> <li>• SN a lot better position compared to two years ago, satisfied more robust assurance system in place.</li> <li>• AB – reassured in the improvement of the progress on some of the items.</li> <li>• JB – fleet management system timescales – SN needs to be looked at within the capital programme, about having more efficient fleet. New fleet manager employed. Fleet strategy and affordability to be considered. VA – there is a budget/ costing for this, but plans need to be in place prior to this.</li> <li>• JB – prospect of trying to gather chairs of other audit committees regionally. JB anything to be raised in session? Ensure recommendations are progressed. Anything else? <b>Please email JB any thoughts or considerations</b></li> <li>• JO – overall status – 7 action not reach implementation.</li> <li>• All 2019/20 audits have been done.</li> <li>• Report shows progress on actions. JO went through the ICT risk audit and highlighted which areas were complete and in progress</li> <li>• MTFP – lots of training occurring around financial side. A lot of report up and running but not to the level required. However, deadline dates to allow for training completion and actions embedded.</li> <li>• NA – lots happening and looking to try and get online training packages to ensure no delays occur due to non-availability of face to face sessions.</li> <li>• Thanks given for report</li> <li>• AB – accounts payable – 1.) essential priority – can't see management comments – concern about previous date Sept 2020 – now 6 months out – is this reasonable movement of date? JO – no management comments as they were accepted</li> <li>• Payroll – 2<sup>nd</sup> follow up audit – realised timeframes were not reasonable. HK – things taking longer than envisaged due to changes in requirements and expectations. Latest date is much more realistic.</li> <li>• JH – audit principle – if timescale changes does the status change or does it get heightened? – JO – should remain unless fully implemented.</li> </ul>
--	--	-----------------------	--



		Action NH		<ul style="list-style-type: none"> <li>• Value for money conclusions – resilience to be looked at. Further work to understand prior year issues e.g. MFSS. And other considerations being examined such as procurement and partnership working.</li> <li>• Audit underway –Good progress so far. Discussions with HK team – there are some areas of accounts that agreed expectations of reports and testing are being jointly to agree to manage expectations. Audit to be concluded by end March 2021</li> <li>• HK – agree. Working closely with auditors which is positive – step forward from last year. Would like more progress next year. Thanks to VA and Team and NH and team for hard work and partnership working.</li> <li>• JB – staffing levels query – NH – recruitment took place and now at headcount. Training and boarding taken place, so in good place. Main challenge needed to recruit 2/3 manager, but this has not impacted NCFRA, CC or PFCC audit. These still need to be recruited to ensure coverage over the next two years.</li> <li>• JB – does the resources impact the timescales of the audit. MHCLG to re-examine sustainable timeline.</li> <li>• End sept date impacted by Covid and other implications – national decision to extend date? Level of risk and complexity.</li> <li>• AB – if consistent teams then surely knowledge base will help ensure audit timeframes are met. NH – NCFRA much better this year due to continuity of staff. CC more difficult due to vetting issues and timeframes of recruitment</li> <li>• AB – fees – page 30 in report – NH PSAA professional and regulatory context has changed plus the complexity of the work. Therefore scale fees need to be updated to reflect this. EY has been modelling a sustainable fee to ensure high quality audits. Discussions with HK and VA – appreciated fees need to increase but don't necessarily agree with proposed level. PSAA to ultimately make final baseline fee decisions. FEE VARIATION to be raised and discussed</li> <li>• GS – useful to see fee breakdown between fees and daily rate. <b>Action - NH to provide break down figures</b></li> </ul>
10	Complaints Procedure – OPFCC		EE	<ul style="list-style-type: none"> <li>• EE – OPFCC customer service manager went through report.</li> <li>• JB – benchmarking – do you have a comparison to other forces? – EE – we get stats from IOPC – who can break down categories. Nothing received since 1<sup>st</sup> Feb – expected March time. After a year of service.</li> </ul>

				<ul style="list-style-type: none"> <li>• GS – what are the common themes of dip testing? – from PSD into PCC – positive feedback – minor admin errors. PSD and control room – no learning picked up as such – only been doing last 3months and have been handled appropriately</li> <li>• JH – SLA – responding within two days is impressive. Business insight and learning – how does this feedback into process. All tracked through spreadsheet – one interesting learning is that there has been increase in complaints about standards of officer driving. However PSD are working on newsletter to inform officers to try and reduce this.</li> <li>• JH – is there a change in public perception about people wanting to complain</li> <li>• JH – do you track compliments? EE – yes, there is a section of force website where people are invited to compliment. These are tracked, officers are informed. Thank you cards given for poignant compliments. JH – is this reported too? –</li> <li>• AB – interesting – 1,634 matters per year – total doesn't add up to this. EE – definition of complaint has changed this has impacted projected numbers.</li> <li>• HK – massive thank you</li> </ul>
11	Agenda Plan	Action ICT workshop		<ul style="list-style-type: none"> <li>• JB – workshop – IT systems in fire. Potentially February workshop. <b>HK to discuss with Paul Bullen.</b></li> <li>• JH – Brexit risks</li> </ul>
12	AOB			
13	Confidential Items			
14	Resolution to exclude the public			



**AGENDA ITEM: 4a**

**NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,**

**NORTHAMPTONSHIRE POLICE and**

**NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**10 MARCH 2021**

<b>REPORT BY</b>	Helen King, Chief Finance Officer PFCC, Vaughan Ashcroft, Chief Finance Officer Chief Constable
<b>SUBJECT</b>	Treasury Management Strategy 2021/22
<b>RECOMMENDATION</b>	To consider the report

**1. Background**

- 1.1 The Treasury Management Strategy for Police has been prepared alongside the Capital Programme, the Revenue Budget and Precept and is attached for member's consideration.
- 1.2 The Chief Finance Officers are grateful to colleagues in the Joint Finance Team for reviewing and updating the Strategy.
- 1.3 The Treasury Management Strategy for 2021/22 was considered by the PFCC at the Accountability Board on the 12 January 2021 and it is the intention to publish the strategy on the website by the 31 March 2021, after the PFCC considers the feedback from the JIAC meeting.
- 1.4 In line with its Terms of Reference (reviewed and updated July 2020), 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 PFCC, 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”*

## **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 Treasury Management Strategy is based on the Capital Programme as included within the approved budget for 2021/22 and the MTFP.
- 2.4 The Strategy will be monitored during the year and a Treasury Management update considered by the JIAC and the Accountability Board later in the year.

## **3. Future Treasury Management Arrangements**

- 3.1 As part of the phased transition of financial services to the Joint Police/Fire Finance team, the areas of Treasury and Cashflow management and taxation for Fire will be transferring to the in-house team from 1 July 2021.
- 3.2 Whilst Treasury Management activities for Police will remain, the transition to include NCFRA activities within the team is in keeping with the timescales and direction of travel for the Joint Team which was established in June 2020 and enables consistent approaches and processes to be in place, prior to the new system arrangements for both services being implemented.
- 3.3 Plans for the handover are in train and progress in line with these plans will be monitored closely.

## **4. Recommendation**

- 4.1 It is recommended that the JIAC consider the Strategy and provide comments for the PFCC consideration.
-

# **NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER**

**1st April 2021**

## **Treasury Management Strategy Statement 2021-22**

### **Including Minimum Revenue Provision Policy Statement**

#### **1. Introduction**

---

##### **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.

---

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**

---

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 2021/22 as the UK exits the European Union, with uncertainty around the exit arrangement and economic forecast. Likewise, the economic legacy of the Covid-19 pandemic carries significant uncertainty.

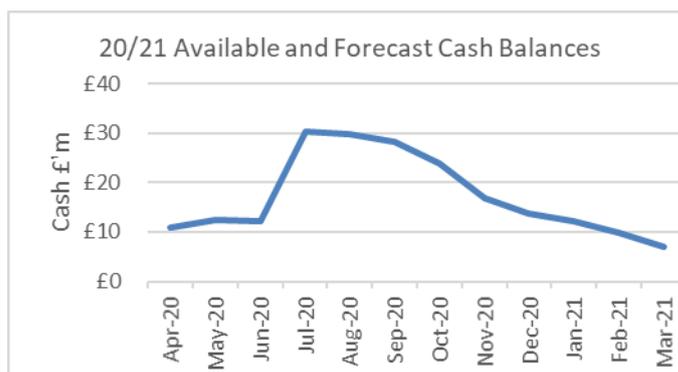
The core aim of the Treasury Management Strategy is to generate additional income for the PFCC but by balancing risk against return. The avoidance of risk to the principal cash amounts takes precedence over maximising returns.

### **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 usually always lower than £15k. However, when there is an emergency, we are unable to place an investment or another event, we will maintain the balance in the Natwest account in order to safeguard funds.

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.

The table below shows the available balances for the 2020/21 financial year. The increase in cash balances during April 2020 relates to new borrowing of £10m from a Local Authority which remains constant until July 2020 when the Pensions Top Up Grant was received. The reduction of cash balances towards the end of October is the repayment of the £10m loan earlier in the year.



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:

Bank / Building Society	Current Ratings
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

### Investment of Principal Sums

No investments will be made for more than 2 years.

## 3. Borrowing

---

The main objective when borrowing funds is to 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. In 2020-21, a short term loan of £10m from a Local Authority was taken out and repaid in October 2020, this was to take advantage of the favourable rates for the purchase of a building. This practise will continue as favourable interest rates continue through the MTFP, this will be based upon cash forecasting and planned short versus long term debt management.

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 2021 is estimated to be:

		£'000	£'000	Average % rate
Fixed rate funding -PWLB	-PWLB	£10,800		2.22%
Variable rate funding - PWLB	-PWLB	£0		
New loans (TBC)		£21,516		
Repayment of Debt		-£9,500		
<b>Gross Debt</b>			£22,816	

The PFCC’s estimated borrowing requirement is as follows:

Borrowing	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
	Estimate	Estimate	Estimate	Estimate
Opening Borrowing	22,816	33,908	49,617	53,277
New Borrowing	11,092	15,709	3,661	7,287
<b>Total Estimated Borrowing Requirement</b>	<b>33,908</b>	<b>49,617</b>	<b>53,277</b>	<b>60,564</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:

	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
	Estimate	Estimate	Estimate	Estimate
<b>Authorised Limit*</b>	35,000	50,700	54,300	61,600
<b>Interest Payable on Variable rate Borrowing</b>	700	1,014	1,086	1,232
<b>Interest Payable on Fixed Rate Borrowing</b>	1,750	2,535	2,715	3,080

\*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%	88%
12 months and within 2 years	33%	0%	0%
2 years and within 5 years	70%	0%	0%
5 years and within 10 years	70%	0%	6%
10 years and above	100%	0%	6%

The actual values will move as fixed maturity dates draw nearer with each advancing year.

## 4. The Economy

---

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. If there were to be a "no deal" Brexit, then it is possible that credit rating agencies could downgrade the sovereign rating for the UK from the current level of AA (or equivalent) to below AA-.

The Coronavirus outbreak caused major disruption to the economy in quarter 1 of 2020, the central banks took action to cut interest rates and these are not being predicted to improve in 2021/22.

---

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 base rate dropped from 0.25% to 0.1% on 19 March 2020 to help control the economic shock of coronavirus. The bank had already reduced the base rate from 0.75% to 0.25% 1 week earlier on 11 March 2020. As such, budgeted income target has been reduced for 2021/22 to £10k. Investment budgets and returns are detailed below:

Year	Interest Income £'000	Budget £'000	Note
2018/19	23	59	Actual
2019/20	30	24	Actual
2020/21	14	24	Actual *
2021/22		10	Proposed

\* November 2020 actual

Given the continued uncertainty in the economy a full review of the Treasury Management Strategy will be undertaken during 2021/22 to review whether there are other investment and borrowing options available.

## **APPENDIX 1**

---

### **Minimum Revenue Provision Policy Statement 2021/22**

The PFCC implemented the Minimum Revenue Provision (MRP) guidance, and will assess their MRP for 2021/22 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 2021/22 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.

---

## 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) 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 27.11.2020)

Country	S&P Rating	Moody's rating	Fitch Rating
Australia	AAA	Aaa	AAA
Belgium	AA	Aa3	AA-
Canada	AAA	Aaa	AA+
Denmark	AAA	Aaa	AAA
Finland	AA+	Aa1	AA+
France	AA	Aa2	AA
Germany	AAA	Aaa	AAA
Netherlands	AAA	Aaa	AAA
Qatar	AA-	Aa3	AA-
Singapore	AAA	Aaa	AAA
Sweden	AAA	Aaa	AAA
Switzerland	AAA	Aaa	AAA
United Kingdom	AA	Aa3	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

---

### 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 £10.8m which reduces the opportunity for rescheduling.

---

## APPENDIX 4

PRUDENTIAL INDICATORS	2020/21	2021/22	2022/23	2023/24	2024/25
Extract from budget setting report	Probable	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
<b>Capital Expenditure</b>	<b>24,495</b>	<b>13,792</b>	<b>16,709</b>	<b>6,831</b>	<b>9,591</b>
<b>Net borrowing requirement</b>					
brought forward 1 April	1,300	22,816	33,908	49,617	53,277
Repayment of Debt					
in year borrowing requirement	21,516	11,092	15,709	3,661	7,287
carried forward 31 March	22,816	33,908	49,617	53,277	60,564
<b>Capital Financing Requirement as at 31 March</b>					
Non – HRA	1,756	2,640	4,204	7,241	6,284
Change in CFR (Non-HRA)	1,201	884	1,564	3,038	(958)
<b>Incremental impact of capital investment decisions</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase in precept per annum *	4.89	3.54	6.15	11.75	(3.64)

TREASURY MANAGEMENT INDICATORS	2020/21	2021/22	2022/23	2023/24	2024/25
	Probable Revised	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
<b>Authorised Limit for external debt -</b>					
borrowing	23,900	35,000	50,700	54,300	61,600
other long term liabilities					
TOTAL	23,900	35,000	50,700	54,300	61,600
<b>Operational Boundary for external debt -</b>					
borrowing	22,900	34,000	49,700	53,300	60,600
other long term liabilities					
TOTAL	22,900	34,000	49,700	53,300	60,600
<b>Actual estimated external debt</b>	22,816	33,908	49,617	53,277	60,564
<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	3.00%	3.00%	3.00%	3.00%	3.00%
<b>Upper limit for total principal sums invested for over 364 days</b>					
(per maturity date)	£1m	£1m	£1m	£1m	£1m



## AGENDA ITEM: 4b

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

#### JOINT INDEPENDENT AUDIT COMMITTEE (JIAC)

10 March 2021

<b>REPORT BY</b>	Helen King, Chief Finance Officer, OPFCC & Nick Alexander Joint Head of Finance - Fire and Police
<b>SUBJECT</b>	Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) Treasury Management Strategy 2021/22
<b>RECOMMENDATION</b>	To note report

#### 1. Background

- 1.1 The third 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 LGSS for NCFRA and the Chief Finance Officer is grateful to colleagues in LGSS and the Joint Finance Team for reviewing and updating the Strategy.
- 1.3 NCFRA governance had transferred without any reserves, and whilst good progress is being made in building them, 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 two years, work continues to build knowledge and understanding of the NCFRA cashflow as given the financial position on the revenue budget and creating a capital programme during this time, the first two years are in no way indicative of a consistent pattern of income and expenditure.
- 1.5 The Treasury Management Strategy for 2021/22 was considered by the PFCC at the Accountability Board on the 12 January 2021 and it is the intention to publish the strategy on the website by the 31 March 2021, after the PFCC considers the feedback from the JIAC meeting.

- 1.6 In line with its Terms of Reference (reviewed and updated July 2020), 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 PFCC, 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 Treasury Management Strategy is based on the Capital Programme as included within the approved budget for 2021/22 and the MTFP.
- 2.4 As set out within the S151 Officer report to the PFCC and included within the Police, Fire and Crime Panel’s consideration of the Fire precept proposals for 2021/22, concerns have been highlighted with regards to the deliverability and affordability of the Fire Capital Programme. This is mainly as a result of the significant backlog of historic investment requirements and given the tight financial envelope for NCFRA in the medium term.
- 2.5 The Chief Fire Officer recognises this challenge and is currently reviewing the programme and it will be considered at the April 2021 Accountability Board.
- 2.6 Therefore, it is anticipated that costs associated with the Capital Programme and reflected in the MTFP and Treasury Management Strategy will reduce. These will be monitored and updated in the next MTFP and Treasury management reviews.
- 2.7 The Strategy will be monitored during the year and a Treasury Management update considered by the JIAC and the Accountability Board later in the year.

### **3. Future Treasury Management Arrangements**

- 3.1 As part of the phased transition of financial services to the Joint Police/Fire Finance team, the areas of Treasury and Cashflow management and taxation will be transferring to the in-house team from 1 July 2021.

- 3.3 This transition is in keeping with the timescales and direction of travel for the Joint Team which was established in June 2020 and enables consistent approaches and processes to be in place, prior to the new system arrangements for both services being implemented.
- 3.3 Plans for the handover are in train and progress in line with these plans will be monitored closely.

#### **4. Recommendation**

- 4.1 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  
2021-22

## 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**

- 1.12 The Authority's projected treasury portfolio position at 1st April 2021, 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).
- 1.13 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.

- 1.14 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**

	2020-21 Forecast £'000	2021-22 Estimate £'000	2022-23 Estimate £'000	2023-24 Estimate £'000	2024-25 Estimate £'000
<b>External Borrowing</b>					
Borrowing at 1 April b/f	-	3,757	10,016	12,251	12,704
Net Borrowing Requirement to fund capital programme	3,757	6,288	2,461	1,039	1,563
MRP	0	(29)	(226)	(586)	(741)
<b>(1) Borrowing at 31 March c/f</b>	<b>3,757</b>	<b>10,016</b>	<b>12,251</b>	<b>12,704</b>	<b>13,526</b>
<b>(2) CFR - the borrowing need</b>	<b>3,757</b>	<b>10,016</b>	<b>12,251</b>	<b>12,704</b>	<b>13,526</b>
Funds available for Investment at 1 April b/f	1,000	1,000	1,000	1,000	1,000
Change in Funds Available for Investment	-	-	-	-	-
<b>(3) Investments at 31 March c/f</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>(4) [1-3] Net Borrowing</b>	<b>2,757</b>	<b>9,016</b>	<b>11,251</b>	<b>11,704</b>	<b>12,526</b>

- 1.15 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.
- 1.16 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

- 1.17 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 as at 20<sup>th</sup> Nov 2020**

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<b>BANK RATE</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.80	1.80	1.80	1.80	1.80	1.90	1.90	1.90	1.90	1.90	2.00	2.00	2.00	2.00
10 yr PWLB	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30
25 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.80
50 yr PWLB	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.60

1.18 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 5th November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

1.19 Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure.

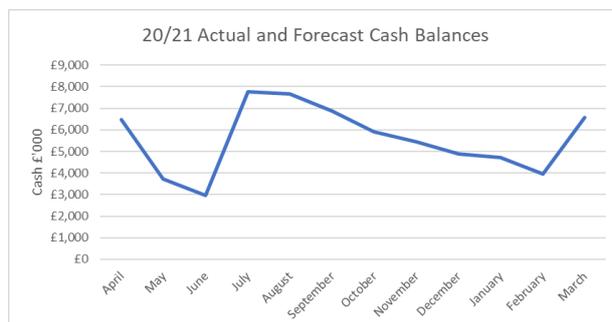
Following the consultation on PWLB borrowings, the Government published their responses in November 2020 which stated these outcomes:

- PWLB will not lend to an Authority who intend to buy investment assets primarily for yield
- Reduce the interest on borrowing on all standard and certainty rates by 100 basis point which took effect from 26<sup>th</sup> of November.

### **Managing daily cash balances and investing surpluses**

1.20 In order that NCFRA can maximise income earned from investments, the target for the un-invested overnight balances in our current accounts is usually always lower than £15k. However, when there is an emergency, we are unable to place an investment or another event, we will maintain the balance in the Natwest account in order to safeguard funds.

1.21 At any one time, NCFRA has between £1m and £10m (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. The average cash available to or forecast to invest throughout 20/21 is as follows:



As with most local authorities with a high proportion of employee to Supplies and Services expenditure NCFRA's cash flow is fairly consistent month on month and therefore investable cash balances only significantly deviate when single payments (such as internally funded capital purchases) or large annual income receipts are forecast.

The decline and increase in cash balances represented above occurs with the:

- Receipt of Fire Fighter Pension Fund (FFPF) grant within July;
- The costs associated with the FFPF being expended throughout the financial year;
- or
- The receipt of one off grants, such as the Covid-19 grant and its positive impact in the early part of the financial year or very short term increases in cash following approval to borrow to fund Capital expenditure.

## Borrowing Strategy

1.22 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;

1.23 The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), will not be fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure.

1.24 Against this background and the risks within the economic forecast, caution will be adopted with the 2021-22 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**

- 1.25 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.
- 1.26 A full set of Prudential Indicators and borrowing limits are shown in Appendix 2.

### **Policy on Borrowing in Advance of Need**

The Authority's policy is to keep cash balances as low as possible and not to borrow in advance of need for capital purposes. However, this will be reviewed should it be prudent to do so.

### **Debt Rescheduling**

- 1.27 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).
- 1.28 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**

- 1.29 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).

- 1.30 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**

- 1.31 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.
- 1.32 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.
- 1.33 The Authority's Investment Strategy is shown in Appendix 4.

### **Risk Analysis and Forecast Sensitivity**

#### **Risk Management**

- 1.34 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.
- 1.35 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**

- 1.36 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.
- 1.37 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*

- 1.38 CIPFA's revised 2017 Prudential and Treasury Management Codes requires all local authorities, for 2021-22, 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;
- 1.39 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*

- 1.40 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

- 1.41 The table below provides a breakdown of the treasury management budget.

**Table 3: Treasury Management Budget**

Description	2020-21	2021-22	2022-23	2023-24
	£'000	£'000	£'000	£'000
Interest payable on borrowing	69	183	243	298
MRP	Nil	29	226	586
<b>Total</b>	<b>69</b>	<b>212</b>	<b>469</b>	<b>884</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**

- 1.42 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 contract with LGSS includes their use of Treasury Adviser Link, which is the same adviser used in Policing. The Chief Finance Officer will determine the use of external Treasury Management advisors for NCFRA when the services transfer in full to the Joint Finance team.

### **Future Developments.**

- 1.43 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**

- 1.44 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**

- 1.45 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.
- 1.46 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**

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 Strategy.

Capital Expenditure	2020-21 Forecast £'000	2021-22 Estimate £'000	2022-23 Estimate £'000	2023-24 Estimate £'000	2024-25 Estimate £'000
Net financing need for the year	3,757	10,016	12,251	12,704	13,526

#### 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 Forecast £'000	2021-22 Estimate £'000	2022-23 Estimate £'000	2023-24 Estimate £'000	2024-25 Estimate £'000
<b>Capital Financing Requirement</b>					
CFR	3,757	10,016	12,251	12,704	13,526
Movement in CFR	3,757	6,259	2,235	453	822

<b>Movement in CFR represented by:</b>					
Net financing need for the year (see Table above)	3,757	6,288	2,461	1,039	1,563
Less: MRP	0	(29)	(226)	(586)	(741)
<b>Movement in CFR</b>	<b>3,757</b>	<b>6,259</b>	<b>2,235</b>	<b>453</b>	<b>822</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 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000
<b>Total Borrowing</b>	5,640	14,960	18,290	18,920	20,090

- 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 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000
<b>Total Borrowing</b>	6,760	17,960	21,940	22,700	24,110

- 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:

$$\frac{(\text{Variable rate borrowing} - \text{variable rate investments})}{\text{Total borrowing} - \text{Total investments}}$$

	2021-22	2022-23	2023-24	2024-25
<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.

	Actual and estimates of financing costs to net revenue stream				
	2020-21 %	2021-22 %	2022-23 %	2023-24 %	2024-25 %
Financing costs to net revenue stream	0.02	0.69	0.83	0.84	0.87

## 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 rating 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;
- 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.

<b>Instrument</b>	<b>Minimum 'High' Credit Criteria</b>	<b>Maximum Amount</b>
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 5a.

# SUMMARY OF HMICFRS RECOMMENDATIONS, CAUSES OF CONCERN AND AREAS FOR IMPROVEMENT

**Joint Independent Audit Committee March 2021**

Inspector Carl Wilson  
Business Assurance Team

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

## **Purpose**

The purpose of this report is to update the Joint Independent Audit Committee on the Force progress with regards to the recommendations in the 2019 HMICFRS PEEL Review.

## **Background**

The Force was subject to an HMICFRS integrated PEEL inspection in January 2019. The inspection took place over a two week period from Monday 14th January 2019 during which the performance of the force was assessed against nine of the ten core inspection questions. The HMIC identified the force as a Cause of Concern (CoC) and three main recommendations were made alongside nineteen Areas for Improvement (AFI). In addition, HMICFRS have conducted thematic reviews where further recommendations have been made.

As part of its response, Northamptonshire Police developed a number of internal action plans to address all areas identified by HMICFRS and to enhance the service it offers to the public.

## **Governance Structure**

The Chief Constable has clearly defined the overarching strategic direction and priorities for the force and the FP25 Programme. Governance of the FP25 Plan is through the Force Strategic Board (FSB) chaired by the Chief Constable on a 4 weekly cycle.

Governance of continuous improvement work has to date been overseen by the Deputy Chief Constable through the Force Assurance Board (FAB), accountable to the Chief Constable.

The force has now evolved into a streamlined approach of a Chief Officer FLO, with dedicated Superintendent support, reporting directly to the Chief Constable. The Chief Constable will chair a Monthly FEM dedicated to HMICFRS oversight to ensure swift identification of blockers to progress and ensure sustainable success.

## **Overview of all HMICFRS inspection activity**

The following table offers an overview of all recent inspections by HMICFRS and the resulting feedback:

<b>Inspection</b>	<b>AFIs</b>	<b>Cause of Concern (PEEL only)</b>	<b>Area of concern (custody only)</b>	<b>Recommendations</b>
PEEL 2018-19 inspection	19	1	N/A	3 (these are related to the 1 overarching Force Cause of Concern and there are 13 individual plans to address these 3 recommendations)
Police Crime Data Integrity (CDI) 2020	5	0	N/A	0
Inspection of Custody Suites 2018 (Joint inspection with HMI of Prisons)	31	N/A	5	5 (linked to area of concern)
National Child protection Inspection 2018	N/A	N/A	N/A	5 groups of recommendations with 10 specific recommendations
National Child protection Inspection 2019	N/A	N/A	N/A	3

## **HMICFRS 2019 PEEL Overview**

### **Cause of Concern**

The Cause of Concern has three recommendations:

1. To improve the effectiveness of our investigations.
2. To improve our approach to protecting vulnerable people.
3. To develop plans to address capacity, capability and efficiency to ensure we can meet demand.

The recommendations have been broken down as follows:

#### **Investigation**

- make sure senior officers clearly and effectively oversee crime investigations and standards;
- make sure all crimes are allocated quickly to investigators with the appropriate skills, accreditation and support. They will then be able to investigate them to a good standard, on time;
- make sure it is fully compliant with the COP for Victims of Crime;
- make sure it can retrieve digital evidence from mobile phones, computers and other electronic devices quickly enough to avoid delaying investigations;
- make sure it uses bail and 'released under investigation' correctly to keep the public safe; and
- make sure that people listed as 'wanted' on the Police National Computer are quickly located and arrested.

### **Vulnerability**

To improve its approach to protecting vulnerable people, it should:

- improve call response and initial investigation for all vulnerable victims;
- improve its response to missing and absent children by categorising information correctly, and regularly and actively supervise missing person investigations to properly safeguard victims; and
- analyse information held on systems to better understand the nature and scale of vulnerability. It should then act on its findings relating to missing people, domestic abuse, human trafficking, modern slavery and child sexual exploitation.

### **Demand**

To make sure it can meet demand, it should develop plans to address its current capacity, capability and efficiency problems. It should:

- change its operating model to remove inefficient practices;
- create a central record of the skills available within the existing workforce;
- reorganise the workforce to make sure officers have the skills needed to meet demand; and
- carry out a thorough assessment of current and future demand, covering all elements of policing.

## **Progress**

Following the HMICFRS 2019 PEEL Inspection, **33** internal action plans based around the CoC/AFI's were developed. Of which:

- **8** are currently assessed as 100% complete and will be presented to the governance board in the near future
- A further **9** plans are operating at over 90% completion
- In all, **94%** of the 33 plans are operating at 70% completion or more.

Each plan is overseen by a Senior Responsible Officer (SRO) within the executive team, relevant to their portfolio. A department business lead is also allocated to ensure delivery of the plan.

The Business Assurance Team (BAT), based within Corporate Services, supports business leads in the progression of their plans by conducting confidence testing on specific workflows to offer assurance on how improvements are being embedded. The BAT also produce reports summarising overall plan activity for internal governance boards to assist executive leads in keeping sight of progress.

The BAT conduct thematic performance testing across the business. Reporting back to senior leaders, the BAT assist in identifying best practice and ensure any apparent risks or performance gaps are resolved at the earliest opportunity.

## **HMICFRS Police Performance Oversight Group Disengagement**

Northamptonshire Police has been engaged in the Police Performance Oversight Group (PPOG) since June 2019. De-escalation back to 'scan' will take place when HMI Zoe Billingham is satisfied that the force has adequately addressed areas of concern and she has confidence that the improved performance will be sustained in the future.

Northamptonshire Police are now proactively seeking to provide evidence to HMICFRS on progress towards completion of the 19 individual AFIs and overarching Cause of Concern. Similarly, evidence for the 13 pieces of improvement activity that are encompassed within the 3 recommendations and one overarching Cause of Concern are being provided to HMICFRS for consideration.

Internal assurance activity seeks to proactively identify themes ahead of future inspection.

## **Conclusion**

The activity outlined in this paper will continue to be taken forward in line with the Force Strategic Plan and FP25 Program. This paper has been submitted for the information and consideration of the Joint Independent Audit Committee.



## AGENDA ITEM 5b

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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**10<sup>th</sup> March 2021**

<b>REPORT BY</b>	ACFO Rob Porter
<b>SUBJECT</b>	NFRS HMICFRS Inspection updates.
<b>RECOMMENDATION</b>	Committee to note report

### **1 Purpose of report**

1.1 To provide the Joint Independent Audit Committee with an update on the Service response to the HMICFRS inspection 2018 and 2021.

### **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 The service were inspected by HMICFRS for the first time in November 2018 while still part of Northamptonshire County Council (NCC). Governance for NFRS changes on 1st January 2019 when the Northamptonshire Commissioner Fire and Rescue Authority was formed, with the Authority being the Police, Fire and Crime Commissioner (PFCC).

3.2 The Service were informed by the HMICFRS of two areas of concern on 14 March 2019 following that inspection and asked the Service to submit an action plan setting out how we would address these causes of concern. The Service then developed an internal action plan which was shared with the HMICFRS inspection team.

3.3 NFRS requested that the HMICFRS inspection team revisited the service in June 2019 to view progress against the action plans. It was noted within the revisit letter:

*“The Service has detailed action plans which have senior responsible owners, deadlines and specific action owners. We found appropriate governance structures within the Service and through the PFCC who scrutinise progress. We believe the service and its senior managers now have a better understanding of the problems, helped by better data. This helps decision-making and allows for better monitoring. Overall, we are encouraged by what we found on our revisit. Although the service has more to do in relation to both causes of concern, it has made significant improvements”.*

3.4 This revisit was after governance had changed from NCC to the PFCC. The Service had since restructured to provide greater strategic focus around these particular areas

3.5 In March 2020 HMICFRS revisited the Service to monitor progress against two causes for concern in relation to:

- a) Fire Engine availability and the process for managing this; and
- b) Process for assuring itself that its firefighters had all necessary safety critical skills needed to respond to emergency incidents.

3.6 The summary findings in a letter from Zoe Billingham, HM Inspector of Fire and Rescue Services. It was noted within the revisit letter that: *‘The tangible improvements we saw have mitigated the risks to public safety that we identified in our original inspection’*

3.7 HMICFRS requested a progress update on our Causes of concern and improvement actions which was submitted September 2020.

3.8 HMICFRS inspected NFRS in October 2020 in respect of our response to the Covid-19 Pandemic. The letter can be found following this link. <https://www.justiceinspectors.gov.uk/hmicfrs/publications/covid-19-inspection-northamptonshire-fire-and-rescue-service/>

The summary findings in a letter from Zoe Billingham, HM Inspector of Fire and Rescue Services NFRS were praised for their response to the Pandemic *“Proactively providing additional support to the community”* and *“Worked closely with partners supporting the needs of their local communities.”*

3.9 As a result of the inspection NFRS have remained in tranche 2 of the 2021 inspection program. This is reflective of the confidence HMICFRS have in NFRSs response to the Causes of Concerns. Within their letter they state:

*“Following on from our first inspection in late 2018, the service put several processes in place to make sure it had the appropriate scrutiny and oversight of fire engine availability and maintenance of competencies. This put the service in a good place to manage its resources. The service maintained critical skills and provided training to 20 Wholetime firefighters internally when there was a short notice change in the arrangements at the Fire Service College.”*

3.10 HMICFRS will be starting engagement work in April 2021 ahead of the 2021 inspection which is expected to start in September 2021.

3.11 HMICFRS have informed us they are working towards a mechanism of releasing NFRS from Causes of Concern ahead of the September 2021 Inspection.

## **APPENDIX 1.**

### **NFRS update on progress of 2018 Areas for Improvement.**

## **Effectiveness.**

### **Preventing fire and other risks.**

- 1. The service should ensure it allocates enough resources to prevention work. The service should evaluate its prevention work, so it understands the benefits better.**

**Update:** The Service reviewed the Senior Management Structure to ensure greater oversight of the Prevention work stream. This included separating the Service Delivery Functions and recruiting a dedicated Prevention, Safeguarding and Partnership Manager.

The Prevention department structure has been reviewed to ensure it is able to support service delivery. Vacant posts have been filled including the new post, Complex Case Officer, by Sonia Wardiell. This has freed up capacity within the specialist Home Safety Team and ensured the service discharges its duty to safeguard those at risk.

A New Service Delivery Management Team structure (Prevention, Protection, and Response) has been established to provide a better performance overview, actions have been agreed to streamline the use of CFRMIS reporting and provide greater clarity around prevention priorities. A performance dashboard has been developed to reflect those priorities.

The Service is now evaluating the prevention framework and reviewed the Prevention Strategy, to continue to inform the use of resources

moving forward. This will not only align to service wide initiatives but link with revised local station plans and local activity in ensuring the efficient use of resources.

While COVID-19 has naturally affected the Services ability for direct engagement, it continues to deliver high risk Home Fire Safety Checks to the most vulnerable members of the community. Alternative delivery methods have been developed to ensure essential high risk advice is provided in the form of remote visits, freeing up capacity. Lessons learnt during this time highlight the need for the continuation of a collaborative approach in accessing and analysing vulnerable person's data to inform prevention activity. This will not only be a focus across partners and inform the Future Northants programme, but form part of the revised interoperability programme.

The Service continues to review its Prevention, partnership and safeguarding activity as part of the ongoing Interoperability Programme to maximise the opportunities under a single governance model and the use of its combined resources in improving community safety.

### **Protecting the public through fire regulation**

#### **2. The Service should assure itself that its risk-based inspection programme includes proportionate activity to reduce risk. It should also include appropriate monitoring and evaluation.**

The risk based inspection strategy has been reviewed to ensure it aligns to risk and resources. This review looked across the premises within the county taking account of a number of factors to develop a three year plan targeting the county's higher risk premises.

NFRS embedded high rise buildings as part of the RBIP and has undertaken the required work under the national Building Risk Review well ahead of the 2021 deadline.

The service received £60K for the Building Risk Review work (High Rise Residential) and £61K for as a Protection uplift grant to support post Grenfell inspection work and the development of protection efficiency and effectiveness. This is being used to improve CFRMIS, to give specialist training to Fire Protection Officers to carry out inspection activity and increase department capacity and efficiency.

The Protection department structure has been reviewed, and three additional Fire Protection Officers are now in post and completing their training modules. Their training has been facilitated by means of remote video training forums, due to Covid-19, and so they will be able to achieve their require knowledge acquisition on schedule. As part of the development for these officers, the wider groups of commercial premises, outside of the higher risk premises, are to be targeted to provide a proportion and range of inspection experience and contribute to the FPO's development.

The Covid restrictions have required new ways of working to deliver the Protection and enforcement work, but high risk inspections (in some cases through alternative methods) have continued, focussing on Care Homes, the impact of a loss of staff on industry, and now, changes due to social distancing and licensing. By applying these alternative methods more inspections have been carried out.

**3. The service should ensure it provides enough informal fire safety information to the local business community.**

In mid-2019, NFRS joined the County's 'Growth Hub partnership', working alongside colleagues from Local Authorities to support a commercial 'one stop shop' for the County, which allow referrals to be received and passed to partners thus providing a wider service to, for example, new businesses.

The service has now additional support and better integration of the Joint Police & Fire function Through the Joint Communications team lead by Deborah Denton. One of the key focuses of this is to increase and improve the use of social media and the NFRS website to support the provision of better information to the business sector.

In response to the Covid outbreak the Service produced additional online guides and support materials for businesses and other stakeholders. The Service also provided bespoke guidance, which supplements the 'Covid Secure' guidance, to allow promotion of the fire safety agenda whilst recognising the ongoing health risks.

**Responding to fires and other emergencies.**

**4. The Service should ensure it has an effective system for staff to use learning and debriefs to improve operational response and incident command.**

Completed. Operational Learning is an element of the Operational Assurance work stream and is being managed through the Service Improvement Plan.

The debriefing processes have undergone a complete reviewed to provide assurance that operational learning is shared across the organisation effectively to maximise improvement in response and command functions. This review was supported by staff engagement from representatives of the Service who fed into the Operational Learning user group. To support this work, the Fire Standard and National Operational Guidance for Operational Learning has been applied. Training and testing of this process is due to be completed April – June 21.

Performance standards for each operational learning product are in place and are monitored monthly through a Service approved dashboard which include a range of performance metrics. For example, Minor debriefs are now being processed within 30 days with a conclusion report being sent to the originator. Also, major debriefs are being processed with a 60 day timeline with the output report being published for all NFRS staff and external agencies to view.

Performance Review of Command (PRC's) debriefs are held following large incidents or incidents of significance which link direct to the Major debrief and feed into the learning outcomes for the organisation and externally via the JESIP NOL/JOL process.

### **Responding to national risks**

#### **5. The service should ensure operational staff have good access to cross-border risk information.**

Completed. All MDT's have access to over the border, site specific risk information within 10Km of the county boundary. Awareness of this information has been promoted throughout the Service.

Linked to the Grenfell Tower Inquiry Action Plan, a PORIS training product (Provision of risk information system) is being developed and a review of associated criteria for maintenance of competence and assessment criteria forms part of that work.

#### **6. The service should arrange a programme of over-the-border exercises, sharing the learning from these exercises.**

Completed. NFRS have introduced a new exercise framework, which covers the requirement for over the border exercises. This includes NFRS attending exercises in other FRS's as well as inviting our neighbouring service to participate in exercises at specific risks or thematic exercises in Northamptonshire.

Covid Regulations have meant that this area has paused, however a restart program is in place, once restrictions are lifted.

All exercises are recorded centrally, linked to training records and are reported monthly on the Exercise database and departmental dashboard.

#### **7. The service should ensure it is well-prepared to form part of a multi-agency response to a community risk identified by the local resilience forum, including a marauding terrorist attack (MTA), and that its procedures for responding to terrorist-related incidents are understood by all staff and are well tested.**

**Update:** This is being managed as an improvement action within the SIP.

#### **MTA Ops Guidance, Policy and Procedures**

A new suite of Ops Articles and PowerPoint training materials are in production to include awareness and training to operational personnel on MTA.

Joint Operating Principles for Emergency Services: Edition 2 was published in December 2020. Changes that are reflected in this document are being implemented.

There is new guidance about 'warm zone' working and the role of non-specialist responders, the role of NILO, SEFT and a NILO Policy, all documents are aligned with the NOG, national proficiency framework, NILO guidance and JOPs.

### **MTA Non-specialist responders (WDS/RDS)**

All on call stations have received input on latest MTA response plan including national MTA/Op video (non-specialist role) and role of the NILO (Northants). This requirement is captured on Redkite when staff are enrolled in the relevant MOC framework aligned to NOG and proficiency framework.

WDS staff will be completed in the coming months; this was delayed due to COVID.

To support awareness and training, the Service continues to develop and be part of exercises to test the response to multi-agency incidents. Including; IED/building collapse exercise scenarios. The Service is working with other responder's agencies, and cross border colleagues, at RAF Waddington for a regional exercise (delayed due to Covid).

A multi-agency exercise for CBRNe is in the planning phase) to test the local response, and as a host of national resilience mass decontamination assets (delayed due to Covid).

### **MTA Specialist Responders**

Specialist Entry Firefighting Team (SEFT) receive regular training to maintain Knowledge and understanding of local and national policy and guidance. This ensures Fire Hazard Management capabilities are maintained to support armed policing.

### **NILO's**

National Inter-agency Liaison Officers cadre meet monthly for CPD and attend/support regional and national CT exercising programme including military CBRNe. NFRS have trained NILO's who can be embedded into a CT Intelligence Cell during early stages of CT incident and link into FRS silver and Gold during multi-agency response.

Three additional/replacement NILO's have been selected and trained as per national criteria and standards.

### **MTA Control Room Staff**

Input has been delivered on MTA/Op P response plan and action cards for mobilising/notification process have been updated. Training is now provided to new starters as part of phase 1 training. Further

training/awareness planned for 2020/21 for control room specific MTA/Op P content has been impacted by Covid and will be rescheduled. The training is aligned to new Fire Control competency framework and is mapped against NOG and proficiency framework.

In addition, a programme of “No notice” MTA/Op P exercises has been held with the Control room to stress test plans and action cards. This included stress testing plans and procedures with Nor Pol FCR and commanders, to evaluate plans and identify any learning.

### **CT Incident Awareness - ACT**

All NFRS staff (Ops and FRS staff) are currently in the process of being enrolled to undertake the NaCTSO ACT awareness CT package.

### **Commander Training**

The roll out of NILO role and MTA/Op P video has been completed. During Covid outbreak virtual training was completed on public order, NILO role and multi-agency responder approach. A virtual MTA/Op P plan scenario has been delivered as part of the training/exercise programme to test and review learning.

### **Non CT/other local community LRF risk**

The Service has undertaken a key role as part of LRF response to the Covid -19 outbreak, to date the Service has attended 50 SCG's. The Service implemented its Strategic Response Arrangements policy, to ensure an effective internal and external response was in place to support the multi-agency coordination efforts.

## Efficiency.

### Making best use of resources

- 8 The service needs to show a clear rationale for the resources allocated between prevention, protection and response activities. This should be linked to risks and priorities set out in an up-to-date integrated risk management plan.**

The service has established a greater integrated Service Delivery Management Team (SDMT) structure to ensure closer working and allocation of resources across Protection, Prevention and Response in prioritising activities and collectively mitigate risk across all three functions. A key focus has been to ensure a more sustainable and resilient structure aligned to the risk profile within the IRMP.

SDMT are now focussing on establishing and embedding an evaluation framework to inform the wider use of resources in mitigating risk.

#### Protection:

NFRS have reviewed its risk based inspection programme in line with the risk profile of the county as part of the IRMP background risk information and changing risk profile. The structure has been reviewed to ensure a proportional allocation of resources to deliver the programme effectively.

- Three new Protection Officers have been recruited and trained to support delivery of the Risk Based Inspection programme. The additional resource will also support the Services response to the Grenfell enquiry and subsequent action plan.
- Additional Protection training for CRG personnel has started which will enhance the Services Protection knowledge/ capacity, although it has been impacted by the Covid-19 outbreak. New ways of delivering Protection training remotely are being developed to continue this work.

#### Prevention:

The prevention structure has been reviewed, with the introduction of two new key posts – HFSC co-ordinator and Complex Case Officer.

Improved performance information is now be used to monitor delivery of targeted prevention activity, which not only supports a wider partnership approach to mitigate risk but encompasses greater use of station staff in the delivery of preventative activity.

A step change has been achieved in improving the use of station personnel in the delivery of preventative activities; actively contributing to the increased number of HFSC's completed as detailed above. This is being further developed through revised station plans that closely link to the prevention scorecard and outcome measures.

Response:

A key focus area has been around stabilising the structure and providing a more resilient Fire Cover model (particularly On-Call) aligned to the IRMP, by reducing the dependency on Overtime and Bank Staff.

To support establishment/ workforce planning, a board of key managers is convened every two months to reconcile HR and finance information to ensure efficiency and effectiveness. The board covers; recruitment, development, promotion and succession planning to ensure financial oversight and organisational stability

- 20 firefighters were recruited in March 2020 and, following training, have been posted to watches at Fire Stations across the county from 28 June 2020. This has resulted in the Service being slightly over establishment, but allows for the predicted retirement profile that mitigates any predicted shortfalls in establishment. As a result dependency on pre-arranged Overtime continues to reduce, providing a more sustainable and resilient structure that was preciously under resourced.
- Additional WDS staff are being used flexibly to support on-call availability and strategic fire cover.

The dependency of Bank staff to support on-call availability is reducing, with availability continuing to improve due to improved managerial oversight and action. The Police Fire and Crime Commissioner has agreed to increase the establishment from 242 (WDS) to 254 and structuralise the bank, improving On-Call availability. It is expected that these Firefighters will be in post by summer 2021

A comprehensive review of the On-Call system is being carried that focusses on 5 key areas: System, Support, Recruitment, Retention and Development.

As detailed above, in relation to the Cause for concern around fire cover, the resources allocated to support on-call availability is not only having a positive impact on appliance availability but also SOR times,

organisational resilience in line with the IRMP objectives and contributes to the wider prevention activities.

Measurable improvements can be seen in Area for Improvement No 1 shown above. The data shows improved outcome measures in SOR and availability. This demonstrates that the new SDMT arrangements are not only proving efficient but also effective.

#### IRMP Refresh:

NFRS are currently reviewing and revising its process for protection and prevention in response to COVID-19, to not only inform our risk profile but our response to how we deliver our risk based approach.

In response to COVID-19 learning, access to vulnerability data and the planned review of underpinning IRMP Risk information we will be reviewing our risk profile to inform the next IRMP refresh during 2021.

### **9 The service should ensure it has clear and robust processes to manage staff overtime.**

The Service introduced a new pay claims system (ECS) in December 2019 which provides greater functionality and reporting of overtime. Including:

- Improved assurances process for the authorisation of Overtime has been embedded within the Community Risk Group.
- The new ECS system now provides wider managerial oversight of Overtime Spend, informing decisions and the effective use of resources.
- This now provides greater transparency around Casual, Pre-Arranged and Training Expenditure through monthly ECS reporting.

Resource planning as part of the establishment board is significantly reducing the dependency on overtime as detailed above.

Dependency on Overtime has greatly reduced along with the improvements in resources planning as detailed above; along with a reduction in a dependency on Bank spend.

**10 The service should ensure it has good business continuity arrangements in place that take account of all foreseeable threats and risks. It needs to review and test plans thoroughly.**

**Completed:** This is being managed as an improvement action within the SIP. The service has an organisational Business Continuity Plan in place and all departments have BC plans in place. The Service has introduced a new assurance and performance framework, which incorporates a review of Business continuity plans on a regular basis.

Business continuity and Service resilience, has been tested to the extreme during the Covid outbreak and the existing plan to implement a programme of BC plan testing will be delayed whilst the learning outcomes from the pandemic are determined.

Through the outbreak managers were able to rely on current plans to clarify critical functions, and although impacted, the majority of individual departments reported that critical functions were maintained throughout. This was confirmed via the departmental performance boards and Service Assurance Board that continued to run through the COVID period.

Additional business continuity tests, non covid related have been carried out during this period and a business continuity exercising framework put in place for continual testing.

**Making the fire and rescue service affordable now and in the future**

**11 The service should ensure it has sufficiently robust plans in place which fully consider the future management of its fleet and properties.**

The Service has developed Fleet, Equipment, ICT and Estates Strategies linked to a revised capital plan and MTFP.

As a result, a procurement process has begun for replacement appliances as well as a number of special appliances and a specification is being drawn up for a replacement aerial. In addition, procurement processes are underway for replacement equipment utilising S106 funding where appropriate.

A joint enabling services director has been appointed to lead on a series of areas that will enhance efficiency. All of these areas have their own agreed plans and governance arrangements with the aim of integrating functions with the Police to enhance resilience, efficiency and effectiveness, these include:

- 1) Estates - A joint Police/Fire estates strategy has been implemented with various projects planned including The

Joint Workshops in Earls Barton, Joint Services Headquarters, Darby Close (March 21).

- 2) ICT – A Joint Chief Digital Officer for Police and Fire, Claire Chambers, has been appointed, her post oversees both ICT/ISD departments and delivers the new joint digital strategy for both services. In addition, there is a Fire ICT improvement plan in place to improve the ICT infrastructure as a key enabler for further improvement. This includes significant capital investment this financial year.
- 3) HR – Louise Davis has been appointed as the Senior HR lead for Police and Fire.
- 4) Fleet – Lem Freezer has been appointed as Joint Fleet Manager, with the aim of fully integrating the functions. A suitable joint premises has been purchased in Earls Barton and plans are being developed to fully integrate the teams.
- 5) Finance – A new Joint Finance team is now operational with enhanced support to Fire.
- 6) Deborah Denton was been appointed in October as Head of comms and has now recruited a full comms team enhance internal and external communications for Fire and Rescue.

**12 The service should do more to identify areas where innovation, including the use of technology, can help it improve productivity and develop capacity.**

The Service have produced a Capital plan and an ICT plan and a series of work streams are scheduled for 2020. Initial work will be centred of building up the IT infrastructure which has been underfunded for a number of years.

Claire Chambers, the Joint Digital Officer for Police and Fire has been appointed. The aim of this post is to identify areas for improvement in the short term and provide the overview and expertise for the Digital Transformation of both services going forward.

## People

### Promoting the right values and culture

#### **13 The service should assure itself that staff understand and have confidence in the purpose and integrity of health, safety and wellbeing policies, especially how to access wellbeing support.**

This recommendation is managed under the direction of the Health and Wellbeing Board, chaired by ACFO Rob Porter. The health and wellbeing work stream has recently been allocated a lead Officer Stef Douglas.

The Health and Wellbeing Board continues to promote awareness of the current provision for wellbeing support by means of regular updates, weekly bulletins and posters. The Service intranet has been used to provide managers with support with updated flowcharts, improved guidance, advice and links to external resources. The Health and Well Being strategy is under review (delayed by Covid).

In addition to in-house support from Employee Assist and Kind Minds, the Service has engaged with 'Sapper Support' a charity that offers free 24/7 mental health support specifically for the armed forces and emergency services and has been in discussions with the Firefighters Charity to roll out a programme of awareness of their MH services.

On the most recent round of FEG visits, staff had been asked to discuss and present a briefing on *the benefits of diversity in the Fire and Rescue Service; what is meant by 'positive action' in relation to recruitment, why the need for 'positive action' and its limitations*

A fixed term post has been recruited to in the wellbeing support structure to formalise existing processes and develop the means by which we analyse the data and inputs that come to the group to better shape future service provision.

Throughout the outbreak the Well Being Support Team carried out many proactive activities that recognised the additional stress and anxiety that resulted. These included:

- A series of stress relief and relaxation exercises in a 'wellbeing week', which were widely circulated in the Service and made available to all staff.
- The Service have promoted daily online fitness sessions which have been provided by Tier one, who are the provider for all of the Services fitness testing. Fitness testing has resumed with arrangements in place to allowing regular fitness testing to resume with appropriate infection controls.

- The Wellbeing Support Team have reported a significant rise in direct referrals, as well as manager referrals for support, during the outbreak which is good evidence that visibility and awareness is improving across the Service.
- The team also provided counselling support for those staff members that undertook additional work for other agencies i.e. the Mortuary and ambulance work. This specific area is going to be evaluated to see if there are any lessons to be learned from a wellbeing perspective.
- The team report that they are receiving very positive feedback for the support that has been made available in response to the outbreak
- The Service conducted a staff survey in response to Covid which had a strong health and wellbeing focus. The questions look to confirm how useful and accessible the available wellbeing and support services are for staff. There have been over 150 responses. The data has been analysed and the findings shared with service
- The Service has carried out a Stress survey for all staff. The resulting action plan is being overseen by FEG.

In addition to the information above; the Service has embedded in the service a confidential reporting line (third party) to ensure that staff can provide safe and confidential advice should they ever find themselves in a position where they witness wrongdoing in the workplace and do not feel confident they can speak with their direct line manager. In addition, the Service we have procured will provide us with the opportunity to carry out a comprehensive diagnostic gap analysis, where we can self-score our arrangements across 34 standards covering governance (accountability, written policy and procedures, and reviews and reporting), operations (support and protection, recording and investigations, and resolutions and feedback), and staff engagement, (communications and training).

### **Getting the right people with the right skills**

#### **14 The service should ensure its workforce plan takes full account of the necessary skills and capabilities to carry out the integrated risk management plan.**

**Update:** This work stream is being led by the Establishment Board, chaired by the AM for Response, Kerry Blair, which will progress the issues of succession planning and workforce development for all functions as part of its remit. This will be further informed by the review of the IRMP in 2021.

- WDS Establishment has been increased from 242 to 254.
- 16 new On-Call staff have been recruited during COVID-19
- 20 New WDS Recruits were recruited in 2020 to fill the under establishment position and allow for the forecasted retirement profile 2020-2021. Ongoing WDS recruitment is being planned for year 21/22.
- 12 Transferees are being recruited to a permanent Bank Shift.
- The Prevention Structure has been reviewed within the introduction of a new HFSC co-ordinator and Complex Case Officer.
- Three new Protection Officers have been recruited and trained to support delivery of the Risk Based Inspection programme. The additional resource will also support the Services response to the Grenfell enquiry and subsequent action plan.
- Establishment strength is now showing a reduction in dependency on pre-arranged overtime and use of Bank Staff to support availability.

Following the feedback, the Service has developed a new Workforce plan in line with the Workforce development strategy and linked to the NFCC people Strategy. This will also be a key area for a future joint Police/Fire HR function as NFRS have not had professional workforce planning support previously.

### **Ensuring fairness and promoting diversity**

#### **15 The Service should ensure leaders can demonstrate that they act on and have made changes as a direct result of feedback from staff. The Service should also improve communications between senior managers and staff.**

An organisational engagement strategy has been produced which will also feed into ongoing work covering Culture and Engagement, both internally and externally.

As previously stated the debrief processes have been updated in order that staff receive feedback in a shorter timescale.

During Covid, FEG visits have been supplemented by weekly updates and a virtual video call in with the CFO / FEG. The virtual meetings with the CFO have been very well received, especially by those that are working from home, or are shielding.

Communication with the Service is being bolstered by TLT through the preparation of a post meeting outcome / briefing report that is shared across the Service.

A survey has been conducted asking staff for their views, comments and experiences with a strong focus on health and wellbeing. A separate Organisational debrief has been conducted seeking commentary on core organisational issues. A third survey has been completed with the aim to identify those transformational opportunities that have been presented by the Covid in respect of different ways of working. The input from these surveys will inform a number of different work streams and the findings will be shared with staff as soon as is practicable.

In addition the joint Fire/OPFCC communications team is in place. This team is led by Deborah Denton. This will enhance both the services internal and external comms capability including specific capacity for social media and website development.

## **16 The service should ensure that all staff understand the benefits of a diverse workforce.**

The Service actively promotes the benefits of a diverse workforce by targeted engagement with staff and numerous community groups. For the current round of FEG visits, watches were asked to discuss and present a briefing to the visiting FEG members on 'the benefits of diversity in the Fire and Rescue Service; what is meant by 'positive action' in relation to recruitment, why the need for 'positive action' and its limitations'.

The EDI lead also has a programme of visits to watches to have open and honest conversation about EDI, concerns people may have, to provide clarity where there has been misunderstanding and to support and highlight areas of good practice. An example of this the feedback to the recruitment lead that staff on stations are very keen to be involved in productive and effective positive action events. EDI responsibility has been allocated a lead Officer, GM Stef Douglas and an EDI committee and action group has been established to progress the EDI Strategy and provide focussed delivery of the refreshed EDI Action Plan.

The EDI strategy for 2021 – 23 has been written and will be launched with the support of the EDI Action Group.

EDI has also been selected as a priority for the new Joint HR team to share resource and good practice. The newly appointed Head of HR and EDI lead are working closely with GM Douglas to establish action plan responsibilities

The 2021 – 2023 action plan is in draft but links to the recommendations from the HMI, the outstanding objectives from the 2017-2020 action plan and the suggestions gathered from market research done by the EDI lead.

The following are some actions that we have undertaken since the last report to JIAC: HMICFRS feedback:

Representatives have been selected within Service as leads within Service for underrepresented groups and have started to embed themselves in local and national forums; the first Diversity Action Group under this arrangement is taking place in March. This meeting will be fully inclusive and open to all. It will have a voice at the Delivery Board and the Ops Delivery Board to ensure that EDI is a factor in the decisions the service makes at these forums.

We have representation on the Northamptonshire County Council forums on:

- Women
- Ethnicity
- LGBT

The EDI lead has supported the creation of the first NFRS Peer Support Network. This will be a Women's Network in place to support female employees from across the service and to enable effective consultation and decision making where gender is a factor. Further networks are being considered.

The EDI lead is working with the Service Information Team and the Comms Team to review and update the Intranet site and the Website. The aim being to ensure that access to important and relevant information is as intuitive as possible and that our outward facing website is easily accessible by all, represents the diverse employees suitably and celebrates their achievements appropriately.

Operational Middle Managers are currently attending 'Transforming Workplace Culture' events focused on Equality, Diversity and Inclusion, covering Critical issues raised by the HMICFRS State of Fire report; The Service EDI lead has established a Regional FRS EDI forum which meets quarterly to discuss Service initiatives and share best practice. This has allowed us to benefit from more experienced EDI teams and has advised specifically on peer support networks, Positive Action training and use of EqIAs.

NFRS have sent representatives to a national LGBT+ network which was recently established, further meetings are due to be arranged as and when restrictions are lifted.

The service is very active on social media to promote and support national and international campaigns to recognise and celebrate those from minority groups. AN Example of this is the work we did to support Black History Month with black staff from ops and Risk Intel. We are also actively engaging our female staff to support International Women's Day and one of our female CMs is speaking at the NCC IWD celebration as a role model for a new generation of diverse staff. Our aim is to have a consistent and positive presence on social media, radio and the written press regarding EDI.

Internally, Manager's seminars have been enhanced to include a range of informative topics including workshops and discussions on unconscious bias, Positive action, and cultural values.

The Service has built on previous successful recruitment drives, with the recent recruitment drive for Whole-time firefighters resulting in an increase of over 30% female intake including one recruit from a minority group (white non-British). This has led to the Service ranking 4th in the sector for % of female firefighters

The EDI lead sits on the Recruitment team to advise on positive action events and how to engage the community. This will support a very active presence for positive action in the community and will embrace the virtual events that other blue light partners have used to good effect to support engagement but minimise risk.

Station plans for 2021/2 are being developed which include the requirement for activities specifically targeted at underrepresented communities in the County. Its' aim is to build confidence and enhance understanding both for the Service and also for the Community.

### **Managing performance and developing leaders**

#### **17 The service should put in place an open and fair process to identify, develop and support high-potential staff and aspiring leaders.**

Although promotion processes can be used to help identify high performing staff and subsequently prioritise development and support, we recognise there are other performance related methods that can identify those with the talent we require to continually improve the Service we deliver.

The Service has aligned its Succession planning/Talent management framework to that of the new NFCC "Succession planning in the UK FRS" approach which is to take a "Whole organisational approach" as opposed to a micro level "individual approach".

This is a multi-faceted approach and looks at formal development programmes as well as development in its wider sense with its focus on developing pools of people able to step up to the next level while also

developing management skills to be effective at the level they are currently working.

The Service is working with a third party to run some follow up sessions with Managers on essential business skills. These sessions will start in April 2021.

**18 The service should improve awareness and understanding of the selection and promotion process among all staff.**

**Update:** We have reviewed all promotion processes and we have embedded all updated policies for promotion and development. These processes incorporate the NFCC leadership framework as a core component. Communication on these changes have been extensively carried out.

Promotion selection processes were carried out in line with the revised policy during July 2020, for Crew and Watch Managers, January 2021 for Station Managers, February 2021 for Group Manager. These will fill vacancies as they arise over the next 12 months.

An annual promotion cycle has been implemented from January 2021. This work is being overseen by the Establishment Board.

Promotion boards, specifically at senior level, will incorporate membership from the OPFCC or external agency to promote objectivity. In addition a more diverse range of staff have undertaken interview skills training and formed part of the interview panels for Crew and Watch Managers thus providing a broader and more rounded view of candidates.



## **AGENDA ITEM: 6a**

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

## **JOINT INDEPENDENT AUDIT COMMITTEE**

**10<sup>th</sup> March 2021**

<b>REPORT BY</b>	Paul Fell
<b>SUBJECT</b>	Risk Policy and Procedure
<b>RECOMMENDATION</b>	Committee to note report

### **1 PURPOSE OF THE REPORT**

- 1.1 This report provides the Joint Independent Audit Committee with an update on the risk policy and procedure for the Northamptonshire Office off Police, Fire and Crime Commissioner (OPFCC).
- 1.2 This report will assist the Joint Independent Audit Committee in understanding how risk is identified and managed in the organisation.

### **2 OVERVIEW**

- 2.1 The OPFCC has in place a risk management policy, a copy of which is attached.
- 2.2 This risk management policy outlines the OPFCC approach to risk and risk management, and the methodology of ownership and mitigation of identified risks.

- 2.3 The policy is reviewable on an annual basis and was last reviewed in May 2020.
- 2.4 The OPFCC utilise the same risk management system as Northamptonshire Police, 4Risk, an electronic system, designed specifically for the creation and management of risk registers. This system allows for risks to be created in a web based format and then subsequently to allow the recording of controls that have been put into place and additional remedial actions that have been deemed requiring undertaking, in order to better manage those risks.
- 2.5 The Director with responsibility for the management of this register, presents the register to the Commissioner and senior OPFCC staff on a 6 weekly basis, to allow for critique and review, the creation of new risks and the updating or deletion of existing risks as appropriate.

### **3. RECOMMENDATION**

- 3.1 That the joint Independent Audit Committee note and acknowledge the contents of this report and are assured that the OPFCC has in place sufficient arrangements to identify and manage risks associated with the delivery of it's core functions and business.

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

None

#### *HUMAN RESOURCES IMPLICATIONS*

None

#### *RISK MANAGEMENT IMPLICATIONS*

This is the purpose of the report.

#### *ENVIRONMENTAL IMPLICATIONS*

None

**Author: Paul Fell, Director of Delivery, OPFCC**

**Background Papers: Copy of OPFCC Risk Policy**



Risk Policyv1.docx





COMMUNITY JUSTICE SECURITY



## **Agenda Item 6b**

### **Report to the Joint Independent Audit Committee 10 March 2021**

#### **Force Risk Management Policy and Procedures**

#### **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 annual review of the Force Risk Management Policy and Procedures.

#### **2 OVERVIEW**

- 2.1 The policy and procedures were reviewed in July 2020 and approved on 28 July 2020.
- 2.2 The Senior Owner of the policy and procedures has changed from Ch. Supt. Chris Hillery to Ch. Supt. Caroline Marsh.
- 2.3 The revised documents include updated roles and responsibilities following the introduction of the 4Risk risk management system and the revised frequency and role of the Force Assurance Board.

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

None

#### **HUMAN RESOURCES IMPLICATIONS**

None

#### **RISK MANAGEMENT IMPLICATIONS**

This is the subject of the report.

#### **ENVIRONMENTAL IMPLICATIONS**

None

**Author:** Richard Baldwin,  
Force Risk and Business Continuity Advisor

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

**Background Papers:** Force Risk Management Policy v16.0  
Force Risk Management Procedures v15.0

Not Protectively Marked

**Northamptonshire Police**

Policy Title:	Risk Management	Version:	16.0
Reference Number:			

Force department responsible: Corporate Development Department
--

Policy Author: Richard BALDWIN	Senior Owner: Ch. Supt Caroline MARSH
-----------------------------------	--

Policy Effective Date:	01 July 2020
Policy Review Date:	01 July 2021

Replaces Policy or document:	Risk Management Policy 15.0
------------------------------	-----------------------------

Links to other policies, procedures, strategies or other documents: Risk Management Procedures v15.0 July 2020
---

Version	Date	Reason for issue
0.1	05/07/10	Draft
1.0	04/08/10	Approved by C.O.G.
2.0	17/02/11	Revised following Force restructure
3.0	25/04/12	Revised to incorporate changes in procedure and reporting structure
4.0	22/07/13	Revised to incorporate further changes in procedure and reporting structure
4.1	11/12/13	Revised to incorporate changes to Force structure
5.0	10/02/15	Updated to include items identified by internal audit
6.0	01/06/16	Updated to include items identified by internal audit and changes to force structure
7.0	01/11/17	Updated to reflect changes in Force structure.
11.0	01/07/18	Updated and renumbered to match Force Policy Library
12.0	01/02/19	Updated to reflect new governance structure
13.0 & 14.0	13/02/19	Renumbered to match Force Policy Library
15.0	01/07/19	Updated to reflect new governance structure
16.0	08/07/20	Updated following annual review

Date Policy last reviewed:	08 July 2020
Last reviewed by:	Richard BALDWIN

Approved on:	Name:	Signed:
--------------	-------	---------

Not Protectively Marked

## **1 Legislative Compliance**

- 1.1 This document has been drafted to comply with the principles of the Human Rights Act. Proportionality has been identified as the key to Human Rights compliance, this means striking a fair balance between the rights of the individual and those of the rest of the community. There must be a reasonable relationship between the aim to be achieved and the means used.
- 1.2 Equality and Diversity issues have also been considered to ensure compliance with Equal Opportunities legislation and policies. In addition, Data Protection, Freedom of Information and Health and Safety issues have been considered. Adherence to this policy or procedure will therefore ensure compliance with all legislation and internal policies.

## **2 Purpose and scope of policy**

- 2.1 This policy is designed to assist those with responsibility for the ownership and management of risk within the force.
- 2.2 The purpose of the policy is to:
  - a) Integrate risk management into core business practices;
  - b) Ensure that the risk management process is aligned to the Force's strategic priorities;
  - c) Ensure that the Force's exposure to risk is maintained within acceptable levels;
  - d) Safeguard employees, the public and others affected by the Force's operations;
  - e) Inform decisions by identifying risks and their likely impact;
  - f) To demonstrate that the Force operates good governance in its approach to the identification and management of risk.
- 2.3 The policy applies to all aspects of risk management although the degree of control will be scaled according to the severity of impact and likelihood of realisation of any particular risk and within cost and value considerations.

## **3 Background information**

- 3.1 Northamptonshire Police has a responsibility to manage risks effectively in order to protect employees and the community and to enable the Force to achieve its strategic objectives as set out in the Force Strategic Assessment and the Local Policing Plan.
- 3.2 Both the Force and the Police, Fire and Crime Commissioner are committed to the integration of risk management into all working

practices. The implementation of a consistent risk management programme, as defined in the Risk Management Procedures, will enable the Force to respond to, and effectively manage, any business, operational, health and safety or other risks whether actual or potential.

- 3.3 Legislation that underpins the management of risk includes the Corporate Manslaughter and Corporate Homicide Act 2007, the Civil Contingencies Act 2004 and the Health and Safety at Work Act 1974.

## **4 Policy Statement**

- 4.1 The Force recognises that in order to maximise benefits and achieve full value from opportunities for improvement it is necessary to take calculated chances.
- 4.2 It is neither possible nor beneficial to try to achieve zero risk. The Force therefore encourages officers and staff to take qualified risks where the rationale behind taking those risks is based on sound decision making principles such as the National Decision Model.
- 4.3 The Risk Management Procedures describe the levels of risk that can be acceptably tolerated at each level of the Force and the governance procedures that are in place to ensure that those levels of tolerance are not exceeded.
- 4.4 All risks will be reported using a standard template and process and assessed according to standard criteria as detailed in the Risk Management Procedures.
- 4.5 Risks will be defined as falling into one of three levels of activity; the Strategic level, where the purpose and direction of the organisation is determined; the Programme level, incorporating all programme and project activity, where those strategies are transferred into action plans; and the Operational level, where those action plans are implemented.
- 4.6 Low and medium strategic level risks will be recorded, assessed and owned by the head of the department responsible for the area of activity most affected by the risk. The risk owner will be responsible for implementing control measures to address the risk and for monitoring the risk to identify any possible escalation.
- 4.7 Low and medium programme level risks will be recorded, assessed and owned by the programme / project manager. The risk owner will be responsible for implementing control measures to address the risk and for monitoring the risk to identify any possible escalation.

- 4.8 Low and medium operational level risks will be recorded, assessed and owned by the department raising the risk. The risk owner will be responsible for implementing control measures to address the risk and for monitoring the risk to identify any possible escalation.
- 4.9 All high and critical risks, and medium risks that have a force wide impact, will be referred to the Force Risk Manager and will be recorded in the Corporate Risk Register. The risk owner should implement control measures to reduce the likelihood and/or impact of the risk, monitor the risk to identify any possible escalation and report the status of the risk to the Force Risk Manager.
- 4.10 The Change Board will be responsible for oversight of any high or critical risks associated with programmes and projects.
- 4.11 The Force Assurance Board will review the Corporate Risk Register monthly to provide assurance that risks are being managed effectively and in accordance with the Risk Management Policy and Procedures and that the assurance measures in place for each risk provide adequate assurance that the control measures in place are effective in managing the risk.
- 4.12 The Joint Independent Audit Committee will review strategic risks quarterly to provide independent assurance that risks are being managed effectively and in accordance with the Risk Management Policy and Procedures.
- 4.13 The Chief Constable will have overall responsibility for corporate risk.

## **5 Monitoring and review**

- 5.1 Compliance with this policy will be monitored by the Force Assurance Board
- 5.2 The Senior Policy Owner will be responsible for reviewing this document every year.
- 5.3 The Deputy Chief Constable, as NPCC lead, will be responsible for reviewing the appropriateness and effectiveness of this policy.

## **6 Comments**

- 6.1 Comments and feedback on this policy are welcomed and should be sent to the Senior Policy Owner at the following address:
- 6.2 Northamptonshire Police  
Force Headquarters  
Wootton Hall  
Northampton, NN4 0JQ

OFFICIAL

**Northamptonshire Police**

Procedure Title:	Risk Management		
Reference Number:		Version:	14.0

Force department responsible: Corporate Development Department
--

Procedure Author: Richard BALDWIN	Senior Owner: Ch. Supt Caroline MARSH
--------------------------------------	--

Policy Effective Date:	01 July 2020
Policy Review Date:	01 July 2021

Replaces Policy or document:	Risk Management Procedures v14.0
------------------------------	----------------------------------

Links to other policies, procedures, strategies or other documents: Risk Management Policy v16.0 July 2020
---

Version	Date	Reason for issue
0.1	22/07/10	Draft
0.2	29/07/10	Revised Draft
1.0	04/08/10	Approved by C.O.G.
2.0	17/02/11	Revised following Force restructure
3.0	25/04/12	Revised to incorporate changes in procedure and reporting structure
4.0	22/07/13	Revised draft to incorporate further changes in procedure and reporting structure
4.1	11/12/13	Revised Draft to incorporate changes to Force structure
5.0	10/02/15	Updated to include items identified by internal audit
6.0	01/06/16	Updated to include items identified by internal audit and following changes to force structure
6.1	18/07/16	Updated to include recommendations from Joint Independent Audit Committee
7.0	01/11/17	Updated to reflect changes in Force structure
11.0	01/07/18	Updated and renumbered to match Force Policy Library
12.0	01/02/19	Updated following changes to governance structure
13.0	13/02/19	Renumbered to match Force Policy Library
14.0	01/07/19	Updated following changes to governance structure
15.0	08/07/20	Updated following annual review

Date Policy last reviewed:	
Last reviewed by:	Richard BALDWIN

Approved on: 08 July 2020	Name: Caroline MARSH	Signed:
------------------------------	-------------------------	---------

Official

## Contents

1	Legislative Compliance.....	3
2	Background Information .....	3
3	Aims and Objectives .....	4
4	Approach .....	4
5	Organisational Risk Structure .....	6
6	The Risk Management Process .....	10
7	Strategic Objectives .....	10
8	Risk Appetite .....	10
9	Identifying Risks .....	11
10	Assessing Risks.....	12
11	Escalation of Risks.....	16
12	Addressing Risks .....	17
13	Residual Risks.....	19
14	Assurance Mechanisms .....	19
15	Reporting and Reviewing Risks .....	20
16	Management of Issues .....	20
17	Training and Communication .....	21
18	Monitoring and Review.....	21
19	Comments .....	21

## **1 Legislative Compliance**

- 1.1 This document has been drafted to comply with the principles of the Human Rights Act. Proportionality has been identified as the key to Human Rights compliance, this means striking a fair balance between the rights of the individual and those of the rest of the community. There must be a reasonable relationship between the aim to be achieved and the means used.
- 1.2 Equality and Diversity issues have also been considered to ensure compliance with Equal Opportunities legislation and policies. In addition, Data Protection, Freedom of Information and Health and Safety issues have been considered. Adherence to this policy or procedure will therefore ensure compliance with all legislation and internal policies.

## **2 Background Information**

- 2.1 The Northamptonshire Police Risk Management Policy (July 2020) defines the Force's attitude to risk and outlines its approach to the management of risk.
- 2.2 Risk management is a central part of any organisation's strategic management. It is the process whereby organisations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.
- 2.3 The focus of good risk management is the identification and treatment of these risks.
- 2.4 Its objective is to add maximum sustainable value to all the activities of the organisation. It marshals the understanding of the potential upside and downside of all those factors which can affect the organisation. It increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the organisation's overall objectives.
- 2.5 Risk management is a continuous and developing process which runs throughout the organisation's strategy and the implementation of that strategy.
- 2.6 It translates the strategy into tactical and operational objectives, assigning responsibility throughout the organisation with each manager and employee responsible for the management of risk as part of their job description. It supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels.

- 2.7 The Civil Contingencies Act 2004 and the subsequent guidance on its use entitled Emergency Preparedness (Nov 2005) outlines the expectations placed upon category 1 and 2 responders in terms of the Act.
- 2.8 In December 2008 the Cabinet Office published the Expectations and Indicators of Good Practice document in which it clarified what is expected of category 1 and 2 responders in respect of their duties under the Civil Contingencies Act.

### **3 Aims and Objectives**

- 3.1 The main objectives of this procedure is to:
- a) Integrate risk management into core business practices and organisational culture;
  - b) Ensure that the risk management process is aligned to the Force's strategic priorities;
  - c) Ensure that the Force's exposure to risk is maintained within acceptable levels;
  - d) Demonstrate that the Force operates good governance in its approach to the identification and management of risk;
  - e) Provide a consistent means of recording and assessing risks;
  - f) Provide clear criteria for assessing the impact of risks;
  - g) Provide a clear mechanism for escalating risks;
  - h) Ensure that ownership of risks is at a level appropriate to the severity of impact;
  - i) Ensure that adequate mechanisms are in place to provide assurance that risks are being effectively managed;
  - j) Provide regular and effective management information on the Force's risk exposure and resilience;
  - k) Ensure that a process is in place to monitor the ongoing effectiveness of the risk management process;
  - l) Ensure that all members of staff are aware of their responsibilities in terms of risk management and that appropriate training and support is available to achieve this.
  - m) Ensure that the Force is able to fulfil its obligations under the Civil Contingencies Act 2004.

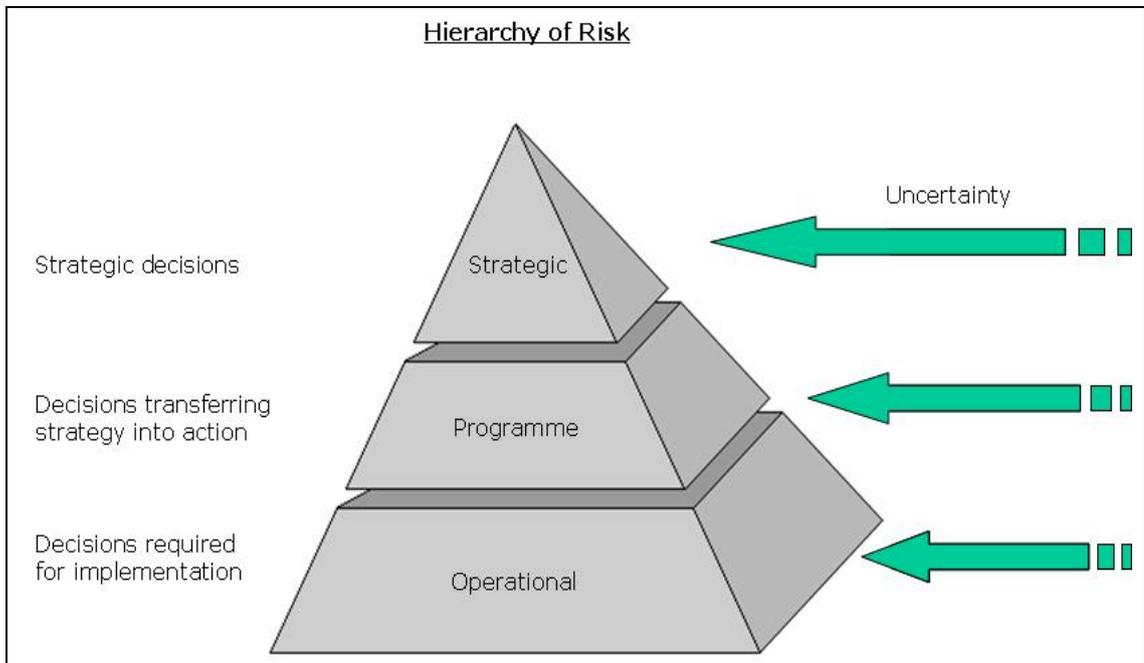
### **4 Approach**

- 4.1 Risk can be defined as an uncertainty of the outcome, whether a negative threat or a positive opportunity, of actions and events that, if they were to occur, may affect an organisations ability to deliver its objectives.
- 4.2 Actions or events that have already occurred are issues, rather than risks.

The procedures for managing risk that are described in these procedures apply equally to issues although there will usually be a greater degree of immediacy in implementing any control measures.

Further information on the management of issues is given in section 16.

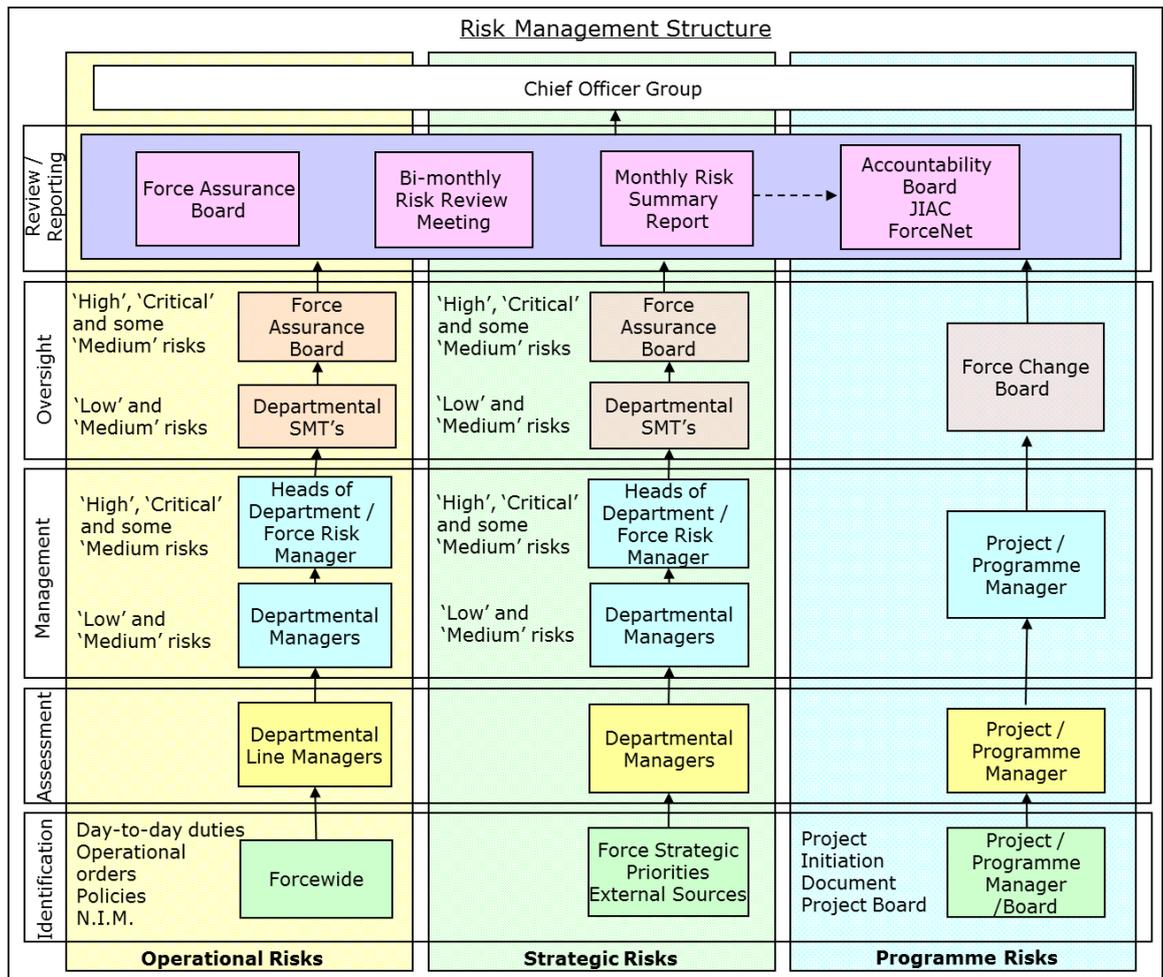
- 4.3 All organisations can be broadly described as having three levels of activity (as illustrated in the diagram below); the Strategic level, the Programme level and the Operational level.



- 4.4 Strategic Level - where the purpose and direction of the Force is determined. The Strategic level is concerned with ensuring the overall achievement of the Forces objectives. Realisation of a strategic risk will be visible to external stakeholders and could affect the reputation of the Force.
- 4.5 Programme Level - where strategic decisions are transferred into action plans. The Programme level is concerned with transforming business strategy into new ways of working and incorporates all aspects of business change including individual projects and multi-project programmes. Realisation of a programme level risk would be visible to any stakeholders with an interest in the planned business change.
- 4.6 Operational Level - where action plans are implemented. The Operational level is concerned with maintaining appropriate levels of service and performance. Realisation of an operational risk would be visible to those receiving the affected service.
- 4.7 Each of these levels faces uncertainty in the decisions that have to be made and the actions that are taken. There must be a consistent approach to the management of risk at all of the levels so that the levels support each other.
- 4.8 This approach ensures that the risk management strategy is led from the top and is fully embedded throughout the organisation in its working practices and processes.

## 5 Organisational Risk Structure

- 5.1 The risk management process requires a formal structure with clearly defined roles and responsibilities for individuals and groups to effectively manage risks throughout the organisation.
- 5.2 The diagram below shows the risk management structure for the Force.



- 5.3 The specific roles and responsibilities within the Force are as follows:-

### Chief Constable

- Has ultimate responsibility for corporate risk within the Force;
- Provides strategic direction for the Force and will ensure that management of risk is a key consideration in the strategic decision making process;
- Will be the primary sponsor of risk management.
- Chair the monthly Force Assurance Board

### Deputy Chief Constable

- NPCC Chief Officer lead on Risk Management within the Force;

## OFFICIAL

- Review the Risk Management Policy and Risk Management Procedures to ensure that they remain consistent with the Force's strategic objectives;
- Provide strategic direction on any risk management issues;
- Chair the Force Change Board and provide direction on any programme or project related risks;
- Chair the Force Assurance Board and provide direction on any risk related issues.
- Attend the bi-monthly Risk Review meeting with the Force Risk Manager to review new and existing risks.

Chief Officers Team

- Provide oversight of the Corporate Risk Register to ensure that risks are being managed effectively and raise any issues or make recommendations to the Chief Officer lead;

Force Assurance Board

- Provide bi-monthly oversight of the Corporate Risk Register to ensure that risks are being managed effectively and in accordance with the Force Risk Policy and Procedures;

Joint Independent Audit Committee

- Provide independent assurance on the adequacy of the risk management arrangements in place and the associated control environment, advising according to good governance principles and proper practices;

Force Change Board

- Provide oversight of risks associated with programmes and projects and resolve any issues or make recommendations to the Force Risk Manager;
- Ensure that management of risk is a key consideration in the programme and project management process.

Departmental Senior Management Teams

- Provide oversight of any risks affecting, specifically, their areas of operation and escalate any issues to the Force Assurance Board;
- Ensure that management of risk is a key consideration within their departments.

Force Risk Manager

- Develop and review the risk management policy and procedures;
- Support the organisation in implementing the risk management procedures;

## OFFICIAL

- Ensure that all corporate risks are recorded in the risk management system and are reviewed as required.
- Maintain the Corporate Risk Register;
- Assess and review all 'high' and 'critical' risks and, where appropriate, escalate risks to the Chief Officer Team;
- Assess and review 'medium', 'high' and 'critical' strategic risks, assign owners to the risk and monitor the risks for any possible escalation;
- Assess new risks for inclusion in the Corporate Risk Register;
- Attend the Force Assurance Board to give updates on the Corporate Risk Register and the Risk Management Policy and Procedures;
- Provide reports to the Force Assurance Board on corporate risks with strategic or operational impact and provide advice and recommendations on risk issues;
- Provide reports, as required, on risk management issues to the Joint Independent Audit Committee;
- Provide reports, as required, on risk management for any other Boards or meetings.
- Provide support to the Change Board on risk issues affecting programmes and projects;
- Provide advice and guidance to Departmental Managers and Risk Co-ordinators on any corporate/business risks issues;
- Attend bi-monthly Risk Review Meeting with the DCC.
- Arrange regular meetings with Risk Co-ordinators to review risk registers;
- Produce and circulate the monthly Risk Summary report outlining the status of 'corporate' risks;
- Represent the Force at a senior level at regional, partnership or other external meetings;
- To be the primary point of contact for risk related issues, for all internal and external partners;
- Provide general advice and guidance on risk management matters;
- Raise awareness of the principles of risk management throughout the Force;
- Be the System Owner for the risk management system.
- Maintain and update the risk management system.
- Be the primary point of contact for the risk management system providers.
- Provide training for users of the risk management system.
- Develop and maintain guidance notes for the risk management system.

#### Commanders and Departmental Heads

- Take ownership of risks that are within their area of control and ensure that action plans to address the risks are implemented and managed effectively;
- Review assessment of risks raised within their area and, where appropriate, escalate risks to the Force Risk Manager;
- Nominate a Risk Co-ordinator for their area and support them in implementing the Risk Management Procedures.

### Risk Co-ordinators

- Implement the Risk Management Procedures within their area;
- Ensure that all risks identified within their area are correctly recorded and assessed;
- Assist the Commanders and Departmental Heads in implementing and managing action plans to address identified risks;
- Ensure that all risks raised within their area are recorded and are reviewed at management team meetings;
- Attend meetings with Force Risk Manager and other Risk Co-ordinators to review risks;
- Provide advice and guidance, on risk related matters, to all employees within their area;
- Be the primary point of contact for all risk related matters in their department.

### Programme and Project Managers

- Ensure that all risks, actual or potential, associated with new projects or initiatives are correctly recorded, assessed and managed in accordance with the Risk Management Policy and Risk Management Procedures;
- Ensure that, on completion of a project, any ongoing or residual risks are transferred to the relevant departmental risk co-ordinator.

### All other managers, supervisors and employees

- Ensure that all risks, actual or potential, are correctly recorded and assessed.

## 6 The Risk Management Process

6.1 The diagram below shows the key elements that make up the overall risk management process. The content of each element of the management process is described in the following paragraphs.



6.2 The processes for identification, assessment and management of risk will be dependent on the level of activity (as described in section 4.3) in which the risk occurs.

## 7 Strategic Objectives

7.1 The Risk Management Process is designed to support the Force in delivery of its strategic objectives as laid out in the Force Strategic Assessment, the Force Control Strategy, the Police and Crime Plan and the Local Policing and Performance Plan.

7.2 By considering impact on service and the effect on operational performance the risk assessment criteria, detailed in section 10.4, are designed to enable operational risks to be assessed and prioritised alongside organisational risks.

7.3 The criteria give greater significance to risks that would have a detrimental effect on the Force’s ability to deliver its strategic objectives.

## 8 Risk Appetite

8.1 The Force recognises that in order to maximise benefits and achieve full value from opportunities for improvement it is necessary to take calculated chances.

## OFFICIAL

- 8.2 It is neither possible nor beneficial to try to achieve zero risk. The Force therefore encourages officers and staff to take qualified risks where the rationale behind taking those risks is based on sound decision making principles such as the National Decision Model.
- 8.3 The Force will not punish individuals who take risks providing it can be shown that the judgment used in making the decision to take the risk was sound.
- 8.4 Section 10 describes the levels of risk that can be acceptably tolerated at each level of the Force and the governance procedures that are in place to ensure that those levels of tolerance are not exceeded.
- 8.5 Where the severity of a risk increases for any reason the process for escalating the risk to a higher level is described in Section 11.

## **9 Identifying Risks**

- 9.1 It is the responsibility of every employee of the Force to identify any actual, or potential, risks and ensure that they are correctly reported.
- 9.2 Operational risks may be identified by any officer or member of staff and may arise from carrying out day-to-day duties or implementing policy, operating procedures or other guidance such as the National Intelligence Model.

Operational risks may also be identified through the sharing of organisational learning, both within the Force and also from other forces through the Learning the Lessons bulletins.

Operational risks should be recorded using the Business Risk Reporting e-form (Form 1396).

Programme risks should be identified by the Project Manager / Board during the project initiation phase or subsequently during the project lifecycle.

Strategic risks may be identified from a variety of sources including strategic analysis, preparation of the Force Strategic Assessment, HMICFRS or NPIA Guidance, or they may be escalated from operational or project risks that would have an impact on a strategic priority.

- 9.3 Where a risk is identified that may affect the confidentiality, integrity or availability of information the person identifying the risk should refer to the Security Incident Management Policy and Procedures to determine if a security incident should be reported.
- 9.4 If any employee is unsure whether, or how to report a risk, they should seek guidance from the departmental risk co-ordinator.

## 10 Assessing Risks

10.1 All identified risks must be assessed in order to determine the actual, or potential, impact on the Force.

10.2 For operational risks the manager of the department that identified the risk will review the risk to determine if a full assessment is required. If a full assessment is not required the originator of the risk will be informed and no further action taken. If a full assessment is required the manager of the department should conduct the assessment and complete the Risk Assessment e-form.

Programme risks will be assessed by the Programme / Project Manager.

Strategic risks will be assessed by the head of the department responsible for the area of activity most affected by the risk.

10.3 Risks will be assessed on both impact on business processes and likelihood of occurrence with a score awarded for each on a scale of 1–5 where 1 is low and 5 is high.

10.4 The criteria for determining the scores is as follows: -

### Impact

#### **1 Very Low**

- Insignificant impact on the ability to fulfil strategic objectives.
- No disruption to service delivery.
- Insignificant impact on performance indicators.
- Insignificant threat of harm or ill health.
- Insignificant financial loss or increase in costs.
- No impact on public confidence, reputation or credibility.
- No reputational damage or increase in complaints.
- Insignificant environmental impact.

#### **2 Low**

- Minor impact on the ability to fulfil strategic objectives.
- Minor disruption to service delivery.
- Minor impact on performance indicators.
- Potential for minor injury or ill health requiring no treatment or minor first aid.
- Potential for financial loss of less than £50,000.
- Some increase in complaints by individuals.
- Minor damage to public confidence, reputation and credibility.
- Minor impact on a specific section of the community for a short period (less than 7 days).
- Minor environmental impact.

#### **3 Medium**

- Significant impact on the ability to fulfil strategic objectives.
- Significant disruption to service delivery.

## OFFICIAL

- Significant impact on performance indicators.
- Potential for significant injury or ill health requiring hospitalisation / medical attention.
- Potential for financial loss of between £50,000 and £250,000.
- Potential for adverse local publicity.
- Significant damage to public confidence, reputation and credibility.
- Significant, longer lasting, impact on a specific section of the community (7-14 days). Minor impact on the wider community.
- Significant environmental impact.

**4 High**

- Serious impact on the ability to fulfil strategic objectives.
- Serious disruption to service delivery.
- Serious impact on performance indicators noticeable to stakeholders.
- Potential for serious injury or ill health requiring hospitalisation for more than 24 hours or a major injury as defined by RIDDOR regulations.
- Potential for financial loss of between £250,000 and £1million.
- Potential for adverse national publicity or prolonged adverse local publicity.
- Serious damage to public confidence, reputation and credibility.
- Serious prolonged impact on a specific section of the community (>14 days). Significant impact on the wider community.
- Serious environmental impact.

**5 Very High**

- Major impact on the ability to fulfil strategic objectives.
- Major disruption to service delivery.
- Major impact on performance indicators noticeable to stakeholders.
- Potential for fatality or life changing injury or ill health.
- Potential for financial loss in excess of £1million.
- Potential for prolonged adverse national publicity.
- Major damage to public confidence, reputation and credibility.
- Major prolonged impact on the wider community (>14 days).
- Major environmental impact.

Likelihood**1 Very Low**

Less than 5% chance of occurrence and/or unlikely to happen within 5 years.

**2 Low**

6 - 25% chance of occurrence and/or unlikely to happen within 2-5 years.

**3 Medium**

26-50% chance of occurrence and/or likely to happen within 1-2 years.

**4 High**

51-75% chance of occurrence and/or likely to happen within 6-12 months.

**5 Very High**

Greater than 75% chance of occurrence and/or likely to happen within 6 months.

Proximity of Risk

In addition to assessing the likelihood of a risk occurring consideration also needs to be given to any circumstances which might increase the proximity of the risk event occurring in time terms. For example a severe flood may be categorised as having a one in fifty year likelihood but a severe weather warning may be an indication that a flood is imminent so appropriate contingency plans would need to be implemented.

All risks should therefore be regularly reviewed to identify if the proximity of the risk has changed and appropriate corrective action is required.

10.5 The impact and likelihood scores will then be transferred into a risk matrix (see diagram below) to determine the overall risk assessment.

LIKELIHOOD	Very High (5)	5	10	15	20	25
	High (4)	4	8	12	16	20
	Medium (3)	3	6	9	12	15
	Low (2)	2	4	6	8	10
	Very Low (1)	1	2	3	4	5
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
		IMPACT				

10.6 A score of four or under is regarded as a low risk and would require no immediate action.

For operational risks the Risk Co-ordinator of the department raising the risk should record the risk in the risk management system and the relevant Senior Management Team should monitor the risk to ensure that the likelihood or impact does not increase.

## OFFICIAL

For programme risks the programme / project manager should record the risk in the risk management system and the programme / project board should monitor the risks.

For strategic risks the Risk Co-ordinator of the relevant department should record the risk in the risk management system and monitor the risk.

10.7 A score of five to nine is regarded as a medium risk.

For operational risks the Risk Co-ordinator of the department raising the risk should record the risk in the risk management system and the risk owner should implement control measures to reduce the likelihood and/or impact as well as monitoring the risk to identify any possible escalation. The relevant Senior Management Team will have oversight of the risk to ensure that the control measures are effective and make recommendations as appropriate.

For programme risks the programme / project manager should record the risk in the risk management system and assign a risk owner to implement control measures. The programme / project board should monitor the risk to identify any possible escalation. The Force Change Board will have oversight of the risk to ensure that the control measures are effective and make recommendations as appropriate.

For strategic risks the Risk Co-ordinator of the relevant department should record the risk in the risk management system. The head of the affected department should assign a risk owner to implement control measures and monitor the risk to identify any possible escalation. The Force Assurance Board, which meets monthly, will have oversight of the risk to ensure that the control measures are effective and make recommendations as appropriate.

If a medium risk has Forcewide implications it should be referred to the Force Risk Manager to decide if it should be recorded on the Corporate Risk Register. If it is a corporate risk the Force Risk Manager will record the risk in the risk management system and liaise with the risk owner over the implementation and monitoring of any control measures to reduce the likelihood or impact of the risk.

The Force Risk Manager will include all medium risks that appear in the Corporate Risk Register in the monthly Risk Summary Report.

10.8 A score of ten to sixteen is regarded as a high risk.

All high risks should be referred to the Force Risk Manager who will record them in the risk management system. The Risk Manager will assess the risk and determine if it should appear on the Corporate Risk Register. The risk owner should implement control measures to reduce the likelihood and/or impact of the risk, monitor the risk to identify any possible escalation and report the status of the risk to the Force Risk Manager.

## OFFICIAL

The Risk Manager should review the risk to ensure that the control measures are effective and make recommendations as appropriate.

The Force Assurance Board, which meets bi-monthly, will have oversight of any high risks that have an impact on operational performance or strategic objectives to ensure that the control measures are effective and that they are being managed in accordance with the Force Risk Management Policy and Procedures and make recommendations as appropriate.

The Force Change Board will have oversight of any high risks associated with programmes and projects.

The Force Risk Manager will include all high risks that appear in the Corporate Risk Register in the monthly Risk Summary Report.

#### 10.9 A score of twenty or greater is regarded as a critical risk.

All critical risks should be referred to the Force Risk Manager who will record them in the risk management system. The Risk Manager will assess the risk and determine if it should be recorded on the Corporate Risk Register. The risk owner must implement immediate control measures to reduce the likelihood and/or impact of the risk and provide updates on the status of the risk to the Force Risk Manager. The Risk Manager should review the risk to ensure that the control measures are effective and make recommendations as appropriate.

The Force Assurance Board, which meets bi-monthly, will have oversight of any high risks that have an impact on operational performance or strategic objectives to ensure that the control measures are effective and that they are being managed in accordance with the Force Risk Management Policy and Procedures and make recommendations as appropriate.

The Force Change Board will have oversight of any high risks associated with programmes and projects.

#### 10.10 The control measures that might be implemented should be determined by the nature of the risk. Examples of typical control measures are described in section 12.7.

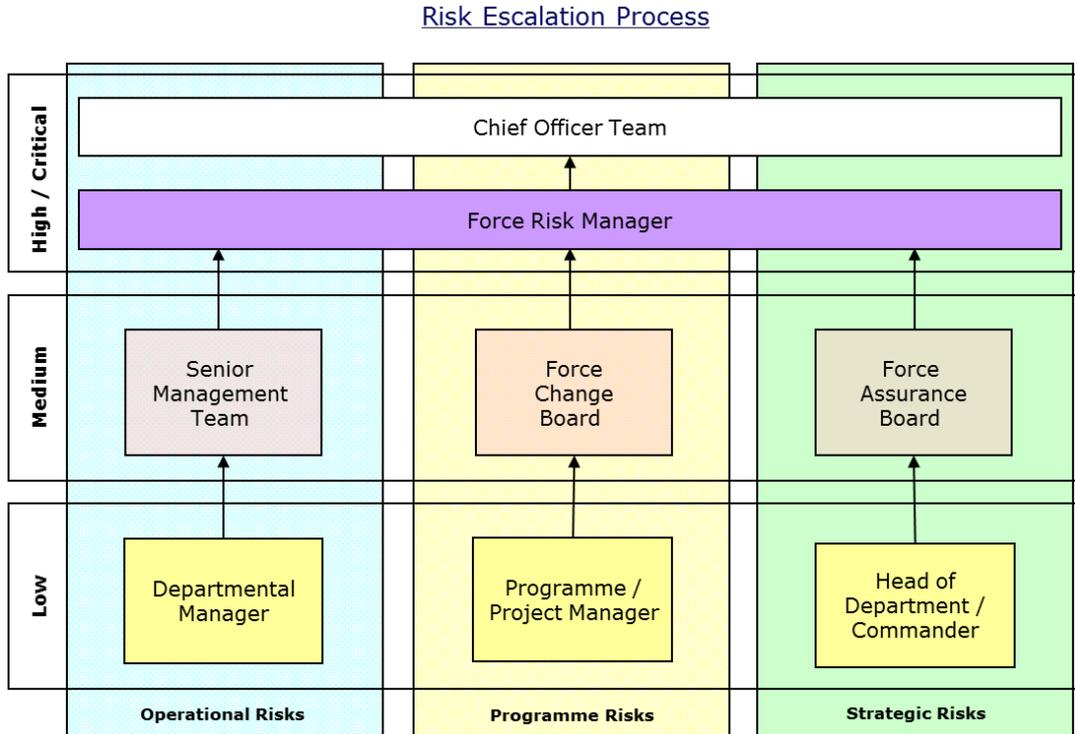
#### 10.11 When implementing control measures the risk owners should also identify how the effectiveness of the control measures can be measured and record this in the risk management system. The group responsible for oversight of the risk should review the effectiveness of the control measures when reviewing the status of the risk.

## 11 Escalation of Risks

### 11.1 All risks should be monitored and regularly reviewed to ensure that the degree of likelihood or impact is not increasing. If any increase is

identified the risk may need to be escalated to a higher level for consideration if any further corrective action is required.

The diagram below shows the escalation hierarchy for each of the three levels of risk.



## 12 Addressing Risks

12.1 The purpose of addressing risks is to turn the uncertainty to the Force’s benefit by constraining threats and taking advantage of opportunities.

12.2 All identified risks will be assigned an owner who will be responsible for ensuring that control measures are implemented to address the risk.

12.3 There are four key aspects of addressing risk:

### 12.4 Tolerating the Risk

This option may be considered where the degree of exposure is acceptable without further action, where the ability to take action is limited or the cost of any action would be disproportionate to the level of benefit gained.

If chosen this option would be supplemented with contingency plans to minimise any impact that might arise if the risk is realised.

### 12.5 Terminating the Risk

Some risks can only be addressed by terminating the activity that generates the risk.

Whilst this option would not be appropriate for the majority of operational police activities it can be of particular benefit in project management where anticipated outcomes or benefits are jeopardised by the risk.

#### 12.6 **Transferring the Risk**

Some risks, particularly financial risks and risk to assets, may be addressed by transferring the risk to a third party either through conventional insurance or by the contracting out of a particular service or process.

When using this option it is important to remember that some aspects of the risk, particularly reputational damage, cannot be fully transferred so the relationship with the third party needs to be carefully managed and additional controls may be required to manage the residual risk.

#### 12.7 **Treating the Risk**

The majority of risks will be addressed in this way. The purpose of risk treatment is to introduce controls that will reduce the impact of a risk if it is realised. Controls should be proportional to the risk and should normally seek to constrain the risk rather than eliminate it.

Apart from for the most extreme impacts (i.e. loss of life) controls should be designed that will give 'reasonable assurance' that the impact of a risk is within the risk appetite of the Force. All controls have associated cost and it is important that this is not disproportionate to the benefits that the control will introduce.

For each control that is implemented an assurance method should be identified that enables the effectiveness of the control to be measured.

There are four main types of control that can be applied:

##### Preventative Controls

These controls are designed to limit the possibility of a risk being realised. Typical preventative controls might include segregation of duties (i.e. ensuring that the person who authorises a transaction is not the same person who initiated that transaction), or limiting certain actions to authorised personnel. This can be achieved through training, policy constraints or through technological solutions such as system security.

##### Corrective Controls

These controls are designed to correct the effects of a risk after it has been realised in order to achieve some degree of recovery against loss or damage. Typical corrective controls might include insurance policies, specific contract terms with third parties or business continuity plans.

##### Directive Controls

These controls are designed to ensure that a particular outcome is achieved and are often driven by legislative or other external requirements. Typical directive controls might include wearing of

protective clothing for certain duties or that staff be adequately trained before being allowed to perform certain roles.

Detective Controls

These controls are designed to identify when a particular risk has been realised and are only appropriate for risks where the level of impact is deemed to be acceptable. Typical detective controls might include stock checks, financial reconciliation, audits or 'Post Implementation Reviews' on completion of projects or programmes.

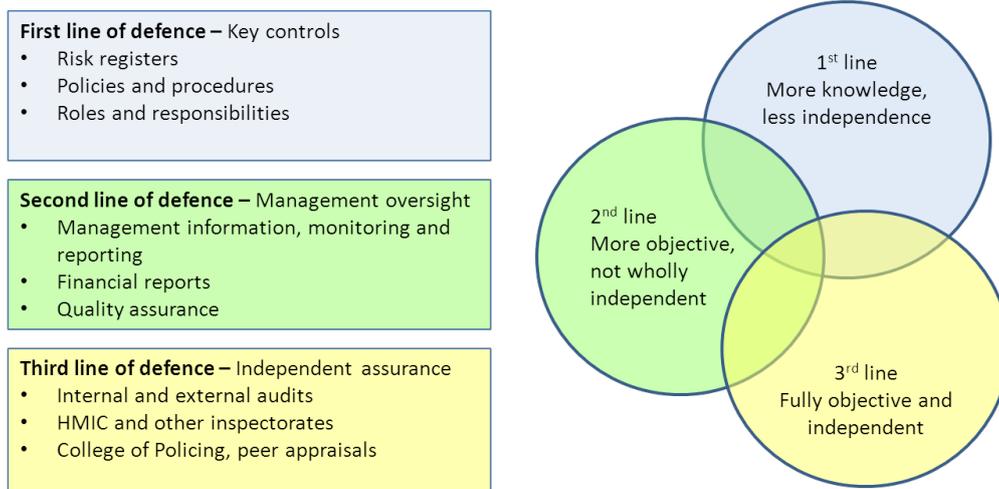
**13 Residual Risks**

- 13.1 Addressing a risk will usually reduce the likelihood, or impact, of the risk rather than completely eliminating it, which means that an element of residual risk will remain after any control measures have been implemented.
- 13.2 This residual risk should be assessed, using the criteria in section 10.4, and the resultant risk score recorded in the risk management system. Additional control measures may then need to be implemented to address the residual risk.

**14 Assurance Mechanisms**

- 14.1 Assurance mechanisms should be identified for each risk to ensure that the control measures are adequate and effective.
- 14.2 Sources of assurance should be drawn from the planning and processes in place to manage risks and should include internal controls, management oversight and independent measures in accordance with the 'Three Lines of Defence' model.

Three Lines of Defence Model



## **15 Reporting and Reviewing Risks**

- 15.1 All risks should be recorded in the risk management system detailing the nature of the risk, the risk owner, risk assessment score, any control measures that apply to the risk and the method that will be used to ensure that the control measures are effective.
- 15.2 Low and medium level risks should be reviewed at departmental Senior Management Team meetings.
- 15.3 High and critical risks, and medium risks that have a force wide impact, will be reviewed by the Force Risk Manager and, where necessary, escalated to the Chief Officers Team.

The Force Assurance Board will be responsible for oversight of any high and critical strategic risks and operational risks.

The Change Board will be responsible for oversight of any high and critical risks associated with programmes and projects.

- 15.4 The Force Risk Manager will produce a monthly Risk Summary Report detailing the status of all risks on the Corporate Risk Register.
- 15.5 The Force Risk Manager and the Risk Co-Ordinators will meet regularly to review departmental risks to identify any possible emerging trends and to identify any risks that may require escalation to the Corporate Risk Register.
- 15.6 The Force Assurance Board will review, bi-monthly, the Corporate Risk Register to ensure that risks are being managed effectively and in accordance with the Risk Management Policy and Risk Management Procedures.
- 15.7 The Independent Joint Audit Committee will review strategic risks quarterly to provide independent assurance that the risks are being managed in accordance with the Risk Management Policy and Procedures.

## **16 Management of Issues**

- 16.1 In addition to having a process in place to manage risks that have not yet occurred, the Force also needs to have a consistent approach to the way it manages issues that have occurred. Issues can be unexpected events or previously identified risks that have materialised.
- 16.2 When an issue has been identified the impact that it will have on the Force it should be assessed, and appropriate actions implemented, according to the procedures described in section 10.

In deciding what actions need to be taken to address an issue consideration should be given as to whether the Critical Incident Policy would apply.

## OFFICIAL

- 16.3 As the event has already happened issues will require more immediacy in implementing any control measures. This urgency should not, however, allow control measures to be implemented that are disproportionate to the benefits that the control will introduce.
- 16.4 All issues should be recorded in an Issues Log which should record a description of the issue, the impact it will have on the Force, who owns the issue, what action is to be taken and when by and who is responsible for the action.
- 16.5 Recording, ownership, reviewing and escalation of issues will be as described for risks.

**17 Training and Communication**

- 17.1 A communication programme designed to ensure that all employees understand what the Risk Management Policy is, what the risk priorities are, and what their individual responsibilities are in respect of risk management will support the Risk Management Procedures.
- 17.2 In addition to the communication programme those individuals with specific roles and responsibilities, as detailed in section 5.3, will receive training to ensure that they are fully familiar with the risk process and have the necessary skills to be able to identify, assess and manage risks.

**18 Monitoring and Review**

- 18.1 Compliance with this policy will be monitored by the Force Risk Manager and the Force Assurance Board
- 18.2 The Senior Policy Owner will be responsible for reviewing this document every year.
- 18.3 The Force Assurance Board will review the Risk Management Process, at least annually and following any changes in strategic objectives, to ensure that it remains appropriate and effective.
- 18.4 The Deputy Chief Constable, as NPCC lead, will be responsible for reviewing the appropriateness and effectiveness of these procedures and the Risk Management Policy.

**19 Comments**

- 19.1 Comments and feedback on these procedures are welcomed and should be sent to the Senior Policy Owner at the following address:
- 19.2 Northamptonshire Police  
Force Headquarters  
Wootton Hall  
Northampton, NN4 0JQ



## AGENDA ITEM 6c

### SECTION C MANAGEMENT OF RISK AND RESOURCES

<b>REPORT BY</b>	Risk and Business Planning Manager Julie Oliver
<b>SUBJECT</b>	NFRS Risk Policy and Protocol
<b>RECOMMENDATION</b>	Committee to note the report

#### 1. Purpose of Report

To present the current risk policy and protocol for Northamptonshire Fire and Rescue Service to understand how risk is managed through the organisation.

#### 2 Management of Organisational Risk

##### 2.1 Risk Management

The current Northamptonshire Fire and Rescue risk management approach has been reviewed against and supports Section C Management of risk and resources, C1 Risk Management of the Corporate Governance Framework.

##### 2.2 Risk Management system

The GRACE risk management system has been utilised by NFRS since January 2017 when it was introduced by Milton Keynes Council (MKCC) when they joined LGSS.

For continuity of service LGSS has provided NFRS with support services since governance change (January 2019) including ERP Gold and we need to maintain LGSS as Internal Auditors whilst we have ERP Gold.

Each yearly LGSS Internal Audit plans build in risk management 'days' and have rolled out department risk training, attendance at strategic risk register quarterly reviews and provide continuous review of our risk registers remotely to ensure they are maintained.

The GRACE risk management system was set up and designed for councils and the integrated 5 by 5 matrix used to risk rate is set and cannot be fine-tuned for different customers. This risk guidance matrix for the risk rating is included within the SORP and therefore linked to our current Policy and protocol.

The risk management provider can be reviewed when once ERP Gold is replaced or there is a need to bring Risk management in line with the OPFCC and Northants Police risk registers. The 4risk risk management system used by OPFCC and Northants Police looks similar to the GRACE functionality and transfer to this system seems logical.

### **3 Assurance**

Quarterly Departmental Performance Boards (DPB) are held as directed by the Assurance and Performance Framework. Each department has a separate board and the risks from their department risk registers are reported on. The dashboard within each DPB also indicates if a quarterly risk register review has been actioned on GRACE.

The outcomes from the DPB's are reported on to the Service Assurance Board (SAB) which is held quarterly by FEG after the DPB's. This SAB report also links into the progress made against the Integrated Risk Management Plan (IRMP) and Service Improvement Plan (SIP).

### **4 Proposal**

The proposal is for the Joint Internal Audit Committee to be assured that NFRS has appropriate policies and procedures in place and that they are reviewed to ensure that they are still fit for purpose.

### **5 Financial Implications**

Any costs incurred from a change to the current risk management system.

### **List of Appendices**

**Appendix 1 – NFRS Risk Management Policy**

**Appendix 2 – NFRS Risk Protocol**



# NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

*Risk Management*

<b>SERVICE INFORMATION SYSTEM</b>	
<b>Title</b>	<b>Risk Management</b>
<b>Category</b>	<b>Administration</b>
<b>Number</b>	<b>A32</b>
<b>Status</b>	<b>V2.1</b>
<b>Action</b>	<b>By all Northamptonshire Fire and Rescue (NFRS) Personnel</b>
<b>Original author</b>	<b>Business Planning Manager</b>
<b>Protective marking</b>	<b>Official</b>
<b>Executive summary</b>	This policy gives guidance on risk management which will seek to ensure risks which might prevent NFRS from achieving its plans are identified and managed on a timely basis in a proportionate manner.

## Contents

1	Introduction .....	2
2	What is risk? .....	2
3	Risk Management Objective .....	2
4	Risk Management Principles .....	2
5	Appetite for Risk.....	3
6	Benefits of Risk Management .....	3
7	Risk Management Approach.....	3
8	Awareness and Development .....	4
9	Conclusion .....	4
10	Document History .....	<b>Error! Bookmark not defined.</b>
Appendix A – Scoring Guidance .....		5

<b>Drafted/published by</b>	<b>Julie Oliver</b>
<b>Job title</b>	<b>Business Planning Manager</b>
<b>Date</b>	<b>October 2019</b>
<b>Review due</b>	<b>October 2021</b>

## 1 INTRODUCTION

There are many factors which might prevent Northamptonshire Fire and Rescue Service (NFRS) from achieving its objectives and priorities as set out within the Integrated Risk Management Plan (IRMP) and Fire and Rescue plan. Therefore the service seeks to use a risk management approach with the aim of identifying, assessing and managing any key risks faced.

This policy applies across NFRS and details how the Service manages its risk in line with the requirements of the Accounts and Audit Regulation 2015 and Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) Corporate Governance Framework. . On a daily basis all officers of NFRS have a responsibility to recognise and manage risk in accordance with this policy.

The Civil Contingencies Act 2004 places a statutory duty on fire and rescue services to establish business continuity management arrangements to ensure that they can continue to deliver business critical services if business disruption occurs. The A38 Business Continuity Management Policy details NFRS' approach to business continuity management and is a key aspect of effective risk management.

## 2 WHAT IS RISK?

NFRS' definition of risk is:

'Factors, events or circumstances that may prevent or detract from the achievement of NFRS delivering its outcomes and service plan objectives.'

## 3 RISK MANAGEMENT OBJECTIVE

NFRS will operate an effective system of risk management which will seek to ensure that risks which might prevent NFRS achieving its plans are identified and managed on a timely basis in a proportionate manner

## 4 RISK MANAGEMENT PRINCIPLES

- The risk management process should be consistent across NFRS, clear and straightforward and result in timely information that helps informed decision making;
- Risk management should operate within a culture of transparency and openness where risk identification is encouraged and risks are escalated where necessary to the level of management best placed to manage them effectively;
- Risk management arrangements should be dynamic, flexible and responsive to changes in the risk environment;
- The response to risk should be mindful of risk level and the relationship between the cost of risk reduction and the benefit accruing, i.e. the concept of proportionality;

- Risk management should be embedded in everyday business processes;
- Officers of NFRS should be aware of and operate the NFRS' risk management approach where appropriate;
- The Fire Authority should be aware of the NFRS' risk management approach and of the need for the decision making process to be informed by robust risk assessment, with the Fire Authority being involved in the identification of risk as required and in line with the Corporate Governance Framework and Scheme of delegation.

## 5 APPETITE FOR RISK

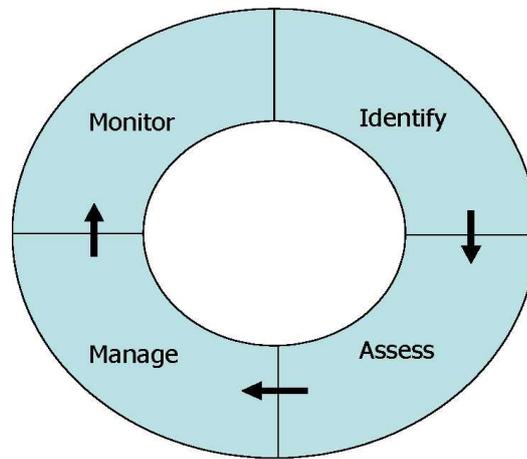
As an organisation with limited resources, it is inappropriate for NFRS to seek to mitigate all of the risk it faces. NFRS therefore aims to manage risk in a manner which is proportionate to the risk faced based on the experience and expertise of its senior managers. However The Fire Authority has defined the maximum level of residual risk which it is prepared to accept as a maximum risk score of 15 as per the Scoring Guidance attached at [Appendix A](#).

## 6 BENEFITS OF RISK MANAGEMENT

- Risk management alerts the Fire Authority and the service to the key risks, which might prevent the achievement of NFRS' plans, in order that timely mitigation can be developed either to prevent the risks occurring or to manage them effectively if they do occur.
- Risk management at the point of decision-making should ensure that the Fire Authority and the service are fully aware of any key risk issues associated with proposals being considered.
- Risk management leads to greater risk awareness and an improved and cost effective control environment, which should mean fewer incidents and other control failures and better service outcomes.
- Risk management provides assurance to the Fire Authority and the service on the adequacy of arrangements for the conduct of business. It demonstrates openness and accountability to various regulatory bodies and stakeholders more widely.

## 7 RISK MANAGEMENT APPROACH

The risk management approach adopted by NFRS is based on identifying, assessing, managing and monitoring risks at all levels across NFRS:



The Risk Management Protocol details the risk management approach. .

## 8 AWARENESS AND DEVELOPMENT

NFRS recognises that the effectiveness of its risk management approach will be dependent upon the degree of knowledge of the approach and its application by officers and staff.

NFRS is committed to ensuring that the Fire Authority, the Service and partners where appropriate, have sufficient knowledge of NFRS' risk management approach to fulfil their responsibilities for managing risk. This will be delivered through formal training programmes, risk workshops, briefings, and internal communication channels.

## 9 CONCLUSION

NFRS will face risks to the achievement of its plans. Compliance with the risk management approach detailed in this Policy should ensure that key risks faced are recognised and effective measures are taken to manage them in accordance with the defined risk appetite.



# NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

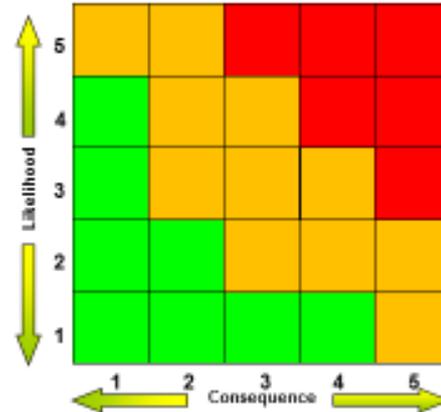
## Risk Management Policy

### APPENDIX A

#### Risk Scoring Guidance

This guidance has been produced to assist in the scoring of identified risks. The scoring of risks can be subjective, and you will find that people's perspectives on what is 'risky' will differ. The following is designed to help assist in scoring risks, but this is only guidance and to be used as a steer.

Likelihood		
1	Practically impossible	Not likely 0 – 20%
2	Not likely to occur	Low likelihood 20 – 40%
3	Could occur or I've heard of it before	Likely 40 – 60%
4	It is known to occur or "it has before"	Highly likely 60 – 80%
5	Common or occurs frequently	Near certain 80 – 100%



Consequences	
1	No financial impact. No or little impact upon NFRS strategy or operational activities.
2	Potential for financial loss of less than £50,000. Limited impact upon NFRS strategy or operational activities. Stakeholders largely unaffected.
3	Potential for financial loss of between £50,000 and £250,000. Indirect impact upon NFRS strategy or operational activities. Noteworthy stakeholder concern.
4	Potential for financial loss of between £250,000 and £1million. Impact on NFRS strategy or operational activities. Stakeholder concern. Reputational damage to the Fire Authority
5	Potential for financial loss in excess of a £1million. Significant impact on NFRS strategy or operational activities. Significant stakeholder concern. Significant reputational damage to the Fire Authority





## RISK MANAGEMENT PROTOCOL

### 1. Introduction

There are many factors which might prevent Northamptonshire Fire and Rescue Service (NFRS) from achieving its objectives and priorities as set out within the Integrated Risk Management Plan (IRMP). Therefore the Service seeks to use a risk management approach in all key business processes with the aim of identifying, assessing and managing any key risks faced.

All managers within the Service have a responsibility to identify and manage risk in accordance with the Corporate Governance Framework (CGF) and A32 Risk management Policy.

This protocol applies to all risk, other than operational risk, and the application of it is endorsed by the Fire Executive Group (FEG), who are accountable for the effective management of risk within the Service.

### 2. What is the risk?

NFRS use the following definition of risk, which is:

'Factors, events or circumstances that may prevent or detract from the achievement of it's outcomes and service plan objectives'.

### 3. Risk Management Objective

'NFRS will operate an effective system of risk management which will seek to ensure that risks which might prevent NFRS achieving its plans are identified and managed on a timely basis in a proportionate manner'.

### 4. Appetite for Risk

As an organisation with limited resources it is inappropriate for the Service to seek to mitigate all of the risk it faces. The Service therefore aims to manage risk in a manner which is proportionate to the risk faced based on the experience and expertise of its senior managers. However the Fire Authority has accepted the maximum level of residual risk which it is prepared to accept is 15 as per the Scoring Guidance (appendix 1).

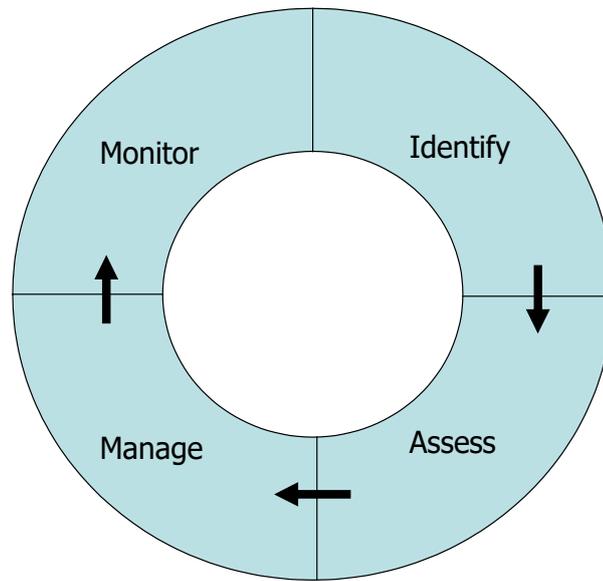
### 5. Risk Management Approach within NFRS

There is in place a strategic risk register (SRR) which details all of the corporate risks which could impact on the delivery of statutory duties or objectives and priorities set out within the IRMP and Service Improvement Plan (SIP).

In addition, all departments have their own risk registers to monitor any risks which could impact on the delivery of department statutory or core functions, improvement actions, aligned to the IRMP or SIP.



The risk management approach adopted is based upon the management cycle of identifying, assessing, managing and monitoring risks at all levels as below:



Risk management is a dynamic tool. It should be used from the point at which a risk is first identified until such time it no longer represents a significant inherent risk to either NFRS or the Fire Authority.

The Service faces a wide range of risks that can enhance or limit its capability to meet its strategic objectives. The Service will pro-actively manage the risks it faces in a formal, objective and cost effective manner at all levels of the organisation. In managing these risks, the Service recognises that it may not always be possible to reduce all risks to a desirable level.

## 7. Risk Management within Projects

All projects must control and contain issues and risks throughout the project lifecycle. Project Managers must create and maintain an Issue and Risk Log, to ensure project issues and risks are separately identified, evaluated and appropriate mitigating actions are taken. The Senior Responsible Owner (SRO) is responsible for obtaining resolution of risks and issues and any escalation to the Service risk register as required.

Project issues and risks may be raised by anyone associated with the project at anytime. They should be recorded on the appropriate Issue Log and Risk Register template and drawn to the attention of the Project Manager for review and to ensure appropriate mitigating actions are recorded and monitored for effectiveness. The mitigating actions should summarise any impacts that will occur as a result of implementing the mitigating actions, i.e. costs, resources, quality and timescales.

## 8. Responsibilities within NFRS

FEG are accountable for the effective management of risk within NFRS, and have the following responsibilities:



- Ensuring the Strategic risk register is reviewed on a quarterly basis, in line with the Strategic Risk Register Review Group Terms of Reference
- Ensuring that risk is given due consideration in all management processes
- Ensuring that risks identified within the fire and rescue service are managed at an appropriate level, including escalation to the OPFCC where appropriate

In addition, the following individuals have specific responsibilities with regards to delivering this protocol:

**The Assistant Chief Fire Officer (ACFO) (Business Services) has delegated responsibility from the Chief Fire Officer for:**

- Ensuring that the NFRS strategic risk register is kept under continual review in line with the required standards
- Ensuring that any agreed actions for FEG are undertaken on a timely basis
- Ensuring that risk is given due consideration in all business management processes.

The ACFO (Business Services) also has strategic responsibility for embedding risk management throughout the Service.

**The Business Planning Manager (BPM) will be responsible for:**

- Overseeing the implementation of risk management processes across the Service
- Co-ordinating the review of the NFRS strategic risk register on a quarterly basis, and 'red risks' on a monthly basis
- Co-ordinating the review of Department risk registers on a quarterly basis
- Ensuring that key Members are informed with regards to risk management on a timely basis where necessary
- Ensuring that risks are escalated to OPFCC as agreed by FEG.

**NFRS AMs will be responsible for:**

- Ensuring that risk is given due consideration in all business management processes
- Ensuring their Department risk registers are reviewed on a quarterly basis
- Communicating with, and engaging staff, in the identification and management of risk
- Supporting Department Managers with identifying risks which could impact on delivery of departmental objectives within their service remit

**NFRS Department Managers will be responsible for:**

- Identifying risks which could impact on the delivery of departmental objectives, and reviewing these on a quarterly basis
- Ensuring that agreed actions to amend risk exposure to an acceptable level are undertaken on a timely basis
- Ensuring that risk is given due consideration in all business management processes
- Communicating with, and engaging staff in the identification and management of risk
- Escalating departmental risks, where appropriate, to the strategic risk register via their AM and/or the BPM



## 9. Monitoring and Reporting Risk

Monitoring risk is an integral business process within NFRS, as detailed within [Service policy A30 – Assurance and Performance Framework](#). All risk registers should have a full review undertaken on a quarterly basis.

### NFRS strategic risk register (Service)

- FEG are required to undertake a review of the NFRS strategic risk register on a quarterly basis to identify any changes to risk and to monitor actions identified to mitigate risk. In addition any new risks should be identified and scored;
- Risks which are 'red' (residual score of over 15) are to be monitored on a monthly basis by FEG. Red risks do not need to be reported to the first FEG meeting following a full quarterly review;
- Where applicable, FEG will escalate risks to the OPFCC risk register when it is deemed that the risk needs to sit at a higher level;
- The strategic risk register should be refreshed once a year, in line with the sign off and publication of the IRMP;

### NFRS Departmental risk registers

- Each Department is responsible for identifying and managing risks which could impact on the delivery of their core functions and business plan objectives.
- Each Department will have a risk register and will responsible for identifying, monitoring and reviewing the risk for their department.
- By documenting Department level risks in this way it provides AMs with an overview of risk within their remit. However, it should be stressed that risks which impact on a department are the responsibility of the appropriate Department Manager to manage. When a risk impacts on a number of departments within the remit, there should be a collective ownership of the risk appropriate to the departments impacted.
- All Department risk registers should be reviewed on a quarterly basis in line with the review cycle. Ideally this should be carried out at an appropriate meeting forum (e.g. Service Delivery Management Team) where all Managers are present to ensure they can contribute to the discussion.
- In addition to reviewing current risks, any new risks should be identified and added to the register, along with any necessary mitigating actions as appropriate.
- Where it is felt that an Departmental level risk can no longer be managed at this level, Department Managers should discuss the next steps with their AM. If it is felt necessary, the risk should be escalated to FEG for discussion. FEG will consider whether the risk should sit on the strategic risk register or remain at departmental level, but will provide further advice on potential mitigating actions.

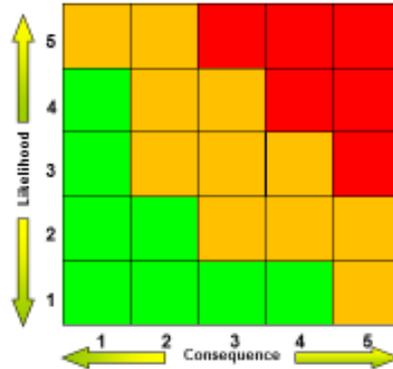


**Appendix 1**

**Risk Scoring Guidance**

This guidance has been produced to assist in the scoring of identified risks. The scoring of risks can be subjective, and you will find that people's perspectives on what is "risky" will differ. The following is designed to help assist in scoring risks, but this is only guidance and to be used as a steer.

Likelihood		
1	Practically impossible	Not likely 0 – 20%
2	Not likely to occur	Low likelihood 20 – 40%
3	Could occur or I've heard of it before	Likely 40 – 60%
4	It is known to occur or "it has before"	Highly likely 60 – 80%
5	Common or occurs frequently	Near certain 80 – 100%



Consequences	
1	No financial impact. No or little impact upon NFRS strategy or operational activities.
2	Potential for financial loss of less than £50,000. Limited impact upon NFRS strategy or operational activities. Stakeholders largely unaffected.
3	Potential for financial loss of between £50,000 and £250,000. Indirect impact upon NFRS strategy or operational activities. Noteworthy stakeholder concern.
4	Potential for financial loss of between £250,000 and £1million. Impact on NFRS strategy or operational activities. Stakeholder concern. Reputational damage to the Fire Authority
5	Potential for financial loss in excess of a £1million. Significant impact on NFRS strategy or operational activities. Significant stakeholder concern. Significant reputational damage to the Fire Authority

Police, Fire & Crime Commissioner for  
Northamptonshire & Northamptonshire Police  
Internal Audit Operational Plan 2021/22 and  
Charter

Draft

Prepared by: Mazars LLP

Date: March 2021

# Contents

- 1 Introduction
- 2 Internal Audit Operational Plan 2021/22
- 3 Future Considerations
- 4 Internal Audit Charter

## Statement of Responsibility

### Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of the Police, Fire & Crime Commissioner for Northamptonshire (OPFCC) and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of the OPFCC and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility on the final page of this report for further information about responsibilities, limitations and confidentiality.



Section 01:  
**Introduction**



## Introduction

122

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 2021 to 31 March 2022.

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.

The purpose of this document is to provide the JIAC with the proposed 2021/22 Plan for consideration and approval.

In considering the document, JIAC is asked to consider:

- whether the balance is right in terms of coverage and focus;
- whether we have captured key areas that would be expected; and
- whether there are any significant gaps.

We are also seeking approval from JIAC for the Internal Audit Charter in Section 04, which we request on an annual basis. There are no changes from the Charter presented for approval last year.

# Scope and Purpose of Internal Audit

## IA's Role

The purpose of internal audit is to provide the Commissioner and Chief Constable, through the JIAC with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the OPFCC and Force's agreed objectives

## IA Plan

Completion of the internal audits proposed in the 2021/22 Plan should be used to help inform the OPFCC's and Force's Annual Governance Statement.

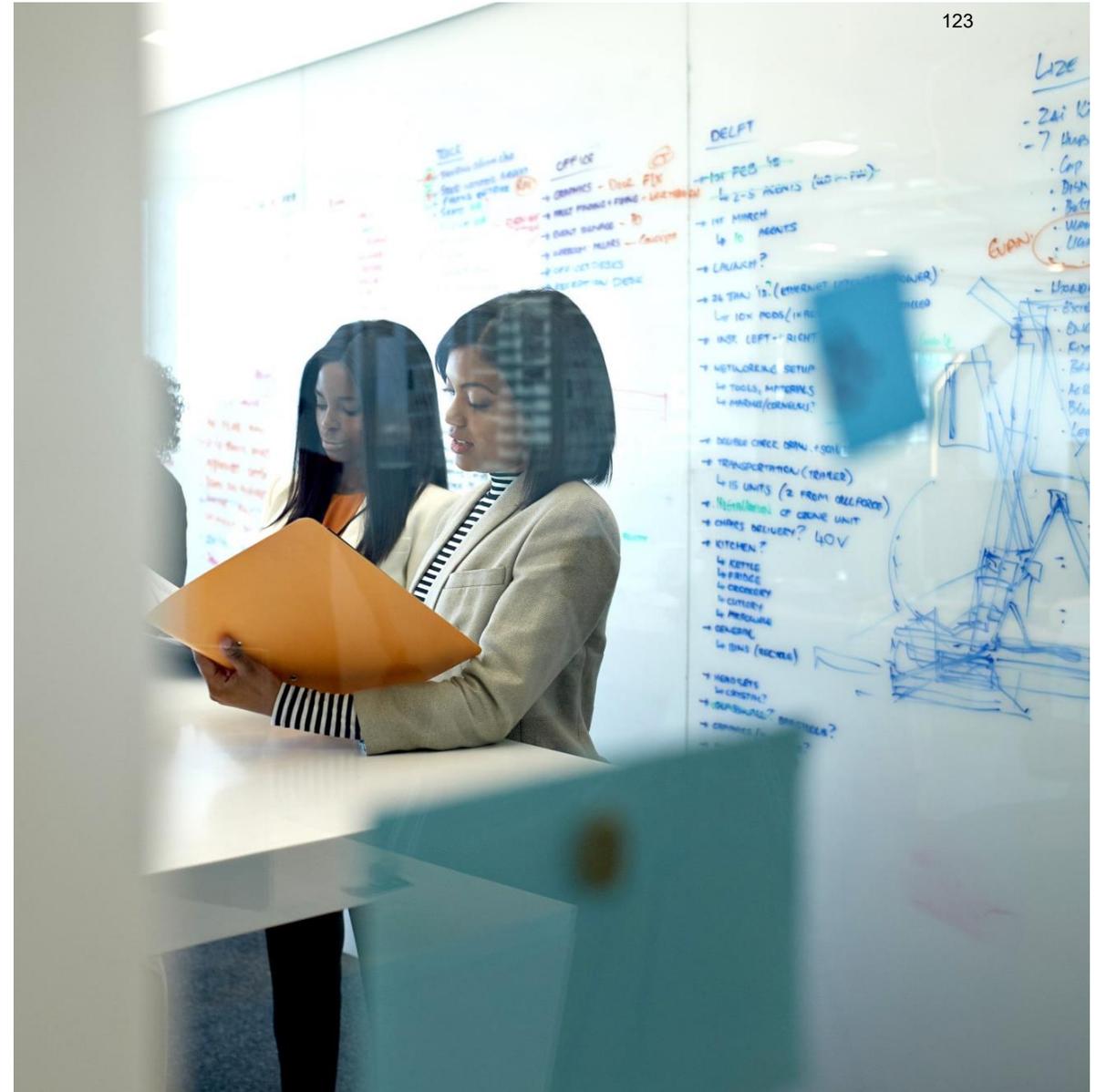
## Objective

Government accounting standards require Accounting Officers to make provision for internal audit in accordance with accordance with UK Public Sector Internal Audit Standards (PSIAS), as produced by the Internal Audit Standards Advisory Board. Within the OPFCC and Force, the Commissioner and the Chief Constable are the Accounting Officer and have responsibility for maintaining a sound system of internal control in the respective organisations.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

We have included our Internal Audit Charter in Section 04. The Charter sets out terms of reference and serves as a basis for the governance of the OPFCC's and Force IA function, establishing our purpose, authority, responsibility, independence and scope, in accordance with the Chartered Institute of Internal Auditor's (IIA) standards.

## Charter





## Preparing the Strategy Update and Operational Plan for 2021/22 <sup>124</sup>

As part of our approach, it is important we consider organisation's strategic priorities, as well as the key strategic risks identified, as we seek to align our risk-based approach accordingly.

In preparing the operational plan we have undertaken the following:

- Met with the Assistant Chief Officer, the Chief Finance Office of the OPFCC, the Chief Finance Officer of the Force and the Strategy & Engagement Analyst on 11<sup>th</sup> February 2020;
- Reviewed the outcomes of historic internal audit work;
- Reviewed the outcomes of 2020/21 internal audit work;
- Considered the latest assessment of risks facing both the OPFCC and the Force as detailed in their respective risk registers;
- Considered areas which are not necessarily high risk (such as core operational controls), but where the work of internal audit can provide a tangible input to assurance; and
- Considered the results of internal audit across our wider client base.

The proposed 2021/22 Plan is included in Section 02. This also includes a proposed high level scope for each review and which will be revisited as part of the detailed planning for each review. Fieldwork dates for each of the audits, including presentation of finalised reports at future dates for JIAC meetings have been proposed for discussion and approval with the OPFCC and Force's management.

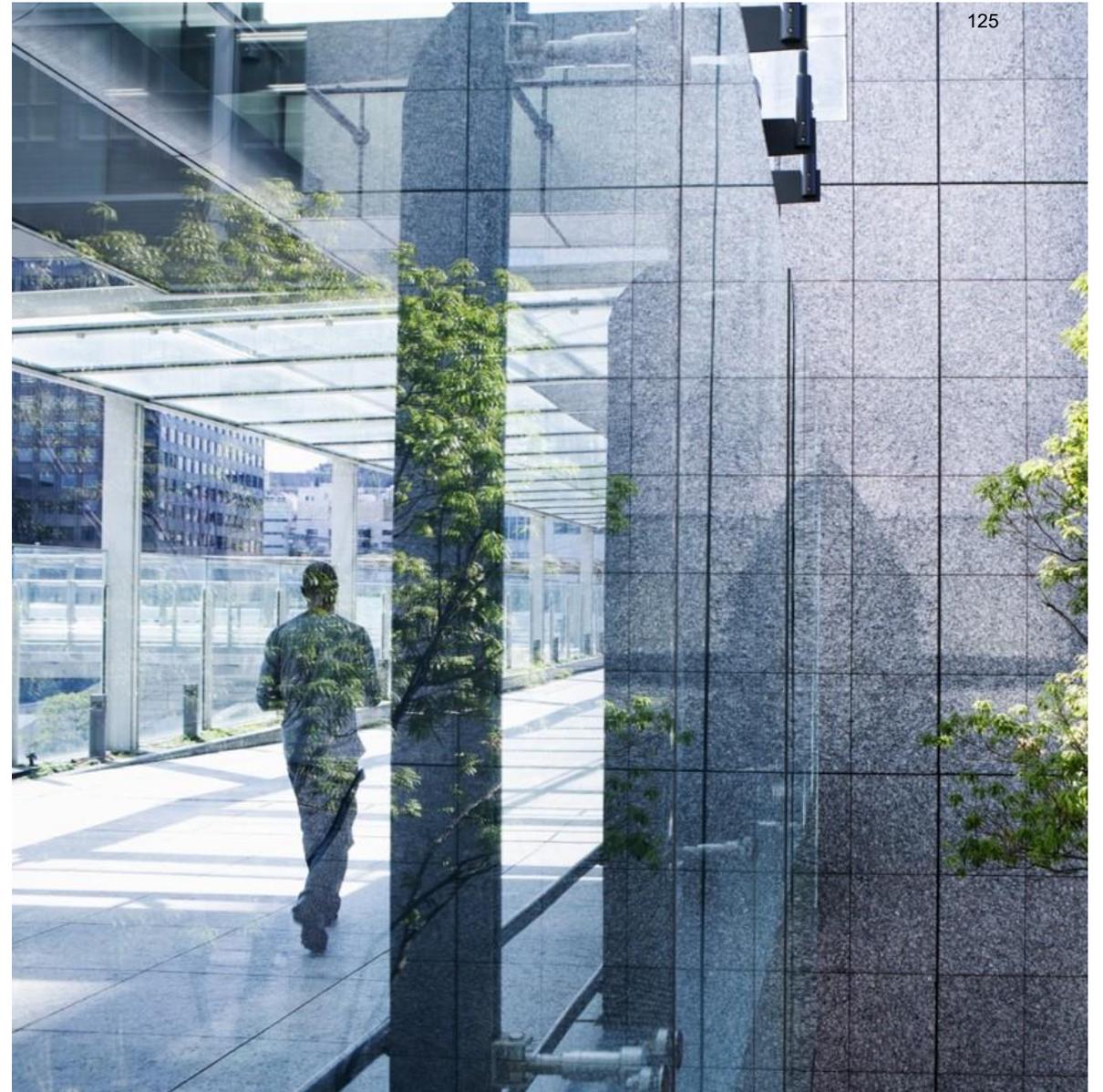
# Preparing the Strategy Update and Operational Plan for 2021/22 (continued)

We have narrowed this list from a wider starting point, which will allow flexibility if there are changes required during the year; we have sought to prioritise against the key risks and for this reason, we can refer to the future considerations to discuss other potential internal audit areas for consideration within Section 02.

Prior to conducting each internal audit, we will undertake a more detailed planning meeting in order to discuss and agree the specific focus of each review. Following the planning meeting, we will produce Terms of Reference, which we will agree with key representatives at the Force and/or OPFCC prior to commencement of the fieldwork.

The results of our work will be communicated via an exit meeting. A draft report will then be issued for review and management comments and in turn a final report issued. Final reports as well as progress against the plan will be reported to each JIAC.

Following completion of the planned assignments and the end of the Financial Year, we will summarise the results of our work within an Annual Report, providing an opinion on the Force and OPFCC's governance, risk management and internal control framework.



Section 02:

**Internal Audit Operational Plan 2021/22**

# Internal Audit Operational Plan 2021/22

An overview of the Internal Audit Operational Plan 2021/22 is set out below:

Proposed Summary Operational Plan for Approval				
Audit Area	Days	OPFCC/Force Sponsor	Target Start Date	Target JIAC
<b>Risk Based Considerations</b>				
Core Financials Audits - Cash, Bank & Treasury Management - General Ledger - Income & Debtors - Payroll - Payments & Creditors	35	Chief Finance Officers (Force & OPFCC)	Throughout The Year	Throughout The Year
Seized Property*	10	Deputy Chief Constable	Q2/3	December 2021
MFSS Transfer	8	Chief Finance Officers (Force & OPFCC)	Q3	December 2021
Payroll Transfer	8	Chief Finance Officers (Force & OPFCC)	Q2	December 2021
Procurement (MINT)	8	Chief Finance Officers (Force & OPFCC)	Q2	December 2021
Released Under Investigation	8	Deputy Chief Constable	Q3	March 2022
Business Change	8	Deputy Chief Constable	Q4	June 2022
<b>Other Considerations</b>				
Follow Up Audits	15	Chief Finance Officers (Force & OPFCC) / DCC	TBC	TBC
<b>Information Technology</b>				
Data Management	12	Deputy Chief Constable	Q2	December 2021
Cyber Security	10	Deputy Chief Constable	Q3	March 2022
GDPR	5	Deputy Chief Constable	Q4	June 2022
<b>Management and Reporting Activities</b>				
Collaboration*	13	Chief Finance Officers (Force & OPFCC)	Ongoing	June 2022
Management	14	Chief Finance Officers (Force & OPFCC)	Ongoing	N/A
Contingency	8		As requested	As requested
<b>Total</b>	<b>162</b>			

# Internal Audit Operational Plan 2021/22

The rationale behind the inclusion of each of the areas identified within the Internal Audit Operational Plan 2021/22 is detailed below, alongside a indicative high-level scope. Please note that the detailed scope of each audit will be discussed and agreed with the relevant sponsor prior to the commencement of fieldwork.

## Core Financials

To provide assurance with regards the adequacy and effectiveness of the systems of internal control in operation to manage the core financial systems.

Similar to in previous years, the audit will include operations within the Multi-Force Shared Service (MFSS), however with the transition of services back into Force audit will complete more detailed reviews of each area and include within the scope of the review assurance on how the transfer of services back in house is being progressed.

To ease the burden of the finance teams the audit will be separated into the five separate audit reviews and split across the year. The areas of coverage will be:

- Cash, Bank & Treasury Management
- General Ledger
- Income & Debtors
- Payments & Creditors
- Payroll

## Seized Property

Audits were carried out in 2018/19 following which a 'limited assurance' opinion was given. The audit was due to be followed up in Q4 of 2020, however due to Covid-19 this has been unable to take place since that time.

The audit will provide assurance that the Force has effective controls in place for the receipting, storage, management and disposal of seized and found property and it will follow up on previous recommendations raised.

## MFSS Transfer

To provide assurance with regards to the Forces ongoing management of the transfer of services from MFSS to in-house provisions at the Force.

This work will be carried out to provide assurance around data archive and data migration when the project to move to a new system reaches that stage. The exact scope and timing will be agreed with management.

## Payroll Transfer

To provide assurance with regards to the Forces ongoing management of the transfer of its Payroll services from MFSS to in-house provisions at the Force.

## Business Change

The Force is currently undertaking a lot of Change and whilst the specific scope of the audit will be agreed with management the objectives of the audit will be to provide assurance around the management of the Change Portfolio.

## Procurement (MINT)

During 2020/21 with the introduction of the MINT service for procurement this audit will provide assurance that the Force has effective processes in place in respect of procurement activities and these are being consistently applied. This will be jointly co-ordinated with Nottinghamshire.

## Data Management

The Force has received a number of actions from a recent Information Commissioners Office review and audit will work with the Force to confirm the implementation of these actions and review the risk areas highlighted, such as data between third parties

## Cyber Security

In light of a more agile way of working this is a growing risk to all organisations. The objectives of the audit will be to provide assurance that adequate and effective controls are in place to protect the organisation.

## Released Under Investigation

A high risk to the Force in this area has been identified and a number of changes are currently being implemented. The objective of the audit will be to provide assurance on the effectiveness of the changes that have been implemented.

## GDPR

This remains a high risk area for the Force and has received Limited Assurance reports over the past few years, Therefore, a follow up to review progression in this area is to be carried out.

## Collaboration

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.

One of the three audits planned for 2020/21 is being carried forward (Workforce Planning).

The outline plan for the collaboration audits in 2021/22 as agreed by the regional CFO's are:

- Asset Management
- Savings Plans
- Lessons Learned (Covid-19)

## Management

Resources for client and external audit liaison.

For example, preparation and attendance at JIAC, strategic and operational planning, meetings with Chief Officers/ Chief Executive/ Chair of JIAC, preparation of the Internal Audit Opinion, Annual Internal Audit Plan and other reports to the JIAC, etc

## Contingency

Resources which will only be utilised should the need arise, for example, for unplanned and ad-hoc work requests by management and the JIAC.

Section 03:

**Future Considerations 2022/23 Onwards**

# Future Considerations 2022/23 Onwards

Audit discussed a wide range of possible audits for inclusion within the 2021/22 and through discussion with management agreed upon a priority based approach the audits that are presented in the 2021/22 Internal Audit Operational Plan. Whilst annually the plan will be reviewed audit have listed the audits that have been earmarked for future consideration:.

Future Considerations	
Auditable Area	Commentary
Partnerships	<i>Partnerships are a key part of the OPFCC and Force strategic objectives and given the on-going changes in Northamptonshire and the creation of the new Unitary Council, the Force and OPFCC's work with key partners shall be considered for a future internal audit review.</i>
Budgetary Control	<i>Financial uncertainty risks have been prevalent throughout the year, although the risk has been reducing and thus decided not to be covered in 21/22 plans. However this will be monitored and re-considered for future IA plans.</i>
Fleet	<i>Currently included for follow up in the 21/22 plan, however ability to implement changes is dependent upon a new system, therefore potential to include a review of new system in future IA plans.</i>
High Tech Crime Unit	<i>Given the levels of investment in this area it would be prudent to confirm robust controls are in place and assurance will be sought in this area at the appropriate time to add the most value.</i>

Section 04:  
**Internal Audit Charter**

**The Internal Audit Charter sets out the terms of reference and serves as a basis for the governance of the PSA Internal Audit function. It sets out the purpose, authority and responsibility of the function in accordance with the UK Public Sector Internal Audit Standards (PSIAS).**

**The Charter will be reviewed and updated annually by the Engagement Lead for Internal Audit for the OPFCC & Force ('Head of Internal Audit').**

## Nature and Purpose

The OPFCC & Force are responsible for the development of a risk management framework, overseen by the JIAC, which includes:

- Identification of the significant risks in the OPFCC and Force's programme of activity and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Senior/Executive Team and the JIAC of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

The OPFCC and Force's systems of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support each organisation's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable each organisation to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Senior/Executive Team. The OPFCC and Force needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the OPFCC and Force's business. There are also many assurance providers. The OPFCC and Force should, therefore, develop and maintain an assurance framework which sets out the sources of assurance to meet the assurance needs of its stakeholders.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

Internal Audit carries out assurance and consulting activities across all aspects of the OPFCC and Force's business, based on a programme agreed with the JIAC, and coordinates these activities via the assurance framework. In doing so, Internal Audit works closely with risk owners, and the Senior/Executive Team.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where the OPFCC and Force's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Senior/Executive Team and management in relevant departments. The independent assurance provided by Internal Audit also assists the OPFCC and Force to report annually on the effectiveness of the system of internal control included in the Annual Governance Statements.

## Authority and Access to Records, Assets and Personnel

Internal Audit has unrestricted right of access to all OPFCC and Force records and information, both manual and computerised, and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter business property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the JIAC.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities. Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

## Responsibility

The Head of Internal Audit is required to provide an annual opinion to the OPFCC and Force, through the JIAC, on the adequacy and the effectiveness of the OPFCC and Force's risk management, control and governance processes. In order to achieve this, Internal Audit will:

- Coordinate assurance activities with other assurance providers as needed (such as the external auditors) such that the assurance needs of OPFCC, Force and other stakeholders are met in the most effective way.
- Evaluate and assess the implications of new or changing systems, products, services, operations and control processes.

- Carry out assurance and consulting activities across all aspects of the OPFCC and Force's business based on a risk-based plan agreed with the JIAC.
- Provide the Board 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.
- Issue periodic reports to the JIAC and the Senior/Executive Team summarising results of assurance activities.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within PSA to aid the prevention and detection of fraud;
- Assist in the investigation of allegations of fraud, bribery and corruption within PSA and notifying management and the JIAC of the results.
- Assess 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.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work.

When carrying out its work, Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to the OPFCC and Force's policies and standards and will monitor whether such measures are implemented on a timely basis.

The JIAC is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.

## Scope of Activities

As highlighted in the previous section, there are inherent limitations in any system of internal control. Internal Audit therefore provides the Senior/Executive Team and the Board through the JIAC with reasonable, but not absolute, assurance as to the adequacy and effectiveness of

PSA governance, risk management and control processes using a systematic and discipline approach by:

- Assessing and making appropriate recommendations for improving the governance processes, promoting appropriate ethics and values, and ensuring effective performance management and accountability;
- Evaluating the effectiveness and contributing to the improvement of risk management processes; and
- Assisting PSA in maintaining effective controls by evaluating their adequacy, effectiveness and efficiency and by promoting continuous improvement.

The scope of Internal Audit's value adding activities includes evaluating risk exposures relating to PSA's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

## Reporting

For each engagement, Internal Audit will issue a report to the appropriate senior management and business risk owner, and depending on the nature of the engagement and as agreed in the engagement's Terms of Reference, with a summary to the Senior/Executive Team and the JIAC. The UK PSIAS require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The annual risk-based plan is compiled by the Head of Internal Audit taking account of the OPFCC and Force's risk management / assurance framework and after input from members of the Senior/Executive Team. It is then presented to the Senior/Executive Team and JIAC annually for comment and approval.
- The internal audit budget is reported to the JIAC for approval annually as part of the overall budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the JIAC.

- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from internal audit work are reported to the Senior/Executive Team and JIAC on a regular basis.
- Any significant consulting activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the JIAC.
- Any significant instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Senior/Executive Team and the JIAC and will be included in the Internal Audit Annual Report.

## Independence

The Head of Internal Audit has free and unfettered access to the following:

- Chief Officer Team
- Chief Finance Officers at the OPFCC and Force;
- Chair of the JIAC; and
- Any other member of the Senior/Executive Team.

The independence of the contracted Head of Internal Audit is further safeguarded as their annual appraisal is not inappropriately influenced by those subject to internal audit.

To ensure that auditor objectivity is not impaired and that any potential conflicts of interest are appropriately managed, all internal audit staff are required to make an annual personal independence responsibilities declaration via the tailored 'My Compliance Responsibilities' portal which includes personal deadlines for:

- Annual Returns (a regulatory obligation regarding independence, fit and proper status and other matters which everyone in Mazars must complete);
- Personal Connections (the system for recording the interests in securities and collective investment vehicles held by partners, directors and managers, and their immediate family members); and
- Continuing Professional Development (CPD).

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the JIAC. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

## External Auditors

The external auditors fulfil a statutory duty. Effective collaboration between Internal Audit and the external auditors will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal Audit will follow up the implementation of internal control issues raised by external audit if requested to do so by the OPFCC and Force.

Internal Audit and external audit will meet periodically to:

- Plan the respective internal and external audits and discuss potential issues arising from the external audit; and
- Share the results of significant issues arising from audit work.

## Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK PSIAS; and
- All relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK PSIAS, on-going performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of CPD is maintained for all staff working on internal audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. Both the Head of Internal Audit and the Engagement Manager are required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

## Performance Measures

In seeking to establish a service which is continually improving, we acknowledge it is essential that we agree measures by which Internal Audit should demonstrate both that it is meeting the OPFCC and Force's requirements and that it is improving on an annual basis. We will work to the measures outlined in the original Invitation to Tender, whilst we agree performance measures with the OPFCC and Force.

## Contacts

David Hoose  
Partner, Mazars  
david.hoose@mazars.co.uk

Mark Lunn  
Manager, Mazars  
mark.lunn@mazars.co.uk

We take responsibility to the Office of the Police & Crime Commissioner for Nottinghamshire 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.

This report is confidential and 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 Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 0C308299.

## **INTERNAL AUDIT Progress Update 2020/21 and Plan for 2021/22**

Author and contact: Duncan Wilkinson Chief Internal Auditor tel: 01908 252089

### **Executive Summary:**

To provide the Joint Independent Audit Committee with progress on 2020/21 Plan to note and the 2021/22 Annual Audit Plan for approval.

### **1. Recommendation(s)**

- 1.1 Committee to and note progress on the 2020/21 Plan and approve the Audit Plan for 2021/22.

### **2. Background**

- 2.1 Under its terms of reference, the Joint Independent Audit Committee (JIAC) receives regular progress reports from the Chief Internal Auditor outlining progress in delivering the Internal Audit Plan and the results of audits carried out. This report summarises the planned audit activity in the last quarter of 2020/21 plan year and the proposed Plan of audit coverage for 2021/22.
- 2.2 The 2021/22 Internal Audit Plan has used a risk-based approach to prioritise Internal Audit work and includes sufficient coverage to ensure that an evidence-based assurance opinion can be provided on the control environment at the year end.
- 2.3 The Plan is responsive in nature and all efforts will be made to maximise coverage to provide the most effective and agile internal audit service possible that focuses on the key risks facing the organisation throughout the year. The proposed plan therefore has been developed to align NCFRA's operational environment and is designed to meet all legal and best practice requirements.
- 2.4 Progress against and changes to the plan are monitored by the Audit Committee and reported within routine update reports.
- 2.5 The Progress update is detailed at Appendix 1 and the full Audit Plan is set out at Appendix 2

### **3. Implications**

#### **3.1 Policy**

Individual audits within the plan provide assurance of compliance with a wide range of NCFRA policies. The Audit Plan is risk assessed periodically and developed to align to the NCFRA's risk register, professional horizon scanning and the external auditor's materiality / triviality thresholds.

The Plan's completion ensures the NCFRA's adherence to the Public Sector Internal Audit Standards.

The Northamptonshire Commissioner Fire and Rescue Authority is committed to the highest standards of financial probity and takes its duty to protect the public funds it administers very seriously. The NCFRA through the Anti-Fraud Policy has adopted a zero tolerance stance towards fraud.

### 3.2 Legal

The Audit Opinion derived from completion of audits on the plan is one of the sources for the NCFRA's Annual Governance Statement, required in order to meet the NCFRA's responsibilities under the Accounts and Audit Regulations. The Accounts and Audit Regulations require every local authority to maintain an adequate and effective audit service.

## 4 Risk and Resources

The Internal Audit Plan is derived from an assessment of the NCFRA's corporate risk register as well as any inherent risks such as a susceptibility to fraud associated with an individual system. Internal Audit work therefore seeks to give assurance that the risks identified in the register are mitigated by a sound system of internal control.

## 5. Other Implications

None

Background Papers:

Appendix 1- Audit Progress Update

Appendix 2 –Internal Audit Plan 2021/22

**APPENDIX 1**

**Internal Audit & Risk Management**

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

**Progress Update – Q4**

Duncan Wilkinson, Chief Internal Auditor

10 March 2021

## 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 to 20 of February 2021.
- 1.2 **Annex A** (page 5) provides the background and context for how Governance is tested and evaluated.
- 1.3 The report summarises work done on evaluating the robustness of systems of control and governance in place during the current year. The onset of the Covid 19 pandemic at the start of the financial year and the ensuing period of lock down at the end of the year have meant audit work could not be progressed on the planned timeline. This report covers progress made on audits since the last Committee in December 2020.

## 2 PROGRESS AGAINST 2020/21 AUDIT PLAN

- 2.1 The key target for the Internal Audit Service is to complete the agreed Plan by the 31st March 2021. **Annex B** (page 8) shows progress on audits during the 2020/21 Audit plan year.
- 2.2 Audit work was temporarily suspended in Q1 of 2021 due to the first national pandemic lockdown, which meant work on the Plan did not start until August 2020, with the consequent knock-on effect on plan delivery. It is anticipated that some 2021 audits will have to be carried forward for completion during Q1 of 2021/22 audit year, given a second national lock down in January 2021, coupled with pressures on client staff from extended remote working and on former LGSS support staff who are impacted by changes due to local government reorganisation.
- 2.3 Plan Performance as at 20 February 2021

NCFRA AUDIT PLAN 2020-21	Number of Audits			
	Plan	Draft / Final Report	In Progress	Not Started
Key Financials	5	1	0	4
COVID 19 Response	2	2	0	0
Strategic Reviews	2		1	1
Operational	4	2	2	0
ICT	1		1	0
2019-20 Brought Forward Audits	3	3	0	0
<b>TOTAL Audits</b>	<b>17</b>	<b>8</b>	<b>4</b>	<b>5</b>
		47%	24%	29%

- 2.4 Since the last Committee and as at the 20 February 2021, 3 reports have been finalised, one is at draft report stage and good progress has been made on the two audits. A further two reviews have had terms of reference agreed and work on these are to be started in mid-March 2021. Committee to note that the key financial audits for 2019/20 were completed only 6 months ago hence the determination that they are the 2020/21 reviews to be carried over for completion early in the 2021/22 audit year.
- 2.5 Assurance ratings are given for both the adequacy of the System and compliance with the System of Controls. The definitions are detailed in Annex A and Annex B highlights the assurance levels for the reports issued to management since the last Committee.

In summary, 4 planned reports have been completed and issued to management and include Action Plans highlighting agreed actions needed to improve the control environment as appropriate.

Assurance Rating	No of Audit Reports	
	Adequacy of System	Compliance
Good	3	1
Satisfactory	1	2
Limited	0	1
<b>Total</b>	<b>4</b>	<b>4</b>

A **Limited assurance opinion** was allocated for poor compliance with controls for the Asset Management audit. The following key recommendations were agreed with management, to improve the controls environment:

- A structured approach to ICT asset management checks to be developed and introduced. (Physical checks).
  - The shared fleet management data system to be reviewed to ensure that it is fit for purpose and meets the needs of the services to enable effective and efficient collaborative working (Data cleanse).
  - Management to review arrangements for the procurement of IT assets and develop the hardware refresh plan in line with the requirements within the NCFRA CGF and NFRF.
  - Management to determine the definition of assets and the values of the assets that are required to be recorded on the Redkite system.
  - Management to introduce a process for properly recording and approving all items of stock to be disposed or sold in line with the requirements detailed within the NCFRA CGF.
- 2.6 The table below provides a precis of the objectives of the audits to be undertaken and the associated key risks.

Assignment	Status	Objectives and Risk
Corporate Governance	To Start March 21	<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 <b>Risks(s)</b> Financial and Reputational risk
Key Policies	Field Work in progress	<b>Objective(s)</b> To provide assurance that Key Policies and Procedures for NCFRA are established and operating effective. <b>Risks(s)</b> Reputational & Fraud Risks
Target operating Model – Performance Monitoring	ToR agreed	<b>Objective(s)</b> To provide assurance as to robustness of performance monitoring arrangements <b>Risk(s)</b> Poor delivery leading to reputational and H&S risks
Financial Controls Environment	Draft Report	<b>Objective(s)</b> To provide assurance over the effectiveness of financial controls <b>Risk(s)</b> Reputational and fraud risks
MTFP/Budgetary controls	To Start April 21	<b>Objective(s)</b> To provide assurance that. Budgetary controls are operating effectively <b>Risk(s)</b> Reputational and fraud risks
Accounting systems (AP/AR)	To Start April 21	<b>Objective(s)</b> To provide assurance that the process <b>Risk(s)</b> Inappropriate payments made/ Income due not collected
Covid 19 -Spend Analysis and Contract Payments	Final Report	<b>Objective(s)</b> To provide assurance that spend is consistent with organisational decisions and the Covid 19 pandemic restrictions.  <b>Risk(s)</b> -financial strain/ overspend
Procurement and Stock Control	Field work in progress	<b>Objective(s)</b> To provide assurance over the process for procuring and managing fire stock items. <b>Risk(s)</b> Financial and fraud risk
Payroll	To start April 21	<b>Objective(s)</b> To ensure all employees of NCFRA are bona fide and are paid the right amount at the right time.

Assignment	Status	Objectives and Risk
		Substantive testing of large sample <b>Risk(s)</b> Inappropriate payments made
ICT Systems	Field work in progress	<b>Objective –</b> To provide assurance that IT systems and infrastructures are secure <b>Risk –</b> Data protection and reputational risks
HMIRC outcomes	Cancelled	
Grenfell Action Plan	Final Report Issued	<b>Objective –</b> To provide assurance that process for monitoring implementation of improvement actions is adequate <b>Risk-</b> reputational and safeguarding risk
Asset Management	Final Report	<b>Objective –</b> To provide assurance as to adequacy of process for managing assets – movements; disposals, documenting <b>Risk –</b> Financial and fraud risk
Risk Management	Time Reallocated	Quarterly support to Risk Owners for the effective identification / assessment of risk, periodic review and action tracking.

## Annex A

### **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.
---------------------	---

<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

## 2020/21 - Audit Plan for NCFRA

AUDIT TITLE	STATUS	PROGRESS	Quarter Work Allocated	Assurance Rating System Compliance	
<b>Brought Forward- 2019/20</b>					
Accounts Payable	Closed	Final Report	n/a	Good	Limited
Accounts Receivable	Closed	Final Report	n/a		
Payroll	Closed	Final Report	n/a		
Target Operating Module	Closed	Final Report	n/a	Good	Good
Medium Term Financial Planning	Closed	Final Report	n/a	Good	Good
Risk Management	Closed	Complete	n/a	Workshops completed	
<b>Plan - 2020/21</b>					
Grenfell Action Plan	Closed	Final Report	Q2	Good	Good
Asset Management	Closed	Final Report	Q3	Satisfactory	Limited
Covid 19 –Spend Analysis	Closed	Final Report	Q3	Good	Satisfactory
Covid 19 – Contracts Payments	Closed	Final Report	Q3	Good	Satisfactory
Financial Controls Environment (key recs /bank/Treasury/Journals)	Open	Draft Report	Q4		
Procurement & Stock Control	Open	In progress	Q3		
Key Policies	Open	In progress	Q3		
ICT Systems	Open	In progress			
Target operating Model Performance Monitoring	Open	ToR agreed			
Corporate Governance			Q4		
MTFP/Budgetary controls			Q4		
Accounting systems (AP/AR)			Q1/21		
Payroll			Q1/21		
HMIRC Outcomes	Cancelled	Cancelled			
Risk Management	Time reallocated		Q2-Q4		

# Internal Audit of NCFRA

## 2021/22 Audit Plan



Internal Audit  
January 2021

## 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. The Internal Audit service is provided by the Milton Keynes Council led shared Internal Audit, Risk and Counter Fraud service, is a local authority shared service with joint 'ownership' by West Northants Council, Cambridgeshire County Council and Milton Keynes Council managing services via delegated budgets. The service 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 shared service 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 and 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.

1.8. 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.

1.9. 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)

- 1.10. Reports concluding less than Satisfactory Opinion will be sent to the Chair and members of the Audit Committee at their request and those reports can be considered, in full, by the Joint Internal Audit Committee.
- 1.11. 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.
- 1.12. Periodic (usually Quarterly but aligned to the Audit Committee meeting schedule) summary reports will be issued to the NCFRA Audit Committee.
- 1.13. An Annual Audit Opinion is provided following year end and aligned to the drafting of the Annual Governance Statement.

## **2. THE 2021-22 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 and a 12 month 2020-21 Annual Audit Plan. The development of the 2021-22 plan is now consistent with the usual cycle of annual auditing aligned to the annual accounts and the risk profile of a newly formed legal entity within its first few years of operation.
- 2.2. The 2021-22 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.
- 2.3. Key principles / assumptions in developing the plan include:
  - 2.3.1. Key Financial and Strategic Audits are now provided within a minimal allocation of audit days. If testing highlights key concerns testing would need to be expanded.
  - 2.3.2. Audit findings since the inception of NCFRA have provided, on the whole, a basis to conclude satisfactory controls and governance operate across the organisation or areas of poor control requiring improvement have been found and;
    - These were identified by management (eg ICT), and/or
    - An improvement plan agreed / embraced by management
  - 2.3.3. This current 'trajectory' should provide a basis to conclude that NCFRA represents a low risk (ie stable and well controlled) audit client for 22-23.

- 2.4. The 21-22 Internal Audit Plan must remain 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 Key Financial Systems
  - Takes account of the Known Unknowns eg Future Northants
  - Can be flexible for the Unknown Unknowns that may arise during the year
- 2.5. The Audit Plan is designed to be flexible if new risks emerge or existing risks significantly reduce.
- 2.6. 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.
- 2.7. The onset of the Covid19 pandemic in March 2020 and the ensuing periods of lock down has undoubtedly changed the operational landscape and potentially increased the risk profile of NCFRA. The lock down also impacted on the timing of audits scheduled for 2020-21. The 2021-22 proposed plan reflects the findings from 2020-21 that show NCFRA controls / systems etc were shown to operate robustly during the significant disruption caused by C19.
- 2.8. Where NCFRA identify additional work during the year:
- 2.8.1. IA and NCFRA will identify whether any original planned work can be substituted, and/or
  - 2.8.2. Additional work undertaken at the agreed daily rate.
- 2.9. In summary the 21-22 draft plan remains at an estimated total of 104 days, unchanged.
- 2.10. NCFRA pay an Annual fee of £35,350 for the completion of the 21-22 internal audit plan. The daily rate (eg for other unplanned work if needed) is therefore £340 (£337 20-21).

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

<b>Annual Audit Plan 1<sup>st</sup> Apr 21 to 31<sup>st</sup> Mar 22</b>		
<b>Audit Area</b>	<b>Days</b>	<b>Timing</b>
<b>STRATEGIC</b> <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 - Performance Monitoring Framework</li> </ul>	20	Q4  Q4  Q4
<b>OPERATIONAL</b> <ul style="list-style-type: none"> <li>• Target Operating Model - specific end to end analysis of: <ul style="list-style-type: none"> <li>▪ A pre-inspection prior to the formal HMI inspection estimated for the Autumn</li> <li>▪ The organisational ‘Golden Thread’ and the verification of Data Quality and that the ‘right’ data is visible to monitor the achievement of objectives</li> </ul> </li> <li>• HR Improvement Plan, including: <ul style="list-style-type: none"> <li>▪ Establishment Control, and</li> <li>▪ Succession Planning / Organisational Capacity</li> </ul> </li> <li>• Equipment Maintenance and Testing: <ul style="list-style-type: none"> <li>▪ Verifying adherence to testing schedules</li> <li>▪ Ensuring RedKite data accuracy, and</li> <li>▪ The visible assurance to senior management</li> </ul> </li> </ul>	5  10  5  10	Q1  Q2  Q3  Q1/Q2
<b>KEY FINANCIAL SYSTEMS</b> <ul style="list-style-type: none"> <li>• Accounting systems (AP/AR)</li> <li>• Payroll (inc Right to Work)</li> <li>• MTFP / Budget Management</li> <li>• Financial Control Environment (G/L; Bank rec; TM) Including relevant LGSS disaggregation / Future Northants new arrangements</li> </ul>	6  4  5  5	Q4  Q4  Q4  Q2
<b>RISK MANAGEMENT</b>  Attendance at Strategic Risk Register Quarterly meetings Provision of Risk workshops as requested	10	All
<b>ICT Systems Security</b>	20	TBA
Audit management and reporting	4	All
<b>TOTAL DAYS</b>	<b>104</b>	

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

Overall Scope / Risk Profile

The 2021-22 Plan outlines those areas that require annual audit testing (eg key financials) and also those areas that are audited across multiple years. Therefore, whilst these do not represent 'essential' and 'optional' audits respectively, they provide a focus on those audits that:

- Must be tested annually (total 60 days)
  - All Strategic audits – eg Policies etc
  - Key Financials – AP, AR etc
  - ICT
- Reflect changing risks and agreed each year (total 40 days)
  - Operational Audits
  - Risk Management

Governance, risks and key financial systems cannot be considered 'mature systems' until at least 2 years annual accounts are audited without qualification, In simple terms not before 1<sup>st</sup> April 2022.

Strategic

NCFRA as a separate legal entity should maintain strategic governance arrangements that clearly and formally record its organisational management. This Corporate Governance Framework should provide clearly defined roles, responsibilities and systems of control.

The audit 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.

These audits anticipate testing in Q4 for the operation of those controls across the financial year.

Operational

This area of the plan seeks to test and provide assurance for those key priority areas of operational performance / improvement. These are agreed each year to ensure wider audit coverage of operational areas is achieved over a 3-5 year period.

The 21-22 Operational audits were developed at a workshop with senior NCFRA officers on 19<sup>th</sup> Jan 2021.

## Key Financials

### AP (Creditors), AR (Debtors) and Payroll

These are standard audits at minimal levels of testing and provide assurance regarding controls applied to the significant financial transactions of NCFRA. A 21-22 focus within Payroll will be some testing on Right to Work assurance as arising from the UK's departure from EU on 1<sup>st</sup> Jan 2021.

### 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.

### Financial Controls

This audit review will look at the core financial processes that contribute to the trial balance as the basis for the financial statements. It will also for 21-22 seek to provide assurance regarding the Future Northants changes applicable with effect from 1<sup>st</sup> April 2021 and their impact on these core financial processes received by NCFRA including:

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

### ICT Security

This is an area recognised and targeted by NCFRA for improvement. The detail of audit work in this area will be agreed with relevant ICT senior manager. And reflect that NCFRA ICT Service Improvement Plan

## Annex A

**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.



Police, Fire & Crime Commissioner for  
Northamptonshire & Northamptonshire  
Police

Internal Audit Progress Report

Presented to JIAC: 10<sup>th</sup> March 2021

Agenda Item 8a

**mazars**

## Contents

01 Summary	3
02 Current progress	4
03 Performance	6
A1 Plan overview	7
A2 Reporting Definitions	8
A3 Summary of Reports	9
A4 Statement of Responsibility	15
Contacts	16

### *Disclaimer*

This report (“Report”) was prepared by Mazars LLP at the request of the Northamptonshire Police and the Officer of the Police, Fire and Crime Commissioner (OPFCC) for Northamptonshire and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit the Northamptonshire Police and the Officer of the Police, Fire and Crime Commissioner (OPFCC) for Northamptonshire and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A1 of this report for further information about responsibilities, limitations and confidentiality.

## 01 Summary

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 31st March 2021, which was considered and approved by the JIAC at its meeting on 11<sup>th</sup> March 2020.

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.

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.

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.

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.

Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

## 02 Current progress

Since the last meeting of the JIAC, we have issued two final report in respect of Health & Safety and Core Financials. We have also issued three draft reports in respect of Workforce Planning, GDPR Follow Up and IT Security. Further details are provided in Appendix A3.

The impact of the Covid-19 lockdown(s) has posed several challenges to the internal audit process and the move to remote auditing has caused some initial delays in setting dates when the audits will be carried out. Both parties have worked hard to ensure the audits could be completed and Mazars have regularly communicated with the Force and OPFCC, which has enabled us to remain on course to deliver the majority audit plan by 31<sup>st</sup> March 2021. Moreover, we can confirm that the fieldwork for the remaining audits of Governance and Performance Management are due to take place at the end of March and beginning of April.

In discussion with key contacts, in regards to the Procurement (MINT) audit included within the 2020/21 plan, it has been requested that this audit be carried forward into the 2021/22 plan as upon discussion with Nottinghamshire, it was identified they would also like an audit of this area. Therefore, there is an opportunity to complete a joint audit and it is requested that this audit be carried forward into the 2021/22 plan so that this can be co-ordinated.

In addition to the above, the ongoing lockdown across the 2020/21 year has meant that the Seized Property audit scheduled as part of the 2020/21 plan as been unable to be carried out as this audit requires significant onsite physical testing. Therefore, it is proposed that this audit is also carried forward to be completed in 2021/22 when it will be safer to do so.

There were three proposed audits as part of the Collaboration time assigned for the 2020/21 plan, however due to the impacts of the Covid-19 pandemic and the delays in starting audits it has been proposed that one of the collaboration audits be carried forward into the 2021/22 plan. This was discussed with the regional Chief Finance Officers and a priority based approach was assigned to the audits due to be completed. Audit can confirm that the fieldwork for the two collaboration audits of Budgetary Control and Workforce Planning are being completed during February.

The process for Collaboration audits was discussed at a meeting of all five Force Audit Committee Chairs with an intention to improve the speed of delivering final reports to audit committees. Actions have been taken and these will be monitored for the collaboration audits completed in 2020/21 and learning taken forward into 2021/22.

The Plan in Appendix A1 has been updated to include the status of each audit to date.

Summary table of work to date:

Northamptonshire 2020/21 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Fleet Management	Final	Limited	-	5	2	7
Procurement	Final	Limited	1	2	-	3

Health & Safety	Final	Limited	1	3	1	5
Core Financials	Final	Substantial			3	3
Total			2	10	6	18

## 03 Performance

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.

Number	Indicator	Criteria	Performance
1	Annual report provided to the JASP	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the JASP	As agreed with the Client Officer	Achieved
3	Progress report to the JASP	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	100% (7/7)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (4/4)
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% (1/1)

## A1 Plan overview

Audit area	Proposed Dates	Draft Report Date	Final Report Date	Target JASP	Comments
Fleet Management	Q2	August 2020	August 2020	Sept 2020	
Procurement	Q3	Nov 2020	Dec 2020	Dec 2020	
Core Financials	Q3/Q4	Feb 2021	Mar 2021	Mar 2021	
Health & Safety	Q4	Feb 2021	Mar 2021	Mar 2021	
Seized Property	Q4			Mar 2021	C/Fwd 21/22
Workforce Planning	Q4	Mar 21		Jul 2021	
Governance	Q4			Jul 2021	Fieldwork Dates agreed Mar 21
Performance Management	Q4			Jul 2021	Fieldwork proposed to commence Apr 21
Procurement (MINT)	Q4			Jul 2021	C/Fwd 21/22
IT Security: Follow Up	Q3/4	Feb 2021		Mar 2021	
GDPR: Follow Up	Q3/4	Feb 2021		Mar 2021	

## A2 Reporting Definitions

Assurance Level	Control Environment
<b>Substantial 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>Adequate 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. The level of non-compliance with some of the control processes may put some of the College'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 College's objectives at risk.
<b>No Assurance</b>	Controls are generally weak leaving the system open to significant abuse and/or we have been inhibited or obstructed from carrying out or work.

Recommendation Priority	Description
<b>1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the Organisation to a high degree of unnecessary risk.
<b>2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the Organisation to a moderate degree of unnecessary risk.
<b>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.

## A3 Summary of Reports

Below we provide brief outlines of the work carried out, a summary of our key findings raised, and the assurance opinions given in respect of the final reports issued since the last progress report in respect of the 2020/2021 plan.

### Health & Safety

<b>Overall Assurance Opinion</b>	<b>Limited</b>
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	1
Priority 2 (Significant)	3
Priority 3 (Housekeeping)	1

Our audit considered the following area objectives:

#### Roles & Responsibilities

- The roles and responsibilities are clearly defined and the individuals concerned are fully aware of these.
- Appointed officers have been assigned to support the organisation to meet its H&S responsibilities.

#### Policies & Procedures

- The Force has in place policies and procedures, which incorporate relevant legislative requirements and provide clear guidance to staff.
- The policies and procedures in place are comprehensive, up-to-date and available to all relevant members of staff.
- The existing policies and procedures are regularly reviewed to ensure they are up to date.

#### Governance

- There is an appropriate and effective governance structure in place through, which Health and Safety issues are reviewed, scrutinised and managed.
- Health and Safety is promoted across the Force to ensure awareness from both police staff and police officers.

#### Monitoring & Reporting

- Health and Safety information is accurately produced and regularly reported to allow for effective monitoring, decision making and reporting in line with senior management requirements.
- There is an effective system in place for recording, maintaining and reporting Health & Safety data including any incidents or near misses.
- Appropriate oversight and reporting arrangements are in place and are working effectively.

#### Training

- Staff are fully supported, with relevant training and guidance provided to allow compliance with health and safety requirements and responsibilities.

- The Force has a robust process in place to monitor the level of health and safety training undertaken by key staff including Chief Officer Team and those who have statutory responsibilities.

We raised one priority 1 (fundamental) recommendation and three priority 2 (significant) recommendations where the control environment could be improved upon. The finding, recommendation and response from the report is detailed below:

<p>Recommendation 1 (Priority 1)</p>	<p>The Force should approve the training strategy, training at each level should be defined within a matrix and thereafter this training should be rolled out for completion.</p> <p>Following the rollout of the training, a process should be in place to monitor the completion of the training by staff and officers.</p>
<p>Finding</p>	<p>Audit have noted that there is no formal training policy in place at the Force for health and safety, nor is there a clear guide to define the levels of training required for staff and officers holding various posts.</p> <p>Risk: Staff and Officers do not hold the suitable health and safety knowledge to perform their roles.</p> <p>Staff and Officers are at risk when performing health and safety duties.</p> <p>There is reputational risk for the Force as a result of Staff and Officers with insufficient skills</p>
<p>Response</p>	<p>Agreed.</p> <p>A draft training strategy is being prepared covering Health and Safety training that is outside of scope of EMCHRS L&amp;D. EMCHRS L&amp;D provide operational frontline training including (Officer safety training, first aid, public order, driving, taser and Firearms).</p> <p>Follow up to the training strategy will be validated through departmental safety audits (and KPIs)</p>
<p>Responsibility / Timescale</p>	<p>Health and safety Committee. To be confirmed at August 21 committee meeting.</p> <p>Health and safety Manager. Programme of audits in place.</p> <p>KPIs to be monitored quarterly at H&amp;S committee</p>

<p>Recommendation 2 (Priority 2)</p>	<p>The Force should determine the areas of health and safety where a standalone policy / procedure documents are required. Once these guidance documents have been produced, they should be referenced within the health &amp; safety manual.</p> <p>The Force should ensure that all health and safety policy and procedural guidance documents, including the health and safety manual are subject to regular review. Where appropriate, version control should be utilised within the guidance documents.</p>
<p>Finding</p>	<p>The Force have a Health &amp; Safety Manual that is the overarching guidance document.</p> <p>Audit reviewed the manual and it is noted that it does not provide sufficient guidance to staff and officers in processing key tasks, such as the reporting of</p>

	<p>an accident or an incident.</p> <p>In addition, the manual is not supported by standalone policies and procedures.</p> <p>Furthermore, there is no requirement included for a regular review and updated of the manual.</p> <p>Risk: Insufficient guidance is provided to staff and officers in relation to health and safety.</p> <p>The Force do not meet their health and safety objectives.</p> <p>There is non-compliance to the joint health and safety policy statement.</p>
Response	Agreed. to confirm with H&S committee standalone policies and ensuring referencing throughout.
Responsibility / Timescale	<p>Head of Estates and Facilities to confirm with H&amp;S committee at May 21 meeting.</p> <p>Referencing to be completed and manual reviewed for ratification at August 21 H&amp;S committee</p>

Recommendation 3 (Priority 2)	<p>The Force should update the terms of references of the Force Health and Safety Committee meetings to remove the OPFCC representative as an attendee.</p> <p>The Force should ensure that invitations to the Force Assurance Board are made to the OPFCC representative.</p> <p>The PFCC should be presented with a report from the CC in respect of the performance of the health and safety function, at a regular frequency.</p>
Finding	<p>Audit have noted that there is insufficient oversight from the OPFCC over health and safety. One such example is that there is no OPFCC representation at the Health and Safety committee meetings, where the terms of reference state that attendance will be made by the OPFCC.</p> <p>Further to this, Audit have not been able to confirm that OPFCC representatives attend the Force Assurance Board, where health and safety issues are escalated as they have not been included on meeting invitations.</p> <p>This has been discussed with management, where it has been noted that the inclusion of an OPFCC representative at the Health and Safety Committee meetings had not been agreed and would be inappropriate to do so,, therefore is to be removed. In respect of the Force Assurance Board, an OPFCC representative was previously in attendance, however a change in governance resulted in them not being included in the attendees list. The OPFCC representative should be in attendance and will be included on invites going forwards. It has also been noted that to improve the governance of health and safety, the OPFCC should be presented with a report from the Force at regular intervals to summarise performance.</p> <p>Risk: The OPFCC does not have oversight of health and safety performance at the Force.</p>
Response	Agreed. Terms of reference to be changed

	Agreed - Health and Safety Reports have now been added as required reports to the PFCC Accountability Board Plan for both Police and Fire Moving forwards
Responsibility / Timescale	Head of Estates and Facilities. To be endorsed at next H&S committee meeting. Paul Fell - Completed Health and Safety manager through H&S committee to prepare an annual report for CC. To be submitted to the PFCC in May each year

Recommendation 4 (Priority 2)	The Force should introduce a suite of key performance indicators that provide oversight of the whole area of health and safety.
Finding	At the Health and Safety Committee meetings, it has been noted that performance information is only reported on accidents, incidents and near misses. This is not sufficient in providing an oversight of performance of Health and Safety at the Force. Performance indicators that should be considered by the Force should include at minimum an oversight of adherence to health and safety training, a summary of risk assessments and workplace adjustments and the number of days lost due to Health & Safety accidents. Where possible, trend analysis should be performed in addition to benchmarking.  Risk: There is insufficient oversight of performance of the health and safety function.
Response	Agreed. In progress. A new suite of Health and safety KPIs is under consultation at the Health & Safety committee.
Responsibility / Timescale	Health and safety Committee – To be agreed 13 May 2021. KPIs to be monitored quarterly at the H&S committee

We raised one priority 3 recommendations of a more housekeeping nature relating to the Forces intranet Page where key documentation for Health & Safety is made available to staff:

- The Force should ensure that the intranet page has clarity on each element of health and safety. Health and Safety guidance documents should be uploaded in a user friendly method.

Management accepted the recommendation and confirmed implementation by June 2021

## Core Financials

<b>Overall Assurance Opinion</b>	<b>Significant</b>
----------------------------------	--------------------

### Areas of Assurance

<b>General Ledger</b>	<b>Significant</b>
<b>Cash, Bank &amp; Treasury Management</b>	<b>Significant</b>
<b>Payments &amp; Creditors</b>	<b>Significant</b>
<b>Income &amp; Debtors</b>	<b>Satisfactory</b>
<b>Payroll</b>	<b>Satisfactory</b>

<b>Recommendation Priorities</b>	
<b>Priority 1 (Fundamental)</b>	-
<b>Priority 2 (Significant)</b>	-
<b>Priority 3 (Housekeeping)</b>	3

Our audit considered the following risks relating to the area under review:

- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- Systems and data entry restrictions are not in place which could lead to inappropriate access to the systems and data.
- There are errors in accounting transactions posted on the General Ledger resulting in inaccurate financial information.
- Inaccurate cashflow information regarding investments and borrowings is produced which could result in inappropriate levels of cash held within the Force.
- The purchasing process is not complied with by staff which could lead to fraudulent transactions that go undetected.
- An ineffective debt management process is in place which could lead to irrecoverable income and inappropriate written off debt; and,
- Payments to staff are inaccurate resulting in financial losses for the Force, administrative burdens and, where the employee loses out, loss of reputation.

In reviewing the above risks, our audit considered the following areas:

- General Ledger.
- Cash, Bank and Treasury Management.
- Payments and Creditors.
- Income and Debtors; and,
- Payroll

We raised three priority 3 recommendations of a more housekeeping nature:

#### Approval of Overtime/TOIL claims

Payment of overtime and TOIL claims currently take place prior to any approval and most of the other controls (line manager and DMS checks) are retrospective. This allows for false/invalid claims to be made and not picked up until after they have been paid. There are controls in place to prevent duplicate claims within the app and for claims at double time to be reviewed by the planning team. However, all other claims are still able to be paid prior to any review or approval.

- The Force should consider implementing a preventative control for overtime/TOIL authorisations to ensure that these are appropriate and accurate. A simple solution could be to move the current retrospective review by line managers to prior to payment, therefore acting as a preventative approval.

Management accept the recommendation, however “It is felt that there are not any additional controls that would reduce this risk. Given the likelihood and immaterial values involved, it is a risk the Force is willing to accept” therefore no implementation due.

#### Invoice Payment Terms

Our review of aged debtors has noted that invoices are being recorded and issued by MFSS on immediate payment terms. However, the Force’s standard approach has indicated they generally issue invoices on 28/30 days payment terms.

- The Force should ensure that MFSS issue invoices with the correct payment terms, therefore ensuring that recovery actions are being carried out at the correct timings.

Management accepted the recommendation and confirmed implementation by March 2021.

#### User Access

Audit tested a sample of user access rights from two teams at MFSS, purchasing and payments, to assess that these levels were appropriate.

One user had been granted the Buyer Role (Purchasing Manager Oracle role) that should only be applicable to purchasing supervisors where the MFSS Buyer role (Purchasing Assistant Oracle role) should have been applied.

- MFSS should ensure that staff have the appropriate access for roles, as per the shared service’s user access matrix.
- The Force should consider performing an audit of user roles to ensure appropriate access has been applied.

Management accepted the recommendation and confirmed implementation by March 2021.

## A4 Statement of Responsibility

We take responsibility to Northamptonshire Police and the Office of the Police, Fire and Crime Commissioner for Northamptonshire 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.

This report is confidential and 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 Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 0C308299.

# Contacts

**David Hoose**

Partner, Mazars

david.hoose@mazars.co.uk

**Mark Lunn**

Internal Audit Manager, Mazars

mark.lunn@mazars.co.uk

Mazars is an internationally integrated partnership, specializing in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

[www.mazars.co.uk](http://www.mazars.co.uk)

The Mazars logo consists of the word "mazars" in a bold, lowercase, blue sans-serif font.



## **Agenda Item 9a**

### **Report to the Joint Independent Audit Committee 10 March 2021**

#### **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 Northamptonshire Police and the Office of Northamptonshire Police, Fire and Crime Commissioner and also East Midlands Collaboration Units.
- 1.3 The attached Summary of Internal Audit Recommendations Report shows details and the current status of all open audit actions.
- 1.4 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.

#### **2 NORTHAMPTONSHIRE AUDITS**

##### **2.1 Overall Status**

- The report shows 24 actions that were open following the last JIAC meeting or have subsequently been added.
- 1 action has been completed and is closed.
- 22 actions remain ongoing.
- 1 action has passed its implementation dates and is overdue.

#### **3 OVERVIEW**

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

- 8 audits were completed making 20 recommendations.
- 1 action remained open following the December JIAC which has subsequently been completed and is closed.

##### **3.2 2020/21 Audits**

- 6 audits have been completed making 23 recommendations. At the time of this report 3 of the audits have only had draft reports issued.

- 22 recommendations have not reached their implementation date and are ongoing.
- 1 recommendation has passed its implementation date and is overdue.

#### **4 COLLABORATION AUDITS**

##### **4.1 Overall Status**

- The report shows 7 actions that were open following the last JIAC.
- 2 actions have been completed or superseded and are closed.
- 5 recommendations have been partially completed but have actions that are ongoing or overdue.

##### **4.2 2018/19 Audits**

- 3 audits were completed making 13 recommendations.
- 1 action remained open following the December JIAC which has not yet reached its implementation date and remains ongoing.

##### **4.3 2019/20 Audits**

- 2 audits were completed making 11 recommendations.
- 6 actions remained open following the October JIAC.
- 2 actions have been completed or superseded and are closed.
- 4 recommendations have been partially completed but have actions that are ongoing or overdue.

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

None

#### **HUMAN RESOURCES IMPLICATIONS**

None

#### **RISK MANAGEMENT IMPLICATIONS**

None.

#### **ENVIRONMENTAL IMPLICATIONS**

None

**Author:** Richard Baldwin,  
Strategic Development, Risk and Business  
Continuity Advisor

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

**Background Papers:** Quarterly Summary of Internal Audit  
Recommendations February 2021

## 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

#### 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
GDPR Follow Up	04 June 2020	Limited Assurance	2	0	0
Core Financials	08 July 2020	Satisfactory Assurance	1	2	2
Balance Transfers	01 July 2020	Significant Assurance	0	0	1

#### 2020/21

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Fleet Management	27 August 2020	Limited Assurance	0	5	2
Procurement	02 December 2020	Limited Assurance	1	2	0
Health & Safety – DRAFT REPORT	23 February 2021	Limited Assurance	1	2	1
GDPR Follow Up – DRAFT REPORT	23 February 2021	Limited Assurance	1	0	0
IT Security – DRAFT REPORT	23 February 2021	Limited Assurance	2	1	1
Core Financials	25 February 2021	Significant Assurance	0	0	3

OFFICIAL

## **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 02 December 2020**

Previous Years Audits	Totals for 2018/19	Totals for 2019/20	2020/21 Audits	Reported to JIAC 07 Oct 20	Reported to JIAC 16 Dec 20				Totals for 2020/21
Recommendations Raised	39	20	Recommendations Raised	7	3				<b>10</b>
Complete	39	19	Complete	0	0				<b>0</b>
Ongoing	0	0	Ongoing	7	3				<b>10</b>
Overdue	0	1	Overdue	0	0				<b>0</b>

### **Position as at 28 February 2021**

Previous Years Audits	Totals for 2018/19	Totals for 2019/20	2020/21 Audits	Reported to JIAC 07 Oct 20	Reported to JIAC 16 Dec 20	Reported to JIAC 10 Mar 2021			Totals for 2020/21
Recommendations Raised	39	20	Recommendations Raised	7	3	13			<b>23</b>
Complete	39	20	Complete	0	0	0			<b>0</b>
Ongoing	0	0	Ongoing	7	2	13			<b>22</b>
Overdue	0	0	Overdue	0	1	0			<b>1</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

**2019/20**

### Core Financials – July 2020

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
4.4	<p><b>Reporting of Payroll Performance Data</b></p> <p><i>Observations:</i> MFSS currently report performance data for purchasing, payables and receivables to the Force which highlight key data, including:</p> <ul style="list-style-type: none"> <li>No. of requisitions transferred to orders within 3 days.</li> <li>% of invoices paid on time.</li> </ul> <p>However, at present there is no review of performance for payroll processing. The review of this performance data would identify any issues or concerns in the payroll processing and allow actions to be taken in a timely manner.</p> <p>This issue was raised in 2017/18 audit, but audit has not been able to confirm if any changes have been made, as access to payroll performance reports were not available.</p> <p><i>Risk:</i> Poor performance is not identified in a timely manner.</p> <p>Errors in payroll processing result in financial loss for the Force</p>	<p>The Force should liaise with MFSS to ensure that appropriate performance data is provided with regards payroll processing. This could include, but not be limited to, the following:</p> <ul style="list-style-type: none"> <li>No. of overpayments &amp; underpayments.</li> <li>Value of overpayments &amp; underpayments.</li> <li>Reasons for overpayment i.e. late notification by Force, MFSS missed SLA for Payroll Date etc.</li> </ul> <p>[Force/MFSS]</p>	1	<p>Agreed - MFSS Payroll will provide the data as recommended, in the form of an excel spreadsheet, by the 1st working day of the month following the period in which the transactions took place. i.e. June payroll data will be provided by 1st July</p> <p>Update - 12/8/2020 Ongoing. The in-house payroll team are monitoring these performance areas and reporting back via Louise Davies. MFSS are still working on producing this for us and have been chased for an update.</p> <p>Update 24/09/20 We have received partial data on payroll performance this month (due to staff resource issues at MFSS). We are in the process of getting access to run the Service Request data directly so that we can pull this information ourselves going forward. Our retained payroll team are auditing manually the pay runs each month. This is helping prevent mistakes on payroll but not perfect. Therefore we are also in the process of gaining access to the Oracle payroll system for our retained payroll team, to improve the overall payroll performance.</p>	Steve Gall July 2020	

OFFICIAL

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>Update 21/10/20 - Our retained payroll team (x3) have been granted access to Oracle payroll this week. We have a planned phased approach of the work that Northants will take on from MFSS. Retained payroll have already been supporting with calculations and the more complex queries, they now will be able to input these straight into Oracle (minimising errors). Training is planned this week with a handover to start from 1<sup>st</sup> November. We expect the majority of the payroll transactional work to be handled by the Northants retained payroll team by January 2021. We then will take stock and consider if we take on processing the pay runs.</p> <p>Update 23/11/20 - The Northants payroll team have received training on Oracle and have taken on some of the transactional work from MFSS payroll. This is mainly inputting figures they have calculated directly on Oracle, cutting down the need to raise service requests and reducing error rate from double keying. We have a review this week to judge the success of this first phase, and to discuss the next steps. The feedback so far has been positive.</p> <p>Update 02/12/20 -MFSS are in the process of setting up performance dashboards which will be accessible by Fusion for monitoring performance across all functions. It is hoped that this will be in place in January 2021. In the meantime, Northants, have been given full access to the payroll Service Requests and audit all the payroll runs.</p> <p>Update 16/02/21 – Performance monitoring is now taking place and the</p>	Jan 2021	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				transition back to in-house services is well underway.		

OFFICIAL

**2020/21****Fleet Management – August 2020**

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Tailpipe Emissions Target</b></p> <p><i>Observation:</i> As part of the Transport Strategy 2017-2021, the Force has set a target to reduce tailpipe emissions by 31% by 2020, in accordance with the Climate Change Act. The Transport Manager is responsible for monitoring this metric. Audit have noted that the Force have not updated the monitoring spreadsheet in place for this since May 2016. Therefore, there is insufficient evidence in place to confirm performance against the target.</p> <p><i>Risk:</i> The Force are unable to demonstrate one of the objectives set out in the Transport Strategy has been met effectively.</p> <p>Failure to reduce emissions in accordance with Climate Change Act.</p>	<p>The Force should ensure that there is a robust monitoring mechanism in place, to monitor the tailpipe emissions for the Force's fleet. Carbon emission data should be taken into consideration by the Force when procuring new vehicles.</p>	2	<p>Following audit, figures have been put together from management information regarding all aspects of travel rail, flights, fuel etc and we are looking to extrapolate essential mileage from the MFSS system to give us correct figures. I have asked one of our data analysts to put this into a spreadsheet, graph to show our current usage and set a target for 2023. I am currently looking at suitable hybrid vehicles which are feasible for use and Estates are looking at the implementation of charging points across the Force which will enable me to purchase pure electric vehicles for non-response teams.</p> <p>Transport Strategy and Implementation Plan</p> <p>Update 03/12/20 - We currently do not have a mechanism to monitor emissions on our vehicles I have asked for a carbon report to be built within the new FMS and Fuel system, currently we have a manual report which identifies our carbon usage and have asked if this can be put in to graph form.</p>	<p>March 2021 Theresa Cheney</p>	
4.2	<p><b>Fleet Availability</b></p> <p><i>Observation:</i> Through discussions with the Head of Transport, it was found that the Force has set an informal target of ensuring fleet availability is at 95% at all times. However, there is no internal report that can be generated to provide this figure and audit noted that performance against this target is not reported anywhere.</p>	<p>The Force should ensure that scheduling of repairs or services of vehicles take into consideration when calculating fleet availability. The Force should ensure that there is effective monitoring of</p>	3	<p>With the introduction of a fit for purpose up to date Fleet Management system this will enable KPI data and productivity figures within the workshop environment. Also providing improved data integrity.</p>	<p>March 2022 Theresa Cheney</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>Audit undertook a recalculation of the Force's fleet availability (as at 24th July 2020) and noted the Force's fleet availability stood at 93.7%, which is below the 95% target.</p> <p><i>Risk:</i> The Force are unable to demonstrate the servicing of vehicles is being scheduled effectively.</p>	<p>their fleet availability.</p>		<p>Implementation of new Fleet Management System with agreed KPI's including vehicle availability</p> <p>Update 28/10/20 – Pending the introduction of the new system the force will continue to use the existing Fleet Management System which, while not ideal, does hold details of vehicles, mileage etc.</p> <p>Update 03/12/20 - The FMS is automated there will be no requirement for paper job cards to be produced as the technicians will be using tablets and all jobs will be raised and closed on the system reducing the human error aspect and delays from opening/closing job cards which currently is a manual process. With telematics/mileage app feeding via api in to the FMS and scheduling module the servicing mileages will be up to date daily.</p>		
4.3	<p><b>Servicing of Vehicles</b></p> <p><i>Observation:</i> There is a schedule in place at the Force that sets the parameters for the interval period at which services are undertaken for vehicles. Audit were advised that mileage of vehicles is tracked and then the mileage dictates when services are due. The interval period depends on the vehicle type, and is as follows:</p> <ul style="list-style-type: none"> <li>• ARV's (Armed Response Vehicles) – serviced every 6,000 miles;</li> <li>• Response Unit's – serviced every 8,000 miles and;</li> <li>• All other vehicles – serviced every 10,000 miles.</li> </ul> <p>There has been a change in the interval periods since the previous audit, as the Force has decided to service response units (which were previously</p>	<p>The Force should ensure the servicing of vehicles is carried out in line with the schedule set out. This should be supported through accurately tracking the mileage of vehicles, and ensuring these are booked in for the required work in a timely manner, particularly for vehicles that the manufacturer stipulates should have their oil changed every 6,000 miles.</p>	2	<p>With the introduction of a new fully automated Fleet Management System connected to a Telematics or Fuel system providing up to date mileages and vehicle check data these issues would be resolved. Our current paper process is outdated and time consuming by using tablets within the workshop environment the updates will be instant and the data integrity will be greatly improved. The service schedules set are a guide and a cushion is built in for additional mileage incurred this has to be done to enable an unforeseen lack of vehicles due to (RTC, Defect which cannot be planned for)</p>	<p>March 2022 Theresa Cheney</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>serviced every 6,000 miles driven), to now be serviced every 8,000 miles. This is because response units do not undergo the same level of intensity as the ARV's. Whilst these service intervals are set, it is also noted that to ensure manufacturer warranties remain valid, certain work must be completed at set intervals, such as oil changes every 6,000 miles. Audit reviewed a sample of 15 vehicles to ensure the service of the vehicle is being carried out in line with the parameters set in the servicing schedule. From the testing undertaken, audit noted seven vehicles that have not been serviced in line with the servicing schedule, with the following results:</p> <ul style="list-style-type: none"> <li>• Four ARV's which were serviced after the 6,000 mile interval (ranging between 6,900 – 11,600 miles after the previous service);</li> <li>• One ARV which was serviced after approximately 4,000 miles;</li> <li>• One vehicle that was not serviced after the 12 month interval;</li> <li>• One response vehicle being serviced after 8,700 miles after the previous service (as opposed to 8,000) and;</li> <li>• One response vehicle was serviced after approximately 6,800 miles after the previous service (as opposed to 8,000 miles).</li> </ul> <p><i>Risk:</i> Non-compliance with the Force's servicing schedule, does not demonstrate value for money for services that are being undertaken before their due date.</p> <p>The Force cannot demonstrate value for money is being achieved for services completed after their due date, as this increases the likelihood of further costs being incurred later in the life of that vehicle.</p> <p>Increased risk to the safety of officers, as a result of delayed services of ARV's.</p>			<p>Looking to invest in a new telematics solution which will enable direct accurate mileage data from vehicle canbus to Fleet management system.</p> <p>Update 28/10/20 – As per 4.2</p>		
<b>4.4</b>	<p><b>TranMan Record</b> <i>Observation:</i> A job card is generated for each time a vehicle is repaired/serviced at the Force's workshop. This is a paper copy which lists details pertaining to</p>	The Force should ensure the records held on the TranMan system are accurate, as the	<b>2</b>	Due to the current paper based process the timings between closure of job cards and manual input onto the system creates	March 2022 Theresa Cheney	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>the vehicle, including the mileage and registration, the reason why the vehicle has been called into the workshop and details of the work undertaken including parts used, their costs and any labour costs. This paper based data then requires manual input into the TranMan system.</p> <p>Audit reviewed a sample of 10 vehicles to ensure the records of vehicles recorded on the TranMan system are up to date and can be reconciled back to the respective job cards.</p> <p>Audit testing found five instances where the record of the vehicle held on TranMan did not reconcile with the information recorded on the physical job card. The discrepancies occurred on the following vehicle records:</p> <ul style="list-style-type: none"> <li>• KX12FKY</li> <li>• VK63RJJ</li> <li>• KX65DOH</li> <li>• FV63EBM</li> <li>• KX12DVF</li> </ul> <p>Furthermore, audit noted one vehicle (KS53RYB), which last had a service and MOT completed on 04/02/2020. However, the service and MOT prior to this was completed on 06/12/17 – demonstrating in a delay of over two years. Audit queried this with management and were advised during those two years, this vehicle was being used as a training vehicle and therefore had not left the site. However, audit were not provided with sufficient evidence to support this.</p> <p><i>Risk:</i> Records held in TranMan are not accurate, which could render the servicing and maintenance programme ineffective, as services and MOT's will not be undertaken at the right time.</p> <p>Furthermore, the Force's servicing programme does not represent value for money.</p>	<p>Force utilises the TranMan system to coordinate the servicing programme. Furthermore, the Force should explore the possibility of moving away from an over reliance on physical copies of job cards, thus reducing the risk of human error. This can be done by exploring ways to integrate the process of inputting data of completed services into the fleet management system automatically.</p>		<p>the issue. As per management comments to 4.3 above the new system with tablets will replace this entire process and ensure the Fleet Management System remains accurate and correct.</p> <p>Update 28/10/20 – As per 4.2</p>		
4.5	<p><b>Jobs raised on TranMan</b></p> <p><i>Observation:</i> Jobs are raised on the TranMan system when work is required on the vehicle, these are categorised as – Services, MOTs or defect jobs (other types of job). As the use of Physical Job Cards requires manual input into TranMan (see 4.4 above)</p>	<p>The Force should ensure that jobs raised on the TranMan system are accurately categorised with priority level and timescales for completion.</p>	3	<p>Unfortunately there is a large cost implication to change the Dashboard configuration but with the introduction of the Fleet Management system the dashboard can be configured accordingly.</p>	<p>March 2022 Theresa Cheney</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>jobs are only closed when they have been input. Audit reviewed the TranMan dashboard, which provides an overview of any outstanding/upcoming jobs pertaining to the Force's fleet and noted the following results:</p> <ul style="list-style-type: none"> <li>• 167 Services due in the next four weeks</li> <li>• 0 services overdue for more than seven days</li> <li>• 121 defect jobs over seven days</li> <li>• 0 MOTs overdue</li> <li>• 19 MOTs due in the next seven days</li> <li>• 271 jobs over seven days old</li> </ul> <p>Audit queried the reason as to why 271 jobs were over seven days old, and were advised this is a result of the following issues:</p> <ul style="list-style-type: none"> <li>• Service jobs and MOT's which have been raised before their due date and therefore cannot be closed until these are completed; and</li> <li>• Service jobs and MOT's which have been completed, but the corresponding record on TranMan has not been updated.</li> </ul> <p>The latter issue has been caused because the member of staff responsible for updating the TranMan system has been shielding due to Covid-19 and has only acquired a work laptop in the last three weeks. Furthermore, the use of paper job cards has contributed to the time lag, as these have to be delivered to the member of staff who is shielding at home, after the service or repair job is completed. Audit also queried the existence of 121 defect jobs that are more than seven days old, and noted that these jobs related to minor defects and minor RTC's which will not be rectified until the vehicle is booked in for a service.</p> <p><i>Risk:</i> The scheduling of services and repairs cannot be carried out effectively. Performance reports produced are not accurate.</p>	<p>This will allow greater clarity of the performance of the technicians, and permit better management of the servicing programme including scheduling services effectively, particularly as the Force rely on manual insertion of data from physical job cards. The TranMan dashboard should be updated to show a clearer picture of outstanding work needed on the Fleet, this should include appropriate prioritisation of the jobs that have been raised. Furthermore, where a defect job relates to a minor RTC, the Force should ensure these are categorised accurately, so as to prevent the convolution of the different defect jobs, all of which warrant different priority levels.</p>		Update 28/10/20 – As per 4.2		
<b>4.6</b>	<p><b>Replacement of Vehicles</b> <i>Observation:</i> From a review of the Vehicle Replacement Policy Schedule 2020-21, audit noted there is a guidance document which indicates the</p>	The Force should clarify their position regarding what their priorities are relating to older	<b>2</b>	The replacement programme is currently based on mileage and age and role of vehicle but emissions will	March 2021 Theresa Cheney	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>replacement interval for each vehicle model, based on the vehicle life and the mileage with no vehicle having a vehicle life beyond 10 years. However the schedule mentions that certain vehicles, namely Response and Neighbourhood vehicles, will be reviewed at 100,000 miles so that it is not necessary that the age of these vehicles will be given priority, as mileage is considered the cost effective parameter.</p> <p>Audit reviewed the list of vehicles that the Force has in the fleet and noted 46 vehicles that were older than 10 years. All 46 vehicles were raised with management, and it has been noted that these are pending replacement.</p> <p>From a review of 23 of these vehicles, it was noted the Force has either replaced, is planning to replace, is salvaging or auctioning 16 of these vehicles. For the remainder of vehicles, the Force had a sound reasoning why vehicles were being retained, including vehicles that are being used as training vehicles but with mileage in excess of 100,000. However per the current guidance retaining vehicles beyond ten years is contrary to the guidance provided in the Vehicle Replacement Policy.</p> <p>Moreover, through discussions with the Head of Transport, it has been noted that the Force intends to replace vehicles pre-2015 due to the changes in the regulations relating to emissions under the Road Vehicle Emission Performance Standards. However this is not currently factored into the existing Vehicle Replacement Policy.</p> <p><i>Risk:</i> The Force are unable to demonstrate alignment to their carbon emission objectives, through the retention of older vehicles.</p> <p>Non-compliance of the guidance provided in the Vehicle Replacement Policy, as the vehicles used for training are over 100,000 miles.</p>	<p>vehicles, whether this is to ensure that the maximum utilisation is sourced from the vehicle or whether priority is to be given to the tailpipe emissions objectives.</p> <p>Once a clear approach has been agreed, a longer term replacement schedule should be drafted to support the future capital requirements to meet the fleet replacement needs.</p>		<p>start to factor more prominently in the coming years and this will be part of the replacement programme. After this end of financial year we will be in a much better position with the replacement/removal of older vehicles.</p> <p>The training vehicles are not driven mainly used for searches, prisoner scenarios and would not be cost effective to purchase a vehicle solely for that use as it would use minimal mileage, hence the retention of high mileage/age vehicle which are at end of life.</p> <p>Transport Strategy and Replacement programme will be reviewed to reflect the needs of the Force whilst being mindful of the emissions objectives.</p> <p>Update 03/12/20 - No decision has been made around purchasing the vehicles according to emissions due to the nature of the emergency vehicles. We are currently looking at an EV scoping review to advise on charging infrastructure as without this we are unable to purchase fully electric vehicles.</p>		
4.7	<p><b>Lack of Performance Monitoring and Reporting</b></p> <p><i>Observation:</i> There are no arrangements in place to monitor performance against the Transport Strategy, and as such the Force is unable to demonstrate adherence to the OPFCC's strategic objectives set out in the Police and Crime Plan 2019-2021,</p>	<p>The Force should effectively scrutinise the performance of the Transport department, and frequently set performance objectives to ensure the</p>	2	<p>As noted in comments above - Implementation of new Fleet Management System will enable with agreed KPI's to be set that can be easily reported on.</p>	<p>March 2022 Theresa Cheney</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>particularly ensuring the service is the most efficient and effective it can be.</p> <p>The performance in the workshop is not monitored due to the ineffectiveness of the TranMan system and the integrity of the data recorded within the system. There is no management information available which robustly monitors performance against the Transport Strategy. This prevents the Force from demonstrating value for money has been achieved in the management of the Transport vehicles. Furthermore, these vehicles are considered to be valuable public assets and the Force are unable to demonstrate robust scrutiny of performance has therefore taken place.</p> <p><i>Risk:</i> There is an insufficient oversight over Transport, and improvement opportunities are missed through a lack of scrutiny.</p>	<p>department's operations represent value for money to the Force.</p> <p>This should include the production of performance reports, which monitor a set of KPI's the Force aims to achieve from the fleet. Furthermore, the Force should undertake an exercise to quantify the amount of productive time the Force is losing due to manually inputting data into the TranMan system. This will enable the Force to better understand the additional costs being incurred as a result of the current system. This exercise could also include assessing the cost of holding inaccurate data and the impact this is having on the servicing programme. The result of this will enable the Force to effectively compare the advantages against the disadvantages of the current TranMan system.</p>		<p>Update 28/10/20 – As per 4.2</p> <p>Update 03/12/20 - The current KPI is 95% availability which we have maintained this year, this again is a manual report and an automated report is being built in to the FMS.</p>		

### Procurement – November 2020

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
4.1	<p><b>Corporate Governance Framework</b></p> <p><i>Observation:</i> The Corporate Governance Framework is the joint central document for the Force and OPFCC's financial operations and details the systems in place for Procurement activity, in addition to the regulations that the Force and OPFCC must be held accountable to.</p> <p>It has been noted that the Framework was last approved in April 2018 and the framework does not</p>	<p>The Corporate Governance Framework and supporting scheme of delegation should be updated.</p> <p>Once updated a regular review of the document should be scheduled, to ensure it remains aligned to Force and OPFCC working arrangements</p>	2	<p>The Joint Policing Corporate Governance Framework had a thorough review in 2018/19 and took into account best practice. It also applied a consistent approach across the region. A review of the Joint CGF commenced in 2020 and has almost been completed. It is anticipated that this review will be finalised and the updated CGF published by 31 March 2021.</p>	<p>1 April 2021</p> <p>PFCC/CC S151 Chief Finance Officers</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>indicate when the next review and updated approval should be.</p> <p>Audit were informed that a review of the Corporate Governance Framework is currently underway.</p> <p><i>Risk:</i> The Framework for the Force and OPFCC is not aligned with working practices, in particular relating to Procurement.</p>			<p>The CGF will continue to be reviewed regularly, given the size and content it is anticipated that this will be every two years and/or following the appointment of a new PFCC and CC.</p>		
4.2	<p><b>Variation Approval</b></p> <p><i>Observation:</i> Audit have noted that for contract variations, the approval is subject to the standard procurement thresholds.</p> <p>Furthermore, the Framework states that amendments for Major Projects (exceed £250k) should be referred to the PFCC if there is an increase of the higher of 5% or £5,000.</p> <p>Audit identified one variation for a Major Projects contract (Faithful + Gould), where the initial contract value was for £352,535.00. A subsequent variation was made for £29,454.50 + VAT, which exceeds 5% of the initial contract value. This means that PFCC approval should have been sought, however this was approved by the Budget Holder for Estates &amp; Facilities.</p> <p>In addition to this, the Framework stipulates for contract variations delegated authority limits must be followed. In this instance, the approval value for this variation exceeded the budget holder's authority limit.</p> <p><i>Risk:</i> The Force &amp; OPFCC breach their Corporate Governance Framework.</p> <p>Variations undermine the original procurement process.</p>	<p>The Force and OPFCC should seek retrospective approval for the Faithful + Gould variation made. The Force and OPFCC should ensure that there is clarity over the process to be followed for a variation to a Major Project.</p> <p>In all instances, the delegated authority limits should be followed in the approval of spend.</p>	1	<p>The Head of Estates and Facilities will be reminded of the delegated responsibilities and that all contractual documentation must be passed through the Procurement Adviser</p> <p>The Head of Estates and Facilities will work with the Procurement Adviser to ensure that a retrospective Contract variation is considered by the PFCC in line with proper process.</p> <p>The ACO Police and Fire will discuss these areas with the Head of Estates and Facilities to ensure that the correct processes are followed, and a retrospective approval is sought in this instance.</p> <p>Update 09/02/21 – This work has been delayed and will now be complete by the end of February.</p>	<p>January 2021</p> <p>ACO Police &amp; Fire</p>	
4.3	<p><b>Contract Spend Analysis</b></p> <p><i>Observation:</i> Audit note that there is currently no analysis completed on year on year spend, significant variances or identification of cost saving opportunities that arise.</p> <p>At present, it has been noted that Northamptonshire are currently developing a reporting pack. Through discussions with Management, audit have been</p>	<p>The Force and OPFCC should complete the production of reporting pack, with inclusion of contract spend analysis.</p>	2	<p>The new procurement structures and arrangements were implemented in October 2020. Contract expenditure and other management information is scheduled for regular production and review under the new arrangements.</p>	<p>April 2021</p> <p>CC Chief Finance Officer and Procurement Engagement Partner</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
advised that incorporating contract spend analysis into this reporting is scheduled to be undertaken. <i>Risk:</i> The Force and OPFCC fail to identify opportunities to deliver value for money opportunities. There is a lack of oversight over contract spend.			Update 09/02/21 - the first contract review meeting has been held with Mint and we have re-stipulated the performance information we require.		

### Health & Safety – February 2021

Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
<p><b>4.1 Intranet Page</b></p> <p><i>Observation:</i> The Force uses the intranet pages to share key documentation, such as policies and procedures with staff. There is a Health &amp; Safety section of the intranet to allow the documentation to be shared. However, through a walkthrough performed of the Force intranet, it was noted that health and safety guidance has not been uploaded in a user friendly manner. The current documents are stored on both the health and safety and policy library sections of the intranet. Therefore, key documentation is not easily accessible. Through discussion with management it was noted that an update to the intranet pages is due to take place in April 2021.</p> <p><i>Risk:</i> Health and Safety is insufficiently promoted at the Force. Staff and Officers are unable to locate health and safety guidance and therefore inconsistent practices are followed.</p>	The Force should ensure that the intranet page has clarity on each element of health and safety. Health and Safety guidance documents should be uploaded in a user friendly method.	3	Agreed. Health & Safety documentation is with the wider Estates and Facilities umbrella at present. Work has been started to create a more dynamic and engaging environment along with visible entity for this topic.	Estates and Facilities Health and safety Manager to have completed new visible entity by 1 June 2021	
<p><b>4.2 Policies and Procedures</b></p> <p><i>Observation:</i> The Force have a Health &amp; Safety Manual that is the overarching guidance document. Audit reviewed the manual and it is noted that it does not provide sufficient guidance to staff and officers in processing key tasks, such as the reporting of an accident or an incident. In addition, the manual is not supported by standalone policies and procedures.</p>	The Force should determine the areas of health and safety where a standalone policy / procedure documents are required. Once these guidance documents have been produced, they should be referenced within the health & safety manual.	2	Agreed. to confirm with H&S committee stand alone policies, and ensuring referencing throughout	Head of Estates and Facilities to confirm with H&S committee at May meeting.  Referencing to be completed	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>Furthermore, there is no requirement included for a regular review and updated of the manual.</p> <p><i>Risk:</i> Insufficient guidance is provided to staff and officers in relation to health and safety.</p> <p>The Force do not meet their health and safety objectives.</p> <p>There is non-compliance to the joint health and safety policy statement.</p>	The Force should ensure that all health and safety policy and procedural guidance documents, including the health and safety manual are subject to regular review. Where appropriate, version control should be utilised within the guidance documents.			and manual reviewed for ratification at August H&S committee	
4.3	<p><b>OPFCC Oversight</b></p> <p><i>Observation:</i> Audit have noted that there is insufficient oversight from the OPFCC over health and safety. One such example is that there is no OPFCC representation at the Health and Safety committee meetings, where the terms of reference state that attendance will be made by the OPFCC.</p> <p>Further to this, Audit have not been able to confirm that OPFCC representatives attend the Force Assurance Board, where health and safety issues are escalated as they have not been included on meeting invitations.</p> <p>This has been discussed with management, where it has been noted that the inclusion of an OPFCC representative at the Health and Safety Committee meetings had not been agreed and would be inappropriate to do so, therefore is to be removed. In respect of the Force Assurance Board, an OPFCC representative was previously in attendance, however a change in governance resulted in them not being included in the attendees list. The OPFCC representative should be in attendance and will be included on invites going forwards. It has also been noted that to improve the governance of health and safety, the OPFCC should be presented with a report from the Force at regular intervals to summarise performance.</p> <p><i>Risk:</i> The OPFCC does not have oversight of health and safety performance at the Force.</p>	<p>The Force should update the terms of references of the Force Health and Safety Committee meetings to remove the OPFCC representative as an attendee.</p> <p>The Force should ensure that invitations to the Force Assurance Board are made to the OPFCC representative.</p> <p>The PFCC should be presented with a report from the CC in respect of the performance of the health and safety function, at a regular frequency.</p>	2	<p>Agreed. Terms of reference to be changed</p> <p>Agreed.</p> <p>Agreed</p>	<p>Head of Estates and Facilities. To be endorsed at next H&amp;S committee meeting.</p> <p>Health and Safety manager through H&amp;S committee to prepare an annual report for CC.</p> <p>To be submitted to the PFCC in May each year</p>	
4.4	<p><b>Performance Indicators</b></p> <p><i>Observation:</i> At the Health and Safety Committee meetings, it has been noted that performance information is only reported on accidents, incidents</p>	The Force should introduce a suite of key performance indicators that provide oversight	2	Agreed. In progress. A new suite of Health and safety KPIs is under consultation at the Health & Safety committee	Health and safety Committee -	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	and near misses. This is not sufficient in providing an oversight of performance of Health and Safety at the Force. Performance indicators that should be considered by the Force should include at minimum an oversight of adherence to health and safety training, a summary of risk assessments and workplace adjustments and the number of days lost due to Health & Safety accidents. Where possible, trend analysis should be performed in addition to benchmarking. <i>Risk:</i> There is insufficient oversight of performance of the health and safety function.	of the whole area of health and safety.			To be agreed 13 May 2021.  KPIs to be monitored quarterly at the H&S committee	
<b>4.5</b>	<b>Health and Safety Training</b> <i>Observation:</i> Audit have noted that there is no formal training policy in place at the Force for health and safety, nor is there a clear guide to define the levels of training required for staff and officers holding various posts. <i>Risk:</i> Staff and Officers do not hold the suitable health and safety knowledge to perform their roles. Staff and Officers are at risk when performing health and safety duties. There is reputational risk for the Force as a result of Staff and Officers with insufficient skills.	The Force should approve the training strategy, training at each level should be defined within a matrix and thereafter this training should be rolled out for completion. Following the rollout of the training, a process should be in place to monitor the completion of the training by staff and officers.	<b>1</b>	Agreed. A draft training strategy is being prepared covering Health and Safety training that is outside of scope of EMCHRS L&D. EMCHRS L&D provide operational frontline training including (Officer safety training, first aid, public order, driving, taser and Firearms).  Follow up to the training strategy will be validated through departmental safety audits (and KPIs)	Health and safety Committee. To be confirmed at August 21 committee meeting.  Health and safety Manager. Programme of audits in place.  KPIs to be monitored quarterly at H&S committee	

### GDPR Follow Up – February 2021 – DRAFT REPORT

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<b>4.1</b>	<b>ICO Action Plan</b> <i>Observation:</i> The Force has engaged well with the ICO acknowledging its shortcomings, weaknesses in controls, insufficient resources and dealing with backlogs. To this end the Force has committed to a	The Force should maintain its focus on the completion of the outstanding actions within the ICO/Data Protection Action Plan.	<b>1</b>			

OFFICIAL

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>Data Protection Action Plan following an audit by the ICO in September 2020.</p> <p>The progress of this action plan is regularly assessed both internally and by the ICO with the most recent update being in January 2021.</p> <p>This most recent update demonstrated considerable progress has been made but further work is required to address the remaining outstanding actions.</p> <p>A further review by the ICO is planned for May 2021.</p> <p><i>Risk:</i> The Force is unable to demonstrate progress to the ICO and compliance with regulations, leading to further action including potential fines.</p>					

### IT Security – February 2021 – DRAFT REPORT

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>IT Health Check</b></p> <p><i>Observation:</i> Due to COVID, the most recent IT Health Check (ITHC) was not on-site, as a result there were gaps in testing in the following areas:</p> <ul style="list-style-type: none"> <li>• Guest Wi-Fi configuration, which is low risk due to assurance from previous years and significantly less guests visiting sites. This requirement alone was not deemed to warrant a site visit;</li> <li>• Laptops – it was not possible to test the number/percentage normally required due to large numbers of staff working from home, including IT staff who were not available on site to support this testing. The risk is mitigated by the ongoing device refresh linked to NEP.</li> </ul> <p><i>Risk:</i> Failure to fully test the environment may lead to exploitable weaknesses in the environment and failure to maintain GIRR certification.</p>	Areas not included in the previous ITHC must be a high priority for this year's testing.	2			
4.2	<p><b>IT Health Check Remediation</b></p> <p><i>Observation:</i> At the time of the GIRR Submission (following the July 2020 IT Health Check), 55 vulnerabilities were identified in total:</p> <ul style="list-style-type: none"> <li>• 6 Critical;</li> </ul>	Vulnerabilities should be addressed as soon as possible.	1			

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<ul style="list-style-type: none"> <li>• 14 High;</li> <li>• 23 Medium;</li> <li>• 12 Low.</li> </ul> <p>As of February 2021, the latest tracking figures had 22 of the remaining 29 completed with only 6 medium vulnerabilities remaining (but in progress).</p> <p>We were informed during the review that work was ongoing to address outstanding vulnerabilities and they were being actively tracked and monitored, but it was acknowledged that some critical and high issues remained.</p> <p><i>Risk:</i> Vulnerabilities go unresolved presenting risks to the IT security of the organisation.</p>					
<b>4.3</b>	<p><b>Policies</b></p> <p><i>Observation:</i> We noted relevant IT Policies were under review. This had initially started as a project by the Information Security Officer (ISO) but has since expanded following the ICO's review of Information Assurance and is now taking precedence over the original planned review by the ISO. The completion of these action points should now be the focus of updating and restabilising the policy environment.</p> <p><i>Risk:</i> The Force is unable to demonstrate progress to the ICO and compliance with regulations, leading to further action including potential fines.</p>	As referenced in our GDPR Follow Up review, the focus should be on addressing the actions within the ICO Action Plan, in respect of update of the IT Policies, before the next review by the ICO in May 2021.	<b>1</b>			
<b>4.4</b>	<p><b>Vulnerability Working Party</b></p> <p><i>Observation:</i> The organisation has a Vulnerability Working Party which is technical in nature and primarily for IT Services to monitor patching levels and other vulnerabilities. Performance and other reporting from this group is shared with the Information Security Officer, although this officer is not a member of the Working Party. There are also discussions ongoing regarding regular reporting to the Information Assurance Board.</p> <p>It was unclear if the group has a defined terms of reference or what outputs and reporting were</p>	A formal terms of reference should be established for the Vulnerability Working Party. This should also include reporting expectations and a linkage to the Information Assurance Board established.	<b>3</b>			

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>expected to be within the wider Information Assurance structure.</p> <p><i>Risk:</i> Effective reporting and monitoring of issues/vulnerabilities may not be in place to relevant stakeholders and result in insufficient action being taken to remediate completely and timely.</p>					

### Core Financials – February 2021 – DRAFT REPORT

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
4.1	<p><b>Approval of Overtime/TOIL claims</b></p> <p><i>Observation:</i> Payment of overtime and TOIL claims currently take place prior to any approval and most of the other controls (line manager and DMS checks) are retrospective. This allows for false/invalid claims to be made and not picked up until after they have been paid.</p> <p>There are controls in place to prevent duplicate claims within the app and for claims at double time to be reviewed by the planning team. However, all other claims are still able to be paid prior to any review or approval.</p> <p>From our work at other Forces we noted a different way of working using the DMS software. The rates and scenarios for overtime/TOIL are included within the system and this allows for an automatic calculation of entitlements based on when employees book on and book off. Then weekly line managers approve the time submitted which acts as approval of the overtime and toil recorded.</p> <p><i>Risk:</i> Invalid Overtime/TOIL is claimed and paid/awarded.</p>	<p>The Force should consider implementing a preventative control for overtime/TOIL authorisations to ensure that these are appropriate and accurate.</p> <p>A simple solution could be to move the current retrospective review by line managers to prior to payment, therefore acting as a preventative approval.</p> <p>[Force]</p>	3			
4.2	<p><b>Invoice Payment Terms</b></p> <p><i>Observation:</i> Our review of aged debtors has noted that invoices are being recorded and issued by MFSS on immediate payment terms. However, the Force's</p>	<p>The Force should ensure that MFSS issue invoices with the correct payment terms, therefore ensuring that recovery actions are</p>	3			

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>standard approach has indicated they generally issue invoices on 28/30 days payment terms. This misalignment in when debts fall overdue has an impact on the aged debt reporting produced for the Force and therefore the debt recovery processes that are based on this reporting. This has been supported by our testing, as we noted key steps being carried out based upon the Force's payment terms not the terms set out on the invoices issued, leading to these key steps appearing to be carried out 30 days late. Additionally, automated steps (i.e. the issuance of Dunning letters) are being carried out on time but are being issued much earlier than expected under the Force's payment terms. <i>Risk:</i> Recovery action is not taking place in a timely manner. Inconsistent practices in the recovery of debts leading to failure to recover monies owed to the Force.</p>	<p>being carried out at the correct timings. [Force]</p>				
<b>4.3</b>	<p><b>User Access</b> <i>Observation:</i> Audit tested a sample of user access rights from two teams at MFSS, purchasing and payments, to assess that these levels were appropriate. One user had been granted the Buyer Role (Purchasing Manager Oracle role) that should only be applicable to purchasing supervisors where the MFSS Buyer role (Purchasing Assistant Oracle role) should have been applied. <i>Risk:</i> Inappropriate approval to purchases are given. Financial regulations are not followed.</p>	<p>MFSS should ensure that staff have the appropriate access for roles, as per the shared service's user access matrix. The Force should consider performing an audit of user roles to ensure appropriate access has been applied. [Force/MFSS]</p>	<b>3</b>			

## 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

### 2019/20

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Performance Management	February 2020	Satisfactory Assurance	0	1	4
Health & Safety (Draft Report)	September 2020	Satisfactory Assurance	0	3	3

### 2018/19

#### Strategic Financial Planning

	Recommendation	Priority	Timescale/ responsibility	Update	Status
4.4	<p>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.</p> <p>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.</p>	2	<p>CFOs/FDs April 2019</p> <p>(renewed deadline end of April 2021)</p>	<p>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.</p> <p>Is scheduled for discussion at the February Resources Board where a renewed target timescale will be discussed</p> <p>Update - This has been discussed but it is subject to a proposal that will be tabled at the PCC Business Meeting in April 2020.</p>	

Recommendation	Priority	Timescale/ responsibility	Update	Status
			Update - CFOs/FDs still discussing with a view to agreeing a consensus for the Resources Board. Target date for agreement 30/6/20 for application to 2020/21 financial year.  Implementation date is subject to change	

**2019/20**

**Performance Management**

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p><b>4.1 Governance</b>  <i>Observation:</i> As part of the audit review into the performance management frameworks in place, audit reviewed the terms of reference of the governance forums responsible for managing performance. It was noted at a number of the collaboration units that were reviewed that the terms of reference had not been reviewed for some time or did not contain some key details.            Two forums that review performance at EMSOU are the Strategic Governance Group and the Performance Management Group. It was noted that the terms of reference for these groups had not been updated since July and October 2018 respectively.            The Board terms of reference for the EMCHRS L&amp;D does not include the Chair, Core Membership, Frequency of Meeting, Key Information Sources, Interdependencies or Administration Support.  <i>Risk:</i> Responsibility for managing performance is not clearly stated or carried out effectively.</p>	<p>EMSOU should review and update the Performance Management Group and Strategic Governance Group terms of reference on a regular basis to ensure they remain up to date.</p>	3	<p><b>EMSOU</b>            The requirement to review is agreed. A 12 monthly review cycle will be established for both of these meetings.</p> <p>Update Sep 20 - The PMG TOR is currently being reviewed and will be discussed at the next PMG meeting on 2 November 2020. The EMSOU Strategic Governance Board TOR will be reviewed in October and presented to the next planned meeting on 19 November 2020 for agreement.</p> <p>Update Oct 2020 - The PMG TOR has been reviewed and will be discussed/signed off at the next PMG meeting on 2 November 2020. The EMSOU Strategic Governance Board TOR will be reviewed in October and presented to the next planned meeting on 19 November 2020 for agreement</p>	<p><b>EMSOU</b>            DSU Kirby            12 monthly from May 2020</p>	
	<p>EMCHRS L&amp;D should update the Management Board terms of reference to ensure key details</p>		<p><b>EMCHRS L&amp;D</b>            Terms of Reference for all governance will be reviewed and a review cycle established</p>	<p><b>EMCHRS L&amp;D</b>            Peter Ward</p>	

OFFICIAL

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
		are included. These should be reviewed and updated on a regular basis.		Update Sep 20 - The TOR have been updated, primarily to show the change of name and the emphasis of the collaboration. These will be discussed at the Board on the 23rd September and they will be forwarded once these have been approved.  Update Nov 20 - Completed		
4.2	<p><b>EMCHRS L&amp;D: Performance Data</b></p> <p><i>Observation:</i> Audit reviewed the monthly performance packs that are produced by the unit, which focus upon the percentage of officers/staff who have completed mandatory training within each of the four Forces that the unit covers. Whilst this is an indicator that the unit is delivering the service for the Forces, other factors affect these figures such as Forces releasing the officers and staff to attend the courses that are available. Through discussions with the collaboration unit, other unit specific performance data could be used to manage performance including the utilisation levels of trainers and number of training places available for the Forces. Therefore the unit should consider adding additional performance metrics to the current performance packs to provide a more detailed review of performance.</p> <p>Audit reviewed the processes in place for collating the performance data within the unit and it was noted that this currently involves collating up to 200 paper evaluation forms each month and then entering these into electronic format.</p> <p>The evaluation of training is key performance data for the collaboration unit, consideration of a more effective and efficient way of collating this data should be considered.</p> <p>From audit testing on the accuracy of performance data it was noted that one minor error in the data was found. It did not change the KPI.</p> <p><i>Risk:</i> Ineffective use of resources in the production of performance data.</p>	<p>EMCHRS L&amp;D should consider including other performance metrics in its performance report that provide a better view of unit specific performance.</p> <p>EMCHRS L&amp;D should consider alternate solutions for the production of course evaluation.</p>	3	<p><u>EMCHRS L&amp;D</u></p> <p>In light of the new structure established in April 20 a new set of performance measures will be agreed at the next Regional L&amp;D Management Board.</p> <p>The effectiveness of these measures will be reviewed as part of the review cycle and will align to stakeholder expectations.</p> <p>Update Sep 20 - EMCHRS L&amp;D is now East Midlands Specialist L&amp;D Hub. We have changed the way we do performance. We will give advice and guidance to each force on how they wish to measure. We as the specialist hub, use a tracker document; we deliver very little training; we oversee the training and are responsible for the compliance of training.</p> <p>Update Nov 20 - Completed</p> <p>A business case is being put together to put a case forward to provide options of systems that can be used to conduct Level 1 feedback. The software solution should support the EMCHRS L&amp;D evaluation strategy and allow for future development of services thereby potentially achieving a greater return on initial investment. The</p>	<p><u>EMCHRS L&amp;D</u></p> <p>Peter Ward</p> <p>23<sup>rd</sup> June 2020</p> <p>EMCHRS L&amp;D</p> <p>Peter Ward</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>current transitional process is for the standard template form to be produced locally and given to delegates. It is a generic, non-event/trainer specific form, developed to gather level 1 evaluation feedback including 3 key performance indicator data. Specific details are entered manually by the delegate. Only forms for events selected by criteria set out within the L&amp;D evaluation procedure are processed for reporting purposes. Due to resources and the transitional state of some business processes, the current focus of reports is higher level management information, specifically focusing on key performance indicators. This process covers all "in scope" training delivered at Derbyshire, Nottinghamshire, Leicestershire and Northants including regional crime. Due to Forces taken on Microsoft 365 as an overall system tool, it would looked into, if this is a possible way forward. Currently within Evaluations the more detail evaluations such as Level 3, is conducted online using Survey Monkey, due to the nature of the detail and also the logistics of this, being done on case by case. Under the new Entry routes of policing (PEQF) we regular use survey monkey to conduct Student Satisfaction survey around training and their tutor phase of the programme. Due to being under external scrutiny such as the Educational Skills Funding Agency (ESFA) and The Office for Standards in Education, Children's Services and Skills (Ofsted) and other external bodies the importance of conducting these evaluations is of high priority and also high risk, for performance and outcomes.</p> <p>Update Nov 20 - Update: This has not a priority and has been put on hold until</p>		

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>recently, whilst the restructuring concluded. Following a move on to MS365, it is now being looked at with a view to using this instead of a separate system, as it is believed that MS365 has the capabilities. Costings are being looked at for the separate system to ensure we have the full information. A provisional draft paper has been written and will be completed with the costings, once these are known.</p> <p>Update Jan 21 - This action is not something that is now going to be considered. There is a new revised format that we need to follow. We are doing self-assessment reporting and Quality Improvement Plans for each for the four forces, that are aligned to Ofsted, which becomes the new auditing body in 2021.</p>		
		EMCJS should consider ensuring a secondary quality check on performance figures prior to them being issued.		Update Sep 20 - The data is now checked by a secondary person prior to its circulation.	Samantha Lilley-Brown and Paul Naisby – with immediate effect	
		EMCJS should consider documenting the procedures for producing its performance scorecards to provide resilience in the event existing staff are unavailable to carry out the process.		<p>The scorecard can be replicated by the other audit and performance officer and the information and templates are to be saved on a share drive on the EMRN to facilitate this.</p> <p>Update Sep 20 - The scorecard can be replicated by the other audit and performance officer and the information and templates are to be saved on a share drive on the EMRN to facilitate this.</p>	Paul Naisby – as of 27 <sup>th</sup> April 2020	
<b>4.4</b>	<b>Performance Measures</b> <i>Observation:</i> Each collaboration unit carries out a variety of functions and services for the Forces and due to this it can be difficult to assign performance	When presenting performance metrics EMCJS, EMCHRS L&D and EMSOU should consider what	<b>2</b>	<u>EMSOU</u> EMSOU have commissioned a performance project to review existing performance	DCS Kirby June 2020	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>targets or measures that clearly demonstrate what good performance looks like. Whilst targets may not be applicable in all the performance metrics, indicators of good or bad performance should be included to provide those charged with managing performance with a better understanding of the performance metrics being presented. Examples include:</p> <ul style="list-style-type: none"> <li>• EMCHRS L&amp;D KPI's relate to % of Force's staff who have undertaken mandatory training, some RAG ratings are applied but these have not been reviewed and updated for some time.</li> <li>• EMCJS the custody metrics are recorded but no indication of what good should look like e.g. a downward trend or upward trend or an expected percentage.</li> <li>• EMSOU have no performance targets in most areas due to the nature of the work they undertake, however trend analysis is utilised where possible to demonstrate performance but it was unclear what trend demonstrated good performance.</li> </ul> <p>Once a better understanding of levels of performance are in place this will allow those charged with managing performance to put in place appropriate actions in areas of underperformance.</p> <p><i>Risk:</i> Lack of clarity on levels of collaboration performance. Actions are not set to address areas of underperformance.</p>	<p>good performance should look like to provide users with a better understanding of how well the unit is performing in that area.</p>		<p>reporting, strip out unnecessary bureaucracy and make better use of the gathered data. All departments will report via a standard template and all data will be held in one, bespoke database. That database will be capable of being queried via Power BI, allowing a far more agile approach to performance monitoring. Whilst targets would not be helpful for most EMSOU work, this system will allow us to see our effect in many ways, such as commodities seized and offenders imprisoned, but also important information on the effect of our operations in communities, such as the overall reduction of risk from an OCG. The data can be separated out for departments, teams, threat areas and so on, allowing for questions to be answered in different ways to cater for changing contexts. This deals with the issue of good performance, and how that is defined, given that stakeholders will have a range of views.</p> <p>Update Sep 20 - In progress. The EMSOU PMG is also being reworked with the main focus on 'what does good look like' – to complement the data work that is underway.</p> <p>Update Oct 2020 - Funding for resources to take this work forwards has recently been approved (project worker, performance manager, full stack developer). Recruitment is the next stage.</p>		
				<p><u>EMCJS</u> There are a few areas within the scorecard that targets could be attributed to.</p>	<p>EMCJS Samantha Lilley-Brown and Paul</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>However, a lot of the data is for information only and can't be targeted i.e. throughput. The scorecard will be reviewed and targets will be included where deemed appropriate.</p> <p>Update Sep 20 - There are a few areas within the scorecard that targets could be attributed to. However, a lot of the data is for information only and can't be targeted i.e. throughput. The scorecard will be reviewed and targets will be included where deemed appropriate.</p>	Naisby – as of 22 <sup>nd</sup> May 2020	
				<p><u>EMCHRS L&amp;D</u> A Performance Management Group is in place and will benchmark L&amp;D performance measures to ensure that these ultimately drive improved performance.</p>	EMCHRS L&D Already in place	
4.5	<p><b>Performance Information versus Management Information</b> <i>Observation:</i> Each unit has a lot of data that it utilises when creating performance packs or reports. However audit noted in a number of instances that there is a separation between management information and what could be considered pure performance data. For example:</p> <ul style="list-style-type: none"> <li>The EMCJS Regional Scorecard includes a number of different tabs that include demographics of those in custody, number of mental health assessors called etc. Whilst this is important data for the management of the service, these are not performance indicators and therefore could be clearly separated out so a clear list or dashboard of the performance indicators are displayed.</li> <li>The EMCHRS L&amp;D performance pack shows the reasons for non-attendance at the training courses it runs but this is a management information tool not a performance measure.</li> </ul>	When presenting performance metrics EMCJS, EMCHRS L&D and EMSOU should consider the separation of management information from performance information	3	<p><u>EMSOU</u> The new performance system described above will be able to show demand data and so on, but also data that points towards the effectiveness and efficiency of any given unit. It will be flexible enough to combine and separate management data and performance data as required. Importantly, performance data can be looked at across departments, which is crucial for the integrated nature of EMSOU's work. For example, a SOC operation will not be completed by a SOC syndicate alone, the input of the SIU and other teams needs to be understood.</p> <p>Update Sep 20 - In progress: the new performance system will be able to show demand data and so on, but also data that points towards the effectiveness and efficiency of any given unit. It will be flexible enough to combine and separate</p>	DSU Kirby June 2020	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<ul style="list-style-type: none"> <li>The EMSOU performance packs contain some demand data such as number of reviews done by the regional review unit.</li> </ul> <p>To ensure the performance of the unit is clearly presented in management reports the units should review how the information is presented.</p> <p><i>Risk:</i> Lack of clarity in performance reporting</p>			<p>management data and performance data as required. A proof of concept has been run across SOC and EMSOU are now looking at resources to roll this out across the organisation. The reworking of the PMG as described above will also assist with this.</p> <p>Update Oct 2020 - Funding for resources to take this work forwards has recently been approved (project worker, performance manager, full stack developer). Recruitment is the next stage.</p>		
				<p><u>EMCJS</u> On the completion of the review of the scorecard as detailed in section 4.4, the areas where performance targets can be included will be separated onto a specific performance tab on the scorecard. This will make the performance information easier to identify.</p>	<p><u>EMCJS</u> Samantha Lilley-Brown and Paul Naisby – as of 29<sup>th</sup> May 2020</p>	
				<p><u>EMCHRS L&amp;D</u> The performance Management Group will consider Management Information v Performance Information to help inform overall performance data for the function.</p>	<p><u>EMCHRS L&amp;D</u> In place</p>	

## Health & Safety

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>EMCHRS OHU: Health &amp; Safety Policy &amp; Procedure</b></p> <p><i>Observation:</i> Audit were informed that the collaboration unit has adopted Leicestershire Polices' Health and Safety Policy and were operating in line with this.</p>	<p>EMCHRS OHU should formally adopt their Health and Safety Policy &amp; Procedure.</p>	3	<p>OHU to attend the Leics Executive Health and Safety committee meeting moving forward.</p> <p>Peter Coogan to check with DCC Nixon about reviewing the Leics Executive Health</p>	<p>Head of OHU May 2020</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>However it was noted that there was no formal record of this adoption of policy by the EMCHRS OHU Management Board. Therefore for clarity it should be formally adopted.</p> <p>Also as the Force policy is reviewed and updated the unit should ensure that the changes do not affect the unit.</p> <p><i>Risk:</i> The responsibilities for health and safety are not understood and are therefore not carried out.</p>			<p>and Safety Committee terms of reference to include OHU.</p> <p>Update Oct 2020 - This was agreed in principle at the EMCHRS OHU Board. The agreement was that whilst Leicestershire's Policy would be adopted there would also be the need to include Health and Safety Advisors in the host Force should there be a requirement to do so. A recent example of this is that OH in all areas have liaised with H&amp;S advisors with regards to Covid Secure buildings</p>	<p>Chair of the Leics Executive H&amp;S Committee.</p>	
		<p>EMCHRS OHU should ensure when the Force H&amp;S Policy is updated that any changes made do not impact upon their approach.</p>		<p>Update Oct 2020 - Mr Nixon has agreed that OHU can attend the Executive Health and Safety Committee. I'll update the procedure to reflect this. He also raised OHU attendance at the Wellbeing Leadership Board.</p>	<p>Completed</p>	
<p><b>4.3</b></p>	<p><b>EMSOU: Health &amp; Safety Policy/Protocol</b></p> <p><i>Observation:</i> EMSOU has its own H&amp;S Protocol in place that sets out the means by which the Unit will manage risks to the health and safety of its staff and those that are affected by their work.</p> <p>It was noted that the current format of the protocol does not include version control, policy owner and date of review. Audit also noted that in comparison to some of the Forces' H&amp;S Procedures, it was noted that one omission from the EMSOU protocol is the clearly defined legal responsibilities for H&amp;S.</p> <p>Whilst it is noted that the EMSOU H&amp;S Protocol is currently under review, consideration should be given to the format and setting a schedule for regular review.</p> <p><i>Risk:</i> The H&amp;S protocol does not align with the current operations of the unit.</p>	<p>EMSOU should ensure a schedule is in place to review and update the H&amp;S Protocol on a regular basis.</p> <p>EMSOU should confirm where legal responsibilities for H&amp;S lie for their collaboration unit and define this within their protocol.</p>	<p><b>3</b></p>	<p>This will sit alongside the review arrangements that are already in place for EMSOU Standard Operating Procedures (SOP's). An annual review will take place to ensure that it remains relevant and applicable.</p> <p>Update 07 Oct 2020 - Protocol has been reviewed and re-issued to staff. This is now classed as a 'Standard Procedure' and will be reviewed in line with others on an annual basis</p> <p>The Lead Force for each collaboration is set out with Schedule 4 of each S22 Agreement. So for H&amp;S it will be either Leics or Derby's.</p>	<p>Head of Finance and Corporate Services. Next Review Jan 2021.</p> <p>May 2020 - Complete</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	The roles and responsibilities for H&S as stated in the protocol are not aligned with the current structure of the unit.			Update 07 Oct 2020 - - Legal responsibilities lie with each force and the most relevant fore procedure with take precedence		
		EMSOU should update the format of the Protocol to ensure it includes but not limited to: <ul style="list-style-type: none"> <li>• Document Owner</li> <li>• Version Control</li> <li>• Last Review Date</li> <li>• Date of next review <ul style="list-style-type: none"> <li>• Officer/Board Approval</li> </ul> </li> </ul>		The H&S Protocol will be updated to include the requested formats – this will then be incorporated within the annual review arrangements  Update 07 Oct 2020 – this has now been done. Document is controlled as a 'Standard Procedure' and is managed and monitored along with other similar documents	June 2020	
4.4	<p><b>Governance</b></p> <p><i>Observations:</i> The governance structure for H&amp;S at EMSOU rests with the Risk, Assurance &amp; Compliance Meeting. A review of the Terms of Reference for this forum confirmed the responsibilities of this group, however it was noted that the ToR was last reviewed and updated in October 2018. To ensure it remains up to date this should be reviewed and updated regularly.</p> <p>As a small collaboration unit, OHU does not have a separate Health &amp; Safety governance forum but any issues or actions needed would be discussed at the Senior Leadership Team meeting. Audit noted that H&amp;S is not a standard agenda item, therefore to ensure it is still considered at each meeting an item should be added. Audit were also informed that it had been agreed that the H&amp;S Advisor at the Force had agreed to attend these meetings as requested, to provide further support for the unit.</p> <p><i>Risks:</i> The governance of Health and Safety at EMSOU and EMCHRS OHU is not clearly and correctly stated.</p>	EMSOU should review and updated the Risk, Assurance and Compliance Meeting Terms of Reference to ensure it remains up to date with the operations of the unit.	3	<p><u>EMSOU</u></p> <p>Terms of Reference for the Risk and Assurance Board are to be reviewed and updated. Future reviews to be conducted on an annual basis.</p> <p>Update 07 Oct 2020 - This is in progress, a new format meeting has taken place to identify the purpose on the meeting and to ensure the correct topics are covered.</p> <p>Update 23 Nov 20 - The revised TOR's for both the Health &amp; Safety and Risk &amp; Assurance Board will be discussed and signed off at the board meetings in December 2020.</p> <p>Update 12 Feb 21 - The revised TOR's for both the Health &amp; Safety and Risk &amp; Assurance Board were discussed and signed off at the board meetings in December 2020.</p>	<p>EMSOU Head of Unit June 2020</p> <p>Ongoing to be completed by Dec 20</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
		OHU should include Health & Safety as a standard agenda item at the Senior Leadership Team meeting.		<p><u>OHU</u> Health and Safety has now been added as a standard agenda item at the OHU SLT meeting and the OHU SLT terms of reference have been updated to include H&amp;S.</p> <p>Update 07 Oct 2020 - This has been put into place for usual SLT Meetings. Some meetings recently have taken place to discuss Covid arrangements only and therefore don't follow the usual SLT structure. When full SLT Meetings are held Health and Safety will be a standing item</p>	Implemented	
4.5	<p><b>Accident Reporting</b> <i>Observation:</i> The EMSOU Health &amp; Safety Protocol outlines the process to be followed for accident reporting. It makes clear references to the individual Forces being responsible for recording H&amp;S incidents: <i>"Managers of staff who have been injured or made ill through work related causes will ensure that the Health and Safety Advisor of that individual's Force has been made aware."</i> EMSOU maintain records of incidents that have occurred at their premises however it was noted that EMSOU do not maintain records of when such incidents have been passed to the Force to deal with. Therefore if staff have not reported the incident to the Force there is a risk it will go unreported. The OHU adopt Leicestershire reporting process for H&amp;S incidents, however it was noted in some scenarios where OHU Staff are operating on other Force premises and an incident occurs there is an expectation that the Force would record the incident where it occurs. Similarly to EMSOU, the OHU do not keep records of this therefore no audit trails to confirm incidents have been captured. <i>Risk:</i> Accidents or incidents are not reported</p>	EMSOU & OHU should consider maintaining records of incidents and near misses for their staff that are passed to the Forces to ensure a clear audit trail is maintained and no incidents are missed.	2	<p><u>EMSOU</u> EMSOU Currently has its own Injury on Duty reporting form and staff are aware of this and are encouraged to use it. In future we will put out a 6-monthly reminder to all staff via the weekly bulletin reminding them of the process. - This reminder will also include the instruction that Staff are to report all injuries or near misses - Where injuries are reported to other forces directly then these are usually passed back to EMSOU for information or investigation. Going forward EMSOU will carry out routine checks to see if any injuries have been reported to forces to ensure that they are picked up (however we must be wary of double reporting occurring)</p> <p>Update 07 Oct 2020 - All IOD's are recorded and information is shared with forces. Forces are also carrying out good</p>	Head of EMSOU Dec 2020	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				practice and sharing any reports they receive with EMSOU		
				<u>OHU</u> Reports of accidents, incidents and near misses are now recorded on a spreadsheet.	Head of OHU April 2020	
<b>4.6</b>	<p><b>Training: EMSOU</b></p> <p><i>Observations:</i> Both EMSOU and the OHU align with Leicestershire Polices' approach to H&amp;S training, with a number of H&amp;S training levels in place to provide staff with the training they need to fulfil their health and safety responsibilities, dependent on their role within the organisation as noted below.</p> <p>When staff join the organisation they undertake induction training, which includes a basic level of health and safety training.</p> <p>If staff hold a managerial post then they are required to undertake a Managerial Health &amp; Safety Training course. This should be completed via an e-learning package via NCALT. Audit carried out testing on 10 managerial posts across EMSOU-SOC and it was noted that 6/10 had not completed the e-learning course. It was noted that the Training Administrator does not have access to the e-learning system and therefore cannot monitor and report on the levels of up to date H&amp;S training. This had to be done via individuals training records which is a timely manual process. It was highlighted that, at present, there is no refresher training required for staff who complete the managerial training package. From audit testing, of the four staff that had completed the course, the most recent was in 2017 with the oldest being in 2013.</p> <p><i>Risk:</i> Staff with legal responsibilities for health and safety have not received appropriate training to carry out these duties.</p>	<p>EMSOU should review the training records of managerial posts and then remind those who have not completed the H&amp;S training package to do so.</p> <p>EMSOU should ensure the Training administrators monitor levels of H&amp;S training for EMSOU staff to ensure compliance with the five year refresher period.</p>	<b>2</b>	<p>Going forward a specific list will be kept for H &amp; S training and this will be monitored for attendance and review dates. Records of the 5 year refresher will be kept, however due to turnover of managerial roles there are likely to be very few staff who remain in post longer than 5 years.</p> <p>Update 07 Oct 2020 - In the absence of any physical training taking place EMSOU managers are to complete an NCalt package for this. The training administrator will keep a record of this and arrange for refresher training to be completed as necessary. It was hoped to recommence physical training in late 2020, but this is now likely to be 2021 due to Covid-19</p>	Head of EMSOU Sept 2020	



## AGENDA ITEM 9b

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

#### JOINT INDEPENDENT AUDIT COMMITTEE

10<sup>th</sup> March 2021

<b>REPORT BY</b>	Business Planning Manager Julie Oliver
<b>SUBJECT</b>	Internal Audit Recommendations Summary Report
<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.
- 1.3 This report includes an update on recommendations on all internal audit reports which have been issued as final as at the time of writing the report.

## 2 OVERALL STATUS

- The report shows 21 actions that have not yet reached their implementation date and remain ongoing.
- 2 actions that have passed their implementation date & are overdue.
- 5 actions have been completed.

## 3 OVERVIEW

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

- 3 have not yet reached their implementation date and remain ongoing.
- 1 has passed their implementation date & are overdue.
- 4 actions have been completed.

### 3.2 **2020/21 Audits**

- 2 audits have been completed since the July JIAC raising 19 additional recommendations.
- 18 have not yet reached their implementation date and remains ongoing.
- 1 has passed its implementation date and is overdue.
- 1 actions has been completed.

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

3.4 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 v4.2

## 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>	<b>Action is imperative to ensure that the objectives for the area under review are met.</b>		
		<b>Important</b>	<b>Requires action to avoid exposure to significant risks in achieving objectives for the area under review.</b>		
		<b>Standard</b>	<b>Action recommended enhancing control or improving operational efficiency.</b>		

## 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
Target Operating Model	June 2020	Good	Good	Minor	0	0	1
MTFP	June 2020	Good	Good	Minor	0	2	1
ICT systems security	February 2020	Limited	Limited	Moderate	1	4	1
Organisational Governance, Scheme of Delegation and Policies and Procedures	July 2020	Good	Satisfactory	Moderate	0	1	0
Accounts Payable, Accounts Receivable and Payroll	September 2020	Good	Limited	Moderate	3	6	1

**2020/21**

AUDIT	DATE	Adequacy of System	Compliance	Organisational Impact of findings	Agreed Action plans		
					Essential	Important	Standard
Grenfell Tower Fire Inquiry Phase 1 Action Plan	26.10.2020	Good	Good	Minor	0	0	3
Asset Management	05.02.2021	Satisfactory	Limited	Moderate	3	10	2
C19 contract and spend analysis	10.2.021	Good	Satisfactory	Minor	1	3	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.

2019/20 Audits	Reported to JIAC 11 <sup>th</sup> Dec 2019	Reported to JIAC 11 <sup>th</sup> March 2020	Reported to JIAC 29 <sup>th</sup> July 2020	Totals for 2019/20
Recommendations Raised	10	0	10	20
Complete	3	2	6	11
Ongoing	7	5	4	4
Overdue	0	0	5	5

2020/21 Audits	Reported to JIAC 7 <sup>th</sup> October 2020 (19/20 Audit)	Reported to JIAC 16 <sup>th</sup> December 2020 (20/21 Audit)	Reported to JIAC 10 <sup>th</sup> March 2021	Reported to JIAC	Totals for 20/21
Recommendations Raised	1	13	19		
Complete	2	9	5		
Ongoing	1	7	21		
Overdue	7	2	2		

**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**

**ICT – March 2020**

	<b>Weakness/Risk</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management Response</b>	<b>Timescale/ responsibility</b>	<b>Status</b>
3	<p><b>WEAKNESS:</b> NCFRA doesn't obtain the assurance from obtaining penetration testing from an approved external supplier.</p> <p><b>RISK:</b> NCFRA network vulnerabilities not identified resulting in successful Cyberattack.</p>	<p>NCFRA should consider commissioning penetration testing using a CREST approved supplier.</p>	<b>Important</b>	<p>Owner - Enabling Services Manager (Head of ICT)</p> <p>9.7.20 Penetration testing due by 31<sup>st</sup> July 2020</p> <p>6.8.20 ICT DPB update Pen testing by end of September</p> <p>PB update 22.9.20 Pen testing is being undertaken now and will have draft in place in time for JIAC (7.10.20) finalised by end of October</p> <p>5.11.20 PB update Pen testing taking place now. Cyber essentials will complete the gap analysis 31.12.20, once this is completed, accreditation can be obtained.</p> <p>25.11.20 PB Penetration test is now complete – action plan will be in place in 2 weeks to rectify the issues ICT raises. New due date 31.12.20.</p>	<p>Penetration testing 30th June Sept 2020</p> <p>New due date 31.12.20</p> <p>Confirmed as closed. FEG 5.1.21</p>	

## MTFP - June 2020

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
2	<p><b>WEAKNESS:</b> The OPFCC CFO and the Finance Technician raised some concerns relating to not all budget holders having the skills and competencies to manage their budgets under the existing arrangements. This includes being ready for monitoring visits, understanding the reports, the importance of effective and evidenced forecasting and the implications of not managing their budget adequately.</p> <p><b>RISK:</b> Overspend on budgets, budget volatility prevents effective and informed decision making.</p>	<p><b>RECOMMENDATION:</b></p> <p>Ensure all budget holders have the skills and competencies to manage their budgets. Training should be provided as appropriate.</p> <p><b>MANAGEMENT COMMENTS:</b></p> <p>Agreed. Delegated budgets are a responsibility and within the existing arrangements, it is essential a budget manager understands their expenditure plans, opportunities and pressures and that accurate forecasting</p>	Important	<p>Joint Head of Finance and Director of Enabling Services</p> <p>NA Update 22.9.20 MTFP Rec 2 – Had an initial meeting with the new training manager (Phil Pells) and we have agreed the following course of actions, which will be followed up with another meeting to begin or complete actions in around a fortnight;</p> <p>To revisit group training for all senior managers as a specific agenda items;</p> <p>Allow for individual specific training if any of those managers have not yet received it;</p> <p>We are proposing to set up a section in the promotion training courses, to include a mandatory module on budget management</p> <p>To introduce a basic financial training package for all staff, so that are more financially aware, to include items such as purchasing rules and regulations, the finance system &amp; funding budget view.</p> <p>Due for completion 31.10.20 in line with Payroll 2 (above)</p> <p>30.11.20 New due date 01.04.21 to ensure all training rolled out and practices embedded.</p> <p>5.1.21 MINT training completed, other training packages and matching guidance due for completion by 1.4.21</p> <p>15.2.21. Mint have provided further procurement training this month to assist in ensuring the right</p>	<p>30/09/20</p> <p>New due date 01.04.21</p>	

				processes are run. We are also revising governance so that procurement, instead of the old procurement board, will in effect come through the new Digital Strategy Board or the Fleet and Equipment. On schedule for 01.04.21		
--	--	--	--	---	--	--

### Accounts Payable, Accounts Receivable and Payroll – September 2020

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
1	<p><b>WEAKNESS:</b> Not all spends are supported by frameworks, contracts or quotations in line with the requirements of the NCFRA CGF or detailed on the Pipeline spreadsheet (See Appendix A).</p> <p><b>RISK:</b> Paying too much for goods, services or works. Reputational risk or accusations of fraud and corruption.</p>	<p><b>RECOMMENDATION:</b> All staff involved in raising or authorising a purchase should be reminded of the procurement procedure requirements as outlined at 6.2 of NCFRA CGF and the Processes for Procurement document.</p> <p>A report should be run from ERP each month and reviewed at the Procurement Board meetings. The report should identify spend per Supplier to ensure that quotations and contracts are in place in line with the requirements of the CGF and cross referenced to the Pipeline document to ensure that it is recorded on the spreadsheet. Any anomalies should be identified and appropriate action taken.</p> <p><b>MANAGEMENT COMMENTS:</b></p>	<b>Essential</b>	<p>Paul Bullen supported by Fleur Winters (EMSCU)</p> <p>UPDATE 6/11/20: All staff have been reminded of the need to follow the CGF processes.</p> <p>Reports are run by spend by supplier. Anomalies are flagged by procurement to the ACO and via DPBs and the SAB.</p> <p>1.12.20 FEG update, monthly reports are being run, anomalies challenged. The change of behaviours still needs to be embedded.</p> <p>5.1.20 FEG. This work is continuing and due for completion by end of June</p>	30.06.2021	

### Accounts Payable, Accounts Receivable and Payroll – September 2020

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
2	<p><b>WEAKNESS:</b> The monitoring of energy bills is not sufficiently robust.</p> <p><b>RISK:</b> Paying too much for energy bills and possibility for duplicate payments.</p>	<p><b>RECOMMENDATION:</b> A quarterly reconciliation should be completed when the invoices arrive to identify significant variances. All variances should be thoroughly checked by conducting a meter reading at each station to confirm the accuracy of the charges being made and challenge variances with the energy provider as appropriate. A full audit trail should be retained.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p>	Important	<p>David McInally</p> <p>1.12.20 update. On plan for completion by 31.07.21</p> <p>5.1.20 FEG. Energy manager working towards this timescale.</p> <p>22.2.21 DM Still awaiting ERP access, Energy manager still working towards this timescale</p>	31.07.2021	

### Accounts Payable, Accounts Receivable and Payroll – September 2020

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
4	<p><b>WEAKNESS:</b> There are a large number of open purchase orders on ERP.</p> <p><b>RISK:</b> Over commitment on ERP Gold.</p>	<p><b>RECOMMENDATION:</b> Review all open order and take actions to clear any purchase orders on ERP where no further payments are due against them.</p> <p><b>MANAGEMENT COMMENTS:</b> A regular report is being run to look at open orders and take action as required. However, it should be noted that an increase in open orders, particularly early in the financial year, is not a bad</p>	Important	<p>Nick Alexander</p> <p>27.11.20 Reports being run and being followed up with individuals. Items such as this will also be included within the budget training (MTFP – June) action 2</p> <p>5.1.21 FEG. BAU advised by H King. Open order reporting within DPB's for assurance. Audit recommendation completed.</p>	<p>30.06.2021</p> <p>Closed</p>	

		thing as it helps prevent retrospective orders. A review process is in place through Service Review meetings with LGSS			
--	--	--	--	--	--

**Accounts Payable, Accounts Receivable and Payroll – September 2020**

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
7	<p><b>WEAKNESS:</b> There is no formal system currently in place to ensure all income to be collected via an invoice is raised by NCFRA on ERP Gold.</p> <p><b>RISK:</b> That NCFRA are not collecting all monies due to them, income may not be as expected or budgeted. Reputational.</p>	<p><b>RECOMMENDATION:</b> The NCFRA CGF states at D2 “Income is vital and effective systems are necessary to ensure that all income due is identified, collected, receipted and banked promptly in the name of the PFCC”.</p> <p>As part of the holistic review of income collection via invoice, documented processes should be established and communicated to all staff within the organisation with responsibility for processing income due via an invoice to NCFRA to ensure that all monies are collected.</p> <p><b>MANAGEMENT COMMENTS:</b> This is a major piece of work over a long timescale.</p>	Important	<p>Nick Alexander</p> <p>5.11.20 NA looking at process in place to ensure all monies collected.</p> <p>27.11.20 Looking at historical budget and billing trends to build into BAU.</p> <p>5.1.21 NA on target. Obtain extra Info from LGSS re previous year’s history as covid impact recent data.</p>	30.06.2021	

### Accounts Payable, Accounts Receivable and Payroll – September 2020

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
8	<p><b>WEAKNESS:</b> An officer has been overpaid in November 2019 and the amount has not been recovered.</p> <p><b>RISK:</b> That claims entered onto ECS are not being managed effectively or in line with the requirements of the NCFRA CGF. Overspend on revenue budget.</p>	<p><b>RECOMMENDATION:</b> The overpayment should be recovered.</p> <p><b>MANAGEMENT COMMENTS:</b> Name of officer overpaid to be provided in order to investigate and recover/write off overpayment.</p>	Essential	<p>Shaun Hallam/Helen King</p> <p>5.11.20 Process in place, this is being written off.</p> <p>01.12.20 Awaiting Service proposal so that it can be written off.</p> <p>5.1.20 FEG confirmed proposal completed and approved by PFCC</p> <p>4.1.20.</p>	<p>31.12.2020</p> <p>Closed</p>	

### Accounts Payable, Accounts Receivable and Payroll – September 2020

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
10	<p><b>WEAKNESS:</b> NCFRA are not receiving payroll reports from LGSS including monthly sign off reports, net variance, pay analysis reports BACS listing on any summaries</p> <p><b>RISK:</b> Inappropriate payments made to staff. Actuals of staff salaries may not be as budgeted.</p>	<p><b>RECOMMENDATION:</b> Liaise with LGSS to agree payroll reports required to ensure the accurateness and completeness of payments made to staff.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed (was 19/20 Payroll number 2)</p>	Important	<p>Nick Alexander</p> <p>27.11.20 Payroll reports are being produced and recommendation completed. Seeking a new senior review process and accompanying meeting to extend the management of delivery between LGSS payroll and LGSS Pension.</p> <p>5.1.21 FEG. NA, reports due from LGSS this cycle. Confirmation due by end of Jan.</p> <p>5.2.21 Confirmed closed</p>	<p>31.12.2020</p> <p>New due date 31.01.21</p> <p>5.2.21 Confirmed closed</p>	

### Grenfell Tower Fire Inquiry Phase 1 Action Plan – October 2020

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
1	<p><b>WEAKNESS:</b> The NCFRA website does not appear to currently have published information specifically for residents and managers/owners of high rise/tall buildings on the site.</p> <p><b>RISK:</b> Risk to life</p>	<p><b>RECOMMENDATION:</b> Ensure that the NCFRA website contains information specifically for residents and managers/owners/responsible persons of high rise/tall buildings on the site.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed. Work is already underway to develop the website to publish advice specifically for residents under the Safety tab.</p>	Important	<p>Prevention, Safeguarding and Partnerships Manager and Protection Manager.</p> <p>31 December 2020.</p> <p>5.1.21 FEG. LB confirmed completed for residents. SR = managers/owners, request update.</p> <p>11.1.21 update completed.</p>	<p>31.12.20</p> <p>Completed</p>	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
1	<p><b>WEAKNESS:</b> The Capital Strategy 2019/20 – 2022/23 at 6.6 details police instead of fire.</p> <p><b>RISK:</b> Confusion of responsibilities to readers of the Capital Strategy</p>	<p><b>RECOMMENDATION:</b> The Strategy should be reviewed to ensure that it states Fire as the main service provider.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p>	Standard		<p>S151 Officer</p> <p>1 April 2021</p>	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
2	<p><b>WEAKNESS:</b> There is a typo within Section 6 of the NCFRA CGF – Overview and Control of Assets where it states CC instead of CFO.</p> <p><b>RISK:</b> Officers may be unclear of their responsibilities</p>	<p><b>RECOMMENDATION:</b> Update the NCFRA CGF with the correct Statutory officer.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p>	Standard		S151 Officer 1 April 2021	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
3	<p><b>WEAKNESS:</b> The Workshop Manager advised that the shared fleet management data system is out of date and the workshop have experienced lots of issues with the system going down and losing days of work which can only be resolved by the Police IT team.</p> <p><b>RISK:</b> Inaccurate recording of assets and maintenance</p>	<p><b>RECOMMENDATION:</b> The shared fleet management data system should be reviewed to ensure that it is fit for purpose and meets the needs of the services to enable effective and efficient collaborative working.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed and already in the planned activity for 21/22</p>	Important		Head of Joint Transport and Logistics 31 July 2021	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
4	<p><b>WEAKNESS:</b> It is unclear how procurement of IT assets is undertaken or when the hardware refresh plan will be drafted and agreed.</p> <p><b>RISK:</b> <b>Financial and budgetary pressures</b></p>	<p><b>RECOMMENDATION:</b> Management to review arrangements for the procurement of IT assets and develop the hardware refresh plan in line with the requirements within the NCFRA CGF and NFRF.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p>	Important		Joint Chief Digital Officer 31 March 2021	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
5	<p><b>WEAKNESS:</b> It was identified during sample testing that some equipment assets are replaced when spent or broken but the replacement assets are not being recorded on Redkite EMS or issued with a new barcode identification tag.</p> <p><b>RISK:</b> Inaccurate recording of assets</p>	<p><b>RECOMMENDATION:</b> Consider a review of asset recording to ensure that replacement items are recorded on Redkite EMS and either the original bar code added or a new bar code identification added.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed  A review and plan will be prepared that sets out key dates</p>	Important		Head of Joint Transport and Logistics 31 March 2021	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
6	<p><b>WEAKNESS:</b> Photographic evidence was not provided to confirm the existence, security marking and location of a number of the sample assets (see Appendix A).</p> <p><b>RISK:</b> Unable to confirm the assets exist</p>	<p><b>RECOMMENDATION:</b> Provide evidence to confirm the existence of assets selected for sample testing.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p>	Essential	16.2.21 Not received photo evidence of all assets. Chasing up, move to 31.03.21	<p>ICT Manager 31 January 2021</p> <p>New date 31.03.21</p>	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
7	<p><b>WEAKNESS:</b> The Redkite system is currently not manageable as an asset record because it includes consumable low value items.</p> <p><b>RISK:</b> Valuable items could be missed</p>	<p><b>RECOMMENDATION:</b> Management to determine the definition of assets and the values of the assets that are required to be recorded on the Redkite system.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p> <p>A check of the NCFRA CGF against operational needs will be undertaken and recommendations made on the way forward.</p>	Important		<p>Head of Joint Transport and Logistics 31 July 2021</p>	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
8	<p><b>WEAKNESS</b> It has been unable to be confirmed what controls are in place to ensure that IT assets are signed for/collected on delivery to NCFRA.</p> <p><b>RISK:</b> That assets may be unaccounted for, held securely or maintained adequately.</p>	<p><b>RECOMMENDATION:</b> Review processes and controls for the delivery of IT assets.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p>	Important		Joint Chief Digital Officer 31 March 2021	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
9	<p><b>WEAKNESS</b> Review of IT assets on Redkite EMS identified that inventory checks are not maintained on the system.</p> <p><b>RISK:</b> That assets are not held securely or maintained adequately.</p>	<p><b>RECOMMENDATION:</b> A structured approach to ICT asset management checks should be developed and introduced.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p>	Essential		Joint Chief Digital Officer 31 March 2021 10	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
10	<p><b>WEAKNESS:</b> Testing of a sample of equipment assets highlighted that Redkite EMS is not always updated when an asset moves location within the service.</p>	<p><b>RECOMMENDATION:</b> Consideration to be given to introduction of a system whereby Officers with responsibility for specified asset types are required</p>	Important		Head of Joint Transport and Logistics 31 March 2021	

	<p><b>RISK:</b> That asset location may not be known/accurately recorded on Redkite EMS.</p>	<p>to review and update/confirm details on the Redkite system on a monthly basis. A report of this review to be submitted to management team.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p> <p>To develop a process and plan. Will complete a one off check alongside cleansing and then regular inventory checks.</p>				
--	--	--	--	--	--	--

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
11	<p><b>ISSUE:</b> There is a note on the PFCC signatory regarding a disposal plan to align with the Capital Programme. It is unclear if this has progressed.</p> <p><b>RISK:</b> Disposal of assets not in line with agreed processes.</p>	<p><b>RECOMMENDATION:</b> Management to ensure the disposal plan is developed and introduced widely across the Fire teams</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p> <p>The plan need to be developed separately for each asset type</p>	Important		Head of Joint Transport and Logistics 31 May 2021	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
12	<p><b>WEAKNESS:</b> A sample of transactions were selected from the withdrawn assets report. One of the items from the sample was for 6.4 m triple X ladder which had been identified as for disposal. Evidence was requested but not provided to identify if the asset had been sold in line with requirements within the NCFRA CGF</p> <p><b>RISK:</b> Improper operation of asset management and accounting arrangements.</p>	<p><b>RECOMMENDATION:</b> Management to introduce a process for properly recording and approving all items of stock to be disposed or sold in line with the requirements detailed within the NCFRA CGF.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed  Will develop a proposal to mirror disposal within policing</p>	Important		Head of Joint Transport and Logistics 30 April 2021	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
13	<p><b>WEAKNESS:</b> There are many assets items that are shown as lost or missing on Redkite EMS with some of these records going back as far as 2010. A sample of transactions were selected from the withdrawn report provided by the Equipment Management. Of those reported as missing/disposed of after audit, their status remains unclear. Additionally, transaction testing of IT assets also highlighted a number of assets that require review to ascertain their status.</p>	<p><b>RECOMMENDATION:</b> Redkite requires a thorough data cleanse to be completed to ensure all assets are recorded fully and accurately. Management to identify items recorded as missing, develop a process and timescale/frame for decision making on updating the status of the item to a permanent resolution.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed</p>	Essential		Head of Joint Transport and Logistics 31 March 2022	

	<p><b>RISK:</b> Assets are not accurately recorded on the system. Budget challenges.</p>	<p>A policy decision will be developed to guide the data cleanse and ongoing maintenance of the system in line with the requirements outlined in the NCFRA CGF. Consideration will be given to the value of individual items under £250, over 10 years old and items that cannot be found.</p>				
--	--	--	--	--	--	--

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
14	<p><b>WEAKNESS:</b> The Equipment Manager advised that Redkite EMS does not have the functionality to update records e.g. when an asset has been reported as lost and then it is found. <b>RISK:</b> Assets are not accurately recorded on the system.</p>	<p><b>RECOMMENDATION:</b> Redkite requires a thorough data cleanse to be completed to ensure all assets are recorded fully and accurately. <b>MANAGEMENT COMMENTS:</b> Agreed</p>	Important		Head of Joint Transport and Logistics 31 March 2022	

### Asset Management – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
15	<p><b>WEAKNESS:</b> The current process for the completion and progression of FB027's is not consistently followed across the service.</p>	<p><b>RECOMMENDATION</b> Review the FB027 process, update as appropriate and ensure all staff are made aware/reminded of the</p>	Important		Head of Joint Transport and Logistics 31 July 2021	

	<p>Many FB027 forms are being sent directly to Stores or the Equipment Manager without being signed off by a senior officer at station/service level.</p> <p><b>RISK:</b> Delays in kit being replaced and a lack of audit trail.</p>	<p>need for the FB027 form to be completed accurately and signed appropriately prior to forwarding to Stores or the Equipment Manager.</p> <p><b>MANAGEMENT COMMENTS:</b> Agreed that that process for reporting lost and damaged assets requires review and updating and subsequently communicated and promulgating.</p>				
--	---	---	--	--	--	--

### C19 Contract and Spend Analysis – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
1	<p><b>Weakness:</b> There are a number of suppliers with whom NCFRA have completed requisitions during Quarters 1 and 2 that do not have a contract or the contract value has been exceeded. See Appendix C.</p> <p><b>Risk:</b> Paying too much for goods, services or works. Overspend against contract. Reputational risk or accusations of fraud and corruption.</p>	<p><b>Recommendation:</b> Officers with responsibility for procurement should be reminded of the need to ensure that expenditure is undertaken as outlined in the financial regulations within the NCFRA CGF and Processes for Procurement. Advice should be sought from the Commercial Engagement Partner where collective spend exceeds the limits prior to raising requisitions to ensure adherence with the aforementioned.</p> <p>Complete a full review of supplier requisitions year to date against the latest</p>	Important	Assistant Chief Officer, Northamptonshire Police and Northamptonshire Fire and Rescue Service and Head of Joint Finance – June 2021 – in line with other audit recommendations on training etc.	Head of Joint Finance 30 <sup>th</sup> June 2021	

	<p>version of the contracts register to identify any anomalies. Take appropriate actions to ensure that contracts/frameworks are in place in line with the requirements outlined within the NCFRA CGF.</p> <p><b>Management Comments:</b></p> <p>Agreed</p>			
--	---	--	--	--

### C19 Contract and Spend Analysis – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
2	<p><b>Weakness:</b> IR35 checks were not completed for the associate instructors contracted to deliver the basic fire skills training to check their employment status as required by HMRC.</p> <p><b>Risk:</b> Fines being levied by HMRC. Having to find funds to pay both employer and employee NI and tax contribution. Reputational.</p>	<p><b>Recommendation:</b> IR35 checks should be completed and evidence held to support the employment status for each post a contractor working at NCFRA retains. Where a post is identified as employed status, the Contractor should be paid through the payroll system to ensure that appropriate deductions for tax and national insurance are made.</p> <p>For staff working at NCFRA through an agency, NCFRA should ask the agency to confirm that they are paying the worker directly through the PAYE - deducting tax and NI as appropriate (and that they are not paying the worker via an invoice from the worker's company or an umbrella company.)</p> <p><b>Management Comments:</b> Agreed</p>	Essential		Head of HR – July 2021	

		<p>There is an existing process in place to ensure that when suppliers are set up, IR35 checks are completed, however, it is clear that this form hasn't been fully administered properly, therefore;</p> <ul style="list-style-type: none"> <li>• Work is on-going with LGSS to ensure that there is compliance in fully completing the submitted forms. We will continue to monitor new forms and their completeness through the Service Review process.</li> <li>• Finance, HR &amp; Payroll have been on a PSTax course to ensure that our knowledge of IR35 is up to date, so that when forms are reviewed we have the appropriate knowledge and skills to advise on whether those persons should be payroll or suppliers</li> </ul>			
--	--	---	--	--	--

### C19 Contract and Spend Analysis – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
3	<p><b>Weakness:</b> It was identified during review of the procurement card transaction spreadsheets that the reconciliation completed by the Service Information Team is populated with detail gross figures in the net column.</p> <p><b>Risk:</b> Inaccurate budgetary reporting</p>	<p><b>Recommendation:</b> The Finance Adviser to work with the Service Information Team to amend their data input to show the net value, VAT and gross value on their spreadsheets.</p> <p><b>Management Comments:</b> Agreed The monthly process is being amended to ensure that upon completion of the reconciliation it is provided to the Centralised Finance team for review before</p>	<b>Important</b>		Head of Joint Finance – April 2021	

		sign off, the finance team will review the completed reconciliation for; <ul style="list-style-type: none"> <li>• appropriateness of VAT claims,</li> <li>• accuracy of VAT coding</li> <li>• any reconciling items; &amp; to</li> <li>• complete an audit of the claims themselves</li> </ul>			
--	--	--	--	--	--

### C19 Contract and Spend Analysis – February 2021

	Weakness/Risk	Recommendation	Priority	Management Response	Timescale/responsibility	Status
4	<p><b>Weakness:</b> A review of quarter 1 procurement card transactions were reviewed against the published information on NCFRA website. It was identified that a number of transaction amounts on the website differed from the amounts on ERP and there were 4 transactions missing on the published information list. The Service Information Team Leader advised that the errors were due to an administrative error within the Service Information Team.</p> <p><b>Risk:</b> Incorrect information on spend in the public arena.</p>	<p><b>Recommendation:</b> Review Quarter 1 published spend detailed on the NCFRA website and update details/amounts accordingly to ensure information is correctly reported.</p> <p><b>Management Comments:</b> Agreed</p> <p>In order to ensure that this administrative error is not repeated, the Service Information Team leader informed that they have updated the return template to Joint Finance to have a 'prepared by' and 'signed off by' fields to ensure that a management check is completed prior to submission.</p>	<b>Important</b>		Area Manager Business Services – March 2021	



Professional Standards Department  
Joint Independent Audit Committee  
10<sup>th</sup> March 2021



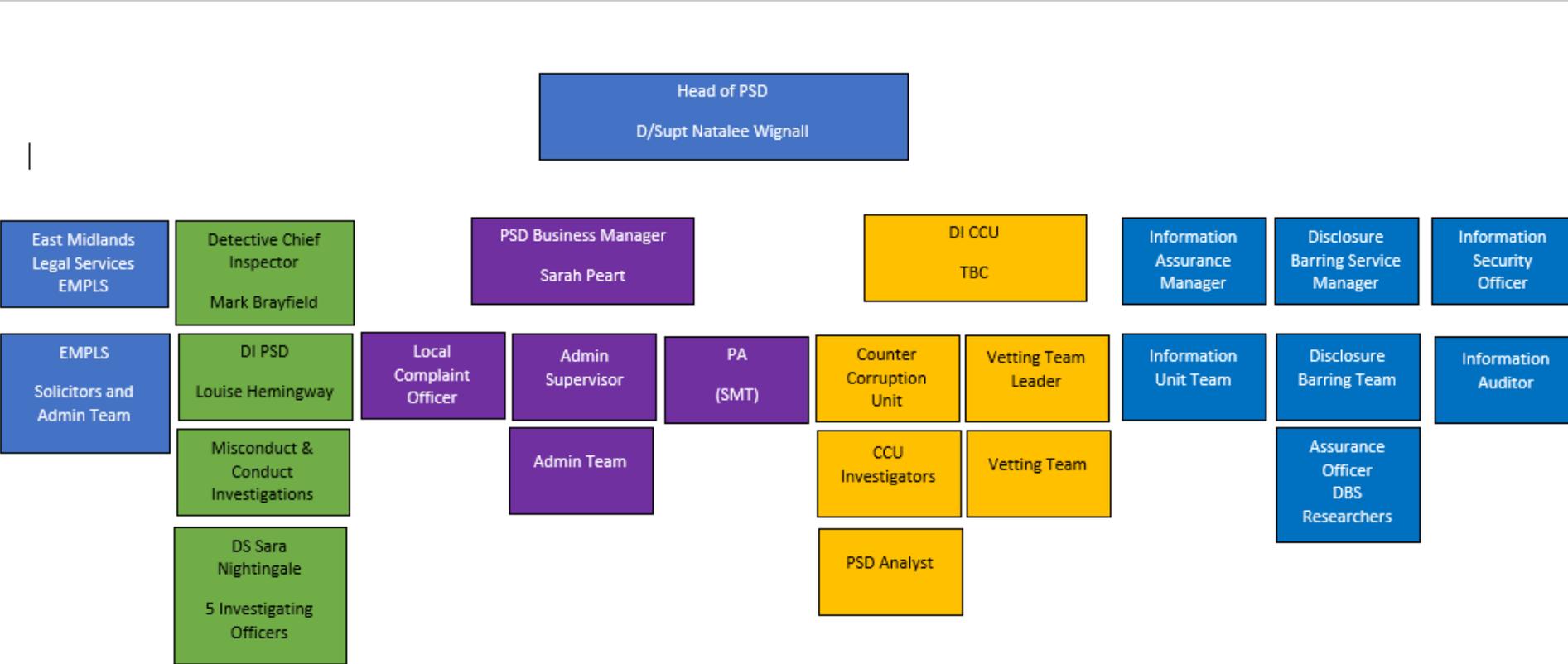
# Introduction

231

- Overview of the Professional Standards Department
- Complaints and Conduct Performance and Procedures
- Trends and Mitigation
- New Police Conduct Regulations 2020 and Police Complaint and Misconduct Regulations 2020 that came into effect on 1<sup>st</sup> February 2020. Significant changes to the way the Police Service handle public complaints and conduct matters:
  - Reduce bureaucracy
  - Increase confidence in the complaints process
  - Culture of learning and reflection within the organisation



# PSD Structure





# Standards of Professional Behaviour

233

- 10 standards of professional behaviour are set out in Schedule 2 of the conduct regulations and in police staff misconduct procedures.
- Statement of Expectation
- Code of Ethics
- Complaint or Conduct
- IOPC Referrals



# Complaint and Conduct Procedure 234

## **Assessments**

- Scoping
- Assessment by Appropriate Authority (AA)
- Learning or Investigation

## **Investigation**

- Terms of Reference
- The complainant and subjects are updated every 28 days (In regulations)
- Aim to complete most investigations within 120 working days (Guidance)
- Criminal matter – CPS Advice

## **Determination**

- Report submitted to AA to review evidence
- Decision on action required : No case to answer, reflective practise, Misconduct meeting or gross misconduct hearing



# PERFORMANCE REPORTING – 01/04/2020-2021

## 31/01/2021

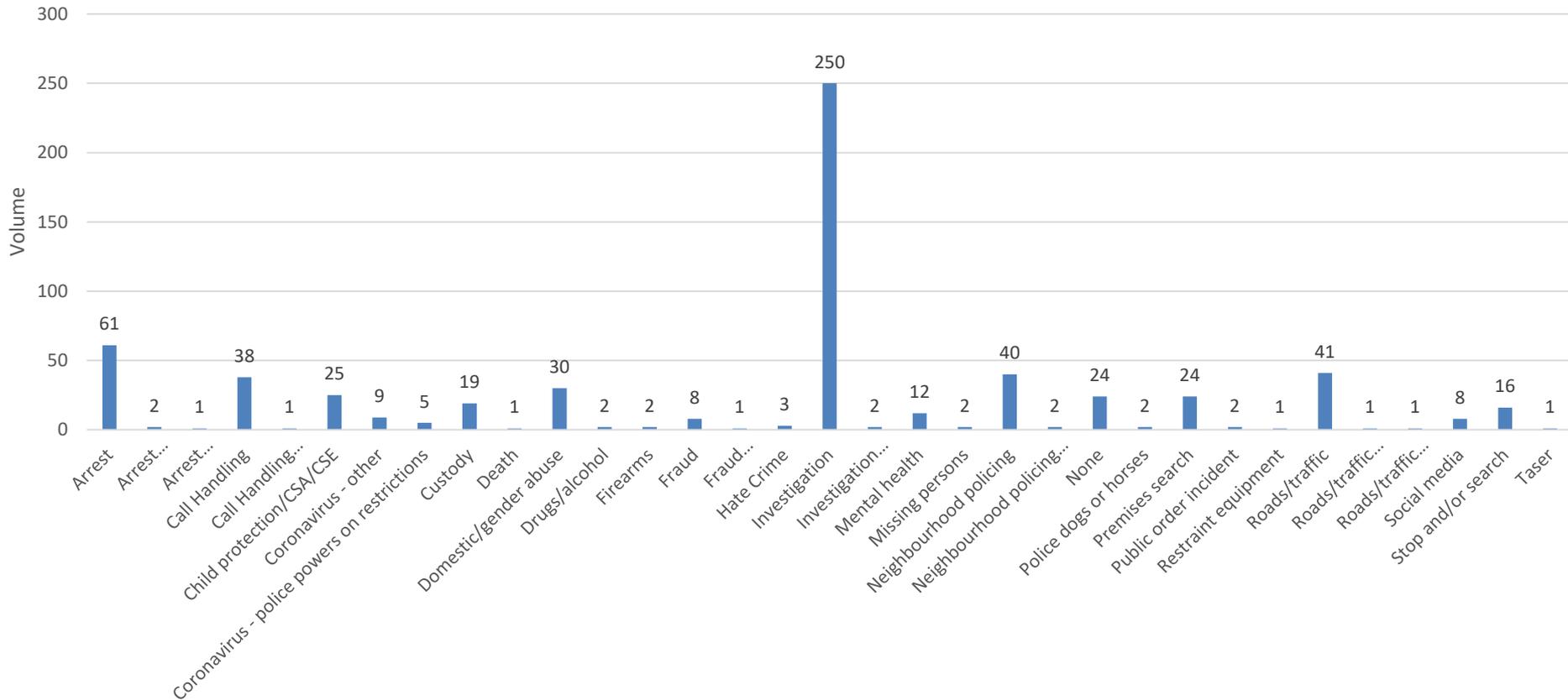
120 DAY INVESTIGATIONS			
JANUARY 2021		84/88	95%
01/04/2020-31/01/2021		614/657	93%
28 DAY UPDATE			
JANUARY 2021		201/204	99%
01/04/2020-31/01/2021		2308/2354	98%
TOTAL COMPLAINTS SERVICE RECOVERED			
01/04/2020-31/01/2021		FCR	OPFCC
Service Recovered		1034	222
ALL COMPLAINTS			
01/04/2020-31/01/2021	Total Complaints Recorded	Recorded Non-Schedule 3 (OPFCC)	Recorded Schedule 3 (PSD)
	691	238 (34%)	453 (66%)
Total Conduct Cases			
01/04/2020-31/01/2021			47



# Complaint Allegations Finalised <sup>236</sup>

	TOTAL ALLEGATIONS FINALISED	UPHELD	%
01/04/2020-31/01/2021	635	26	4%

Allegations Finalised by National Factor





# Disciplinary Matters<sup>237</sup>

**Misconduct Meeting** - Breach of the standards so serious that a Written Warning or Final Written Warning could be justified.

20 working days from the day the subject of the meeting is formally served notice

**Gross Misconduct Hearing** - Breach of the standards so serious that dismissal could be justified.

## Police Officer Hearings

Approximately 40-60 days from the day the subject of the hearing is formally served a notice of proceedings

## Police Staff Hearings

30 working days from the day the subject of the hearing is formally served a notice of proceedings and are private proceedings

## **Fast Track Hearing** for Police Officers

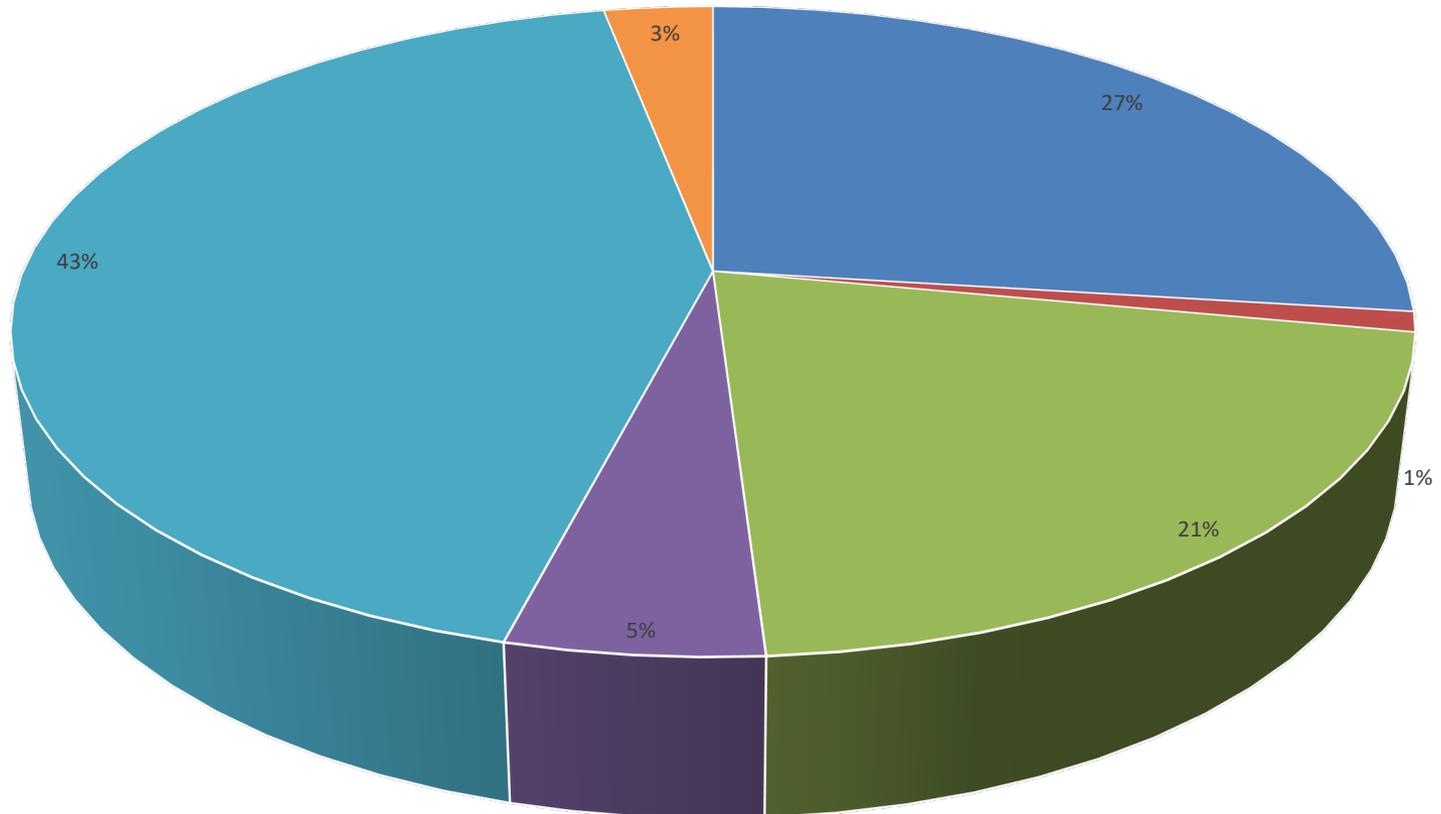
Within 15 working days from the date the subject of the hearing is served a notice of proceedings



# Misconduct Outcomes

## 01/04/2020-31/01/2021

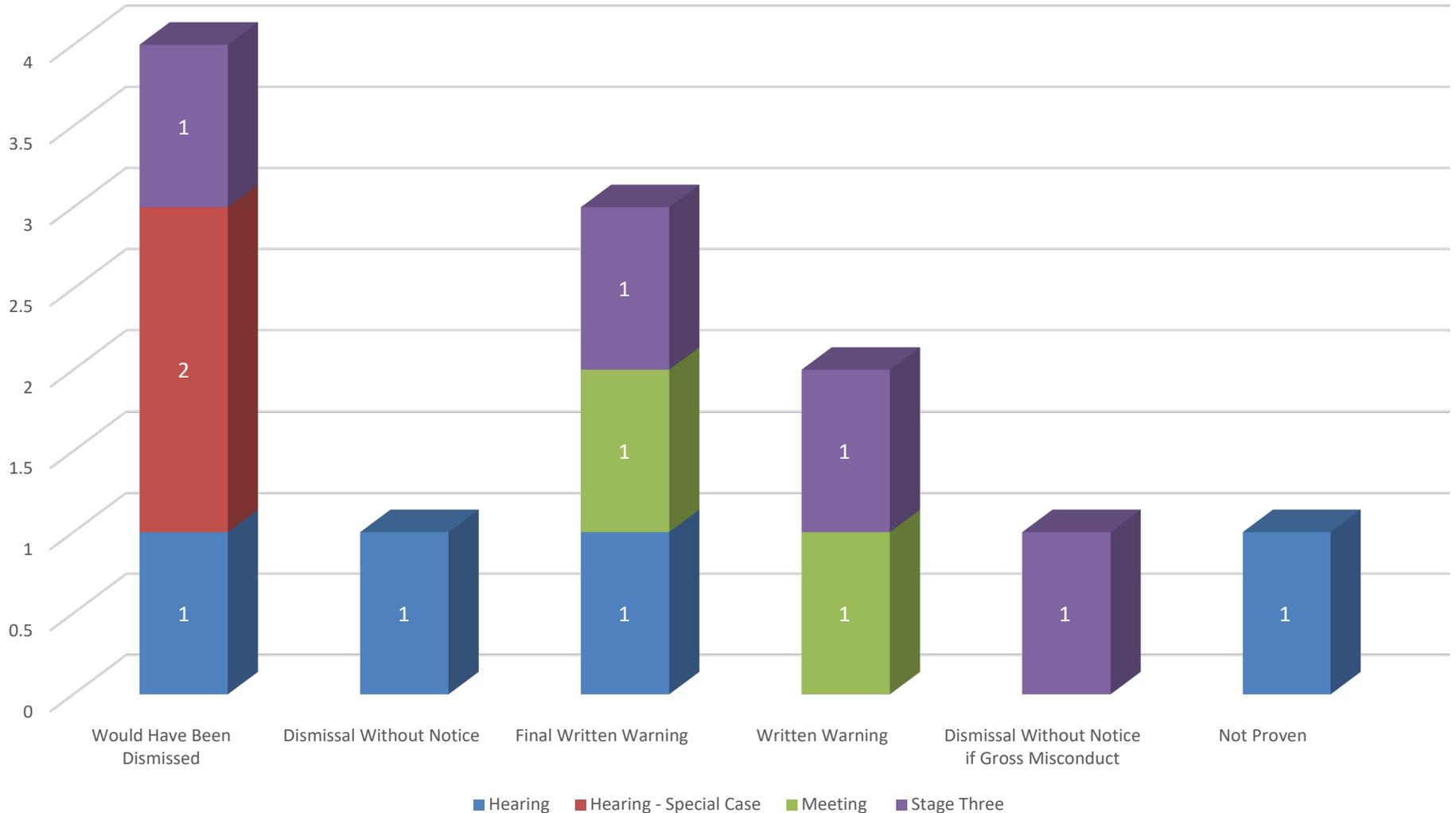
238



■ Formal Action ■ Management Action ■ No Action ■ Referral to Proceedings ■ Reflective Practice ■ Retired/Resigned



# DISCIPLINARY PROCEEDINGS FROM 01/04/2020-31/01/2021

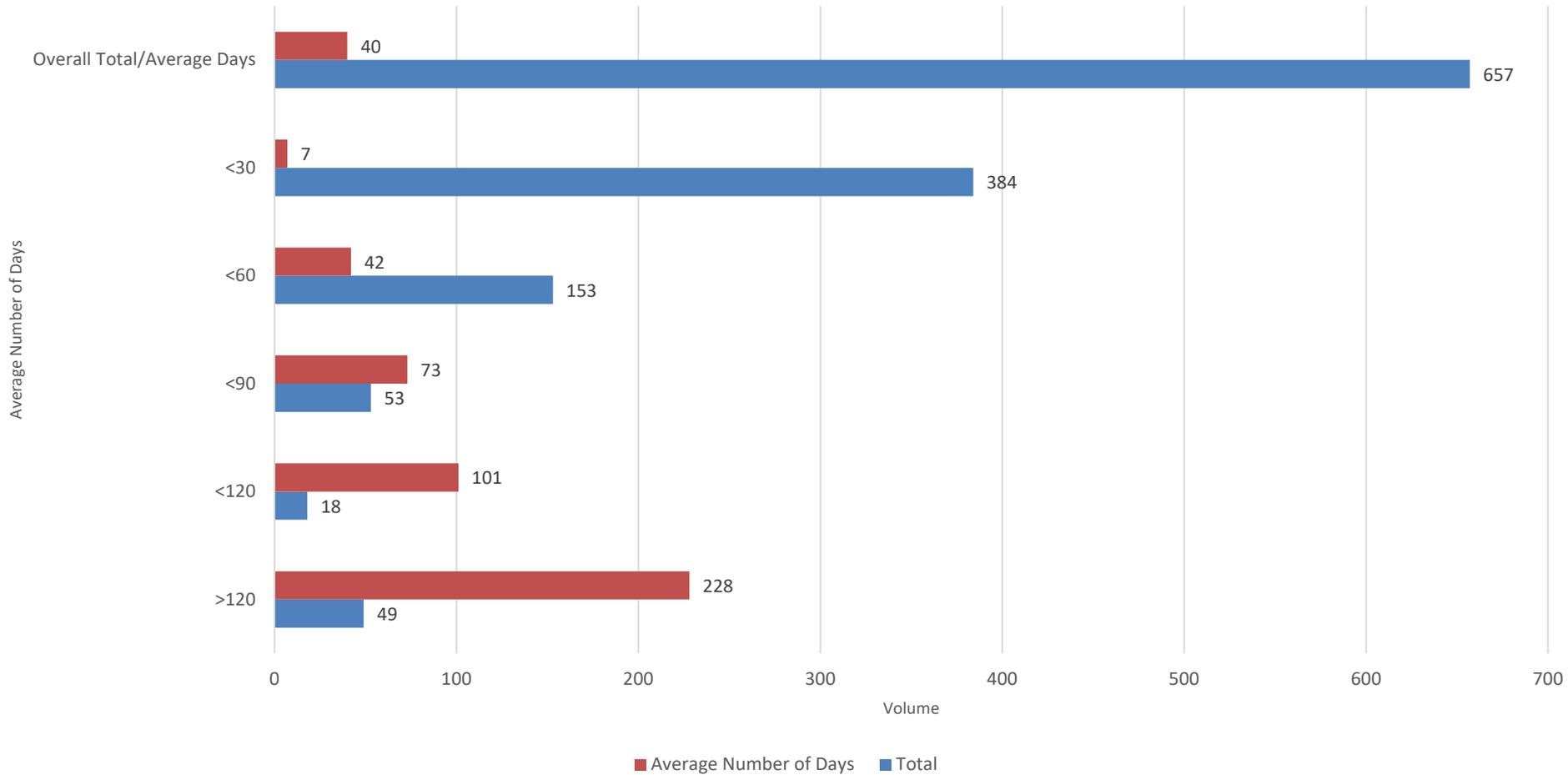




# Timeliness of Investigations

240

Timeliness Number of cases finalised by Average number of Days (01/04/2020-31/01/2021)





# Counter Corruption Unit

241

The Counter Corruption Unit exists to protect the organisation and the public against Police Officers and Staff, who use, or may use, their position to commit crime.

Manage various areas of business including:

- **Bad Apple**
- **Notifiable Associations**
- **Business Interests**
- **Intelligence Assessment and Development**



# Trends & Mitigation<sup>242</sup>

## **Complaints**

- Duties and services
- Police Powers, policies and procedure
- Individual Behaviours

## **Conduct**

- Misuse of systems
- Disclosure of Information
- Abuse of position
- Social Media

## **Mitigation**

- Strategic Threat Assessment
- The Standard
- Training and Visibility
- Force Network Meetings
- Lessons Learnt



# Conclusion

- New Regulations Benefits
- Good working relationship with the OPFCC and IOPC
- Timeliness of Investigations
- Preventative Methods

Agenda item 11a

**Police, Fire and Crime  
Commissioner and Chief  
Constable for  
Northamptonshire**

Annual Audit Letter for the year  
ended 31 March 2019

February 2021

# Contents

## 01

Executive  
Summary



## 03

Financial Statement  
Audit



## 05

Other Reporting  
Issues



## 07

Focused on your  
future



## 02

Purpose and  
Responsibilities



## 04

Value for  
Money



## 06

Data  
Analytics



## 08

Audit Fees



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)). It is available from the Chief Executive of each audited body and via the PSAA website OR As part the Auditor Engagement process, we have agreed with you the respective responsibilities of auditors and audited bodies. Copies of the Engagement Letter and Terms and Conditions of our appointment are available from the Chief Executive or via the bodies minutes on their website.

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 Annual Audit Letter is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. 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

We are required to issue an Annual Audit Letter to Police, Fire and Crime Commissioner and Chief Constable for Northamptonshire's (the "PFCC and CC") following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the PFCC and CC's:</b> ▶ Financial statements	Unqualified with emphasis of matter in relation to cost pressures as a result of the Covid-19 pandemic. The financial statements give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
<b>Conclusion on the PFCC and CC's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources "except for" in relation to taking informed decisions and sustainable resource deployment as regards the Multi-Force Shared Services (MFSS) due to the overspend on the budget.
Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the PFCC and CC.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the PFCC and CC, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.
Area of Work	Conclusion
<b>Reporting to the National Audit Office (NAO) on our review of the PFCC and CC's Whole of Government Accounts return (WGA).</b>	The PFCC and CC is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

## Executive Summary (cont'd)

---

Our audit was substantially concluded by the middle of March 2020. Since that point, the Authority have experienced the significant operational and financial implications caused by the Covid-19 outbreak. From an audit perspective, we were unable to issue our audit opinion on the 2018-2019 financial statements until we have considered the appropriateness of management's disclosures on events after the reporting date and the basis for authorising the financial statements as a going concern.

We established early on that as the Covid-19 outbreak happened towards the end of March 2020, there were no conditions that existed at the 31<sup>st</sup> March 2019 that would lead to an adjusting post balance sheet event. The Authority included a non-adjusting post balance sheet event disclosure indicating the impact that the Covid-19 outbreak could have on significant accounting transactions and judgements, including the recoverability of debtors and the carrying value of assets. We were satisfied that the Authority's disclosure was appropriate for its circumstances.

We performed additional work to review management's assessment on going concern covering the period at least 12 months from the reporting date of the end of July 2020. We reviewed the Authority's cashflow and budget projections, stress tested critical income and expenditure assumptions and the impact this would have on the available to use reserves. We consulted with our professional practice department on the Authority's going concern disclosures and the impact on our audit report. We concluded that the Authority's disclosures were appropriate and did not need to modify our audit report. We did not believe there were any conditions that gave rise to a material uncertainty on the Authority's ability to continue to provide Fire and Rescue Services for the period of the going concern assessment. We did however, consistent with all open audits for the 2018-2019 financial year, express an emphasis of matter in our audit report which draws the reader of accounts attention to the going concern disclosure note. This is not a modification or qualification to our audit opinion.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP



## 02 Purpose and Responsibilities

# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the PFCC and CC.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the Audit Committee meeting on 11 March 2020, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the PFCC and CC.

## Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan on 20 March 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2018/19 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the PFCC and CC has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the PFCC and CC;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the PFCC and CC, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The PFCC and CC is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the PFCC and CC

The PFCC and CC is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the PFCC and CC reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The PFCC and CC is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

## Financial Statement Audit

# Financial Statement Audit

## Key Issues

The PFCC and CC's Statement of Accounts is an important tool for the PFCC and CC to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the PFCC and CC's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 29 July 2020.

Our detailed findings were reported to the Audit Committee meeting on 11 March 2020.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p><b>Misstatements due to fraud or error</b></p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>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.</p>	<p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the PFCC and CC's normal course of business</p>

## Financial Statement Audit (cont'd)

Significant Risk	Conclusion
<p><b>Pension liability valuation</b></p> <p>We focused on the following:</p> <ul style="list-style-type: none"> <li>➤ Obtain assurances over the information supplied to the actuary in relation to Northamptonshire Police Fund;</li> <li>➤ 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, and considering any relevant reviews by the EY actuarial team; and</li> <li>➤ 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.</li> </ul>	<p>The PFCC and CC has revised the Pension Liability and Reserves for the movement between the original and revised IAS 19 reports provided by the actuary (Hymans Robertson).</p> <p>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 a acceptable range.</p> <p>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 to the JIAC.</p> <p>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 have been adjusted for by the PFCC and CC. 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 and 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). The PFCC and CC decided not to adjust for these errors, and have included them in their letter of representation.</p>

## Financial Statement Audit (cont'd)

Significant Risk	Conclusion
<p><b>Property, plant and equipment and investment property valuations</b></p> <p>We focused on aspects of the land and buildings and investment property valuations which could have a material impact on the financial statements, primarily:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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);</li> <li>• 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 considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>• Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;</li> <li>• Considered changes to useful economic lives as a result of the most recent valuation; and</li> <li>• Tested accounting entries have been correctly processed in the financial statements.</li> <li>• Make use of our valuation experts to review the change in valuation methodology and as deemed appropriate.</li> </ul>	<p>Our testing of key inputs into a sample of valuations to confirm the material accuracy of valuations has not identified any issues.</p> <p>In addition to our own audit procedures on the valuation methodology and testing of observable market data, we engaged our internal specialists to review a sample of specialised assets. Our valuers concluded that overall the PFCC and CC's valuation is within an acceptable range, however it was noted that in respect of the PFCC and CC's Headquarters our valuers did not consider that the use of a market approach based upon a simple capital value per sq. ft. could be supported given the lack of directly relevant comparable evidence. Instead a depreciated replacement cost should be applied not unlike other specialised assets.</p> <p>We are satisfied that all assets have been valued within a 5 year period or annually as required and that there is no material misstatement in relation to those assets not revalued in year.</p> <p>We considered that any changes to useful economic lives as a result of the most recent valuation were appropriate.</p> <p>We are satisfied that accounting entries are appropriate.</p>

## Financial Statement Audit (cont'd)

### Other Areas of Audit Focus - New accounting standards

The Code requires the PFCC and CC to comply with the requirements of two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:

- ▶ IFRS 9 - Financial instruments
- ▶ IFRS 15 - Revenue from contracts
- ▶ IFRS 16 - Leases (2020/21)

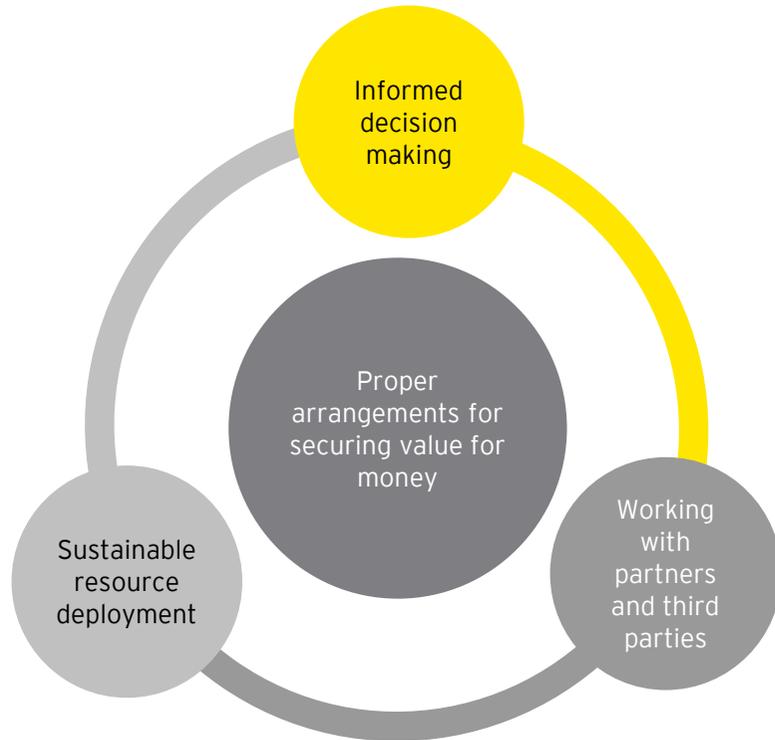
There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation of the potential impact. We therefore assessed the PFCC and CC's assessment of the impact of the new standards and checked compliance with additional disclosure requirements.

Standard	Audit Findings
IFRS 9 - Financial Instruments	Our audit procedures for financial instruments have been completed, we did not identify any audit issues.
IFRS 15 - Revenue from Contracts	Our audit procedures for financial instruments have been completed, we did not identify any audit issues.
IFRS 16 - Leases	IFRS 16 replaces IAS 17 Leases and its related interpretations, and will apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the PFCC and CC.



## 04 Value for Money

# Value for Money



We are required to consider whether the PFCC and CC 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.

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

- **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.
- **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 have issued an "except for" conclusion in relation to the significant overspend on Project Fusion in 2018/19.



## 05 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 Statement of Accounts 2018/19 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.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements is consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### 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.

We have submitted the required return and have no issues to report on this work.

### 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 PFCC and CC 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 PFCC and CC, 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

# Other reporting 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 PFCC and CC'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 (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits (as appropriate).

We have no matters to report.



06

Data Analytics



# Use of Data Analytics in the Audit

## Data analytics – Journal Entry Analysis and Payroll Analysis

### 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 PFCC and CC's audit included testing journal entries and employee expenses, 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 the financial ledger transactions posted in the year. We perform 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 plan.

#### Payroll Analysis

We use our journal entry analyser in our payroll testing where we obtain all payroll transactions posted in the year from the general ledger system and perform completeness analysis over the data, including reconciling the total amount to the payroll system. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



## 07 Focused on your future



## Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the PFCC and CC is summarised in the table below.

Standard	Issue	Impact
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p><i>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</i></p> <p><i>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</i></p>	<p>in response to the ongoing pandemic and its pressures on local authority finance teams, the CIPFA LASAAC Local Authority Accounting Code Board has announced that the implementation of IFRS 16 (Leases) in the Code of Practice on Local Authority Accounting in the UK (the Code) will be deferred until the 2022-23 financial year. This decision brings the Code in line with the decision by the Government's Financial Reporting Advisory Board to put back the effective date for the implementation of the standard to 1 April 2022.</p> <p>CIPFA LASAAC has indicated that the deferral is limited to one year only and that there is no intention to grant any further extensions based on a lack of preparedness.</p>



**08**

**Audit Fees**

## Audit Fees

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. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Final fee 2018/19	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s	£'s
Audit Fee - PFCC Code work	22,554	22,554	22,554	29,291
Audit Fee - CC Code work	11,550	11,550	11,550	15,000
<b>Total Audit Services</b>	<b>34,104</b>	<b>34,104</b>	<b>34,104</b>	<b>44,291</b>
Fee for additional audit work (see note below)	21,106			
<b>Total fees</b>	<b>55,210</b>	<b>34,104</b>	<b>34,104</b>	<b>44,291</b>

### *All fees exclude VAT*

#### **Note:**

We have calculated our final fee for 2018/19 will be subject to PSAA approval of the 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 of £6,049;
- The engagement of EYRE specialists to review a sample of Property, Plant & Equipment of £5,055;
- Additional work to address the VFM significant risks in relation to financial resilience and the governance arrangements around MFSS of £5,021; and
- Delays in audit readiness, including adequacy of working papers and resolution of audit queries of £4,981.

We have discussed these additional fees with management which are still subject to PSAA approval.

## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

© 2018 EYGM Limited.  
All Rights Reserved.

ED None

EY-000070901-01 (UK) 07/18. CSG London.



In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](http://ey.com)

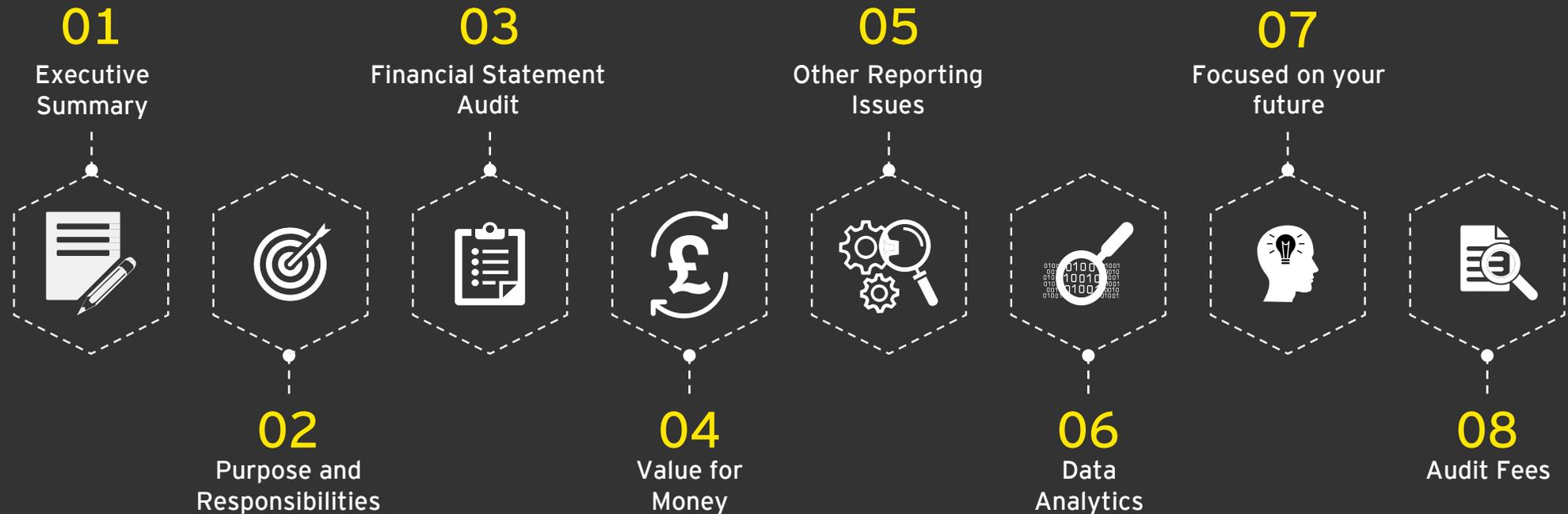
agenda item 11b

**Northamptonshire  
Commissioner Fire and  
Rescue Authority**

Annual Audit Letter for the year  
ended 31 March 2019

February 2021

# 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.psa.co.uk](http://www.psa.co.uk)). It is available from the Chief Executive of each audited body and via the PSAA website **OR** As part the Auditor Engagement process, we have agreed with you the respective responsibilities of auditors and audited bodies. Copies of the Engagement Letter and Terms and Conditions of our appointment are available from the Chief Executive or via the bodies minutes on their website.

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 Annual Audit Letter is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. 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

We are required to issue an Annual Audit Letter to Northamptonshire Commissioner Fire and Rescue Authority (the " Authority") following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Authority's:</b>	
▶ Financial statements	Unqualified with emphasis of matter in relation to cost pressures as a result of the Covid-19 pandemic. The financial statements give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
<b>Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.
Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.
Area of Work	Conclusion
<b>Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).</b>	The Authority is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

## Executive Summary (cont'd)

---

Our audit was substantially concluded by the middle of March 2020. Since that point, the Authority have experienced the significant operational and financial implications caused by the Covid-19 outbreak. From an audit perspective, we were unable to issue our audit opinion on the 2018-2019 financial statements until we have considered the appropriateness of management's disclosures on events after the reporting date and the basis for authorising the financial statements as a going concern.

We established early on that as the Covid-19 outbreak happened towards the end of March 2020, there were no conditions that existed at the 31<sup>st</sup> March 2019 that would lead to an adjusting post balance sheet event. The Authority included a non-adjusting post balance sheet event disclosure indicating the impact that the Covid-19 outbreak could have on significant accounting transactions and judgements, including the recoverability of debtors and the carrying value of assets. We were satisfied that the Authority's disclosure was appropriate for its circumstances.

We performed additional work to review management's assessment on going concern covering the period at least 12 months from the reporting date of the end of July 2020. We reviewed the Authority's cashflow and budget projections, stress tested critical income and expenditure assumptions and the impact this would have on the available to use reserves. We consulted with our professional practice department on the Authority's going concern disclosures and the impact on our audit report. We concluded that the Authority's disclosures were appropriate and did not need to modify our audit report. We did not believe there were any conditions that gave rise to a material uncertainty on the Authority's ability to continue to provide Fire and Rescue Services for the period of the going concern assessment. We did however, consistent with all open audits for the 2018-2019 financial year, express an emphasis of matter in our audit report which draws the reader of accounts attention to the going concern disclosure note. This is not a modification or qualification to our audit opinion.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP



## 02 Purpose and Responsibilities

# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the Audit Committee meeting on 11 March 2020, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

## Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan on 20 March 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2018/19 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Authority is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

## Financial Statement Audit



# Financial Statement Audit

## Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 29 July 2020.

Our detailed findings were reported to the Audit Committee meeting on 11 March 2020.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p><b>Misstatements due to fraud or error</b></p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>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.</p>	<p>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.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We have not identified any material misstatements from the incorrect capitalisation of expenditure items.</p>

## Financial Statement Audit (cont'd)

Significant Risk	Conclusion
<p><b>Pension liability valuation</b></p> <p>We focused on the following:</p> <ul style="list-style-type: none"> <li>• Obtaining updated documentation of management's processes and controls over pension expenditure and deduction of employer and employee contributions;</li> <li>• Liaising with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to FRS;</li> <li>• Assessing the work of the LGPS Pension Fund and the Firefighter Pension actuary including the assumptions they have used by relying on the work of PWC, and considering any relevant reviews by the EY actuarial team; and</li> <li>• Review and testing the accounting entries and disclosures made within the financial statements to ensure consistency with the IAS 19 entries in both actuarial reports.</li> </ul> <p>Fire Fighters Pension Scheme (only), we have:</p> <ul style="list-style-type: none"> <li>▶ Testing a sample of lump sums and pension payments for the fire fighter pensioners;</li> <li>▶ Completing a predictive analytical review for both the pensions payroll and employees and employers pension contributions; and</li> <li>▶ Assessing management's arrangements to reconcile the active and pensioner membership numbers.</li> </ul>	<ul style="list-style-type: none"> <li>➤ We assessed the assumptions within the Authority's 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.</li> <li>➤ Management has removed the contingent liability disclosure relating to McCloud as the sums have now been accounted through the Accounting for Pension Costs Notes in the financial statements.</li> <li>➤ We have not identified any issues with the accounting entries and disclosures made within the financial statements for the Local Government Pension Scheme of Firefighters Pension Fund. Furthermore, our EY Pensions Team have reviewed the assumptions made for the McCloud impact on the Fire Fighters Pension Schemes and noted that they are within a reasonable range.</li> </ul>
<p><b>Focus on faster close</b></p> <p>We undertook the following:</p> <ul style="list-style-type: none"> <li>• Discussions relating to the risks, implications and expectations of each other in communications and project planning.</li> <li>• Attendance at the JIAC meetings where there were updates of the progress, challenges and ability to meet the deadline at each meeting.</li> </ul>	<ul style="list-style-type: none"> <li>➤ We are satisfied that the Authority was able to prepare their accounts by the deadline.</li> </ul>

## Financial Statement Audit (cont'd)

Significant Risk	Conclusion
<p><b>Property, plant and equipment and investment property valuations</b></p> <p>We focused on aspects of the land and building valuations which could have a material impact on the financial statements, primarily:</p> <ul style="list-style-type: none"> <li>• Review of 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.</li> <li>• Review 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).</li> <li>• Determining whether the accounting entries were correctly processed in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• We engaged our specialist, EY Real Estates, to review the Authority's estimates in relation to the fire stations.</li> <li>• Following their review we concluded that the value of the assets and therefore those fire station assets not valued in the current year are within an expected range of values.</li> <li>• We also concluded that the Authority's external valuer to be appropriately qualified with the relevant skills to perform the valuation analysis.</li> <li>• 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, and was in line with the Authority's accounting policies.</li> <li>• We were satisfied that the classification of assets reported in the financial statement is materially correct.</li> </ul>
<p><b>Completeness and accuracy of the opening balances and the disaggregation of the NCFRA balance sheet from NCC</b></p> <p>We focused on the correctness, completeness and accuracy of the processes of the governance transfer in relation to the financial statements, primarily:</p> <ul style="list-style-type: none"> <li>• Review of the postings to NCFRA from Northamptonshire County Council (NCC).</li> <li>• Review of 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.</li> <li>• Review of the accounting judgements and disclosures associated contracts, leases, funding and finance towards assets under constructions, and with any overage clauses and agreements.</li> <li>• We engaged an EY FAAS specialist to undertake a technical review of the accounts of NCFRA and NCC.</li> </ul>	<p>The Authority has held extensive meetings with NCC and LGSS to ensure that the transfer is undertaken appropriately and correctly, and we are satisfied that the balances taken on by the Authority transferred from NCC are complete in terms of the statutory instrument approved by the Home Office.</p> <p>We have substantively tested material balances taken on by NCFRA and the issues raised in the technical review have been agreed to be amended in the revised accounts.</p>

## Financial Statement Audit (cont'd)

### Other Areas of Audit Focus - New accounting standards

The Code requires the Authority to comply with the requirements of two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:

- ▶ IFRS 9 - Financial instruments
- ▶ IFRS 15 - Revenue from contracts
- ▶ IFRS 16 - Leases (2020/21)

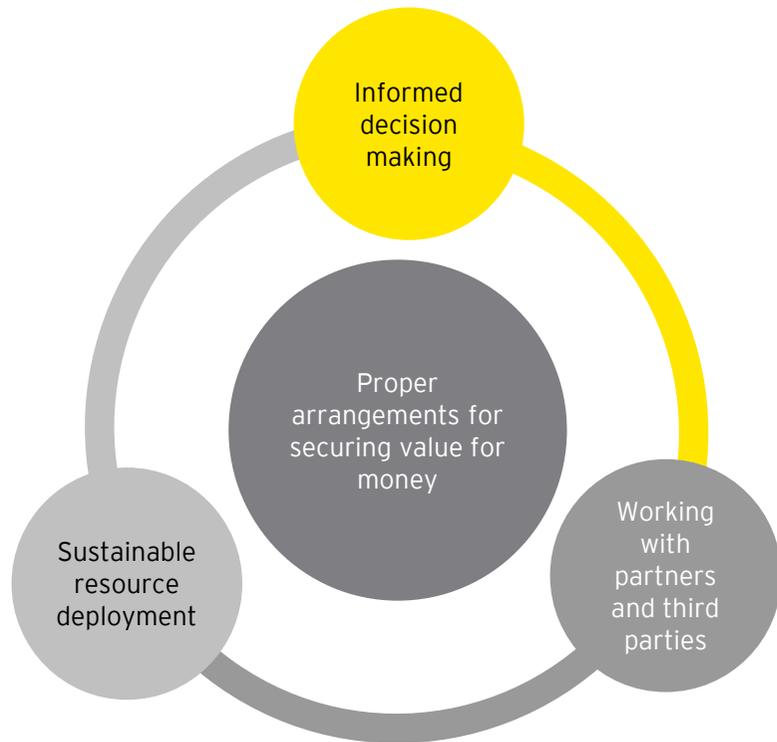
There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation of the potential impact. We therefore assessed the Authority's assessment of the impact of the new standards and checked compliance with additional disclosure requirements.

Standard	Audit Findings
IFRS 9 - Financial Instruments	Our audit procedures for financial instruments have been completed, we did not identify any audit issues.
IFRS 15 - Revenue from Contracts	Our audit procedures for financial instruments have been completed, we did not identify any audit issues.
IFRS 16 - Leases	IFRS 16 replaces IAS 17 Leases and its related interpretations, and will apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the Authority.



## 04 Value for Money

## Value for Money



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.

At the planning stage of the audit we identified one significant risk in relation to Securing the Authority financial resilience. We obtained information from the Authority's financial team on the assumptions set out in the medium term financial strategy and completed a qualitative and quantitative assessment of the Authority's financial resilience.

Both the Firefighter, 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 NCFRA's strategic direction and risk management plans. 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.

We have undertaken appropriate procedures and 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, but we will continue to review closely during our 2019/20 and 2020/21 external audit. We have therefore 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 issued an unmodified opinion.



05

## 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 Statement of Accounts 2018/19 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.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements is consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### 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.

We have submitted the required return and have no issues to report on this work.

### 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 reporting issues

# Other reporting 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 (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits (as appropriate).

We have no matters to report.



# 06 Data Analytics



# Use of Data Analytics in the Audit

## Data analytics – Journal Entry Analysis and Payroll Analysis

### 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 Authority's audit included testing journal entries and employee expenses, 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 the financial ledger transactions posted in the year. We perform 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 plan.

#### Payroll Analysis

We use our journal entry analyser in our payroll testing where we obtain all payroll transactions posted in the year from the general ledger system and perform completeness analysis over the data, including reconciling the total amount to the payroll system. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



07

Focused on your future



## Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

Standard	Issue	Impact
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p><i>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</i></p> <p><i>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</i></p>	<p>in response to the ongoing pandemic and its pressures on local authority finance teams, the CIPFA LASAAC Local Authority Accounting Code Board has announced that the implementation of IFRS 16 (Leases) in the Code of Practice on Local Authority Accounting in the UK (the Code) will be deferred until the 2022-23 financial year. This decision brings the Code in line with the decision by the Government's Financial Reporting Advisory Board to put back the effective date for the implementation of the standard to 1 April 2022.</p> <p>CIPFA LASAAC has indicated that the deferral is limited to one year only and that there is no intention to grant any further extensions based on a lack of preparedness.</p>



## 08 Audit Fees

## Audit Fees

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. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Final fee 2018/19	Planned fee 2018/19	Scale fee 2018/19
	£'s	£'s	£'s
Audit Fee - Code work	25,000	25,000	25,000
<b>Total Fees</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>

*All fees exclude VAT*

## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

© 2018 EYGM Limited.  
All Rights Reserved.

ED None

EY-000070901-01 (UK) 07/18. CSG London.



In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](http://ey.com)



## Joint Independent Audit Committee

10 March 2021

AGENDA ITEM: 12

<b>REPORT BY</b>	<b>Chief Finance Officer</b>
<b>SUBJECT</b>	<b>Joint Independent Audit Committee (JIAC) - Agenda Plan – Updated 24 February 2021</b>
<b>RECOMMENDATION</b>	To discuss the agenda plan

### 1. Background

1.1 The agenda plan incorporates statutory, good practice and agreed scrutiny items and has been updated to reflect the items at the December 2020 meeting and February 2021 workshop.

#### JIAC Annual Plan January 2020-December 2021 (Updated February 2021)

Date of JIAC	February FP20 Workshop 26 February 2020	11 March 2020	29 July 2020	15 September 2020 Fire Accounts Workshop	7 October 2020	15 October 2021 Police Accounts Workshop	November 2020 Workshop NOT REQUIRED	16 December 2020	24 February Workshop Fire ICT	10 March 2021	Date TBC Accounts Workshops	29 July 2021	6 October 2021	TBC November Workshop	15 December 2021
Confirmed agenda to be circulated			1.7.20		1.9.20			6.11.20		29.1.21		17.6.21	20.8.21		5.11.21
Deadline for papers to be submitted to OPFCC (KO)			17.7.20		25.9.20			4.11.20		25.2.21		15.7.21	23.9.21		2.12.21
Papers to be circulated			22.7.20		30.9.20			9.12.20		2.3.21		21.7.21	28.9.21		8.12.21

Date of JIAC	February FP20 Workshop Date TBC	11 March 2020	29 July 2020	15 September 2020 Fire Accounts Workshop	7 October 2020	15 October 2021 Police Accounts Workshop	November 2020 Workshop TBC	16 December 2020	24 February Workshop Fire ICT	10 March 2021	Date TBC June 2021 Accounts Workshops	29 July 2021	6 October 2021	TBC November Workshop	15 December 2021
Standing Items		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	Treasury Management outturn 2019/20 & 2020/21 Update NCFRA PFCC		
Statutory and Inspection	FP25, Demand and Force Management Statement Workshop				Budget & MTFP process and plan update & Timetable PFCC & CC NCFRA			Update on: Fraud & Corruption Controls and Processes PFCC & CC NCFRA		Update on: Business Continuity and Disaster Recovery PFCC CC NCFRA		Update on: Fraud & Corruption Controls and Processes PFCC & CC NCFRA	Budget & MTFP process and plan update & Timetable PFCC & CC NCFRA		
		Treasury Mgmt Strategy 2019/20 PFCC & CC NCFRA		Statement of Accounts Review: NCFRA	Treasury Management outturn 2019/20 & 2020/21 Update NCFRA PFCC	Statement of Accounts Review: PFCC & CC				Treasury Mgmt Strategy 2020/21 PFCC & CC NCFRA	Statement of Accounts Review: NCFRA PFCC & CC	Statement of Accounts: NCFRA	Statement of Accounts: PFCC & CC		
					Annual Attendance of the PFCC and Chief Officers				JIAC Self-Assessment and Review of Other Audit Committees (TBC)				Annual Attendance of the PFCC and Chief Officers		JIAC Self-Assessment (TBC)
					HMIC reviews – update CC NCFRA						HMIC reviews – update CC NCFRA			HMIC reviews – update CC NCFRA	

KEY: Proposed Changes (red type), JIAC Annual Report Priorities (purple type), Restricted Items in italics

Date of JIAC	February FP20 Workshop Date TBC	11 March 2020	29 July 2020	15 September 2020 Fire Accounts Workshop	7 October 2020	15 October 2021 Police Accounts Workshop	November 2020 Workshop TBC	16 December 2020	24 February Workshop Fire ICT	10 March 2021	Date TBC June 2021 Accounts Workshops	29 July 2021	6 October 2021	TBC November Workshop	15 December 2021
Scrutiny		<i>Update on: MFSS &amp; LGSS (In restricted)</i>	<i>Update on: MFSS &amp; LGSS</i>		<i>Update on: MFSS, LGSS, New System Arrangements</i>					<i>Update on: MFSS, LGSS, New System Arrangements</i>			<i>Update on: MFSS, LGSS, New System Arrangements</i>		Enabling Services Plan Update
		Update on: Performance Frameworks NCFRA CC						Complaints New System Arrangements		Update from professional Standards Department					
								Update on Ethics	Update on NCFRA ICT Arrangements and Processes						
										PFCC Risk Register			Update on New Procurement Arrangements		Update on: Business Continuity and Disaster Recovery PFCC CC NCFRA
Risk Management										Risk Policy and Processes – Annual Review - NCFRA - PFCC - CC					
		<i>Force strategic risk register</i>	<i>Force strategic risk register</i>		<i>NCFRA Risk Register</i>					<i>Force strategic risk register</i>			<i>NCFRA Risk Register</i>		<i>PFCC Risk Register</i>

Date of JIAC	February FP20 Workshop Date TBC	11 March 2020	29 July 2020	15 September 2020 Fire Accounts Workshop	7 October 2020	15 October 2021 Police Accounts Workshop	November 2020 Workshop TBC	16 December 2020	24 February Workshop Fire ICT	10 March 2021	Date TBC June 2021 Accounts Workshops	29 July 2021	6 October 2021	TBC November Workshop	15 December 2021
Internal Audit and Updates to Internal Audit Recommendations		Internal Audit Plan 20/21 PFCC & CC NCFRA								Internal Audit Plan 21/22 PFCC & CC (to follow) NCFRA					
			Internal Audit Annual Report 19/20 PFCC & CC NCFRA									Internal Audit Annual Report 20/21 PFCC & CC NCFRA			
		Progress report PCC & CC NCFRA	2019/20 Progress/ Plan 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		Progress report PCC & CC NCFRA
		Implementation of recommendations PFCC & CC NCFRA	Implementation of recommendations PFCC & CC NCFRA		Implementation of recommendations PFCC & CC NCFRA			Update on Implementation of recommendations PFCC & CC NCFRA		Implementation of recommendations PFCC & CC NCFRA		Implementation of recommendations PFCC & CC NCFRA	Implementation of recommendations PFCC & CC NCFRA		Implementation of recommendations PFCC & CC NCFRA
External Audit		External Audit ISA260 2018/19			External Audit 2019/20 Plan and Update - NCFRA							External Audit Plan & Proposed Fee Scales 20/21: PFCC & CC NCFRA			
		External Audit Plan & Proposed Fee Scales 19/20: PFCC & CC NCFRA			External Audit Update - NCFRA					External Audit Update PFCC & CC (and AAL) NCFRA					External Audit Update PFCC & CC NCFRA
								External Audit Update PFCC & CC NCFRA					External Audit ISA260 2020/21 PFCC & CC NCFRA		
								External Audit Plan 2019/20 PFCC & CC							External Audit Annual Audit Letter PFCC & CC NCFRA

KEY: Proposed Changes (red type), JIAC Annual Report Priorities (purple type), Restricted Items in italics

Date of JIAC	February FP20 Workshop Date TBC	11 March 2020	29 July 2020	15 September 2020 Fire Accounts Workshop	7 October 2020	15 October 2021 Police Accounts Workshop	November 2020 Workshop TBC	16 December 2020	24 February Workshop Fire ICT	10 March 2021	Date TBC June 2021 Accounts Workshops	29 July 2021	6 October 2021	TBC November Workshop	15 December 2021
Standing Information		Agenda plan	Agenda plan		Agenda plan			Agenda plan		Agenda plan		Agenda plan	Agenda plan		Agenda plan
			Members Training/ Updates		Members Training/ Updates			Members Training/ Updates				Members Training/ Updates	Members Training/ Updates		Members Training/ Updates
		AOB	AOB		AOB			AOB		AOB		AOB	AOB		AOB
		Next meeting	Next meeting		Next meeting and 2021 dates			Next meeting		Next meeting		Next meeting	Next meeting and 2022 dates		Next meeting