Date: 7 December 2017

Dear Member

JOINT INDEPENDENT AUDIT COMMITTEE

You are requested to attend a meeting of the Joint Independent Audit Committee on Wednesday 13 December 2017 in the Conference Hall, Police Headquarters South, Kidlington at 10.00am.

Yours sincerely

Paul Hammond
Chief Executive

To: Members of the Joint Independent Audit Committee

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Date of next meeting 16 March 2018 at 12.00pm in the Conference Hall, Police Headquarters South
MINUTES OF THE JOINT INDEPENDENT AUDIT COMMITTEE MEETING HELD AT POLICE HEADQUARTERS, KIDLINGTON ON 12 SEPTEMBER 2017 COMMENCING AT 11.00AM AND CONCLUDED AT 12.35PM

Members Present:
Dr L Lee (Chairman)(LL), M A Day (MD), Mrs A J Phillips OBE (AP), Dr G A Woods (GW)

Present:
F Habgood (Chief Constable)
J Campbell (Deputy Chief Constable)
A Cooper (Director of Information)
P Hammond (Chief Executive, OPCC)
I Thompson (Chief Finance Officer, OPCC)
N Shovell (Chief Internal Auditor, OPCC)
A Shearn (Principal Auditor, OPCC)
A Balmer (Manager, Ernst & Young)
M Horne (Corporate Governance Officer, TVP)
C Roberts (Executive Assistant, OPCC)

Apologies:
A Stansfeld (Police & Crime Commissioner)
M Barber (Deputy Police & Crime Commissioner)
L Waters (Director of Finance)
R Jones (JIAC Member)

21 MINUTES OF THE LAST MEETING HELD ON 21 JUNE 2017

The minutes of the meeting held on 21 June 2017, were approved and signed by the Chairman.

Minute 3 Annual Report of the SIRO

The Annual Report of the SIRO on page 4, third paragraph, AP noted the paragraph needed to be slightly amended to read as follows“.... (AC) went through the structure and operational processes that were now in place to manage risks to the Forces’ information, noting that LL was pleased with how this had progressed...."

ACTION: CR to amend the above paragraph before uploading it to the PCC’s website.

Minute 4 TVP Risk Management Report 2017/18

It was noted by LL that AC would update the panel members as to the particular areas of cyber security risk and to brief on any exercise and experiences available nationally. AC looked into scenario testing ICT teams’ responses to such threats and subsequently provided a paper.
Having gone through audits and generically looking at particulars areas of risk, AC confirmed there was no risk shown in the Risk Register. AC will be discussing this at the next CCMT meeting and progress was still ongoing.

**ACTION:** AC to provide an update paper to the members re cyber security risk having looked into scenario testing ICT teams.

**Minute 5 TVP Business Continuity Report 2017/18**

LL noting the action in minute 5 on page 6 whether enough money had been paid to get the service level that was required and an updated report would be provided to the panel at future meetings. LL suggested having this discussion outside of today’s meeting to look at details of customer suppliers. AC confirmed that RF was in agreement.

JC noting that RF had given an explanation of the structure of key players in the department which enabled assurance to both the Force and JIAC members.

**ACTION:** AC to arrange a meeting to discuss with LL details of customer suppliers service level agreements seeking assurance they meet users’ requirements.

**Minute 7 TVP Health, Safety and Environment Annual Report 2016/17**

Members expressed their wish at a previous meeting to see activities relating to the continual improvement commitment in the Force Health, Wellbeing and Safety Policy Statement.

Philip Paling provided the members with a separate report of the relative performance data and statistics by way of email, post the JIAC meeting, to all attendees thereby completing the action required.

**ACTION:** Performance and data statistics have been provided post JIAC meeting and forwarded to all attendees by CR.

**Minute 9 Annual Report from the Chief Internal Auditor**

NS sent an email at the end of June providing clarification to the JIAC as to who reports to who. LL confirmed that he had read this email. NS confirmed he would be discussing the clarification with the external CIPFA assessor on 18th and 19th October and will bring a new audit charter back to the next JIAC meeting.

**ACTION:** NS to report back to the JIAC members at the next meeting having had a discussion with the external CIPFA assessor in October.
22 MINUTES OF THE SPECIAL MEETING HELD ON 27 JULY 2017

The minutes of the ‘Special Meeting’ held on 27 July 2017, were reported as accurate and approved and signed by the Chairman.

Minute 20 Audit Results Report

Noting however in the second action on page 19 there was a slight error. The action needed amending to read as follows “...JB/team to persevere with the WGA submission in order that Ernst & Young could complete the review and issue the certificate.”

ACTION: CR to amend the action on page 19 before uploading to the PCC’s website.

23 TVP RISK MANAGEMENT REPORT

The Risk Management Report provides an overview of Risk Management policy and processes adopted by Thames Valley Police covering issues as a strategic risk management framework, training, analysis of the Strategic Risk Register and potential risks to be considered.

AC confirmed the proposal to replace LiveLink with SharePoint for both TVP and HC which was agreed by the Collaboration Board back in June this year. A bid for funding in the year 2018/19 was currently being considered in the capital bids process.

LL requested clarification as to key point SR56. JIAC confirmed they were not members of SharePoint and JIAC would in future require sight of the full data as they could not access SharePoint.

LL wanted clarification of the level of funding forecast for 2016/17 to 2019/20 shown in key point SR69 (previous SR54) and whether this was having an impact or not on the Force. LL asked FH whether savings were being made or not. FH confirmed there were two different sets of savings. Firstly, in January 2017 the Force reduced the number of Police Officers and PCSO’s by 70, thus the savings being delivered.

Secondly, in January 2018 the Force are due to lose a further 70 Police Officers across LPA’s. FH was concerned over the increase and demand on the Police over the last few months, having already lost 70 officers but the Force were where they should be and one of the benefits they have, is the flexibility of when these posts would be removed and managing the impact it would have on the Force.

There had been a change since the last report for key point SR73 (Implementation of IR35 HMIC Intermediaries Legislation). This had been removed from the SRR as all actions had now been implemented, collated and recorded by the Strategic Governance team.

The Strategic Governance Unit are now developing a framework for extracting key risks from the Change Delivery and the Digital Transformation programmes. The
Strategic Governance Unit has agreed to an Internal Audit of Force Risk Management which will span from November 2017 through to May 2018, which will enhance the development work currently being undertaken post go-live of the Unit.

In answer to a question about why bid for funds was being at such a late stage, AC clarified part of the continuing bidding process is the process of where priorities lie. The first point is that there is now a level of service provision not reflected in the early bids for SharePoint. The Force is refreshing bids as to where priorities go and where technology takes place and a level of service is what is required in LiveLink.

JC ran through how the Force manage “operational risks”, which work on local authority data. The Strategic Governance Unit will be introducing a process whereby all risk registers are analysed to identify and understand strategic themes and areas of commonality for review at Chief Officer Level. New staff are now in place which would bring forward any areas for review. The Risk Report would therefore be broader for JIAC members, but information on how individual risks were merged together would be available if needed.

JC ran through the Alarm Risk Management Awards which were awarded to Corporate Communications for the Community Award for the tragic incident that occurred on the recent A34 incident, the Highly Commended Strategic Award for JIMU and Finalist for the Operational Award for Service Improvements. LL congratulated the winners which significantly impacted on the public and wanted his thanks recorded for all the hard work undertaken.

MD said that it was good to see a demonstration of how IT changes are benefiting the Force and to see that technology making an impact. JC confirmed that once the Contact Management System was in place (the Force were looking to deliver this in the early part of next year, the implementation taking place in April 2018) he would invite JIAC members to see it operating in practice.

RESOLVED: That the report be NOTED.

24 TVP BUSINESS CONTINUITY REPORT

The report provided an annual overview of Business Continuity Management policy and processes adopted by Thames Valley Police together with the most recent quarterly progress report covering such issues as training, learning from business continuity incidents and training exercises. To consider and comment upon business continuity management processes, receive and consider assurances that business continuity is being managed effectively, published goals and objectives will be achieved efficiently and economically, making recommendations as necessary.

JC outlined that Governance and ICT are currently working towards a refreshed ICT reporting process and document that is better aligned to the assurance needs of CCMT and JIAC.
All incidents are subject to a Management Review to identify root causes and prevent future occurrence where possible. JC noted that any issues in the control room is a concern to the Force.

The Business Continuity Report is being updated and JC confirmed that SEPSNSA phone numbers had also been updated.

JC reported that an update to the ICT Business Continuity Plans is currently being worked on in light of the recent NHS cyber-attack and also in relation to the UKAS Forensics Accreditation. The JIAC confirmed that the Business Continuity Report was very good and they now had a better understanding of what was going on and it was now more coherent. In relation to going forward, the newly refreshed Resilience & Business Continuity Practitioner Group are preparing rolling the Business Continuity Exercise Plan that will be signed off and tasked through the Strategic Business Continuity Coordination Group. In response to a Cabinet Office recommendation, consideration of an Electricity Outage Business Continuity table-top exercise will also be undertaken.

The Strategic Governance Unit has agreed to an Internal Audit of Business Continuity which will span from November 2017 to May 2018. This will enhance the work currently being developed and undertaken post go-live of the Unit.

SECTU/SEROCU & FISO BC Plans are due for update and development of Forensic accreditation via UKAS and links into forensic assurance.

JC confirmed, on behalf of RF, that he would stay in touch with JIAC to discharge duties, working towards refreshing the ICT reporting process, dealing with strategic risk rather than tactical daily service issues, which would be better aligned to the assurance needs of CCMT and JIAC.

AC confirmed that the key part on the Business Continuity Report is that the Force have made a good impact on this and respond immediately on system outages. Where there is an outage, a decision is made to see if there is a risk where they can invoke a Business Continuity Plan. The right people are now attending the required meetings which is good scrutiny. A lot of improvements have now been carried out with the need for the Report to be kept updated. The important part to remember is when systems are down, the Force knows how long the systems will be down for and are constantly using systems differently.

DMS outage requires a different level of understanding and ICT are now in a much better place to deal with this. The Force have an enhanced service when moving to critical levels for terror attacks with ICT making sure that counter terrorism is prioritised at all times therefore enabling better protection to the public. JC confirmed that ICT are now more integrated into the business.

**RESOLVED:** That the report be NOTED.
25 JOINT ICT RESPONSE – WANNACRY MALWARE

The JIAC requested a report from the Force with respect to the ICT impact and response to the recent Wannacry Malware incident. This report was prepared for both audit committees (Hampshire and TVP) and combined what went on nationally when incidents happened and how the Forces responded accordingly. The Home Secretary and Ian Dyson, (City of London NPCC lead for IT and IM) (IMORCC) became involved and AC hoped that this paper gave reassurance. AC confirmed the two Forces are up-to-date and protected. Microsoft supplied a new patch and the Force have applied this. There was no options other than to apply this and AC confirmed staff were taken off various exercises in order to carry out this request. The paper gave a narrative on what went on and what was implemented. LL said the paper was very detailed and gave the reader confidence that things had been handled properly. In terms of the actual malware itself, there was no impact on the two Forces. There were no reported or detected instances by our antivirus software of any occurrence of the Wannacry Malware in either Force.

By the very fact that there were no occurrences of the malware in either the HC or TVP environments during or post the event, shows that there is resilience and good processes in place to ensure such an issue cannot readily take place within the Forces infrastructure.

RESOLVED: That the report be NOTED.

26 OPCC RISK REGISTER

The OPCC Risk Register identifies risks that have the potential to have a material adverse effect on the ability of the PCC and/or the Office of the PCC to deliver our strategic objectives, as well as providing information on how we are mitigating those risks.

PH went through the three risks on the register:

Risk OPCC16 – ‘Unable to deliver new and/or enhanced PCC functions due to inadequate staff resources in the OPCC’

The PCC had announced that he would no longer be pursuing the transfer of the responsibility for governance of the three Fire and Rescue Services, thus reducing the risk of insufficient OPCC capacity to deliver the PCC’s Police and Crime Plan objectives. The Deputy PCC however will continue to engage with the Force and the Chief Fire & Rescue Officers and look for options for further inter-service collaboration.

In respect of the future changes to the police complaints system and the transfer of responsibility to the PCC for handling complaints appeals, the PCC and Head of PSD were now considering the option of leaving the function within PSD, which is where the dedicated staff capacity and expertise currently lies, but for PSD to refer recommended appeal decisions to the PCC to make the final decision.
LL wanted to be sure of the understanding of this process and PH again noted the following:

- PSD or LPA’s to investigate the initial complaint;
- If the Complainant is unhappy with the outcome the appeal will be submitted to the PCC;
- The review of the handling of the complaint will be referred to PSD;
- Two dedicated officers in PSD will continue to deal with appeals;
- The Head of PSD will review their recommended outcome before referring the recommendation to the PCC (OPCC) for a decision;
- The decision of the PCC concerning the appeal will then be notified to the Complainant.

The appointment of a new victims’ services PR & Comms officer post is currently in progress, and the recruitment of a new ‘BAMER’ post (to be funded by government grants) and a new pilot ‘Domestic Violence’ post (to be funded by local authorities) had also been approved. This will increase the capacity in the OPCC to plan and arrange delivery of relevant victims related support services. Furthermore, the OPCC are currently recruiting an additional Policy Officer intended to monitor and analyse performance, particularly with partners.

Risk OPCC17 - ‘The redesign of the Victims’ Service Hub and specialist support service contracts will not be ready for implementation before existing service contracts expire in April 2018’:

All project risks will be managed and owned by the Victims Redesign Project Board. Catherine Troupe (TVP) has been allocated by the Force to be the new Project Manager and will assist with the management of this project and improve links across the OPCC and the Force to help ensure the introduction of the new service from April 2018. Currently, the main risk facing the project related to the timely development of an alternative, ICT-enabled, victims referral mechanism from the Force to the new Victims Hub in readiness for the current ‘Automatic Data Transfer’ (ADT) mechanism being switched off on 1 April 2018.

One area discussed at the last JIAC meeting was the location of the Victims’ Service Hub, which has now been confirmed as being the Berkshire Fire & Rescue Service Headquarters in Reading.

Risk OPCC18 – ‘The level of funding forecast for the next three years is insufficient to deliver the planned outcomes in the PCC’s Police and Crime Plan 2017-2021’:

PH informed the Panel that the main changes since the last JIAC meeting are that a balanced budget for 2018/19 and updated Medium Term Financial Plan will be presented to the PCC for approval in January 2018, following initial consideration at his Level 1 meeting on 16 November 2017. FH reiterated that the level of funding available was insufficient. The police officer pay cap had been lifted but there was no new funding available in 2017/18 to cover any resultant increase in costs, which would cause additional pressures.
IT confirmed that a national police sector spending review submission had been submitted to the Home Office for 2018/19.

**RESOLVED:** That the report be NOTED.

### 27 TVP/OPCC AUDITOR APPOINTMENT

Following consultation with the Committee last September the PCC and Chief Constable agreed to opt in to the national scheme for auditor appointments led by Public Sector Audit Appointments Limited (PSAA) - an independent, not for Profit Company limited by guarantee and established by the Local Government Association. 484 local bodies, or 98% of those eligible to join, opted to join the national scheme. The outcome of the tender process was announced in June. The contract has been awarded in six separate ‘lots’ to different audit bodies. These new contracts will cover a five year period commencing with the audit of accounts for 2018/19. PSAA has an option to extend the contracts for a further two year period, to a total of seven years, should it choose to do so. PSAA must, under regulation 13 of the Local Audit (Appointing Persons) Regulations 2015, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment. PSAA will consult on scale fees in due course, however the results of the audit procurement indicated that a reduction in scale fee of around 18% should be possible in 2018/19 based on individual scale fees for 2016/17. Ernst and Young was successful in winning a contract (Lot 2) in the procurement and PSAA propose appointing this firm as the auditor of the PCC and the Chief Constable.

The Committee were asked to support the recommendation from PSAA that Ernst & Young be appointed as auditor of the PCC and Chief Constable for a 5 year period, with an option to extend for a further two years, commencing with the audit of the 2018/19 accounts.

**RESOLVED:** JIAC accepted the recommendation and were delighted that Ernst & Young would remain the appointed auditors.

### 28 ERNST & YOUNG ANNUAL AUDIT LETTER FOR YEAR ENDED 31 MARCH 2017

Ernst & Young are required to issue an annual audit letter to The Police and Crime Commissioner (PCC) and Chief Constable (CC) following completion of our audit procedures for the year ended 31 March 2017.

Ernst & Young confirmed they could not formally conclude the audit and issue an audit certificate until completion of the work necessary to issue their assurance statement in respect of the Authority’s Whole of Government Accounts consolidation pack and that they are satisfied that this work does not have a material effect on the financial statements or on their value for money conclusion. Until these procedures have been completed, Ernst & Young are unable to certify that they have completed the audit of
the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office. This work will be completed in advance of the 30th September 2017 deadline.

AB gave thanks to the OPCC and the Force for providing the documentation to Ernst & Young in the middle of May this year and confirming that the draft statements were being signed off before the end of September. There would be key changes coming into effect for the audit of the 2017/18 accounts but noted that both LW and IT's teams were already in a good place to meet these changes. If any issues or concerns arise next year during the audit process, these will be fed back to JIAC to keep them updated.

RESOLVED: That the report be NOTED.

29 ERNST & YOUNG POLICE SECTOR AUDIT COMMITTEE BRIEFING

The Sector Briefing is one of the ways in which Ernst & Young supports the organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on the organisation, Police sector and the audits that are undertaken by Ernst & Young. The Briefing brings together not only technical issues relevant to the Police sector but wider matters of potential interest to the organisation.

LL commented that it was not necessary to go through this briefing paper and noted the good or limited improvements required in relation to the FRC Audit Quality Review Inspection. LL confirmed that the Committee were well informed and AP noted that the Force were doing an exceedingly good job.

30 PROGRESS ON 2017/18 INTERNAL AUDIT PLAN DELIVERY AND SUMMARY OF MATTERS ARISING FROM COMPLETED AUDITS

The report provided details on the progress made in delivering the 2017/18 Joint Internal Audit Plan and on the findings arising from the audits that have been completed. The Committee was requested to note the progress and any changes in delivering the 2017/18 Joint Internal Audit Plan and audit service for the PCC and Thames Valley Police.

NS summarised the report paying particular attention to the fact that there had been no changes to, or impacts on, the Joint Internal Audit team’s resource plan for 2017/18. Changes to the Joint Internal Audit Plan 2017/18 were endorsed by JIAC in March this year. The CSE Framework and Governance Audit will now focus on Child Exploitation and not just CSE, the Force MASH improvements and Arrangements Audit day allocation had been reduced from 15 days to 5 days, as the Protecting Vulnerable People Department were currently reviewing the approach to the MASH’s and the Audit were likely to focus on the effectiveness of these actions to embed any changes.
The total day allocation for the ERP (TVP Governance, Sprint and Testing Process) Audit had increased from 18 days to 19 days.

NS continued summarising the detail to support the current performance levels. Two of the three first draft reports issued to date had been within the performance indicator target, the one that missed the target was 10 days over target due to lack of staff availability to meet and discuss the outcome of the audit.

As to the completed audit outcomes, two audits have been completed: Mental Health Framework and Governance - reasonable assurance, and Information Management – Data Security and Encryption - reasonable assurance.

The Cabinet Office’s 2016/17 NFI exercise is ongoing with the matches currently being reviewed and resolved. The Payroll Team have reviewed and closed all the recommended payroll matches, with no issues being identified.

The Joint Internal Audit Team have been notified of one potential fraud matter by PSD. The allegation related to potentially false overtime and rest day claims. This issue was investigated resulting in a local Action Plan being applied. The investigation did not identify any system or control weakness.

The Joint Internal Audit team’s PSIAS self-assessment and Quality Assurance and Improvement Programme (QAIP) Action Plan update was presented to and discussed at the June JIAC meeting. Progress in implementing actions in the QAIP Action Plan are still ongoing. Of the ten actions noted, seven have been completed. The remaining three actions all relate to facilitating and reporting on the outcome of the team’s external PSIAS assessment. This assessment is scheduled to take place on the 18th and 19th October 2017.

**RESOLVED:** That the report be NOTED.

### 31 PROGRESS ON DELIVERY OF AGREED ACTIONS IN INTERNAL AUDIT REPORTS

The report provided details of the progress made by managers in delivering the agreed actions in internal audit reports.

There is a significant increase in outstanding actions which were up from 6 at the last JIAC meeting to 30. It was noted that 14 of these actions have a revised completion date of September 2017.

LL noted his concerns and was surprised at this level of increase and asked why. LL wished to monitor this closely between meetings. LL suggested this could possibly be because staff were less thorough in activity creating more actions or that it could be the fact that as a result of pressure on staff to get these actions completed quickly. AP pointed out that the timing of today’s meeting didn’t help matters and if the JIAC meeting had been a few weeks later, a lot of these actions would have been
completed. LL did not want these results for one quarter to cloud judgment of all the good work that had been completed over the past three years.

RESOLVED: That the report be NOTED.

ACTION: LL to monitor the Joint Internal Audit Plan between meetings with NS/AS.

32 ANY OTHER BUSINESS

LL confirmed that he had had two highly confidential and private meeting with GK and NS in June this year noting in particular that audit progress on ICT outstanding actions was very good and he would be updated again at the end of September. LL suggested the Committee be given assurance that the action taken by ICT has been completed by Internal Audit sample checking these areas later in the year.

RESOLVED: That the report be NOTED.

The meeting concluded at 12.35pm

33 DATE OF NEXT MEETING

13th December 2017 at 10.00am in the Conference Hall, Police HQ South.
Report for Information

Title: Risk Management Update – 13 December 2017

Executive Summary:

In accordance with the Operating Principles of the Committee agreed at its first meeting held on 27 March 2013, the Committee has the following responsibilities in respect of risk management.

- Consider and comment upon the strategic risk management processes; and
- Receive and consider assurances that organisational risks are being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary.

The attached report provides an overview of Risk Management policy and processes adopted by Thames Valley Police covering such issues as a strategic risk management framework, training, analysis of the Strategic Risk Register and potential risks to be considered.

Recommendation:

The Committee is invited to review and note the report as appropriate.

Chairman of the Joint Independent Audit Committee

I hereby approve the recommendation above.

Signature       Date
1 Introduction and background

1.1 Effective risk management is a cornerstone of good governance. A sound understanding of risks and their management are essential if Thames Valley Police is to achieve its objectives, use resources effectively, and identify and exploit new business opportunities. Consequently, in common with all significant public and private sector bodies, the Force has an established framework for ensuring that areas of risk are identified and managed appropriately across its activities.

1.2 This framework is derived from the application of national standards and guidance. The most recent publication to assist with Risk Management best practice is ISO31000: 2009 Principles and Guidelines which seeks to guide users regarding the principles, framework, processes and risk management activities with the aim of assisting the organisation to achieve its objectives.

1.3 A strategic framework based on ISO31000 was endorsed by the Force Risk Management Group (FRMG) on 24 July 2012 and revisions are monitored on an annual basis at FRMG. Revised versions of the Strategic Framework with its associated documents were presented for endorsement at the FRMG meeting on 27th February 17. This now takes account of the new structure. This provides guidance in the form of a:

- Risk Management Strategy
- Risk Management Policy
- Risk Management Communications Strategy which now accounts for Business Continuity
- National Decision Model and reference to the Authorised Professional Practice (APP) Risk Principles

1.4 ISO has announced that the process of updating ISO31000 risk management standard has started. ISO standards are revised every five years as well as its accompanying Guide 73 on risk management terminology. Any significant changes made as a result of this process will be taken into account by the Corporate Governance Officers.

1.5 The Deputy Chief Constable’s portfolio covers a range of governance functions in the quarterly meetings of the FRMG where issues of strategic risk are considered. These issues, which may be prompted by entries in local departmental/operational command unit registers, are then scored and managed in accordance with the processes set out in the above framework.

1.6 This report should adequately cover the key areas of interest to the Audit Committee. Members may also wish to consider any other areas where they might also wish to receive feedback in subsequent annual reports.
2 Issues for consideration

2.1 The Summarised Strategic Risk Register (SRR) for August 2017 – October 2017 is at Appendix A.

The key Strategic risks are:

SR56 Livelink, Risk Owner ACO Amanda Cooper
Proposal to replace LiveLink with a SharePoint for both TVP and HC was agreed by the Collaboration Programme Board in June. A bid for funding in the year 2018/19 is currently being considered in the capital bids process. Awaiting the appointment of a project manager in light of withdrawal of new appointment who was due to start in September.

SR65 Gazetteers out of date, Risk Owner ACC Hardcastle
CHARM and OASIS are being replaced with an ESRI Locator Hub (CMP) but risk remains between that ESRI gazetteer and the out-of-date Compass gazetteer and as a result, the potential to move to one single gazetteer across both forces

SR69 Reduced funding, Risk Owner DoF Linda Waters
The level of funding received in 2018/19 - 2019/20 may not be sufficient to maintain the current level of service. TVP may not be able to address the increasing level & complexity of new & emerging crimes Updated 19/9/17

SR 74 Force resilience (Workforce Resilience Gold Group)
At present the Force is a significant number of officers below establishment, whilst demand on the Force has risen significantly. The primary drivers appear to be natural loss (retirement and resignation), transfer to other forces and an inability to meet our recruitment targets. This presents a significant risk of inadequate staffing numbers across both specialist and general roles, which impacts on our abilities to meet targets in the short-term and our longer term force resilience

Changes since last report:

SR69 - wording altered at the request of Finance Department
SR74 – added to Strategic Risk Register

2.2 The following risks were considered and de-escalated to local risk register at the FRMG dated 9/10/17

- Intel chipsets – ICT
  Intel chipsets are changing and will only in some circumstances support Windows 8.1. The vendor will be supplying new hardware with old chipsets for a limited period of time.

- The National Firearms Licensing Management System (NFLMS) - FISO
  NFLMS is at the end of its useful life and as a result is unstable and slow. This appears to be due to networking demands.
2.3 Work planned for the coming months:

- The Strategic Governance Unit will be formalising a framework for extracting key risks from the Change Delivery and the Digital Transformation programmes
- The Strategic Governance Unit’s Internal Audit of Force Risk Management spans November 2017 – May 2018: it will enhance the development work currently being undertaken post go-live of the Unit
- Corporate Governance Officer risk training to enhance subject-matter expertise
- Review of existing risk matrix to facilitate ease of use
- The Corporate Governance Officers are visiting stakeholders as part of a schedule of work to engage stakeholders, champion risk and business continuity, and support senior management teams with a view to achieving force-wide consistency.

For note:

3. Financial comments

3.1 The Strategic Force Risk Register identifies a specific risk around funding.

4 Legal comments

4.1 There are no legal implications arising from this report

5 Equality comments

5.1 There are no equality implications arising from this report.

6 Background papers

Public access to information
Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? No

Is there a Part 2 form? No
Name & Role | Officer
--- | ---
Strategic Governance Unit
Corporate Governance Manager
Governance Officers (Risk Management & Business Continuity) | Patricia Wooding
Sarah Holland
Mark Horne

Legal Advice
N/A

Financial Advice
Director of Finance | Linda Waters

Equalities and Diversity
N/A

OFFICER’S APPROVAL

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Joint Independent Audit Committee.

Chief Executive | Date

Chief Finance Officer | Date
<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Proposed Mitigating Actions</th>
<th>Updates</th>
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<tr>
<td>Due to the original supplier support ending and no internal skilled resource being available for the Live Link Electronic Documents Records Management System, an inability to respond effectively to a system failure may result in key documents (DMM, Brf &amp; Intel) being unavailable.</td>
<td>6. Architecture Design</td>
<td>The Project Brief papers include an option for Office365 Microsoft Hosted version of SharePoint, or an in-house build version of SharePoint. The final solution will be chosen on the next project stage, Define &amp; Design, after the Collaboration Board Approval. The Project Brief papers were reviewed and accepted by TVP Force Change Board when presented. Discussions have been had with HC about their commitment to the project as the SharePoint solution being proposed to replace Livelink for TVP should ideally be the solution for HC to replace their Alfresco document and files system. The project should then be reviewed and approved by the Collaboration Programme Board. Proposal to replace LiveLink with a SharePoint for both TVP and HC was presented to the Collaboration programme Board in April. Board members asked for clearer definition of the benefits and features of the proposed solution. A bid for funding in the year 2018/19 is currently being considered in the capital bids process. Awaiting the appointment of a project manager in light of withdrawal of new appointment who was due to start in September. No change to scoring at this time. To be reviewed at the end of Sept.</td>
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<td>11. Implementation:</td>
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<tr>
<td>1. Document Repository (time dependant on funding approval)</td>
<td>2. Reference Database (time dependant on Knowledge Management Project)</td>
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The out of date Gazetteers (Compass, Corporate and SIG) and Mapping used by the organisation could lead to officers/staff being ineffectively deployed resulting in delayed responses, inefficiencies in crime recording, incorrect management information being produced to inform operational decision making and incorrect data being published externally, all damaging to TVP reputation.

2. Gazetteer strategy agreed which would see updated version of Compass with Address Base data implemented in Niche by 01/04/2014 with address matching used across Compass (Niche), Corporate (CHARM) and SIG (C&C) essentially integrating the gazetteer so that the three key systems would share address data removing the need for multiple address verification and mitigating the risk of deployment.

5. Detailed processes to be agreed between ICT, CRED and Niche for management of address data

7. Produce long term strategy for Gazetteer.

CMP will NOT deliver a cross-system Gazetteer solution. It will deliver a new Gazetteer in the form of an ESRI Locator Hub but there is currently no means to connect this to Niche. Provision of a means for Niche to connect is falling within the scope of the 5.04 Niche update and will not be delivered before mid-2018. Once the Niche ESRI capability is delivered it will still need activity to point Niche at ESRI rather than Compass. At this point you will have a single Gazetteer for the main Force systems.

Until strategy is completed, the CMP program is looking to deliver an interim solution whereby it will provision a look-up table to enable cross-referencing of addresses within the respective systems. This should address the majority of address mis-matches and Gazetteer limitations but may not be full proof.

CHARM and OASIS are being replaced with an ESRI Locator Hub but a risk remains between that ESRI gazetteer and the out-of-date Compass gazetteer and as a result. In addition, the potential to move to one single gazetteer across both forces.

No change to scoring at this stage. To be reviewed post go-live.

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**Risk Description**

The level of funding received in 2018/19 - 2019/20 may not be sufficient to maintain the current level of service. TVP may not be able to address the increasing level & complexity of new & emerging crimes.

**Proposed Mitigating Actions**

1. PBB review of the whole force will ensure resources are directed to those areas of the highest priority whilst redesigning the methods of service delivery to focus on efficiency and effectiveness.

2. The medium term financial plan is updated on a regular basis.


4. Attempt to influence the outcome of the new funding formula.

**Updates**

Work is continuing under PBB through four work groups which are Demand / Investigations / Governance / Business Support & sixteen workstreams. The results are included in the Productivity Strategy. PBB work is continuing through the new Governance & Strategy department.

The MFTP & MTCP has been approved by PCC 24/01/17. Work is now progressing on the 2018/19 - 2020/21 medium term financial plan.

The Productivity Strategy has been approved by the PCC 14/01/2017. Work is now progressing on the 2018/19 - 2020/21 productivity strategy.

The policing minister Brandon Lewis has stated that the initial consultation will be available February 2017 for potential implementation 2018/19. Initial consultation now not expected until March 2017. The impact of the general election and other funding issues means that the funding formula will not be discussed by the Home Office until after the 2018/19 settlement.

**Initial (including current controls)**

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**Target / Residual Score**

**Risk Score in Progress**

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<td>At present the Force is a significant number of officers below establishment, whilst demand on the Force has risen significantly. The primary drivers appear to be natural loss (retirement and resignation), transfer to other forces and an inability to meet our recruitment targets. This presents a significant risk of having inadequate staffing numbers across both specialist and general roles, which impacts on our abilities to meet targets in the short-term and our longer term force resilience. Possible causes Recruitment strategy has not kept pace with numbers of staff leaving: At the start of this financial year the Force was approximately 50 (FTE) officers below our previous establishment, and the situation</td>
<td>Hold and analyse exit interviews to get feedback about why people are leaving. Take positive action to minimise future Officer losses Analyse and understand barriers to entry, and revise the recruitment strategy to reduce potential barriers / improve targeting of recruitment Undertake further studies into why we are not attracting potential recruits into training courses. This might include admission standards, perception of career packages etc</td>
<td>Compare our offer to other comparable forces (eg West Mercia, West Yorkshire, Kent, Essex &amp; Hampshire) to gain a better understanding of their position in terms of recruitment patterns nationally. Compare our offer to comparable forces in terms of why people choose other forces, and identify areas which we can control and improve Investigate alternative ways of filling gaps - secondments targeted use of</td>
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has continued to deteriorate:

Forecasting didn't anticipate a sustained increase in officer turnover; current recruitment practices may not be fit for purpose in the current context, e.g. there is no waiting list kept during periods of non-active recruitment, the concept of recruitment 'windows' may need to be reviewed; equality impact assessment for operating model didn't fully anticipate impact on female officers, particularly in hubs, of the new generic shift patterns and review of existing FW patterns; current exit interview processes are not adequate to pick up increased officer turnover at an early stage and enable analysis of reasons.

PCSOs & Specials etc, to deliver opportunities for those interested in a Police career, whilst building future expertise

Risk assess the use of retired officers to determine if it has any potential impact on the development of a "new" culture and the adoption of the New Operating Model.

Use evidence based predictive modelling to quantify future demand on the Force.

Create long and short-term retention strategies to stem the number of officers leaving, based on the findings of research outlined above; these will need to fully take into account EIA and be fair and equal across the board.

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Executive Summary:

In accordance with the Operating Principles of the Committee agreed at its first meeting held on 27 March 2013, the Committee has the following responsibilities in respect of business continuity:

- Consider and comment upon business continuity management processes, and
- Receive and consider assurances that business continuity is being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

The attached report provides an annual overview of Business Continuity Management policy and processes adopted by Thames Valley Police together with the most recent quarterly progress report covering such issues as training, learning from business continuity incidents and training exercises.

Recommendation:

The Committee is invited to review and note the report as appropriate.

Chairman of the Joint Independent Audit Committee

I hereby approve the recommendation above.
PART 1 – NON-CONFIDENTIAL

1 Introduction and background

1.1 Business continuity is about ensuring that, as an organisation, we are able to continue providing important public services in the event of some major disruption to our organisation. Clearly if the Force is unable to maintain its own services, it will not be in a position to best serve the public.

1.2 The Civil Contingencies Act 2004 provides the statutory framework which places a responsibility on the police service, as “Category 1 Responders”, to have in place effective Business Continuity Management (BCM) processes. Thames Valley Police (TVP) also follows the principles within BS25999 Business Continuity Code of Practice and has incorporated a number of key principles from “ISO22301 Societal Security – Preparedness and Continuity Management Systems” which was published in May 2012.

1.3 Guidance on organisational resilience was published in November 2014 (BS65000:2014) which defines organisational resilience as the ability to anticipate, prepare for, respond and adapt to events – both sudden shocks and gradual change.

1.4 A new standard is under development that will focus on the people aspect of Business Continuity. ISO22330 has been drafted and is in consultation.

1.5 Oversight of the management of Business Continuity (BC) is provided by the Strategic Business Continuity Co-ordinating Group, which is held bi-annually, and chaired by the Deputy Chief Constable. This Group includes senior members from Property Services, ICT, Corporate Communications, HQ Operations, the Corporate Governance Officers and Corporate Governance Manager.

1.6 Business Continuity Plans are maintained, tested and refreshed in respect of front line services and support functions. These are refreshed in order to reflect changes in personnel, dispositions, and core business processes. This proactive approach is supplemented by organisational learning from exercises and actual incidents.

1.7 This report is intended to cover the key areas of interest to the Audit Committee. Members may also wish to consider any other areas where they might also wish to receive feedback in subsequent reports.
2. Issues for Consideration

2.1 The summary of ICT incidents is from September 2017 to October 2017. It should be noted that, Governance and ICT are continuing to work towards a refreshed ICT reporting process and document, which is better aligned to the assurance needs of CCMT and JIAC.

The ICT service performance report on all system and infrastructure incidents has been reviewed to identify any which had the potential to impact business continuity, based on outage time and operational response. There were a total of 21 incidents, three of which were priority one incidents and 19 were priority 2 incidents. Nine incidents impacted on the Contact Management Unit. The root cause of these incidents was either outside of our control or systems needed to be restarted. There have not been any reports of activated business continuity plans.

The Priority 1 incidents are:

On 04 September 2017 at 11.23 the Duties Management System (DMS) was reported to be unavailable. The total outage time was recorded as 26 hours and had a high impact rating by ICT. The root cause was found to be a back-up over running which once, stopped the service was restored. This impacted on Resource Management by restricting their ability to detect breaches within the LPA’s and having no means seeing resilience issues they needed to backfill. They reverted to manual processes for this period.

On 08 September 2017 at 00:45 the Internet and Police National Computer (PNC) was reported to be unavailable. The total outage time was one hour and 37 minutes and had a high impact rating due to the PNC being a critical system. The root cause was found to be due to failed change made by Vodafone.

On 21 October 2017 at 18:31 there were network issues reported by Abingdon and Milton Keynes Control Rooms. The total outage time was recorded as nine hours and eight minutes. It was a high impact rating due to it disconnecting calls, including 9's calls. Milton Keynes passed control to Abingdon and Milton Keynes used a paper fall back for Command & Control. The root cause was found to be a primary BT router failed over to a secondary one.

2.2 Business Continuity – under review:

The current business continuity (BC) activities are:

- The business continuity plans are continuing to be reviewed to ensure they are up to date and compliant with the Government Security Classification (GCS) Scheme.

- Some gaps have been identified where units/departments have not had plans in place and are only covered by the premises/site plan. Activity is ongoing to work with business leads to get plans in place for all departments or at a unit level where more appropriate.
A schedule of BC Exercises has been drafted. It is currently fluid whilst we wait for the plans to be fully updated however should be finalised in the next month and will be presented to the Strategic Business Continuity Coordination Group (SBCCG).

The United Kingdom Accreditation Service (UKAS) inspection of the Forensics Investigation Unit (FIU) went well. There were only five findings and two recommendations. In relation to business continuity, one finding related to the Joint Information Communication and Technology (JICT) department’s provision of testing recovery from stored back-ups and one recommendation related to the FIU to have a lessons learnt review if the BCP was invoked. The latter has been taken on board by Strategic Governance as good practice and will be communicated to the wider force as such.

The Counter Terrorism Policing of South East (CTPSE) inspection meeting was held on 2 November 2017 and we are currently awaiting the outcome.

We are currently preparing for a UKAS visit to South East Regional Organised Crime Unit (SEROCU) eForensics and Cyber team which incorporates a test of their BCP which was held on 10 November 2017. The test provided some important learning for us, particularly around the scenario however the session was a positive one and identified some further information for the team to be added to the plan.

2.3 Business Continuity – going forward:

The business continuity activities planned for the next period are:

- Strategic Governance will be attending a meeting with the Hampshire Constabulary (HC) BC representatives to share knowledge of processes and documentation and in particular to discuss the collaborated unit plans.

- The new Governance and Service Improvement department BC exercise has been booked in for 11 January 2018. The plan is in its last stages of being drafted.

- The Strategic Governance Unit and ICT are continuing to work together to refresh the ICT reporting process for CCMT and JIAC.

- BC training courses are being explored to provide the Corporate Governance Officers with subject matter expertise.

- The Corporate Governance Officers will be engaging with, and learning from, other forces at a national business continuity, continuing professional development day.

- The Corporate Governance Officers are visiting internal stakeholders as part of a schedule of work to champion business continuity and risk
management offering support to senior management teams and aiming to achieve force-wide consistency.

3 Financial comments

3.1 There are no direct financial implications arising from this report.

4 Legal comments

4.1 There are no legal implications arising from this report.

5 Equality comments

5.1 There are no equality considerations arising from this report.

6 Background papers

**Public access to information**

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

**Is the publication of this form to be deferred?** No

**Is there a Part 2 form?** No

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<tr>
<td>Strategic Governance Unit</td>
<td>Vanessa Creech</td>
</tr>
<tr>
<td>Governance Officers (Risk Management &amp; Business Continuity)</td>
<td>Sarah Holland</td>
</tr>
<tr>
<td>Legal Advice</td>
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<td>Financial Advice</td>
<td>Linda Waters</td>
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<td>Director of Finance</td>
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<td>Equalities and Diversity</td>
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**OFFICER’S APPROVAL**

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Joint Independent Audit Committee.

Chief Executive Date
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Report for Decision: 13th December 2017

Title: OPCC Risk Register

Executive Summary:
The OPCC risk register identifies those risks that have the potential to have a material adverse effect on the performance of the PCC and/or the Office of the PCC and our ability to deliver our strategic objectives, as well information on how we are mitigating those risks.

There are currently three discrete risks on the register, as shown in Appendix 1.

The issue with the largest combined residual risk impact and risk likelihood score is that "With crime becoming ever more complex and challenging to investigate and demand on policing services increasing, the level of funding forecast for the next three years is insufficient to deliver the planned outcomes in the PCC's Police and Crime Plan 2017 to 2021" (Risk OPCC 18)

Recommendation:
That the Committee notes the three issues on the OPCC risk register, the actions being taken to mitigate each individual risk and endorses the proposed changes to the risk register.

Chairman of the Joint Independent Audit Committee
I hereby approve the recommendation above.

Signature
Date
PART 1 – NON-CONFIDENTIAL

1 Introduction and background

1.1 The Office of the PCC (OPCC) risk register highlights those issues that could potentially prevent or be an obstacle to the PCC’s ability to successfully deliver his priorities and objectives, as set out in his current Police and Crime Plan 2017-2021.

1.2 The risk register, attached at Appendix 1, has been produced in accordance with the Force Risk Management guide. All risks are scored on an ascending scale of 1-5 in terms of both ‘Impact’ (I) and ‘Likelihood’ (L). The assessed risk score is derived by multiplying the individual impact and likelihood scores. The maximum score is therefore 25 (highest risk). A copy of the risk impact and likelihood scoring criteria definitions and risk assessment matrix are attached at Appendix 2.

1.3 Two scores are provided for each risk issue. The first set of scores show the original ‘raw’ risk assessment, i.e. before any mitigating actions are identified and implemented. The second set of scores shows the adjusted ‘residual’ risk, i.e. after these mitigating actions have been implemented.

2 Issues for consideration

2.1 The Committee needs to be satisfied that adequate and effective systems are in place to ensure all significant PCC risks have been identified and reasonably scored; that appropriate mitigating actions have been identified and are being implemented over a reasonable timeframe, and that both the raw and residual assessed risk scores appear sensible and proportionate.

2.2 The issue with the largest combined residual risk impact and likelihood score of 13.4 is the risk that “With crime becoming ever more complex and challenging to investigate and demand on policing services increasing, the level of funding forecast for the next three years is insufficient to deliver the planned outcomes in the PCC's Police and Crime Plan 2017 to 2021” (i.e. risk OPCC 18)

2.3 The remaining two risks (OPCC16 and OPCC17) have been reviewed and updated accordingly.

3 Financial Implications

3.1 There are no specific financial implications arising directly from this report. Any costs incurred implementing some of the agreed mitigation actions can and will be contained within the existing PCC approved budget.

4 Legal Implications

4.1 There are none arising specifically from this report

5 Equality Implications

5.1 There are none arising specifically from this report
Background papers

TVP Risk Management User Guide and Instruction

Public access to information
Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferral of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? No

Is there a Part 2 form? No

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<td>Chief Executive</td>
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<tr>
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<tr>
<td><strong>Financial Advice</strong></td>
<td>PCC Chief Finance Officer</td>
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<tr>
<td>No specific issues arising from this report. Any additional costs incurred in implementing mitigating actions will be contained within existing PCC approved budget</td>
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<tr>
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<td>Chief Executive</td>
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PCC CHIEF OFFICERS’ APPROVAL

We have been consulted about the report and confirm that appropriate financial and legal advice has been taken into account.

We are satisfied that this is an appropriate report to be submitted to the Joint Independent Audit Committee.

Chief Executive Date 5 December 2017

Chief Finance Officer Date 4 December 2017
### APPENDIX 1

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<th>Risk Owner</th>
<th>Ian Thompson</th>
<th>Review Date</th>
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**Risk Description:**

- Unable to deliver new and/or enhanced PCC functions due to inadequate staff resources in the OPCC

**Consequences:**

- PCC and Dep PCC met with 3 lead F&R members (early August). Following review of options, and potential opportunities and constraints, joint decision taken that the PCC would not be actively pursuing any F&R service governance changes in the foreseeable future (e.g. until after next PCC elections in 2020 at earliest).

- The Dep PCC will join the joint FRS & TVP chief officer steering group and participate in the development of collaborative work being undertaken by the 4 services.

- Unable to implement new arrangements for dealing with police complaints

- Current presumption that current experienced PSD staff will continue to discharge function. Inescapable change in legislative responsibilities (from CC to PCC).

- Recruitment to Governance limb of OPCC will increase capacity to meet the legislative requirements.

- Unable to deliver key outcomes in Police & Crime Plan 2017 to 2020


- Being monitored through the Victims Redsign Project Board. See Risk OPCC 17

- Implementation of new Community Safety Fund (CSF) grant allocation arrangements and management of PCC’s 10% 'top-slice' allocation

- PCC’s priorities for use of Fund have been identified and services and are now being commissioned

- Monitoring of implementation, service delivery and impact on OPCC capacity and capability is being undertaken via the OPCC Strategic Delivery Plan

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**Proposed Action Plan**

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- Review of OPCC structure, functions and staff requirements (capacity and capability) to be undertaken in light of:
  - a) potential implications for PCCs roles and responsibilities of the proposals contained in the Policing and Crime Act 2017;
  - b) the manifesto commitments and priorities of the new PCC following the PCC elections in May 2016;
  - c) review of effectiveness of current OPCC functions and performance
  - d) potential transfer of new victims’ services commissioning responsibilities

- Potential developments to be considered:
  1. Police complaints – mandatory role of PCC as ‘appeal body’ for police complaints – potential implications for OPCC staffing and PSD function/staff
  2. Police complaints – additional discretionary responsibilities for PCCs in overseeing handling of police complaints by the Force – potential implications for OPCC staff and PSD function/staff
  3. Emergency Services collaboration and governance arrangements – consideration of potential transfer of responsibility for fire and rescue services to PCC – implications for OPCC staff
  4. Review of future roles and responsibilities of: Deputy PCC post;
   - Assistant PCCs / 'Leison Officers'
   - Review of effectiveness and efficiency of OPCC service commissioning arrangements (e.g. victims and witnesses services)
  5. Review of current OPCC ‘Policy Development Officers’ posts and roles
  6. Review of OPCC 2017/18 budget and accommodation implications

- Current position:
  1. (a) Review of Governance Team completed.
  2. (b) Policy Team review - appointment made in Nov 2016 to vacant Policy Development Officer (Partnerships & Commissioning) post - appointment to be taken up on 27 Feb 2018; new victims’ services ‘PR & Comm’ Support Officer post currently went out to advertise, position offered and accepted but appointee subsequently pulled out so post still vacant.
  3. (c) Fire & Rescue Services - Dep PCC has written to all TV FRM Authorities setting out proposed process for a joint review of options and collective development of proposals. No implications for OPCC at this time.
<table>
<thead>
<tr>
<th>URN</th>
<th>OPCC17</th>
<th>Date Raised</th>
<th>Raised By</th>
<th>Shona Morrison</th>
<th>Risk Owner</th>
<th>Shona Morrison</th>
<th>Review Date</th>
<th>Force Objectives</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Description</td>
<td>Consequences</td>
<td>Existing Controls</td>
<td></td>
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<tr>
<td>Redesign of the victim service contracts will not be ready for implementation before existing contracts expire in April 2018</td>
<td>Gap in service provision for victims of crime and/or reduced quality of services.</td>
<td>Plan ADT switch-off, or partial-switch-off, prior to contract end to test 'opt-in' pathways. Monitor referral volumes and identify 'Plan B' pathways into relevant services.</td>
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<td></td>
<td>Loss of existing staff or volunteer expertise.</td>
<td>Plan series of market engagement events to communicate and consult with existing providers on the proposed changes. Seek TUPE advice.</td>
<td></td>
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<tr>
<td></td>
<td>Reputational damage to the PCC and the OPCC.</td>
<td>Public communications strategy to ensure changes and benefits are communicated. Use Victims Portal to manage referrals/togoose during any interim period.</td>
<td></td>
<td></td>
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<td></td>
<td>Service costs cannot be met due to expensive interim grant funding and/or set-up costs.</td>
<td>Utilise contract extensions as required.</td>
<td></td>
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<tr>
<td>Before Mitigation</td>
<td>Impact</td>
<td>Likelihood</td>
<td>Risk Rating</td>
<td></td>
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<td>4.1</td>
<td>3.0</td>
<td>12.3</td>
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<td>Residual Score</td>
<td>Impact</td>
<td>Likelihood</td>
<td>Risk Rating</td>
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<tr>
<td>3.4</td>
<td>3.0</td>
<td>10.1</td>
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<td></td>
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<tr>
<td>Proposed Action Plan</td>
<td>Action Owner</td>
<td>Target Date</td>
<td>Current Status</td>
<td></td>
<td></td>
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</table>
| Set up re-design using project management methods and Project Board | SMEF | Complete | Project Officer identified. Project plan draft due mid-Sept. Project Board members identified and briefings held. First Project Board due and Sept/Oct.
<p>| Develop, promote and implement marketing engagement plan. | SM/CH | Complete | Dependency with Project plan key milestone. Database of prospective providers exists but needs updating. |
| Seek alternative ICT solutions to support ADT switch-off. | SMEF | 31/03/2017 | ICT outline requirements ready for sign-off (includes scoping in relation to contact management). NICALT package under construction and integration into other training under consideration. Victims Portal live and promoted via new Victims Code operational guidance and other Comms via CJ. |
| Seek advice on TUPE implications if services re-commissioned or brought in-house. | SMLJ | Complete | Legal advice sought and agreement in principle reached with Victim Support re TUPE. Status of V5 employees. |
| Tender for emotional support and advocacy service | SM | 31/01/2018 | Out to tender. Closing date is 1/17/17. |
| Develop 'community touchpoints' concept to promote services to public and increase knowledge and referral pathways. | SM/UK | 31/03/2017 | Meetings held with similar, overlapping projects (eg, Safe Places, Adopt a PO). Small steering group identified and setting up first meeting. Key objective of new Victims Communications Support office (when in place). |
| Consider different interim funding models, including spot-purchasing services as required, and where efficiency savings could be made in existing services. | SM/WW | 31/03/2018 | Incorporate finance into project plan. High level budget for 2018-19 developed. Further detail depending on outcomes of TF bids, negotiations with partners, contract extensions etc. Ongoing discussions regarding services for exploitation and wider complex needs. |
| Seek to improve services' contact methods, and self-help resources and tools to help reduce demand on services. | SM/CH | 3/03/2018 | Victims Portal development planned with recruitment of new Victims Communications Support post. |
| All project risks will be managed and owned by the Victims review Meeting (VRM) and the Victims Redesign Project Board | SMEF | Complete | |
| Project to be fully integrated into Force transformation and change programmes | SMEF | Complete | |</p>
<table>
<thead>
<tr>
<th>URN</th>
<th>OPCC18</th>
<th>Date Raised</th>
<th>Risk Description</th>
<th>Consequences</th>
<th>Existing Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1.12.16</td>
<td>With crime becoming ever more complex and challenging to investigate demand on policing services increasing the level of funding forecast for the next three years is insufficient to deliver the planned outcomes in the PCC's Police and Crime Plan 2017 to 2021.</td>
<td>1. Level of funding is insufficient to maintain the current level of service against increasing demands.</td>
<td>1. Medium Term Financial Plan (MTFP). 2. Regular in-year budget monitoring.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2. PCC unable to demonstrate that he has delivered his manifesto commitments and Police &amp; Crime Plan objectives and targets.</td>
<td>2. Close monitoring of Force Delivery Plan and OPCC Strategic delivery Plan.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3. Partnership working does not take place at the required level.</td>
<td>3. Close monitoring of partner's delivery of PCC objectives, particularly CSF grant spend by local authorities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Before Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>5.0</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Residual Score</th>
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<tbody>
<tr>
<td>Impact</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>4.0</td>
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<table>
<thead>
<tr>
<th>Proposed Action Plan</th>
<th>Action Owner</th>
<th>Target Date</th>
<th>Current status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The balanced budget and MTFP will be presented to the PCC in January 2018.</td>
<td>LW</td>
<td>Jan-18</td>
<td>The Financial Strategy, medium term financial plan (2017/18 to 2019/20), medium term capital plan and the separate report on reserves, balances and provisions were all presented to the PCC at his Level 1 meeting on 16th November. At this stage there are still significant shortfalls to addressed in both the MTFP and MTCP before further reports are presented to the PCC at his next Level 1 meeting on 23rd January 2018.</td>
</tr>
<tr>
<td>2. Future savings will be identified through the Productivity Strategy and Priority Based Budgeting process.</td>
<td>LW</td>
<td>Jan-18</td>
<td>Within the MTFP, some £13.785m of productivity plan savings have been identified. Further savings are required to balance the 2018/19 revenue budget and an update will be provided as part of the revenue budget report on 23rd January 2018.</td>
</tr>
<tr>
<td>3. Police &amp; Crime Plan outcomes will be closely monitored and remedial action taken as appropriate.</td>
<td>GE</td>
<td>Mar-18</td>
<td>Outcomes are being monitored and reported to the Level 1 meeting.</td>
</tr>
<tr>
<td>4. Introduce requirement for start of year spending plan from Local Authorities regarding CSF grants.</td>
<td>SM</td>
<td>Complete</td>
<td>Grant agreements sent to Local Authorities during June.</td>
</tr>
</tbody>
</table>
AGENDA ITEM 5

Police Sector Audit Committee Briefing
Contents at a glance

- Government and economic news: 2
- Accounting, auditing and governance: 5
- Regulation news: 6
- Other: 7
- Key questions for the Audit Committee: 8
- Find out more: 8
- Appendix 1: 10
This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Police sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY’s national Government and Public Sector (GPS) team, using our public sector knowledge, and EY’s wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Police sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.
EY Item Club forecast

The latest EY Item Club forecast highlights how this year’s general election result has increased political uncertainty and hindered the Article 50 EU exit negotiations, but that it could lead to a more business-friendly Brexit (with agreement on transition arrangements and to a comprehensive free trade agreement).

In terms of the economy itself, the surge in inflation has slowed consumption which, combined with investment and exports failing to offset this effect, meant GDP growth fell back to 0.2% quarter-on-quarter in the first three months of 2017. The outlook for the rest of the year remains poor, and the April forecast of 1.8% for GDP growth in 2017 has been revised down to 1.5%. Conversely, the growth forecast for next year of 1.2% has been revised up to 1.3%.

Consumer spending grew by just 0.4% quarter-on-quarter in Q1 of 2017, down from 0.7% in Q4 of 2016 and 0.8% in each of the previous quarters. This is a reflection that household savings are already very stretched, wage growth remains low, whilst inflation is picking up faster than expected. When wages fail to keep pace with price rises, inflation reduces the strength of consumption and pushes down demand. With the economy slowing it seems unlikely that falling unemployment could now trigger a significant increase in wage inflation. In terms of Consumer Prices Index (CPI) inflation, it is expected to move above 3% by July and reach 3.2 to 3.3% in the autumn, maintaining the pressure on households.

Returning to Brexit, a transition agreement with talks on a free trade agreement under way, should stimulate investment, especially in sectors like the motor industry where it has been held back by Brexit uncertainty. As a result the EY Item Club medium-term forecasts have been revised upwards. April’s GDP growth forecast of 1.5% for 2019 is raised to 1.8%, whilst expected growth rates of 1.8% for 2020 and 2021 have moved up to 2.0% and 2.2% respectively.

Police Remuneration Review Body

The Police Remuneration Review Body reported on the findings from its latest review into the current state of police pay and its recommendations for future police pay increases in 2017/18 in September 2017.
The recommendations made in the report are based on the review panel’s consideration of a number of key areas. These considerations range from wider Government constraints and the impact on public sector pay as well as the current state of the economy.

The report notes that previous pay increases, whilst limited to 1%, were in fact made in times of similarly low inflation. As of 2016/17 the inflation rates had risen considerably to 2.3% as at March 2017 and so there was a need to take a contextual review of the previous 1% pay increase threshold.

Building on that, the report also notes that there is a need for the Government to take a longer term view when determining future pay awards especially when the economy changes.

The report touches upon the changing demands on the work undertaken by police officers. Responding to visits undertaken by the review panel, as well as wider regulatory findings from Her Majesty’s Inspectorate of Constabulary (HMIC), the report states that there is evidence that the risk and complexity of policing has increased and so there is a need to reflect these in the pay awards offered.

Another area of consideration for the review panel was around the impact on police earnings over the life of the comprehensive spending review. The report notes that a number of officers are at the top of their bandings and therefore not liable to incremental increases within bandings. Overall police officer earnings have broadly been flat since 2011 it concludes. In 2016 medial earnings actually fell by 0.5%.

As a result of the above the review panel recommended the following as part of their wider recommendations:

- A consolidated increase of 2% to all pay points for federated and superintending ranks.
- The introduction of appropriate targeted arrangements from 2017/18 to allow local management the flexibility for them to make arrangements to make additional payments to police officers in hard to fill roles and superintending roles.

The Government announces additional Counter-terrorism policing funding

The Home Secretary has announced an additional package of counter-terrorism funding. An additional £24 million has been approved. The funding comes in the wake of a number of terrorist related incidents across the UK in 2017 with the most recent attack on the public coming at Parsons Green tube station in September 2017. The £24 million has been packaged as ‘new’ funding. This will be added to the 2017/18 counter-terrorism budget which had previously stood at £707 million. An example of where the new funding will be used is believed to be bolstering security measures in crowded places.

When broken down the £707 million already allocated is split as follows: £633 million core resource funding; £42 million capital funding and £32 million to assist forces provide armed policing as accessed via the Police Transformation Fund.

Home Secretary gives £20 million boost to tackle online grooming

The Home Secretary has announced an additional £20 million of funding to tackle online grooming and child sexual exploitation. The money will be awarded via the Police Transformation Fund and follows a successful pilot that was held in Norfolk. The pilot in Norfolk enabled officers to monitor and engage with offenders via chatrooms with 43 people being arrested and 19 charged. A number of those arrested and subsequently charged were repeat offenders. The intention is now that the project will be rolled out nationwide to further disrupt and remove from the public those intent in engaging in acts of online grooming and child sexual exploitation.

Police workforce statistics

The latest police workforce statistics have been published by the Home Office. These statistics are as at 31 March 2017.

The statistics detail the number of police officers, police staff, special constables, PCSO’s and designated officers across the
43 police forces in England and Wales. Within each of these grades there was a consistent message of a decrease in numbers when compared with the similar position a year earlier as at 31 March 2016. This was the case for all grades except designated officers. The steepest decrease was in the special constable grade which saw a decrease of 7% when compared with the previous year. The numbers are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Percentage Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police Officers</td>
<td>124,066</td>
<td>123,142</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Police Staff</td>
<td>61,668</td>
<td>61,063</td>
<td>(1.0)</td>
</tr>
<tr>
<td>PCSOs</td>
<td>11,043</td>
<td>10,213</td>
<td>(7.5)</td>
</tr>
<tr>
<td>Designated Officers</td>
<td>4,130</td>
<td>4,255</td>
<td>3.0</td>
</tr>
<tr>
<td>Special Constables</td>
<td>15,996</td>
<td>13,503</td>
<td>(15.6)</td>
</tr>
</tbody>
</table>

In summary, the figures represent the lowest number of police workforce since 2003 and the lowest number of police officers since 1996 when comparable records began.

**Police transformation fund bids**

The Home office has announced the latest results of successful bids as part of the Police Transformation Fund. This includes successful bids for both 2016/17 and 2017/18. Details of the successful forces and bids can be found through the following links.

Accounting, auditing and governance

EY Think Piece: 2017/18 Early Accounts Closure

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The new timetable for preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of audited accounts by 31 July. These reporting deadline changes will provide a challenge for both preparers and auditors of public sector financial statements.

The EY Think Piece on ‘Accelerating your financial close arrangements’ has identified several areas of consideration that may assist in the achievement of the challenging accelerated deadlines. These include:

► Revisit the current closure timetable. The robustness of project timetables and the management of bottlenecks in the closure process will be critical to achieve the new deadline.

► Format of your accounts. Are there superfluous notes in the financial statements that could be streamlined or removed on the basis of materiality? Discuss with auditors what would be considered material.

► Review year-end journal process. Do year end journals actually have to be done at year end? Could journals be made throughout the year, and then adjusted at year end for material changes.

► Manage Member’s Expectations. A 31 July audit deadline will mean rescheduling your Audit Committee (or equivalent body who perform the duties of ‘those charged with governance’) before the deadline.
HMICFRS Publishes 2017/18 Inspection Framework

HMICFRS has published its proposed Inspection Framework for 2017/18.

Her Majesty’s Chief Inspector of Constabulary, Sir Thomas Winsor, said:

“As in previous years, HMICFRS has a demanding programme of inspection work. This year, we will conduct thematic inspections of hate-crime, counter-terrorism, child protection and crime data integrity.”

“With a recent report from the National Audit Office (NAO) suggesting that fraud could cost the United Kingdom economy £144 billion and almost one in five crimes committed online, HMICFRS will begin work to plan a new inspection into fraud, including cyber-enabled fraud."

“We will continue to provide graded judgments as part of our annual all-force PEEL programme to enable the public to see how the performance of their local police force has changed over time.”

The Inspection Framework builds on previous experience and knowledge gained from individual force inspections. There are also a number of key areas of focus as referenced above. These are some of the most pertinent points.

1. Leadership:
In previous assessments leadership was a single inspection theme and graded accordingly. In the 2017/18 inspection programme leadership won’t necessarily have its own grading but is seen as an area that runs throughout the various inspections

2. Vulnerability:
A key area of focus in the 2017/18 inspection programme will be the theme of vulnerability. One particular area of focus will be child protection. The emphasis given to the theme of vulnerability in effect reflects the national prominence of this area.
Other

National Law Enforcement Data Programme

The Home Office has undertaken a large scale programme to replace the Police National Computer and consolidate law enforcement systems and data stores. This programme touches every police force and law enforcement programme in the UK and is one of the most complex transformation programmes currently ongoing in UK Government.

This is a large (280 person) Agile programme being delivered using the Scaled Agile Framework (SAFe).

EY have been chosen as the transformation partner for the programme covering all aspects of programme delivery (except tech build). The first work packages will be in Service Transition and Agile Portfolio Management but are likely to extend to other areas to cover the programme operating model. It is anticipated that the project will last for two years.

See Appendix for further information on this.

EY Supporting Police and Crime Commissioners and Chief Fire Officers become the best blue light services

At EY we are focussed on supporting the financial management and governance aspects of the collaboration process. The collaboration proposals are transformational and will change the way you demonstrate value for money, efficiency and effectiveness for the foreseeable future. The flyer within Appendix 1 of this briefing sets out how having a partner provide assurance of your changes provides that piece of mind to focus on the front line, as well as the bottom line.

We recently held an earlier adopters workshop and found that the significant issues to be faced include:

► Bringing together of two cultures and professions.
► Complexity of aligning systems, contracts, strategic, financial plans and risk management.
► Addressing the needs and any concerns of public sector and business partners who have a considerable stake in your future plans and outcomes.

However, this and the details in our brochure, included in Appendix 1, isn’t an exhaustive list and our experience in the blue light sector will help you overcome whatever barriers you face.

We hope you find the enclosed helpful and thought provoking. Please contact David, Neil or Mark using the details in the Appendix if you’d like a more detailed discussion.
**Key questions for the Audit Committee**

Are you aware of the impact of the police pay award on the forward budget and wider Medium Term Financial Plan for the period under review?

Has your Force been successful in obtaining some of the additional funding to combat online grooming, counter terrorism, and transformation plans? If so, what has been the impact locally or the hoped for impact?

Are you aware if the establishment numbers at your local force are deemed to be adequate to meet the current demand?

What actions has your organisation taken to ensure that it is best place to achieve the financial accounts early closure timetable of 31 July 2018?

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**Find out more**

**EY Item Club forecast**

**Government Announces Additional Funding for Counter-Terrorism Policing**

**Home Office – Police Workforce Statistics**

**Police Remuneration Review Body**

**Home Office Transformation Fund Bids**

**EY Think Piece: 2017/18 Early Accounts Closure**

**EY Client Resources and Information**

**HMIC Fire and Rescue Service**
http://www.justiceinspectorates.gov.uk/hmicfrs/fire-and-rescue-services/

**HMIC FRS Inspection Framework 2017/18**

**EY Supporting Police and Crime Commissioners and Chief Fire Officers become the best blue light services**
Please see Appendix 1 to the briefing
EY’s significant presence and experience in providing assurance and transformation work for emergency services nationally makes us ideally suited to support Police and Fire organisations as they decide the best way to work together in the future. We can support you in asking the right questions, to enable you to develop the right answer, to build the case and to support you through change.

**Background**

We know all Police and Crime Commissioners (PCC) and Chief Fire Officers are deciding on the best way to work together in the future in response to their legal duties set out in the Policing and Crime Act 2017. To ensure value for money and public safety, it is whether to continue collaborating; or for the PCC to take responsibility for the governance of the Fire and Rescue Service, either through a governance or single employer model.

Such a significant decision can only be made once all options have been explored, and the answer is supported by a business case which meets all of the Government’s tests across the five key areas of; strategic, economic, commercial; financial and management.

Our experience so far tells us this decision is not easy. Each option has its own pros, cons and complexities. Public sector partners have a considerable stake in the outcome too. This is not an easy journey.
The proposition

EY can be your strategic partner to help you, with your partners, reach the right answer and support you through the transition. Utilising the expertise we have from our assurance and transformation work, we can provide a suite of support options tailored to your needs, including:

- Initial options appraisal, working with your key partners and stakeholders
- Support through and after the consultation process
- Building the business case for your preferred option
- Transition support

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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.

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ED None


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ey.com/uk
Report for Information

Title: Progress on 2017/18 Joint Internal Audit Plan delivery and summary of matters arising from completed audits

Executive Summary:

The report provides details on the progress made in delivering the 2017/18 Joint Internal Audit Plan and on the findings arising from the audits that have been completed.

Recommendation:

The Committee is requested to note the progress and any changes in delivering the 2017/18 Joint Internal Audit Plan and audit service for the PCC and Thames Valley Police.

Chairman of the Joint Independent Audit Committee

I hereby approve the recommendation above.

Signature

Date
PART 1 – NON-CONFIDENTIAL

1 Introduction and Background

1.1 The report provides details on the progress made in delivering the 2017/18 Joint Internal Audit Plan for the PCC and Thames Valley Police and on the findings arising from the audits that have been completed.

2 Issues for Consideration

Audit Resources

2.1 There have been no changes to or impacts on the Joint Internal Audit Team’s resource plan for 2017/18, with the plan being delivered by the Chief Internal Auditor, Principal Auditor and TIAA Ltd (our ICT audit provider).

2017/18 Audit Plan Status and Changes

2.2 The progress made in delivering the 2017/18 Joint Internal Audit Plan, as at the 30 November 2017, is shown in Appendix A and summarised in the table below.

<table>
<thead>
<tr>
<th>Status</th>
<th>Number of Audits</th>
<th>% of Audits</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Start</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>Scoping</td>
<td>5</td>
<td>21%</td>
</tr>
<tr>
<td>Fieldwork / Ongoing</td>
<td>8</td>
<td>34%</td>
</tr>
<tr>
<td>Exit Meeting</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Draft Report</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>Final Report / Complete</td>
<td>4</td>
<td>17%</td>
</tr>
<tr>
<td>Complete (No Report)</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Removed</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>24</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

2.3 There have been the following changes to the Joint Internal Audit Plan 2017/18, since the previous JIAC meeting in September:

- The planned ICT - Asset Management audit has been removed and replaced with an ICT - Incident and Problem Management review. This is due to staffing changes within ICT as well as Incident and Problem Management being a current issue for ICT that would benefit from an audit to support process improvements. The Asset Management audit will be considered as part of the 2018/19 audit planning process. This
change has been discussed with and agreed by the Director of Information and Internal Audit Oversight Group.

- The Organisational Ethics and Culture audit has been renamed to focus on Ethics and Cultural Learning.

2017/18 Performance Indicators

2.4 Local performance indicators are used by the section to ensure audits are completed promptly and to an acceptable standard. The table below summarises current performance against each indicator.

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Performance Measure</th>
<th>Target</th>
<th>Current Status</th>
<th>R/A/G</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Days between testing start date and the First Draft Report. (Aim: 4 x the agreed audit day allocation (original or revised)).</td>
<td>85%</td>
<td>71%</td>
<td>🟢</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(5 / 7)</td>
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</tr>
<tr>
<td>2.</td>
<td>Days between the First Draft Audit Report and the Final Draft Audit Report. (Aim: 20 days).</td>
<td>85%</td>
<td>100%</td>
<td>✅</td>
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<td></td>
<td>(4 / 4)</td>
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<tr>
<td>3.</td>
<td>Days between the Final Draft Audit Report and the Final Audit Report. (Aim: 10 days).</td>
<td>85%</td>
<td>100%</td>
<td>✅</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>(4 / 4)</td>
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<tr>
<td>4.</td>
<td>Audit reviews completed within the agreed audit day allocation. (Aim: Each audit day allocation (original or revised)).</td>
<td>90%</td>
<td>100%</td>
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<td>(4 / 4)</td>
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</tr>
<tr>
<td>5.</td>
<td>Joint Internal Audit Plan delivered. (Aim: Each audit review completed, excluding any agreed changes (i.e. removed audits)).</td>
<td>95%</td>
<td>Year-end reporting</td>
<td>N/A</td>
</tr>
<tr>
<td>6.</td>
<td>Annual Internal Audit Quality Questionnaire outcome. (Aim: Responses who strongly or tended to agree with the statements).</td>
<td>95%</td>
<td>Year-end reporting</td>
<td>N/A</td>
</tr>
</tbody>
</table>

2.5 The detail to support the current performance levels are:

- Five of the seven first draft reports issued have been within the performance indicator target. The two that have missed the target were by 10 and 39 days, due to staff availability to complete the audit and discuss the outcome of the audit.
- All four final draft reports have been issued within the performance indicator target.
- All four final reports have been issued within the performance indicator target.
- All four completed audits have been delivered within the agreed audit day allocation.
The remaining two performance indicators will be reported at year end.

**Completed Audit Outcomes**

2.6 Appendix A contains the details of each audit, the scope and current status. Since the previous meeting and as at 30 November 2017, two audits have been completed:

- Victims Service Redesign – management letter, no rating.
- ERP (TVP Governance, Sprint & Testing Process) – management letter, no rating.

2.7 Copies of Section 2 (Executive Summary) of the final reports have been circulated to the JIAC members, in advance of the meeting.

**Fraud**

2.8 The Cabinet Office’s 2016/17 NFI exercise is ongoing with the matches currently being reviewed and resolved. The Payroll Team have reviewed and closed all of the recommended payroll matches. The team have also submitted data as part of the mid-year NFI mortality check and are currently awaiting the matches. In relation to creditor matches, the Receipts, Procure and Pay Team have checked the priority matches, and again, no issues have been found.

2.9 The Joint Internal Audit Team have not been notified by PSD of any fraud or irregularity matters which have internal control implications and have required a change to the Audit Plan. The team have been notified of one issue by Corporate Finance, which relates to a petty cash discrepancy at an LPA. The issue has been reviewed by Corporate Finance. The reconciliation was unable to locate the shortfall, which has been written off. Corporate Finance have also visited the LPA and have advised on process changes and have also reduced the value of the advance.

**PSIAS Update**

2.10 The team’s PSIAS self-assessment and Quality Assurance and Improvement Programme (QAIP) Action Plan was presented to and discussed at the June JIAC meeting. An update on progress in implementing the actions in the QAIP is provided at Appendix B. Of the ten actions noted, all have been completed.

2.11 The Joint Internal Audit Team’s external PSIAS assessment has been completed, with the outcome being reported as a separate agenda item.

**3 Financial comments**

3.1 No known financial issues arise from the contents of this report.

**4 Legal comments**

4.1 No known legal issues arise from the contents of this report.

**5 Equality comments**
5.1 No known equality issues arise from the contents of this report.

6 Background papers


<table>
<thead>
<tr>
<th>Public access to information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website as soon as practicable after approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.</td>
</tr>
</tbody>
</table>

| Is the publication of this form to be deferred? No |
| Is there a Part 2 form? No |

<table>
<thead>
<tr>
<th>Name &amp; Role</th>
<th>Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of Unit</td>
<td>Chief Internal Auditor</td>
</tr>
<tr>
<td>This report provides the Committee with management information on the progress of delivery of the 2017/18 audit plan.</td>
<td></td>
</tr>
<tr>
<td>This report has been produced in compliance with United Kingdom Public Sector Internal Audit Standards (PSIAS).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal Advice</th>
<th>No known legal issues arise from the contents of this report.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Advice</td>
<td>No known financial issues arise from the contents of this report.</td>
</tr>
<tr>
<td>Equalities and Diversity</td>
<td>No known equality issues arise from the contents of this report.</td>
</tr>
<tr>
<td>PCC Chief Executive Officer</td>
<td>PCC Chief Finance Officer</td>
</tr>
</tbody>
</table>

OFFICER’S APPROVAL

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Joint Independent Audit Committee.

PCC Chief Finance Officer (OPCC) Date: 29 November 2017
Director of Finance (TVP) Date: 30 November 2017
**APPENDIX A**

**Disclaimer:** Any matters arising as a result of the audits are only those which have been identified during the course of the work undertaken and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that could be made. It is emphasised that the responsibility for the maintenance of a sound system of management control rests with management and that the work performed by the Joint Internal Audit Team on the internal control system should not be relied upon to identify all system weaknesses that may exist. However, audit procedures are designed so that any material weaknesses in management control have a reasonable chance of discovery. Effective implementation of management actions is important for the maintenance of a reliable management control system.

<table>
<thead>
<tr>
<th>Audit Review</th>
<th>Scope / Objective</th>
<th>Area</th>
<th>Planned Days (March 2017)</th>
<th>Planned Days (November 2017)</th>
<th>December 2017 Status</th>
<th>Actual Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bail Management (Framework and Oversight)</td>
<td>The scope of the audit is yet to be determined.</td>
<td>ACC Crime &amp; Criminal Justice</td>
<td>12 days</td>
<td>12 days</td>
<td>To start January 2018</td>
<td>N/A</td>
</tr>
<tr>
<td>Child Exploitation Framework and Governance</td>
<td>The audit scope will focus on the following areas:</td>
<td>ACC Crime &amp; Criminal Justice</td>
<td>15 days</td>
<td>15 days</td>
<td>Draft Report</td>
<td>N/A</td>
</tr>
<tr>
<td>Cyber Crime (Framework and Oversight)</td>
<td>The audit scope will focus on the following areas:</td>
<td>ACC Crime &amp; Criminal Justice</td>
<td>12 days</td>
<td>12 days</td>
<td>Exit Meeting</td>
<td>N/A</td>
</tr>
<tr>
<td>Firearms Licence Administration and Management</td>
<td>The audit scope will focus on the following areas:</td>
<td>ACC Crime &amp; Criminal Justice</td>
<td>12 days</td>
<td>12 days</td>
<td>Fieldwork</td>
<td>N/A</td>
</tr>
<tr>
<td>Force MASH Involvement and Arrangements</td>
<td>The scope of the audit is yet to be determined.</td>
<td>ACC Crime &amp; Criminal Justice</td>
<td>15 days</td>
<td>5 days</td>
<td>Scoping</td>
<td>N/A</td>
</tr>
<tr>
<td>Audit Review</td>
<td>Scope / Objective</td>
<td>Area</td>
<td>Planned Days (March 2017)</td>
<td>Planned Days (November 2017)</td>
<td>December 2017 Status</td>
<td>Actual Days</td>
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<tr>
<td>Force Demand and Resilience Management</td>
<td>The audit scope will focus on the following areas:</td>
<td>ACC Local Policing</td>
<td>15 days</td>
<td>15 days</td>
<td>Fieldwork</td>
<td>N/A</td>
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<tr>
<td></td>
<td>- Current demand management.</td>
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<td>- Future demand management</td>
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<td>- Tasking and resilience arrangements.</td>
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<tr>
<td>Mental Health Framework and Governance</td>
<td>The audit scope will focus on the following areas:</td>
<td>ACC Local Policing</td>
<td>15 days</td>
<td>15 days</td>
<td>Final Report – Reasonable Assurance</td>
<td>15 days</td>
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<tr>
<td></td>
<td>- Procedures, guidance and training.</td>
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<td></td>
<td>- Mental Health response and arrangements.</td>
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<td>- Partner Agency working.</td>
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<td></td>
<td>- Oversight and monitoring of Mental Health incidents.</td>
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<tr>
<td>ERP (TVP Governance, Sprint &amp; Testing Process)</td>
<td>The audit scope will focus on the following areas:</td>
<td>Deputy Chief Constable</td>
<td>7 days</td>
<td>8 days</td>
<td>Part 1 – Management Letter</td>
<td>8 days</td>
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<tr>
<td></td>
<td>- Project reporting, decisions and interdependencies.</td>
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<td></td>
<td>- Project implementation.</td>
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<td></td>
<td>- Risk and issues management.</td>
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<tr>
<td>Force Risk Management and Business Continuity Arrangements</td>
<td>The audit scope will focus on the following areas:</td>
<td>Deputy Chief Constable</td>
<td>12 days</td>
<td>18 days</td>
<td>Fieldwork</td>
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<td>- Risk management arrangements and oversight.</td>
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<td>- Business continuity arrangements and oversight.</td>
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<tr>
<td>Internet and Intranet Content and Corporate Knowledge Management</td>
<td>The audit scope will focus on the following areas:</td>
<td>Deputy Chief Constable</td>
<td>12 days</td>
<td>12 days</td>
<td>Draft Report</td>
<td>N/A</td>
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<td></td>
<td>- Internet content management (TVP website).</td>
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<td></td>
<td>- Police.uk content management (TVP sections).</td>
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<td>- TVAlerts messaging management.</td>
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<td>- Intranet content management (TVP Knowzone).</td>
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<td>Gifts, Hospitality and Interests</td>
<td>The audit scope will focus on the following areas:</td>
<td>Deputy Chief Constable</td>
<td>0 days</td>
<td>3 days</td>
<td>Fieldwork</td>
<td>N/A</td>
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<tr>
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<td>- Policy, procedures and guidance.</td>
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<td></td>
<td>- Gifts, Hospitality and Interest process.</td>
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<td></td>
<td>- Review, scrutiny and monitoring.</td>
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<tr>
<td>Audit Review</td>
<td>Scope / Objective</td>
<td>Area</td>
<td>Planned Days (March 2017)</td>
<td>Planned Days (November 2017)</td>
<td>December 2017 Status</td>
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<tr>
<td>Key Financial Controls</td>
<td>The audit scope will focus on the following areas:</td>
<td>Director of Finance</td>
<td>20 days</td>
<td>20 days</td>
<td>Fieldwork</td>
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<tr>
<td></td>
<td>- Budget Monitoring.</td>
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<td>- Procure to Pay.</td>
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<td>- Debt Management.</td>
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<td>- Payroll.</td>
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<tr>
<td>ICT - Application Lifecycle</td>
<td>The audit scope will focus on the following areas:</td>
<td>Director of Information</td>
<td>10 days</td>
<td>10 days</td>
<td>Fieldwork</td>
<td>N/A</td>
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<tr>
<td>Management</td>
<td>- Policy and Procedures.</td>
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<td></td>
<td>- ICT Risk Management.</td>
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<td></td>
<td>- Unsupported Server and Application Software Platforms.</td>
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<td></td>
<td>- ICT Rationalisation.</td>
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<tr>
<td>ICT - Asset Management</td>
<td>The scope of the audit is yet to be determined.</td>
<td>Director of Information</td>
<td>10 days</td>
<td>0 days</td>
<td>Removed</td>
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</tr>
<tr>
<td>ICT - Incident and Problem</td>
<td>The scope of the audit is yet to be determined.</td>
<td>Director of Information</td>
<td>0 days</td>
<td>10 days</td>
<td>Scoping</td>
<td>N/A</td>
</tr>
<tr>
<td>Management</td>
<td></td>
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<tr>
<td>ICT - Information Technology</td>
<td>The audit scope will focus on the following areas:</td>
<td>Director of Information</td>
<td>10 days</td>
<td>10 days</td>
<td>Draft Report</td>
<td>N/A</td>
</tr>
<tr>
<td>Infrastructure Library Change</td>
<td>- Policy and procedures.</td>
<td></td>
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<tr>
<td>Management</td>
<td>- Change management system.</td>
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<td></td>
<td>- Change Advisory Board (CAB).</td>
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<td></td>
<td>- Request for change.</td>
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<td>- Change monitoring and oversight.</td>
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<td></td>
<td>- Emergency changes.</td>
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</tr>
<tr>
<td>Information Management - Data</td>
<td>The audit scope will focus on the following areas:</td>
<td>Director of Information</td>
<td>12 days</td>
<td>12 days</td>
<td>Final Report – Reasonable Assurance</td>
<td>12 days</td>
</tr>
<tr>
<td>Security and Encryption</td>
<td>- Procedures, guidance and training.</td>
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<tr>
<td>Audit Review</td>
<td>Scope / Objective</td>
<td>Area</td>
<td>Planned Days (March 2017)</td>
<td>Planned Days (November 2017)</td>
<td>December 2017 Status</td>
<td>Actual Days</td>
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</tr>
<tr>
<td>Ethics and Cultural Learning</td>
<td>The audit scope will focus on the following areas:</td>
<td>Director of People</td>
<td>15 days</td>
<td>15 days</td>
<td>Fieldwork</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>- Ethics and Integrity Governance Structure.</td>
<td></td>
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<tr>
<td></td>
<td>- Organisational Lessons Learnt.</td>
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</tr>
<tr>
<td>Police and Crime Plan Monitoring</td>
<td>The scope of the audit is yet to be determined.</td>
<td>OPCC Chief Executive Officer</td>
<td>12 days</td>
<td>12 days</td>
<td>To start February 2018</td>
<td>N/A</td>
</tr>
<tr>
<td>Victims Service Redesign</td>
<td>The audit scope will focus on the following areas:</td>
<td>OPCC Chief Executive Officer</td>
<td>6 days</td>
<td>7 days</td>
<td>Part 1 – Management Letter</td>
<td>7 days</td>
</tr>
<tr>
<td></td>
<td>- Project governance.</td>
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<td></td>
<td>- Project delivery.</td>
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<td></td>
<td>- Risk and issues management.</td>
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</tr>
<tr>
<td>Limited Assurance Audit Follow Up</td>
<td>The review will follow up on any limited assurances audits issued in 2015/16 and 2016/17.</td>
<td>General</td>
<td>10 days</td>
<td>10 days</td>
<td>Scoping</td>
<td>N/A</td>
</tr>
<tr>
<td>Sources of Assurance</td>
<td>The review will capture any additional sources of assurance which will contribute to the Annual Internal Audit Report 2017/18, including the Chief Internal Auditor’s Annual Opinion Statement. Sources will include both internal and external sources.</td>
<td>General</td>
<td>11 days</td>
<td>10 days</td>
<td>Ongoing</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Planned Days</td>
<td>260 days</td>
<td>260 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JIAC Days</td>
<td>An agreed number of days for the Joint Independent Audit Committee to utilise should they require a specific piece of audit work being completed. (Note: these days are not currently resourced within the plan).</td>
<td>Other</td>
<td>10 days</td>
<td>10 days</td>
<td>To be Resourced</td>
<td>N/A</td>
</tr>
<tr>
<td>Action Ref.</td>
<td>PSIAS Area</td>
<td>PSIAS Ref.</td>
<td>Standard</td>
<td>Compliance</td>
<td>Action</td>
<td>Owner</td>
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</tr>
<tr>
<td>1</td>
<td>Code of Ethics</td>
<td>1.1</td>
<td>Shall perform their work with honesty, diligence and responsibility.</td>
<td>Comply</td>
<td>Chief Internal Auditor and Principal Auditor to ensure their CPD records are up to date.</td>
<td>NS / AS</td>
</tr>
<tr>
<td>2</td>
<td>Code of Ethics</td>
<td>1.2</td>
<td>Shall observe the law and make disclosures expected by the law and the profession.</td>
<td>Comply</td>
<td>Chief Internal Auditor and Principal Auditor to produce annual declaration of interests for 2017/18.</td>
<td>NS / AS</td>
</tr>
<tr>
<td>3</td>
<td>Attribute Standards</td>
<td>1000</td>
<td>The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.</td>
<td>Comply</td>
<td>Review and update the Internal Audit Charter and present it to the Internal Audit Oversight Group (May 2017) and the Joint Independent Audit Committee (June 2017).</td>
<td>NS</td>
</tr>
<tr>
<td>4</td>
<td>Attribute Standards</td>
<td>1312</td>
<td>External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board: - The form of external assessments. - The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.</td>
<td>Comply</td>
<td>Arrange and facilitate the Joint Internal Audit Team’s external PSIAS assessment by CiPFA.</td>
<td>NS</td>
</tr>
<tr>
<td>5</td>
<td>Attribute Standards</td>
<td>1321</td>
<td>Indicating that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if supported by the results of the quality assurance and improvement program.</td>
<td>Comply</td>
<td>Report the outcome of the PSIAS self-assessment to the Internal Audit Oversight Group (May 2017) and the Joint Independent Audit Committee (June 2017).</td>
<td>NS</td>
</tr>
<tr>
<td>6</td>
<td>Performance Standards</td>
<td>2010</td>
<td>The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.</td>
<td>Comply</td>
<td>Ensure that the annual planning process is effectively captured in the Audit Manual, as well as a planned six month review of the plan.</td>
<td>NS / AS</td>
</tr>
<tr>
<td>7</td>
<td>Performance Standards</td>
<td>2120.C1</td>
<td>During consulting engagements, internal auditors must address risk</td>
<td>Comply</td>
<td>Ensure the Audit Manual</td>
<td>NS / AS</td>
</tr>
<tr>
<td>Action Ref.</td>
<td>PSIAS Area</td>
<td>PSIAS Ref.</td>
<td>Standard</td>
<td>Compliance</td>
<td>Action</td>
<td>Owner</td>
</tr>
<tr>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>--------------------------------------------------------------------------</td>
<td>------------</td>
<td>------------------------------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>8</td>
<td>Performance Standards</td>
<td>2240.A1</td>
<td>Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.</td>
<td>Comply Partially</td>
<td>Accept the risk of not signing off the testing programme before testing commences. The Audit Planning document as well as the Final Audit Brief are both signed off prior to the audit testing commencing. There is also an internal quality review, once the testing is completed.</td>
<td>NS</td>
</tr>
<tr>
<td>9</td>
<td>Performance Standards</td>
<td>2330.A2</td>
<td>The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation’s guidelines and any pertinent regulatory or other requirements.</td>
<td>Comply Fully</td>
<td>Review the remaining hard copy audit files and dispose of any that are outside the agreed retention period.</td>
<td>NS</td>
</tr>
<tr>
<td>10</td>
<td>Performance Standards</td>
<td>2410.A3</td>
<td>When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.</td>
<td>Comply Partially</td>
<td>Include in JIAC Audit Plan Update Report a disclaimer with regard to the scope and any limitations of the audit opinions being reported, as currently noted in the Audit Brief and Final Internal Audit Report.</td>
<td>NS</td>
</tr>
</tbody>
</table>
Report for Information

Title: Progress on delivery of agreed actions in Internal Audit reports

Executive Summary:
The report provides details of the progress made by managers in delivering the agreed actions in internal audit reports.

Recommendation:
The Committee is requested to note the report.

Chairman of the Joint Independent Audit Committee
I hereby approve the recommendation above.

Signature       Date
PART 1 – NON-CONFIDENTIAL

1 Introduction and background

1.1 The report provides details of the progress made by managers in delivering the agreed actions in internal audit reports.

1.2 This report details progress made to date and target implementation dates for any current overdue actions. Of the 17 actions that are currently overdue:

- 2 actions are due for completion by the end of December 2017;
- 3 actions are due for completion by the end of January 2018;
- 1 action is due for completion by the end of February 2018;
- 6 actions are due for completion by the end of March 2018;
- 3 actions are due for completion by the end of June 2018;
- 1 action is due for completion by the end of July 2018; and
- 1 action is due for completion by the end of December 2018.

2 Issues for consideration

2.1 Appendix 1 sets out an analysis of the position with regard to the number of overdue actions as at 31st October 2017 in relation to the years 2015/16 to 2017/18. It shows that in total there were 17 overdue actions at this date; these relate to 7 audits. The overdue actions are split by priority. Also shown is the number of overdue actions that had previously been reported which has risen from 4 to 10 since the last report to this Committee in September 2017.

2.2 Appendix 2 shows the changes in the number of overdue actions since the previous report to this Committee in September 2017. The total number of outstanding overdue actions reported has fallen from 30 to 17.

2.3 Appendix 3 sets out the information provided by managers in respect of those actions that are now overdue. It includes all agreed actions that should have been completed by 31st October 2017. The information is based on responses from managers received up to and including 5th December 2017. If required, a verbal update will be provided to the Committee on any further information received since this report was written.

Priority 1 rated overdue actions

2.4 There are 10 priority 1 overdue actions.

2.5 Appendix 1 sets out details of which audits these actions relate to and further details of each of the actions can be found in appendix 3 of this report.

Priority 2 rated overdue actions

2.6 Of the priority 2 actions that are overdue none are specifically drawn to the attention of the Committee.

Action for which the risk has now been accepted
2.7 Within the Back-up and Recovery 2016/17 audit an issue was raised regarding the offsite data backup storage. It was identified that at the Hampshire Constabulary data centre there was no offsite tape storage facility. An action as agreed to store data backup media securely offsite in future. However, management have since decided, pending a move to ARK, to accept the risk associated with onsite tape storage as the backup media are kept in a safe of a specification that means only a catastrophic loss of access to the site would cause an issue.

ICO audit action plan – review of progress

2.8 In 2014 the Information Commissioner’s Office undertook a Data Protection audit at Thames Valley Police. As a result of this they produced an audit report setting out their findings and recommendations where actions were required to improve the processes and controls in place. TVP Management provided responses setting out whether they accepted the recommendations and, if so, what action would be taken, by whom and by when. An internal audit review in 2015/16 was then undertaken to provide assurance on the progress against the actions set out in the ICO report. The review identified that further action was required in relation to 13 of the 34 originally agreed ICO recommendations. An action plan was agreed setting out 17 specific actions and all of these actions have now been confirmed by management as complete.

3 Financial comments

3.1 No known financial issues arise from the contents of this report.

4 Legal comments

4.1 No known legal issues arise from the contents of this report.

5 Equality comments

5.1 No known equality issues arise from the contents of this report.

6 Background papers

6.1 None

Public access to information
Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website as soon as practicable after approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? No
Is there a Part 2 form? No
<table>
<thead>
<tr>
<th>Name &amp; Role</th>
<th>Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Head of Unit</strong></td>
<td></td>
</tr>
<tr>
<td>This report provides the Committee with essential management information on the number and status of current overdue actions from internal audit reports.</td>
<td>Chief Internal Auditor</td>
</tr>
<tr>
<td><strong>Legal Advice</strong></td>
<td></td>
</tr>
<tr>
<td>No known legal issues arise from the contents of this report.</td>
<td>PCC Chief Executive</td>
</tr>
<tr>
<td><strong>Financial Advice</strong></td>
<td></td>
</tr>
<tr>
<td>No known financial issues arise from the contents of this report.</td>
<td>PCC Chief Finance Officer</td>
</tr>
<tr>
<td><strong>Equalities and Diversity</strong></td>
<td></td>
</tr>
<tr>
<td>No known equality issues arise from the contents of this report.</td>
<td>Chief Internal Auditor</td>
</tr>
</tbody>
</table>

**OFFICER’S APPROVAL**

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Joint Independent Audit Committee.

PCC Chief Finance Officer (OPCC) Date: 29/11/17
Director of Finance (TVP) Date: 30/11/17
ANALYSIS OF OVERDUE ACTIONS AS AT 31st OCTOBER 2017

<table>
<thead>
<tr>
<th>Audit Subject/Location</th>
<th>Outstanding Overdue</th>
<th>Priority 1</th>
<th>Priority 2</th>
<th>Previously Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015/16</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel Cards</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>2016/17</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equality and Diversity</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Evidential Property Administration</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Missing Persons (Framework and Governance)</td>
<td>3</td>
<td>3</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Organisational Programme Governance</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11</td>
<td>9</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td><strong>2015/16</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Management: Data Security and Transfer</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Mental Health Framework and Governance</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td><strong>OVERALL TOTAL</strong></td>
<td>17</td>
<td>10</td>
<td>7</td>
<td>10</td>
</tr>
</tbody>
</table>

Analysis of the number of overdue actions
## UPDATE ON PROGRESS IN DELIVERING OVERDUE AGREED ACTIONS

### Control weakness and risk exposure

<table>
<thead>
<tr>
<th>Equality and Diversity</th>
<th>Agreed action</th>
<th>Original completion date</th>
<th>Priority</th>
<th>Update on progress and/or alternative action taken</th>
<th>Anticipated completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equality Impact Assessment (EIA) guidance</strong></td>
<td>Final report issued on: 03/05/17</td>
<td>CCMT Lead: Dr Steven Chase / PCC Lead: Paul Hammond</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>There are guidance notes which are designed to 'explain how to complete an Equality Impact Assessment'. However these were last updated in 2013 and the EIA template includes links do not work.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Risk exposure:</strong> Equality and Diversity issues are not considered consistently, or at all, leading to failure to fully consider and address relevant equality issues and potential challenge.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A decision will be made as to who will own this guidance going forward and who users of the guidance will be directed to for assistance. Following this decision, the guidance will be reviewed and updated as necessary.</td>
<td>30/06/17</td>
<td>1</td>
<td>After the initial meetings, there is consideration of a small Working Group coming together in a ‘Task / Finish’ capacity to review the constituent parts of Equality Impact Assessments and decide which areas of the business need to be owners / stakeholders / advisers etc. Overarching guidance is required (prepared by business area experts), with training provided to ‘navigators’ who will provide EIA advice in future.</td>
<td>31/01/18</td>
</tr>
<tr>
<td><strong>Completion of EIAs – general</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>None of the TVP documentation seen sets out whether policies, procedures and practice should all be subject to formal EIAs, although it is understood that this is best practice. When sampling policies from the ‘Policy and Procedures’ intranet page there were ‘other’ documents but in each case the EIAs pre-dated the version of the document by some time. There were also other documents which did not have EIAs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Neither was it clearly stated anywhere whether all projects and programmes should be subject to an EIA and, if so, at what point in the process an EIA should be completed and who should be consulted. The overarching picture was that EIAs are completed but this is generally after, rather than before, a decision to make a change has been made and there was only ACPO sign off documented on 1 of the 7 EIAs seen.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Risk exposure:</strong> Failure to compile EIAs for all relevant policies/changes, at the correct time, leads to failure to fully consider and address relevant equality issues and potential challenge.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A meeting will be convened to discuss the points at which EIAs should be completed within the Change process. This will then be added to the change process and agreement sought on the appropriate Team to monitor this according to where it sits within the process.</td>
<td>30/06/17</td>
<td>2</td>
<td>The first meeting has taken place to discuss the completion of EIAs within the Change framework / process. The Working Group, referenced above, will consider the Change functions alongside other areas requiring the production of an EIA to include this area as part of a holistic review / action plan.</td>
<td>31/01/18</td>
</tr>
<tr>
<td><strong>Organisational Review Meetings</strong></td>
<td>Terms of reference will be drawn up for both of the ORMs.</td>
<td>31/05/17</td>
<td>2</td>
<td>The ToRs are in draft form and will be discussed and ratified at the next ORM meetings (the Stop and Search ORM is 04/12/17 and the Hate Crime ORM is 31/03/18).</td>
<td>31/03/18</td>
</tr>
</tbody>
</table>
### Control weakness and risk exposure

<table>
<thead>
<tr>
<th>Description</th>
<th>Agreed action</th>
<th>Original completion date</th>
<th>Priority</th>
<th>Update on progress and/or alternative action taken</th>
<th>Anticipated completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td>although it is understood that both meetings follow key principles or themes.</td>
<td></td>
<td></td>
<td></td>
<td>Regardless of the lack of TOR there is no lack of clarity as to what the expectation of those present at the meeting are, with the meetings also being minuted. Those not at the meeting or wishing to understand the meeting may not however be aware.</td>
<td></td>
</tr>
<tr>
<td><strong>Risk exposure:</strong> Lack of clarity over remit leads to failure to fully consider and monitor issues at the appropriate strategic level.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equality Objectives / Public Sector Equality Duty (PSED) compliance</strong></td>
<td>The Joint Corporate Governance Framework has been drawn up in line with the CIPFA “Delivering Good Governance in Local Government” publication, which does include a specific section on Equality and Diversity. A review will be undertaken to determine at a strategic level exactly what legal obligations there are in place for the PCC regarding Equality and Diversity.</td>
<td>30/09/17</td>
<td>1</td>
<td>The OPCC Governance Manager resigned at end of July 2017. The position is currently vacant and unlikely to be filled until around April 2018.</td>
<td>30/06/18</td>
</tr>
<tr>
<td>It was also identified that no recent review has taken place to confirm whether there are any reporting or publication requirements the PCC must meet under the PSED (Equality Act 2010).</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Risk exposure:</strong> Failure to ensure equality and diversity requirements are identified, understood and met leads to the risk of being subjected to legal challenge (including enforcement action by the Equality and Human Rights Commission) as well as potential reputational damage.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Evidential Property Administration

<table>
<thead>
<tr>
<th>Description</th>
<th>Final report issued on: 03/05/17</th>
<th>CCMT Lead: ACC Jason Hogg</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GEMS automated retention review requests</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Testing identified that retention review requests (RRR) were not being sent out automatically by GEMS at the specified time intervals.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Risk exposure:</strong> Regular RRRs are not sent leading to property being retained unnecessarily and inappropriately.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Following some technical issues in September when server issues were causing duplicate chase ups to be sent, the over 90 day chase ups were suspended until the issue had been resolved.</td>
<td></td>
<td>30/06/17</td>
</tr>
<tr>
<td>There was also work underway at the time that was looking at an alternative way to manage the evidence with set timescales for retention but that work wasn’t progressed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rather than switch the chase up functionality back on now, retention review request management will be reviewed and a clear procedure drawn up going forward.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control weakness and risk exposure</td>
<td>Agreed action</td>
<td>Original completion date</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>---------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Firearms storage</td>
<td>Operation Dragonroot is progressing and this should assist with clearing the backlog of older items held. Systems agreed under this operation, with regard to how to progress licensing related items, should also assist going forward with dealing with items in a timely manner.</td>
<td>30/09/17</td>
</tr>
</tbody>
</table>

**Risk exposure:** Property is not stored appropriately or safely leading to damage and / or injury to EMU, or other, staff.

Property is not processed in a timely manner leading to inappropriate retention and storage space pressures.

<table>
<thead>
<tr>
<th>Information Management: Data Security and Transfer</th>
<th>Final report issued on: 30/08/17</th>
<th>CCMT Lead: Amanda Cooper</th>
</tr>
</thead>
</table>

| Mandatory E-learning Completion and Monitoring | The next Information Governance Board, which is a joint TVP / HC meeting, is due to take place on the 23 August 2017. At this meeting, the issue of mandatory information management e-learning will be discussed with a view to aligning the requirement at TVP and HC. Agreement will then be sought at TVP and HC as to the mandatory information management e-learning required at both Forces. At HC, the issue may not be as bad as it appears, but will require further work to resolve both what the training coverage is and tie in mandatory training requirements to the new processes being brought in. | 31/10/17 | 1 | HC Training confirmed the figures provided for audit are the most accurate with the current recording capabilities. Action was not discussed at the Aug. ’17 IGB as there was a fuller agenda of some operational matters due to the delay since the previous meeting. It has been added to the Dec. ‘17 IGB Agenda to seek an in principle view that there should be mandatory IM training in HC & TVP. NPCC has recently stated that due to the new Data Protection legislation (effective in May ’18) they will review the current suite of NCALT IM courses (incl. MoPI) and consolidate / update where possible – by May ’18. Once provided, IGB agreement will be sought as to which courses should be mandated. | 30/06/18 |

<table>
<thead>
<tr>
<th>Course</th>
<th>TVP % Complete</th>
<th>HC % Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Security Classification</td>
<td>78%</td>
<td>73%</td>
</tr>
<tr>
<td>MoPI 1</td>
<td>90%</td>
<td>42%</td>
</tr>
<tr>
<td>MoPI 2/3</td>
<td>90%</td>
<td>4%</td>
</tr>
<tr>
<td>Appropriate Use of Force IT systems</td>
<td>N/A</td>
<td>80%</td>
</tr>
<tr>
<td>Force Data Protection and Information Security</td>
<td>N/A</td>
<td>77%</td>
</tr>
</tbody>
</table>
At TVP, although the overall completion rates for the mandatory courses were good, there were certain Units or Departments that had low completion rates.

In terms of monitoring completion rates for mandatory information management e-learning, these are overseen by the Information Governance Board (IGB).

**Risk exposure:** Force officers and staff being unaware of GSC and MoPI requirements, leading to potentially incorrect or inappropriate action being taken.

**Security Incident Reporting Tool**

TVP and HC both utilise a web based Security Incident Reporting Tool (SIRT) to capture any security breaches or incidents. The SIRT is managed by Force Security, with any relevant information management breaches being forwarded to the JIMU for logging, investigating and follow up. A comment was made during the audit that the current questions noted in the SIRT template have not been updated to reflect the data that the JIMU currently require. However, based on both organisation's current priorities and workload, any changes may not take place for a couple of years, although there has been a suggestion that VFIRE could manage security reporting in the future.

One further observation was that the number of breaches reported by TVP and HC vary significantly.

**Risk exposure:** A lack of consistent and comprehensive reporting of security breaches and incidents, leading to prompt action not being taken to prevent any repeat incidents.

The use of the SIRT by HC will be reviewed with a view to raise awareness of the tool for reporting any data breaches.

<table>
<thead>
<tr>
<th>Control weakness and risk exposure</th>
<th>Agreed action</th>
<th>Original completion date</th>
<th>Priority</th>
<th>Update on progress and/or alternative action taken</th>
<th>Anticipated completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td>At TVP, although the overall completion rates for the mandatory courses were good, there were certain Units or Departments that had low completion rates.</td>
<td>The monthly data being issued will be reviewed to determine if the right data is being issued to the right people, and what guidance is then needed depending on the job role of those receiving it.</td>
<td>31/09/16</td>
<td>2</td>
<td>The process by which security incidents will be reported is due to change to V-Fire. JIMU has fed into the data that needs to be captured. JIMU will attend a demonstration of the new tool on 12/12/17. The decision has been made to delay awareness / promotion communications until the transition to V-Fire is made to avoid confusion to staff. The lower HC reporting levels were raised at the HC Security Board in order to raise awareness with stakeholders and promote further use. Further communications about reporting security breaches are captured in the JIMU led Project Plan to implement the new Data Protection Legislation (Project Board begins 7/12/17).</td>
<td>End January 18 (Proposed date to swap to V-Fire is mid - late Dec 17)</td>
</tr>
</tbody>
</table>

The use of the SIRT by HC will be reviewed with a view to raise awareness of the tool for reporting any data breaches.

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**Fuel cards**

Final report issued on: 25/05/16  
**CCMT Lead: DCC John Campbell**

**Fuel spend/card usage monitoring**

Monthly data is being issued to LPAs/OCU's/Departments showing their fuel spend, broken down by vehicle, but there is no guidance issued with the data to indicate the key points e.g. trends, anomalies etc which recipients should be considering.

In the longer term with the data from Telematics, and once a decision is made regarding ERP, a further review will be undertaken of what data is to be sent to whom.

<table>
<thead>
<tr>
<th>Control weakness and risk exposure</th>
<th>Agreed action</th>
<th>Original completion date</th>
<th>Priority</th>
<th>Update on progress and/or alternative action taken</th>
<th>Anticipated completion date</th>
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<tr>
<td>The monthly data being issued will be reviewed to determine if the right data is being issued to the right people, and what guidance is then needed depending on the job role of those receiving it.</td>
<td>31/07/17</td>
<td>2</td>
<td>This requires the personnel re-structure to be completed and more information on what we will and will not be able to do from the new ERP system and our ability to connect</td>
<td>31/07/18</td>
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<tr>
<th>Control weakness and risk exposure</th>
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<tbody>
<tr>
<td><strong>Risk exposure:</strong> Management data is not suitably analysed to identify and address potential issues/anomalies in usage/spend.</td>
<td></td>
<td></td>
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<td>to external CTC member forces.</td>
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</tr>
<tr>
<td><strong>Mental Health Framework and Governance</strong> Final report issued on: 25/08/17</td>
<td>The Mental Health Performance Toolkit captures the data required by the Home Office. This data, as well as the custody data, should be shared by Strategic and LPA Leads at their respective partnership meetings.</td>
<td>31/10/17</td>
<td>2</td>
<td>We are exploring data collection and management but have been hindered by the delay in new legislation, due 11th December, which may require different data sets and a new joint protocol.</td>
<td>31/12/17</td>
</tr>
<tr>
<td><strong>Mental Health Performance Toolkit and Custody Data</strong></td>
<td>The use of this information will be discussed and reinforced at the Mental Health Steering Group.</td>
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<tr>
<td><strong>Risk exposure:</strong> Ineffective use of Force wide Mental Health performance information, leading to any Area issues not being reviewed or addressed.</td>
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<tr>
<td><strong>Mental Health Champion Role</strong></td>
<td>The Mental Health Role Profile will be discussed at the next Mental Health Steering Group.</td>
<td>31/10/17</td>
<td>2</td>
<td>This is not a priority at the moment as the officers carrying out the role of mental health champion are all fully aware of their responsibilities, the fact that there is insufficient time to complete some of the responsibilities is not something that can be effected by an update of the profile. This activity is not a dedicated role, rather an additional responsibility the individual takes on. The role profile will be considered and published as soon as current demand relaxes.</td>
<td>30/06/18</td>
</tr>
<tr>
<td><strong>Mental Health Champion Role</strong></td>
<td>Once agreed, the Role Profile will be made available on the Knowzone.</td>
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<tr>
<td><strong>Risk exposure:</strong> An out of date Mental Health Champion Role Profile and Force wide liaison on Mental Health issues, leading to ineffective or inconsistent local approaches or a lack of sharing of local issues.</td>
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<tr>
<td><strong>Missing Persons (Framework and Governance)</strong> Final report issued on: 11/01/17</td>
<td>A training and induction process is currently being developed for MASH staff, including MPCs.</td>
<td>31/07/17</td>
<td>1</td>
<td>The MASH review is now complete and a new structure has been designed incorporating a new performance and</td>
<td>31/03/18</td>
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<tr>
<td><strong>MPC Induction and Processes</strong></td>
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<tr>
<td>processes for the Force MPC role were reviewed. The audit found the following:</td>
<td>The revised Missing Persons “Operational Guidance” will include guidance and detail on the return interview process at TVP, including:</td>
<td>31/07/17</td>
<td>1</td>
<td>The Joint Protocol has been updated.</td>
<td>31/03/18</td>
</tr>
<tr>
<td>- There is no formal or consistent training or induction process for the MPC role.</td>
<td>- Why they are useful (i.e. noting any crime committed, disclosing key information or intelligence, identifying associates or helping to inform a joint risk assessment).</td>
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<tr>
<td>- The MPC job description is in need of review and update.</td>
<td>- The role and responsibility of the MPC in the return interview process.</td>
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<td>- There was no specific process or procedure documentation provided by MPCs, to ensure standardisation and consistency across TVP.</td>
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<td>- The Knowzone includes a MPC Toolkit, but the content of the toolkit just relates to officer guidance in completing safe and well checks.</td>
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<tr>
<td>Risk exposure: MPCs lack a consistent induction or procedure document, leading to inconsistent or ineffective approaches.</td>
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<tr>
<td>Return Interview – Approach</td>
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<tr>
<td>There is a Thames Valley Joint Protocol re: Missing Children (April 2014), which contains detail on TVP’s responsibility in sending information to the local authorities to conduct return interviews. The document has not been reviewed and updated to ensure it is line with the changes to the new Missing Person SOP.</td>
<td>A consistent process will be introduced across the Force that enables TVP to raise any issues in relation to return interview submission rates or quality.</td>
<td>31/07/17</td>
<td>1</td>
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<tr>
<td>There is no information included in the protocol that states the local authority’s responsibility in promptly returning any completed return interviews to TVP or informing TVP where a requested return interview has been unsuccessful or not completed.</td>
<td>(A separate action will address the guidance and detail on the return interview process at TVP and the role of the MPC.)</td>
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<tr>
<td>Risk exposure: TVP do not receive key information relating to an individual’s risk of going missing, leading to appropriate actions not being taken.</td>
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<td>Return Interview – Niche Records</td>
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<td>As part of the audit, a sample of 20 occurrences were reviewed to establish whether return interviews had been received by the Force. A further sample of 34 Return Interviews were tested, to establish the return rate by area. Testing identified a number of issues around low levels of returns being received and returns not being completed promptly.</td>
<td></td>
<td>31/07/17</td>
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<tr>
<td>The audit attempted to identify the processes in place within each Hub area for overseeing the training network. This process is being strategically managed by the Head of PVP and will be delivered through a working group chaired by a DCI of PVP. Due to the new omni competent role, training needs will be completed around March 2018.</td>
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**Control weakness and risk exposure**

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<tbody>
<tr>
<td>number of return interviews received and escalating any concerns if return interviews are not being forwarded to the Force, or on a timely basis. There were differing approaches to monitoring and chasing return interview documentation and there was also a lack of formal process for escalating observations TVP might have in terms of return interviews not being forwarded on a timely basis to the Force.</td>
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<tr>
<td><strong>Risk exposure:</strong> TVP are not receiving useful and relevant information regarding the missing incident, leading to ineffective action being taken. TVP are also not escalating issues with regard to key information not being shared across partner agencies, leading to concerns not being addressed.</td>
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**Organisational Programme Governance**

<table>
<thead>
<tr>
<th>Final report issued on: 21/04/17</th>
<th>CCMT Lead: DCC John Campbell</th>
</tr>
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**Governance and Service Improvement Procedures**

The initial work to collate the Force’s new Change Framework and supporting processes has involved developing the high level process maps, as well as designing the new G&SI function, structures, roles and appointments. Once this work has been completed, Heads of each Unit will focus on collating the procedures, templates and handovers for each Unit within G&SI to support the new framework.

**Risk exposure:** The G&SI Unit lacks the necessary procedures, templates and clarity of handovers, leading to an ineffective change approach and the G&SI Unit not effectively supporting organisational change.

| The detailed procedures, templates and handovers for the Service Improvement Unit will be collated and approved. | 30/09/17 | 1 | The process map/notes are in place for this and set out what /when the handovers will happen in the process. However the templates for the whole process are still in development as part of the review of the whole change process, which includes trying to agree standardised documentation across TVP, HC and JICT. The initial timescales for this were too ambitious as it was always anticipated that the G&SI department would need to review and develop a number of Force processes in the first 12 months of its existence. This is not necessarily a barrier to benefits realisation work being carried out. Evaluation frameworks have been created for two significant change programmes (the local operating model and the G&SI department). The local operating model evaluation has now been commissioned and is ongoing. | 31/03/18 |

**Change Framework Terms of References**

Within the new Change Process and Framework, a number of meetings take place to manage change from proposal through to delivery and lessons learnt. As part of the audit, the Terms of References for each meeting were reviewed. Testing found that some of the ToRs required updating or where draft.

| The Terms of References for the Force Change Review Part 1, Force Change Review Part 2, Joint Moderation Panel and Force Transformation Board will be reviewed and updated. | 31/07/17 | 1 | The Terms of Reference for Force Change Review Part 2 and Transformation Board have been reviewed, refreshed and signed-off by the respective boards. The ToR for Force Change Review Part 1 will be refreshed and signed-off by the first ¼ 2018. | 31/03/18 |
Discussions during the audit identified that the Terms of References for the key meetings listed in the Change Framework were being reviewed and updated to ensure that they accurately reflected the aim and objectives of the meetings, the list of required attendees was correct and the decision making power of the meeting was clearly documented.

**Risk exposure**: Out of date or inaccurate meeting Terms of References, leading to a lack of clarity on the role, attendees and decision making power of each meeting.

<table>
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versions.
Executive Summary:
The report details the background and outcome of the Joint Internal Audit Team’s Public Sector Internal Audit Standards (PSIAS) external assessment.

Recommendation:
The Committee is requested to note the outcome of the Joint Internal Audit Team’s Public Sector Internal Audit Standards (PSIAS) external assessment and endorse the response to the assessment’s recommendations and suggestions.

Chairman of the Joint Independent Audit Committee
I hereby approve the recommendation above.

Signature       Date
PART 1 – NON-CONFIDENTIAL

1 Introduction and background

1.1 The report details the background and outcome of the Joint Internal Audit Team’s Public Sector Internal Audit Standards (PSIAS) external assessment.

2 Issues for consideration

2.1 The report attached provides information on the Joint Internal Audit Team’s PSIAS external assessment, specifically the:
   • Background and external assessment approach.
   • External Quality Assessment Report.
   • Audit Charter.

3 Financial comments

3.1 The cost of the external assessment was £2,500.

4 Legal comments

4.1 No known legal issues arise from the contents of this report.

5 Equality comments

5.1 No known equality issues arise from the contents of this report.

6 Background papers

6.1 Public Sector Internal Audit Standards.
6.3 JIAC Public Sector Internal Audit Standards Report (21 June 2017).

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website as soon as practicable after approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

<p>| Is the publication of this form to be deferred? | No |
| Is there a Part 2 form? | No |</p>
<table>
<thead>
<tr>
<th>Name &amp; Role</th>
<th>Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Head of Unit</strong></td>
<td>Chief Internal Auditor</td>
</tr>
<tr>
<td>This report provides the Committee with the background and content of the Public Sector Internal Audit Standards (PSIAS) and the Joint Internal Audit Team’s compliance with the standards.</td>
<td></td>
</tr>
<tr>
<td><strong>Legal Advice</strong></td>
<td>PCC Chief Executive Officer</td>
</tr>
<tr>
<td>No known legal issues arise from the contents of this report.</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Advice</strong></td>
<td>PCC Chief Finance Officer</td>
</tr>
<tr>
<td>The cost of the external assessment is expected to be £2,500, which is within budget.</td>
<td></td>
</tr>
<tr>
<td><strong>Equalities and Diversity</strong></td>
<td>Chief Internal Auditor</td>
</tr>
<tr>
<td>No known equality issues arise from the contents of this report.</td>
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**OFFICER’S APPROVAL**

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Joint Independent Audit Committee.

PCC Chief Finance Officer (OPCC) Date: 29 November 2017

Director of Finance (TVP) Date: 30 November 2017
1. **Background**

1.1 A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. On the 1 April 2013, the Relevant Internal Audit Standard Setters (RIASS) for UK Local Government, which is the Chartered Institute of Public Finance and Accountancy (CIPFA), adopted the common set of Public Sector Internal Audit Standards (PSIAS). An update to the standards was issued for 1 April 2017.

2. **External Assessment**

2.1 Standard 1312 of the PSIAS relates to “External Assessments” and that these “must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation”. The public sector interpretation of the assessment is that they “may be accomplished through a full external assessment or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments”. An external assessment must be completed by March 2018.

2.2 The form and scope of the Joint Internal Audit Team’s review was discussed at the Internal Audit Oversight Group (previously known as the Audit Board) and presented to the JIAC in June 2017. The assessment approach was a “quality assurance” review against the team’s self-assessment. The assessment was completed by CIPFA, via one of their independent Principal Consultants.

2.3 The assessment was conducted during October 2017, with the outcome being reported to the Internal Audit Oversight Group in November 2017.

3. **External Quality Assessment Report**

3.1 The outcome of an assessment is that the service either generally, partially or does not conform to the standards. The opinion of the external assessor for the Joint Internal Audit Team is that “the service generally conforms to all the requirements of the PSIAS and Local Government Application Note”, which is the best outcome the team could have achieved.

3.2 The report notes two recommendations and three suggestions. The two recommendations relate to:

- Producing an updated Audit Charter.
- The JIAC undertaking annual reviews of its remit and effectiveness.

3.3 The three suggestions relate to:

- Adding a section to the declaration form at the next revision regarding the Seven Principles of Public Life.
- Evaluating any specialist data interrogation and analysis software options and applications that are available, and obtaining the best solution that meets the needs of the service.
4. Audit Charter

4.1 One of the key elements of the PSIAS is that the “purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter”. The Joint Internal Audit Team adopted an Audit Charter in 2013, which has been subject to an annual review. The most recent review of the Audit Charter took place in May 2017 and was presented to the JIAC in June 2017. However, due to the joint nature of the service, the definitions of “senior management” and the “board”, as well as the role of the Internal Audit Oversight Group and JIAC, it was agreed at the June JIAC meeting that the role and composition of the Internal Audit Oversight Group would be clarified and that a revised Audit Charter be produced, following a discussion with the external assessor.

4.2 As the team’s external assessment has been completed, a revised Audit Charter has been produced and is attached at Appendix A. The Audit Charter has been discussed at the Internal Audit Oversight Group and reviewed by the external assessor, who commented that it is transparent, very easy to follow and clearly sets out responsibilities at the Office of the PCC for Thames Valley and Thames Valley Police.
APPENDIX A

JOINT INTERNAL AUDIT TEAM
AUDIT CHARTER
1. **Statutory Requirement**

1.1 The Police and Crime Commissioner (PCC) for Thames Valley and the Chief Constable (Thames Valley Police) are required to maintain an effective internal audit of their affairs by the Accounts and Audit (England) Regulations 2015, which states that a relevant body must “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

1.2 The PCC’s Chief Finance Officer (CFO) and Thames Valley Police’s (TVP) Director of Finance (DoF) have statutory responsibility under Section 151 of the Local Government Act 1972 for ensuring an effective system of internal financial control and proper financial administration of the PCC’s and TVP’s affairs.

1.3 The Financial Management Code of Practice for the Police Forces of England and Wales (2013) recommends a joint Internal Audit service to cover both the OPCC and TVP.

2. **Roles and Responsibilities (including the Joint Internal Audit Team’s position within both organisations)**

2.1 The PCC and the Chief Constable have adopted a Joint Corporate Governance Framework, which includes the Statement of Corporate Governance, Code of Corporate Governance, Scheme of Corporate Governance and Financial Regulations.

2.2 The framework includes the role of the PCC, Deputy PCC, PCC’s Chief Executive, PCC’s CFO, Chief Constable and Force DoF. The framework states that the PCC, Chief Constable, CFO and DoF are responsible for the provision of an adequate and effective Internal Audit service and provides detail on how the joint Internal Audit service is delivered within Thames Valley.

2.3 The Joint Independent Audit Committee (JIAC) is a key component of the PCC’s and Chief Constable’s arrangements for corporate governance. The JIAC have a set of Operating Principles, which include their Statement of Purpose, Committee Composition and Structure, Methods of Working and Specific Responsibilities.

2.4 The Joint Internal Audit Service Governance Structure (TVP / OPCC) is documented at Annex 1. The Chief Internal Auditor is line managed by the CFO and DoF, but has direct access to the PCC, Chief Constable, JIAC Chairman and members, as appropriate.

3. **Definitions (The Board and Senior Management)**

3.1 For the purposes of this charter, the following definitions shall apply:

- **The Board**: the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. For the OPCC and TVP, this is the JIAC.

- **Senior Management**: those charged with responsibility for the leadership and direction of the OPCC and TVP. For the OPCC, this is the Senior Management Group (SMG), for TVP, this is the Chief Constable’s Management Team (CCMT), with operational oversight of the audit service being provided by the Internal Audit Oversight Group.

4. **Standards**

4.1 The Joint Internal Audit Team is governed by the framework and guidance set out in the Public Sector Internal Audit Standards (PSIAS). The mandatory elements of the PSIAS are the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and
the Definition of Internal Auditing. The PSIAS defines Internal Audit 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".

4.2 The PSIAS requires the Joint Internal Audit Team to implement and maintain an Audit Charter. The purpose of the Audit Charter is to formally define the service’s purpose, authority and responsibility.

5. **Purpose, Authority and Responsibility**

5.1 The mission of the Joint Internal Audit Team is to “add value by providing risk-based and objective assurance and advice on the organisation’s risk management, control and governance arrangements for the benefit of both organisation’s internal and external customers”.

5.2 The Joint Internal Audit Team’s authority, including their right of access to records and authority to obtain information, is detailed in section 9 of this charter.

5.3 The responsibility of the Joint Internal Audit Team is to:

- Provide an internal audit service in accordance with the PSIAS.
- Develop and deliver a risk based Joint Internal Audit Plan.
- Provide an independent and objective annual assurance opinion on how the application of risk management, control and governance arrangements have supported the achievement of the organisation's objectives.

5.4 The responsibility of management at the OPCC and TVP is to:

- Ensure that risk management, internal control and governance arrangements are sufficient to manage the risks facing the delivery of the OPCC’s and TVP’s priorities and objectives.
- Respond to and act upon the Joint Internal Audit Team’s reports and advice.
- Identify and implement appropriate management actions to mitigate the risks reported or to recognise and accept risks resulting from not taking action.

6. **Independence, Objectivity and Due Professional Care**

6.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice. Internal Auditors must maintain an unbiased attitude and be free from interference in determining the scope of activity, performing the work and communicating results.

6.2 To achieve the level of independence and objectivity needed, the Joint Internal Audit Team:

- Retains no executive or operational responsibilities.
- Operates in a framework that allows unrestricted access to Senior Management, the Internal Audit Oversight Group and the JIAC.
- Reports functionally to the Internal Audit Oversight Group and JIAC.
- Reports in their own name on individual assignments and to the JIAC.
- Rotates responsibilities for audit assignments within the Joint Internal Audit Team, where possible.
- Complete annual Audit Professional Declaration Records, confirming compliance with rules on independence, conflicts of interest and acceptance of inducements and compliance with their Code of Ethics.
- Ensures the planning process recognises and addresses any potential conflicts of interest.
- Not undertaking an audit for at least two years in an area where they have had previous operational roles.

6.3 If independence or objectivity is affected, the details will be presented to the Internal Audit Oversight Group and the JIAC.

6.4 Internal Auditors have a duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect. Internal Auditors will perform their work with due professional care, competence and diligence.

6.5 Internal Auditors will treat any information they receive as confidential in accordance with the Government Security Classification (GSC) policy. There will be no unauthorised disclosure of information, unless there is a legal or professional requirement to do so. Information gained in the course of internal audit work will not be used for personal gain.

7. Internal Audit Strategy and Joint Internal Audit Plan

7.1 The Joint Internal Audit Team will develop and maintain an Internal Audit Strategy and Joint Internal Audit Plan for delivering the service, which will be designed to complement the PCC's Police and Crime Plan and TVP’s Force Delivery Plan. The CFO and DoF will provide the Chief Internal Auditor (CIA) with the budget and resources necessary to fulfil the OPCC’s and TVP’s requirements and expectations. The CIA will ensure that the Joint Internal Audit Team has access to an appropriate range of knowledge, skills, qualifications and experience.

7.2 The Annual Internal Audit Strategy and Joint Internal Audit Plan will include:
- Internal Audit Strategy.
- Audit Planning Methodology.
- Resources.
- Performance Monitoring.
- Joint Internal Audit Plan.
- Performance Indicators.

7.3 The strategy and plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the OPCC and TVP. Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to Senior Management, the Internal Audit Oversight Group and JIAC.

8. Scope of Internal Audit Activities

8.1 The Joint Internal Audit Team may review any aspect of the OPCC’s or TVP’s activities to enable the CIA to produce an Annual Report and Opinion Statement. To support this, the Joint Internal Audit Team undertake a range of risk-based activity to provide assurance on the organisation’s governance, risk and control arrangements. The PSIAS includes the following definitions:
- Assurance: An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation.
Examples may include financial, performance, compliance, system security and due diligence engagements.

- **Consulting Services:** Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

8.2 The different types of services provided by the team are listed in Annex 3.

8.3 The approach for each piece of work will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

8.4 The Joint Internal Audit Team maintain an Audit Manual, which guides the daily operations of the service. The Audit Manual details the team’s processes and procedures in the following areas:

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<thead>
<tr>
<th>Relationships with Customers.</th>
<th>Performance Monitoring / Reporting.</th>
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<tr>
<td>Audit Planning.</td>
<td>Training.</td>
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<td>Risk Management.</td>
<td>File Retention.</td>
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<td>Fraud and Irregularity.</td>
<td>Working with External Audit.</td>
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<tr>
<td>Consultancy.</td>
<td>External Clients.</td>
</tr>
<tr>
<td>Audit Process (i.e. File Structure, Scoping Meeting, Brief, System Notes, Programme, Exit Meeting and File Review).</td>
<td>Internal Audit Team.</td>
</tr>
<tr>
<td>Follow up of Management Actions.</td>
<td>Data Protection.</td>
</tr>
<tr>
<td></td>
<td>Health and Safety.</td>
</tr>
</tbody>
</table>

9. **Right of Access to Records and Authority to Obtain Information**

9.1 In carrying out their duties, the Joint Internal Audit Team (subject to the appropriate vetting and security requirements for access and on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the OPCC and TVP. Access extends to partner bodies and external contractors working on behalf of both organisations.

9.2 The Joint Internal Audit Team has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted when requested and not always subject to prior notice.

10. **Chief Internal Auditor’s Annual Report and Opinion Statement**

10.1 The Chief Internal Auditor is responsible for producing an Annual Internal Audit Report, which includes the Chief Internal Auditor’s Annual Opinion Statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisations’ framework of governance, risk management and control.

10.2 The Chief Internal Auditor’s Annual Report and Opinion Statement will include the following:

- Responsibilities.
- Joint Internal Audit Plan Coverage.
• Audit Methodology.
• Audit Team.
• Opinion on the Organisation’s Framework of Governance, Risk Management and Control, including the Chief Internal Auditor’s Annual Opinion Statement.
• Internal Audit Performance.
• Resource Allocation and Utilisation.
• Summary of Audit Outcomes.
• Effectiveness of Internal Audit Questionnaire Results.

10.3 This report and opinion is used by Senior Management at the OPCC and TVP to inform their respective Annual Governance Statements.

11. Reporting

11.1 The Joint Internal Audit Service Governance Structure (TVP / OPCC) is at Annex 1 and the Board and Senior Management Reporting Framework at Annex 2.

12. Quality Assurance

12.1 The team perform an annual self-assessment against the requirements of the PSIAS, which aims to identify any areas for improvement or of non-conformance. The outcome of the self-assessment is reported to the Internal Audit Oversight Group and JIAC, with a Quality Assurance Improvement Programme (QAIP) being collated of areas for improvement. Progress in implementing the actions is also presented to the Internal Audit Oversight Group and JIAC.

12.2 An external assessment of the Joint Internal Audit Team’s compliance with the PSIAS will completed at least once every five years.

Chief Internal Auditor
Date Produced: November 2017
Date for Review: May 2018
Joint Internal Audit Service Governance Structure (TVP / OPCC)

JIAC Chairman

Joint Independent Audit Committee

Chief Constable

Force Chief Constables Management Team

Force Director of Finance

Internal Audit Oversight Group

Joint Internal Audit Service

Chief Internal Auditor
Principal Auditor
ICT Audit Contractor

PCC

OPCC Senior Management Group

OPCC Chief Finance Officer
### Board and Senior Management Reporting Framework

<table>
<thead>
<tr>
<th>PSIAS Ref.</th>
<th>PSIAS Requirement</th>
<th>“Board”</th>
<th>“Senior Management”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>JIAC</td>
<td>Internal Audit Oversight Group</td>
</tr>
<tr>
<td>1000</td>
<td>Internal Audit Charter (which defines the purpose, authority, responsibility and Mission of Internal Audit as well as the function’s position within the organisation and reporting).</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>1100</td>
<td>The Chief Internal Auditor has direct and unrestricted access to members of the JIAC and Internal Audit Oversight Group.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>1100</td>
<td>The organisational independence of the internal audit activity (annually).</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>1112</td>
<td>Any additional roles / responsibilities, outside of internal auditing, which has the potential or perceived impairment to independence and objectivity and receive assurance relating to any safeguards put in place to limit impairments to independence and objectivity.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>1130</td>
<td>Any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>1312</td>
<td>The form of any external assessments and the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>1312</td>
<td>The outcome of any external assessment.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>1320</td>
<td>The Quality Assurance and Improvement Programme.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>1322</td>
<td>Any non-conformance with the Code of Ethics or the Standards and how this impacts the overall scope or operation of the internal audit activity.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2010</td>
<td>Annual Internal Audit Strategy and Joint Internal Audit Plan (which takes into consideration the organisation’s strategies, key business objectives, associated risks and risk management processes).</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2010</td>
<td>Internal audit opinions and management action priority wordings.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2030</td>
<td>Internal Audit budget and resource plan.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>PSIAS Ref.</td>
<td>PSIAS Requirement</td>
<td>“Board”</td>
<td>Internal Audit Oversight Group</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------</td>
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<td>-------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>JIAC</td>
<td>Note and Endorse</td>
</tr>
<tr>
<td>2030</td>
<td>Resource requirements or impacts, including any significant interim changes.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2060</td>
<td>Joint Internal Audit Plan Progress and Performance (including the internal audit activity’s purpose, authority, responsibility and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters).</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2330</td>
<td>The release of any engagement records to external parties, as appropriate.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2450</td>
<td>Annual Internal Audit Report, which includes Chief Internal Auditor’s Annual Opinion Statement.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2500</td>
<td>Follow up of overdue and outstanding audit report actions or where management have accepted the risk of not taking action.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2600</td>
<td>Any unacceptable risk exposure that has been accepted by management, based on the Chief Internal Auditor’s opinion.</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Joint Internal Audit Team Services

a) **Risk based audit**: Risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of management’s objectives.

b) **Developing systems, process or function audit**:  
   - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management.
   - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.

c) **Consultancy / advisory services**: Advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It is not appropriate for an Internal Auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

d) **Compliance audit**: A review covering the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.

e) **Quality assurance review**: The approach of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.

f) **Follow up review**: The Joint Internal Audit Team facilitate the organisation’s monitoring of implementation of agreed management actions, reporting on progress quarterly to the JIAC. If required, individual follow up assignments will be commissioned to review areas that receive a “limited” or “minimal” assurance rating.

g) **Fraud and irregularity investigations**: The Joint Internal Audit Team may provide specialist skills and knowledge to assist in fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. At TVP, the responsibility for undertaking fraud investigations sits with the Professional Standards Department.

h) **Additional assurance**: The availability of objective assurance from other independent internal review functions or external review bodies will be considered to support the Chief Internal Auditor’s Annual Report and Opinion Statement.
External Quality Assessment - Validation of Client’s Self-Assessment of Conformance to the Public Sector Internal Audit Standards

Joint Internal Audit Service - Office of the Police and Crime Commissioner for Thames Valley & Thames Valley Police

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Internal QA: Technical Manager, CIPFA, Professional Standards & Guidance

23 November 2017
Self-Assessment Validation for the Joint Internal Audit Service of the Office of the Police and Crime Commissioner for Thames Valley and Thames Valley Police – 18th and 19th October 2017

1. Introduction

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). Public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments, or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service’s own self-assessment at least once in a five year period.

2. Background

The Joint Internal Audit Service provides the internal audit service to both the Office of the Police and Crime Commissioner for Thames Valley (OPCC) and Thames Valley Police (TVP). The service is small and consists of two people, the Chief Internal Auditor and a Principal Auditor (0.7 FTE) who are both fully qualified members of the Institute of Internal Auditors. The service buys in specialist ICT audit resources from an external organisation (TIAA), one of the larger providers of internal audit services to the public sector. The Joint Internal Audit Service are based at the TVP South Headquarters complex at Kidlington, Oxfordshire.

The Chief Finance Officer & Deputy Chief Executive (OPCC Section 151 Officer) and the Director of Finance (TVP Section 151 Officer) undertake management of the service jointly, through a senior management structure called the ‘Audit Board’. The Joint Internal Audit Service reports directly to the Joint Independent Audit Committee (JIAC) for OPCC and TVP. The JIAC is the body that actually fulfils the role of the Audit Board as described in the PSIAS.

The Service has been operating under PSIAS since they were introduced and has undertaken a self-assessment on an annual basis to see how they compare to the requirements of both the PSIAS and the CIPFA local government application note (LAGN), and then commissioned CIPFA to undertake a validation of their self-assessment.

3. Validation Process

The self-assessment validation comprises a combination of desktop and actual on-site review and cannot reasonably consider all elements of the PSIAS and LGAN self-assessment in the time available. The desktop period of the review focussed on determining the strengths and weaknesses of the Joint Internal Audit Service, and formed the key lines of enquiry used during the on-site stage, in order that the review itself is risk-based, timely and adds real value to the organisation. The key lines of enquiry assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.

The Service provided a comprehensive range of documents that they used as evidence to support their self-assessment and these were available for examination prior to and during this validation review. These documents included:-

- the self-assessment against the standards and the LGAN;
- the quality assurance and improvement plan (QAIP);
- the audit charter and audit strategy;
- Chief Internal Auditor’s annual report and opinion;
- audit plan and covering report to the JIAC;
• audit manual;
• progress and other reports to the JIAC;
• sample of individual audit reports and working papers; and
• internal audit staff training and development records.

The on-site stage of the validation process involved face-to-face interviews with the Chief Internal Auditor, the Principal Auditor, the OPCC Chief Finance Officer & Deputy Chief Executive and the TVP Force Director of Finance, and telephone interviews with the Deputy Chief Constable for TVP and the Chair of the JIAC. A questionnaire was sent to the key stakeholders in advance of the on-site visit, the results analysed during the review, and a sample of audit reports and working papers were examined during the review.

4. Conclusion and Opinion

The Joint Internal Audit Service is a small professional and well-respected internal audit service that is effective and follows best practice. The validation process has not revealed any areas of non-compliance, or any significant areas of partial non-compliance, with the standards that the Service has not already identified during their self-assessment and included in their quality assurance and improvement plan (QAIP).

The validation process identified some minor observations and some recommendations (R) and suggestions (S) have been made to address these issues. The process also identified some opportunities for the Service to enhance its operations, and we have made some suggestions (S) for the Service to consider. These are all set out in the tables at section 5 of this report, and the action plan at Appendix 1.

On this basis it is our opinion that the self-assessment is a good reflection of Joint Internal Audit Service’s practices and its contribution to both organisations, and as such the Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note.

The co-operation of the Chief Internal Auditor and the Principal Auditor in providing all of the information asked for, and those stakeholders that made themselves available for interview, was much appreciated.

Ray Gard, CPFA, FCCA, FCIIA, DMS
## 5. Summary of observations, recommendations and suggestions

<table>
<thead>
<tr>
<th>Standard</th>
<th>Compliance</th>
<th>Observations</th>
<th>Recommendations and Suggestions</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission of Internal Audit</td>
<td>Generally Conforms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core principles of internal audit</td>
<td>Generally Conforms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Code of Ethics</td>
<td>Generally Conforms</td>
<td>Minor Observation</td>
<td>A section could be added to the declaration form at the next revision regarding internal auditors having due regard to the Seven Principles of Public Life.</td>
<td>S1</td>
</tr>
</tbody>
</table>

### Attribute Standards

<p>| 1000 Purpose, authority and responsibility | Generally Conforms | Minor Observations | The audit charter should be amended to assign the term ‘the board’ to the Joint Independent Audit Committee. The Joint Independent Audit Committee should undertake annual reviews of its remit and effectiveness and carry out the review for 2017/18 as soon as practically possible. | R1 R2 |</p>
<table>
<thead>
<tr>
<th>Standard</th>
<th>Compliance</th>
<th>Observations</th>
<th>Recommendations and Suggestions</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>board, as defined by PSIAS, and this needs to be reflected in the audit charter. The second minor observation relates to the remit and effectiveness of the Joint Independent Audit Committee. CIPFA’s guidance on the role of the audit committee is that a review of the remit and effectiveness should be carried out annually, but the Joint Independent Audit Committee have not carried out such a review for some time and as such one is overdue.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1100</td>
<td>Generally Conforms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independence and objectivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 1200     | Generally Conforms | Opportunity to Enhance Services  
There are opportunities for the Service to perform internal audits, in particular the key financial and human resource systems, by using computer assisted audit techniques (CAATs), either through the use of specialist applications or by utilising the functionality that may be available in existing and new systems. | Evaluate the specialist data interrogation and analysis software options and applications that are available, and obtain the best solution that meets the needs of the Service. | S2 |
| Proficiency and due professional care | | | | |
| 1300     | Generally Conforms | | | |
| Quality assurance and improvement programme | | | | |

Page 4 of 9 Pages
<table>
<thead>
<tr>
<th>Standard</th>
<th>Compliance</th>
<th>Observations</th>
<th>Recommendations and Suggestions</th>
<th>No</th>
</tr>
</thead>
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<tr>
<td><strong>Performance Standards</strong></td>
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<tr>
<td>2000</td>
<td>Managing the internal audit activity</td>
<td><strong>Generally Conforms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2100</td>
<td>Nature of work</td>
<td><strong>Generally Conforms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2200</td>
<td>Engagement planning</td>
<td><strong>Generally Conforms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2300</td>
<td>Performing the engagement</td>
<td><strong>Generally Conforms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2400</td>
<td>Communicating the results</td>
<td><strong>Generally Conforms</strong></td>
<td><strong>Minor Observation</strong></td>
<td>S3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The review of a sample of internal audit’s working papers clearly indicated that they carry out audits in conformance with the PSIAS but they do not currently reflect this in their audit reports. The service could therefore add such a statement to the audit report template so it appears in each audit report, and edit the statement on the rare occasions where an assignment has not conformed with the PSIAS.</td>
<td></td>
</tr>
<tr>
<td>Standard</td>
<td>Compliance</td>
<td>Observations</td>
<td>Recommendations and Suggestions</td>
<td>No</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------</td>
<td>--------------</td>
<td>---------------------------------</td>
<td>----</td>
</tr>
<tr>
<td>2500</td>
<td>Generally Conforms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring progress</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2600</td>
<td>Generally Conforms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communicating the acceptance of risks</td>
<td></td>
<td></td>
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</tbody>
</table>
### Appendix 1: Action Plan

#### Recommendations

<table>
<thead>
<tr>
<th>No</th>
<th>Recommendation</th>
<th>Response</th>
<th>Responsible Person</th>
<th>Action date</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>The audit charter should be amended to assign the term ‘the board’ to the Joint Independent Audit Committee.</td>
<td>The team were aware that the current charter needed updating and had agreed with the JIAC at the June meeting that this would be done following the PSIAS assessment. A revised charter has been produced, which reflects the joint nature of the service and local governance arrangements. The charter has been discussed at the November Audit Board and will be presented to the JIAC on the 13 December 2017.</td>
<td>Neil Shovell Chief Internal Auditor</td>
<td>31 December 2017</td>
</tr>
<tr>
<td>R2</td>
<td>The Joint Independent Audit Committee should undertake annual reviews of its remit and effectiveness and carry out the review for 2017/18 as soon as practically possible.</td>
<td>A survey on the effectiveness of the JIAC has been circulated. A copy of CIPFA’s “Audit Committees: Practical Guidance for Local Authorities and Police (2017 Edition)” will be obtained and used to conduct an assessment of the JIAC’s remit and effectiveness.</td>
<td>Dr. Louis Lee Chair of the Joint Independent Audit Committee</td>
<td>30 June 2018</td>
</tr>
</tbody>
</table>
### Suggestions

<table>
<thead>
<tr>
<th>No</th>
<th>Suggestion</th>
<th>Response</th>
<th>Responsible Person</th>
<th>Action date</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>A section could be added to the declaration form at the next revision regarding internal auditors having due regard to the Seven Principles of Public Life.</td>
<td>As part of the team’s 2017/18 Audit Professional Declaration, question 1 covered the PSIAS Code of Ethics. However, the team’s Audit Professional Declaration Record Template has been updated to explicitly include a question with regard to team members being “aware of and have regard to the Committee on Standards of Public Life’s Seven Principles of Public Life”. The template will be used as part of the 2018/19 annual declaration process.</td>
<td>Neil Shovell Chief Internal Auditor</td>
<td>Completed</td>
</tr>
<tr>
<td>S2</td>
<td>Evaluate the specialist data interrogation and analysis software options and applications that are available, and obtain the best solution that meets the needs of the Service.</td>
<td>Force wide use of any data interrogation software will be investigated to identify if any systems have already been procured and are in use. If no system is identified, external options will be evaluated, based on service needs and added value.</td>
<td>Neil Shovell Chief Internal Auditor</td>
<td>31 March 2018</td>
</tr>
<tr>
<td>S3</td>
<td>A paragraph could be added to the audit report template that states that the audit has been conducted in conformance with the Public sector Internal Audit Standards.</td>
<td>The audit report template has been updated to include a statement that the “Joint Internal Audit Team complies with the Public Sector Internal Audit Standards and this review has been completed in accordance with those standards”.</td>
<td>Neil Shovell Chief Internal Auditor</td>
<td>Completed</td>
</tr>
</tbody>
</table>
## Appendix 2: Interviewees and Questionnaires

<table>
<thead>
<tr>
<th>Person</th>
<th>Position</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interviewees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neil Shovell</td>
<td>Chief Internal Auditor</td>
<td>Office of the PCC and Thames Valley Police</td>
</tr>
<tr>
<td>Amy Shearn</td>
<td>Principal Auditor</td>
<td>Office of the PCC and Thames Valley Police</td>
</tr>
<tr>
<td>Linda Waters</td>
<td>Director of Finance (S151 Officer)</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td>Ian Thompson</td>
<td>Chief Finance Officer &amp; Deputy Chief Executive (S151 Officer)</td>
<td>Office of the PCC</td>
</tr>
<tr>
<td>Dr. Louis Lee</td>
<td>Chair of the Joint Independent Audit Committee</td>
<td>Office of the PCC and Thames Valley Police</td>
</tr>
<tr>
<td>DCC John Campbell</td>
<td>Deputy Chief Constable</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td><strong>Questionnaires</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amanda Cooper</td>
<td>Director of Information</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td>Annett Lattanzio</td>
<td>Interim Head of Service Delivery (Transformation)</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td>Annie Vick</td>
<td>Payroll Manager</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td>Bryan Morgan</td>
<td>ERP Programme Manager</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td>Chief Inspector Helen Roberts</td>
<td>Chief Inspector (Local Policing)</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td>Ian Thompson</td>
<td>Chief Finance Officer &amp; Deputy Chief Executive (S151 Officer)</td>
<td>Office of the PCC</td>
</tr>
<tr>
<td>Judi Banks</td>
<td>Principal Accountant</td>
<td>Office of the PCC</td>
</tr>
<tr>
<td>Kelly Scully</td>
<td>Evidence Manager</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td>Linda Waters</td>
<td>Director of Finance (S151 Officer)</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td>Paul Bailey</td>
<td>Learning &amp; Development Business Partner</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td>Paul Hammond</td>
<td>Chief Executive</td>
<td>Office of the PCC</td>
</tr>
<tr>
<td>Superintendent Rebecca Mears</td>
<td>Head of Local Policing</td>
<td>Thames Valley Police</td>
</tr>
<tr>
<td>Detective Chief Superintendent Gilbert Houalla</td>
<td>Head of Crime Investigations</td>
<td>Thames Valley Police</td>
</tr>
</tbody>
</table>
Title: Draft Treasury Management Strategy Statement 2018/19

Executive Summary:
This report presents the draft 2018/19 Treasury Management Strategy Statement for consideration and endorsement before it is presented to the PCC for approval at the Level 1 public meeting on 23rd January 2018.

The draft Strategy Statement includes the proposed borrowing and investment strategies, and also sets out the prudential indicators and treasury management activity limits for the period 2017/18 to 2019/20 that provide the Office of the Police and Crime Commissioner’s (OPCC) treasury service with an operational performance and control framework within which the relevant functions are undertaken.

The overall strategy is very similar to that adopted by the PCC in the current 2017/18 financial year.

Recommendation:
The Committee is asked to consider the draft Treasury Management Strategy Statement for 2018/19 and then recommend it to the PCC for approval at the Level 1 public meeting on 23rd January 2018.

Chairman of the Joint Independent Audit Committee
I hereby approve the recommendation above.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Date</th>
</tr>
</thead>
</table>
PART 1 – NON-CONFIDENTIAL

1 Introduction and background

1.1 The PCC is required to operate a balanced budget which broadly means that cash income 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 PCC’s low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the treasury function is the funding of the PCC’s capital investment plans. These capital plans provide a guide to the PCC’s borrowing need, especially the longer term cash flow planning to ensure that the PCC can meet his capital spending obligations.

2 Issues for consideration

2.1 The attached Treasury Management Strategy Statement and supporting documents will enable the PCC to fulfil and discharge the following primary legislative requirements to receive and adopt:

a) An over-arching annual Treasury Management Strategy Statement which sets out how the treasury service will support the PCC’s capital investment decisions, the day to day treasury management and the limitations on activity through treasury prudential indicators.

b) A Borrowing Strategy which sets out the operational limits to borrowing activity, including the statutory Affordable Borrowing Limit, or ‘Authorised Limit’.

c) An Investment Strategy which sets out the PCC’s criteria for choosing investment counterparties and limiting exposure to the risk of loss.

d) A Minimum Revenue Provision (MRP) Policy Statement which sets out how the PCC will pay for capital assets through revenue each year.

e) Treasury management Prudential Indicators and Activity Limits, setting out the operational performance parameters applicable to the PCC’s capital finance and treasury management activities.

2.2 The above policies and parameters will also provide an approved framework within which officers will undertake and account for the PCC’s day-to-day capital and treasury activities.

2.3 The Committee needs to be satisfied that the draft Strategy is relevant and appropriate and, following approval in January 2018, will enable the PCC to discharge his statutory obligations in this key policy and financial management area.
3 Financial comments

3.1 The attached Treasury Management Strategy Statement is fully consistent with the draft revenue budget for 2018/19, the draft medium term financial plan (2017/18 to 2019/20) and the draft medium term capital plan as presented to the Level 1 public meeting on 16th November 2017. Any changes to the draft revenue budget or capital programme will inevitably mean changes to the capital, prudential and treasury management indicators before they are presented to the PCC for formal approval on 23rd January 2018.

3.2 The individual capital prudential indicators and the treasury management activity limits are clearly set out in the Statement, as is the annual borrowing and investment strategy.

4 Legal comments

4.1 The PCC is required to approve an annual treasury management and investment strategy. Quarterly monitoring reports will be provided directly to the PCC.

5 Equality comments

5.1 No specific implications arising from this report

6 Background papers

Link Asset Services draft Treasury Management Strategy Statement
Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? No

Is there a Part 2 form? No

<table>
<thead>
<tr>
<th>Name &amp; Role</th>
<th>Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of Unit</td>
<td>PCC Chief Finance Officer</td>
</tr>
<tr>
<td>This document is consistent with the draft annual revenue budget and draft capital programme. It also meets all the legal requirements set out below</td>
<td></td>
</tr>
<tr>
<td>Legal Advice</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>This document complies fully with the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG Minimum Revenue Provision guidance, the CIPFA Treasury Management Code of Practice and CLG Investment Guidance.</td>
<td></td>
</tr>
<tr>
<td>Financial Advice</td>
<td>PCC Chief Finance Officer</td>
</tr>
<tr>
<td>The draft Treasury Management Strategy Statement is fully consistent with the draft revenue budget and draft capital programme. Quarterly monitoring reports will be prepared and presented to the PCC</td>
<td></td>
</tr>
<tr>
<td>Equalities &amp; Diversity</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>No specific implications arising from this report</td>
<td></td>
</tr>
</tbody>
</table>

PCC’s STATUTORY OFFICERS’ APPROVAL

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Chief Executive Date 5 December 2017

Chief Finance Officer Date 5 December 2017
Treasury Management Strategy Statement 2018/19

incorporating the Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2018/19
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1 INTRODUCTION

1.1 Background

The Police and Crime Commissioner (PCC) is required to operate a balanced budget, which broadly means that cash income 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 PCC’s low risk policy and appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the PCC’s capital plans. These capital plans provide a guide to the PCC’s borrowing need, essentially the longer term cash flow planning to ensure that the PCC can meet his capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet the PCC’s risk or cost objectives.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

“The management of the local 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.”

1.2 Reporting requirements

The PCC is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report 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).

A mid-year treasury management report – This will update the PCC with progress on the capital position, amending prudential indicators as necessary, and will indicate whether the treasury operation is meeting the strategy or whether any policies require revision. In addition, this PCC will receive quarterly update reports.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the PCC. As and when appropriate this role will be undertaken by the Joint Independent Audit Committee.
1.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 covers two main areas:

**Capital issues**
- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) strategy.

**Treasury management issues**
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the PCC;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members (sic) with responsibility for treasury management receive adequate training in treasury management. This especially applies to members (sic) responsible for scrutiny.

The PCC and all five members of the Joint Independent Audit Committee have been provided with appropriate training. Further training will be provided if required.

The training needs of treasury management staff are reviewed periodically.

1.5 Treasury management consultants

The Office of the PCC uses Link Asset Services as its external treasury management advisors.

The PCC recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

The PCC also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The PCC will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
2 THE CAPITAL PRUDENTIAL INDICATORS 2016/17 – 2020/21

The PCC’s capital expenditure plans are the key driver of treasury management activity. The output from the capital expenditure plans are reflected in prudential indicators.

2.1 Capital expenditure and financing

The PCC is asked to approve the summary capital expenditure and financing projections. Any shortfall in resources results in a funding borrowing need. This forms the first prudential indicator.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>2016/17 Actual £m</th>
<th>2017/18 Revised Estimate £m</th>
<th>2018/19 Estimate £m</th>
<th>2019/20 Estimate £m</th>
<th>2020/21 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditure</td>
<td>26.063</td>
<td>43.314</td>
<td>27.886</td>
<td>13.193</td>
<td>17.642</td>
</tr>
<tr>
<td>Financed by:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital grants</td>
<td>2.543</td>
<td>12.412</td>
<td>1.925</td>
<td>0.373</td>
<td>0.000</td>
</tr>
<tr>
<td>Revenue Reserves</td>
<td>0.000</td>
<td>3.186</td>
<td>0.093</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Revenue contributions</td>
<td>1.009</td>
<td>1.997</td>
<td>1.940</td>
<td>5.140</td>
<td>10.140</td>
</tr>
<tr>
<td>3rd party contributions</td>
<td>0.212</td>
<td>0.668</td>
<td>0.150</td>
<td>0.150</td>
<td>0.150</td>
</tr>
<tr>
<td>Other Income</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Capital Reserves</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Improvement &amp; Performance Reserve</td>
<td>0.000</td>
<td>9.649</td>
<td>1.493</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Cashflow – timing issues</td>
<td>0.000</td>
<td>0.000</td>
<td>15.519</td>
<td>0.000</td>
<td>-1.083</td>
</tr>
<tr>
<td>Net financing need for the year</td>
<td>7.635</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

1 At this stage the draft medium term capital plan has a funding shortfall of around £11m which still needs to be addressed. In addition we are fully aware of the timing issue that might be created if capital receipts are not generated before associated capital expenditure is incurred.

2.2 The PCC’s borrowing need (the Capital Financing Requirement)

The second prudential indicator is the PCC’s Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the PCC’s underlying borrowing need. Any capital expenditure included in the table above, 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 in line with each asset’s life.

The CFR includes other long term liabilities such as PFI schemes and finance leases. Whilst these increase the CFR, and therefore the borrowing requirement, these types of scheme include a borrowing facility and so the PCC is not required to separately borrow for these schemes. The PCC currently [2017/18] has £5.739m of such schemes within the CFR.
The PCC is asked to approve the following CFR projections.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>2016/17 Actual £m</th>
<th>2017/18 Revised Estimate £m</th>
<th>2018/19 Estimate £m</th>
<th>2019/20 Estimate £m</th>
<th>2020/21 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total CFR</td>
<td>39.655</td>
<td>46.407</td>
<td>45.283</td>
<td>44.137</td>
<td>42.968</td>
</tr>
<tr>
<td>Movement in CFR</td>
<td>6.752</td>
<td>-1.124</td>
<td>-1.146</td>
<td>-1.169</td>
<td>-1.195</td>
</tr>
</tbody>
</table>

Net financing need for the year (per Table 1 above)  
-0.710 -0.863 -0.863 -0.863 -0.863

Net Borrowing  
7.635 0.000 0.000 0.000 0.000

Less MRP/VRP and other financing movements  
-0.173* -0.261 -0.283 -0.307 -0.332

Movement in CFR  
46.407 45.283 44.137 42.968 41.773

*During 2016/17, an accounting error in the PFI model was identified, which has been corrected. The overall result was to increase the liability outstanding to date by £0.079 million

2.3 Minimum revenue provision (MRP) policy statement

The PCC is required to pay off an element of the accumulated capital spend each year (the CFR) and make a statutory charge to revenue for the repayment of debt, known as the minimum revenue provision (MRP). The MRP policy sets out how the PCC will pay for capital assets through revenue each year. The PCC is also allowed to make additional voluntary payments (voluntary revenue provision - VRP).

CLG regulations have been issued which require the PCC 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 PCC is recommended to approve the following MRP Statement:

- For capital expenditure incurred before 1 April 2008, MRP will be based on the Regulatory Method. MRP will be written down over a fixed 50 year period
- For capital expenditure incurred from 1 April 2008, the MRP will be based on the ‘Asset Life Method’, whereby MRP will be based on the estimated life of the assets in accordance with the regulations.
- For finance leases, an ‘MRP equivalent’ sum will be paid off each year.

2.4 Core funds and expected investment balances

Investments will be made with reference to the core balances, future cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Table 3 below provides an estimate of the year end balances for each resource and anticipated day to day cash flow balances.
Table 3

<table>
<thead>
<tr>
<th>Year End Resources</th>
<th>2016/17 Actual £m</th>
<th>2017/18 Estimate £m</th>
<th>2018/19 Estimate £m</th>
<th>2019/20 Estimate £m</th>
<th>2020/21 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earmarked revenue reserves</td>
<td>34.721</td>
<td>21.803</td>
<td>17.878</td>
<td>16.434</td>
<td>15.847</td>
</tr>
<tr>
<td>Capital grants and reserves</td>
<td>17.365</td>
<td>0.747</td>
<td>0.175</td>
<td>0.025</td>
<td>0.000</td>
</tr>
<tr>
<td>Total core funds</td>
<td>77.183</td>
<td>48.368</td>
<td>43.436</td>
<td>41.842</td>
<td>41.230</td>
</tr>
<tr>
<td>Working capital*</td>
<td>5.600</td>
<td>5.600</td>
<td>5.600</td>
<td>5.600</td>
<td>5.600</td>
</tr>
<tr>
<td>Expected investments</td>
<td>82.783</td>
<td>53.968</td>
<td>49.036</td>
<td>47.442</td>
<td>46.830</td>
</tr>
</tbody>
</table>

* The working capital balance is the average difference between cash investments and core cash balances from the last 3 financial years. The actual figure will obviously vary from day to day according to circumstances.

2.5 Affordability prudential indicators

The previous sections cover the overall capital expenditure and control of borrowing prudential indicators but, within this framework, prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the PCC’s overall finances. The PCC is asked to approve the following indicators:

2.6 Ratio 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 the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

Table 4

<table>
<thead>
<tr>
<th>Ratio of Financing Costs to Net Revenue Stream</th>
<th>2016/17 Actual %</th>
<th>2017/18 Estimate %</th>
<th>2018/19 Estimate %</th>
<th>2019/20 Estimate %</th>
<th>2020/21 Estimate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>0.39</td>
<td>0.51</td>
<td>0.55</td>
<td>0.53</td>
<td>0.55</td>
</tr>
</tbody>
</table>

2.7 Incremental impact of capital investment decisions on PCC council tax.

This indicator is calculated by identifying those revenue costs which appear separately in the medium term financial plan (e.g. changes in DRF, capital financing costs and revenue consequences of capital investment) and then expressing those cash changes in terms of band D council tax.

Table 5

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Band D council tax</td>
<td>1.92</td>
<td>3.65</td>
<td>3.66</td>
<td>5.38</td>
</tr>
</tbody>
</table>
3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activities of the PCC. The treasury management function ensures that the PCC’s cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The PCC’s borrowing portfolio position at 31 March 2017, with forward projections, is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>External Debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt at 1 April</td>
<td>14.843</td>
<td>14.843</td>
<td>14.843</td>
<td>27.478</td>
<td>29.978</td>
</tr>
<tr>
<td>Expected change in Debt</td>
<td>0.000</td>
<td>0.000</td>
<td>12.635</td>
<td>2.500</td>
<td>7.240</td>
</tr>
<tr>
<td>Other long-term liabilities (OLTL) at 1st April</td>
<td>5.980</td>
<td>5.739</td>
<td>5.478</td>
<td>5.195</td>
<td>4.888</td>
</tr>
<tr>
<td>Expected change in OLTL</td>
<td>-0.173</td>
<td>-0.261</td>
<td>-0.283</td>
<td>-0.307</td>
<td>-0.332</td>
</tr>
<tr>
<td>Actual gross debt at 31 March</td>
<td>20.650</td>
<td>20.321</td>
<td>32.673</td>
<td>34.866</td>
<td>41.774</td>
</tr>
<tr>
<td>The CFR</td>
<td>46.407</td>
<td>45.283</td>
<td>44.137</td>
<td>42.967</td>
<td>41.772</td>
</tr>
<tr>
<td>Under / (over) borrowing</td>
<td>25.757</td>
<td>24.962</td>
<td>11.464</td>
<td>8.101</td>
<td>-0.002</td>
</tr>
</tbody>
</table>

Within the prudential indicators there are a number of key indicators to ensure that the PCC operates their activities within well defined limits. One of these is that the PCC needs to ensure that their gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Chief Finance Officer reports that the PCC has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary for external debt is based on ‘probable’ debt during the year and is a benchmark guide, not a limit. Actual debt could vary around this boundary for short periods during the year. It should act as a monitoring indicator to initiate timely action to ensure the statutory mandatory indicator (the ‘Authorised Limit’, per Table 8 below) is not breached inadvertently.
The **authorised limit** for external debt is a key prudential indicator which provides control on the overall level of affordable borrowing. It represents a limit beyond which external debt is prohibited and needs to be set and/or revised by the PCC. It reflects the level of external debt which, whilst not necessarily 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 local authority plans, or those of a specific authority (or PCC), although this power has not yet been exercised.

The PCC is asked to approve the following authorised limit:

<table>
<thead>
<tr>
<th>Table 8</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>34.843</td>
<td>47.748</td>
<td>49.978</td>
<td>57.218</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>5.739</td>
<td>5.478</td>
<td>5.195</td>
<td>4.888</td>
</tr>
<tr>
<td>Short Term liabilities</td>
<td>10.000</td>
<td>10.000</td>
<td>10.000</td>
<td>10.000</td>
</tr>
<tr>
<td>Total</td>
<td>50.582</td>
<td>63.226</td>
<td>65.173</td>
<td>72.106</td>
</tr>
</tbody>
</table>

### 3.3 Prospects for interest rates

The PCC has appointed Link Asset Services as his treasury advisor and part of their service is to assist the PCC to formulate a view on borrowing interest rates. The following table and subsequent paragraphs give the Link forecast view.

<table>
<thead>
<tr>
<th>Table 9</th>
<th>Bank Rate</th>
<th>PWLB Borrowing Rates (including certainty rate adjustment)</th>
<th>5 year</th>
<th>25 year</th>
<th>50 year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017/18</td>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Dec 2017</td>
<td>0.50</td>
<td></td>
<td>1.50</td>
<td>2.80</td>
<td>2.50</td>
</tr>
<tr>
<td>Mar 2018</td>
<td>0.50</td>
<td></td>
<td>1.60</td>
<td>2.90</td>
<td>2.60</td>
</tr>
<tr>
<td>Jun 2018</td>
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<td>3.20</td>
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</tr>
<tr>
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<td>3.30</td>
<td>3.10</td>
</tr>
<tr>
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</tr>
<tr>
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<td>2.10</td>
<td>3.50</td>
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</tr>
<tr>
<td>Sep 2020</td>
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<td></td>
<td>2.20</td>
<td>3.50</td>
<td>3.30</td>
</tr>
<tr>
<td>Dec 2020</td>
<td>1.25</td>
<td></td>
<td>2.30</td>
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<td>3.40</td>
</tr>
<tr>
<td>Mar 2021</td>
<td>1.25</td>
<td></td>
<td>2.30</td>
<td>3.60</td>
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</tr>
</tbody>
</table>

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1. As of 29 November 2017
“As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2nd November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures. From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
• Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
• A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
• Weak capitalisation of some European banks.
• The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. In addition, the new Czech prime minister is expected to be Andrej Babis who is strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
• Rising protectionism under President Trump
• A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:

• The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
• UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
• The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

• Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.

• Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

• There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.
3.4 Borrowing strategy

The PCC is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the PCC’s reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as, currently, investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances, e.g.:

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any urgent decisions taken by the Chief Finance Officer will be reported to the PCC at the next available opportunity.

For budget planning purposes we have included £12.635m of borrowing in 2018/19, including the purchase of Fountain Court in 2016/17, and that additional loans of £2.500m in 2019/20 and £7.240m in 2020/21 will be taken out in order to reduce the current level of under-borrowing. This is important given the plans currently in place to utilise a significant proportion of the currently held revenue and capital reserves in coming years to help support one-off expenditure initiatives, including investment in new technology and change programmes.

At this stage we are not planning on using external borrowing to finance the Medium Term Capital Plan (2017/18 to 2019/20).

Adopting this approach will mean that the level of under-borrowing will fall from its current (31st March 2017) level of £25.757m to nil by the end of 2020/21, due to the statutory annual transfer of monies from the revenue account (i.e. the Minimum Revenue Provision) that will reduce the CFR, all other things remaining equal.

Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:
• Upper limits on variable interest rate exposure. This identifies the maximum limit for variable interest rates for both borrowing and 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 PCC’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The PCC is asked to approve the following treasury indicators and limits:

<table>
<thead>
<tr>
<th>Table 10</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate exposures</td>
<td>Upper</td>
<td>Upper</td>
<td>Upper</td>
</tr>
<tr>
<td>Limits on fixed interest rates:</td>
<td></td>
<td></td>
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<tr>
<td>• Debt only</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>• Investments only</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Limits on variable interest rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Debt only</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>• Investments only</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Maturity structure of fixed interest rate borrowing 2018/19</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 12 months</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>12 months to 2 years</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>2 years to 5 years</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>5 years to 10 years</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>10 years and above</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Maturity structure of variable interest rate borrowing 2018/19</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 12 months</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>12 months to 2 years</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>2 years to 5 years</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>5 years to 10 years</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>10 years and above</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.5 Policy on borrowing in advance of need

The PCC will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the PCC can ensure the security of such funds.

3.6 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 (premiums incurred).
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 treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Any rescheduling undertaken will be formally reported to the PCC in the next quarterly performance update.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The PCC’s investment policy has regard to the CLG’s Guidance on Local Government Investments (“the Guidance”) and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”). The PCC’s investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the PCC applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the PCC will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in appendix 5.2 under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices – schedules.

4.2 Creditworthiness policy

The PCC applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for
which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the PCC to determine the suggested duration for investments. The PCC will therefore use counterparties within the following durational bands.

- **Yellow**: 5 years
- **Purple**: 2 years
- **Blue**: 1 year (only applies to nationalised or semi nationalised UK Banks)
- **Orange**: 1 year
- **Red**: 6 months
- **Green**: 100 days
- **No colour**: not to be used

The Link Asset Services’ creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency’s ratings.

Typically the minimum credit ratings criteria the PCC uses will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The PCC is alerted to changes to ratings of all three agencies through its use of the Link Asset Services’ creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the PCC’s minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the PCC will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the PCC’s lending list.

Sole reliance will not be placed on the use of this external service. In addition the PCC will also use market data and market information, information on any external support for banks to help support its decision making process.

4.3 **Country limits**

The PCC has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.3. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

The UK is excluded from any stipulated minimum sovereign rating requirement.
4.4 Investment strategy

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). The majority of funds will be placed in call accounts, money market funds or short-term deposits. Alternatively, tradable certificates of deposit (CDs) will be acquired.

Investments of up to 2 years will also be allowed with the Royal Bank of Scotland Group. No material change in Government ownership is expected during that period. This policy will allow the PCC to lock in potential investment returns whilst continuing to adopt a low risk approach.

Bank Rate is forecast to rise steadily up to 1.25% by quarter 4 2020/21. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>0.40%</td>
</tr>
<tr>
<td>2018/19</td>
<td>0.60%</td>
</tr>
<tr>
<td>2019/20</td>
<td>0.90%</td>
</tr>
<tr>
<td>2020/21</td>
<td>1.25%</td>
</tr>
<tr>
<td>2021/22</td>
<td>1.50%</td>
</tr>
<tr>
<td>2022/23</td>
<td>1.75%</td>
</tr>
<tr>
<td>2023/24</td>
<td>2.00%</td>
</tr>
<tr>
<td>Later years</td>
<td>2.75%</td>
</tr>
</tbody>
</table>

The overall balance of risks to these forecasts is currently probably skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

**Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the PCC’s liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. A limit of £20m is recommended in order to provide officers with flexibility to take advantage of time and cash limited offers, which sometimes exceed 364 days when initially offered, or to place deposits for up to 2 years in order to lock in investments returns whilst continuing to adopt a low risk approach.

The PCC is asked to approve the treasury indicator and limit:

| Table 11 - Maximum principal sums invested > 364 days |
|------------------------------------------------------|----------|----------|----------|
| Principal sums invested                              | 2018/19  | 2019/20  | 2020/21  |
|                                                    | £20m     | £20m     | £20m     |
4.5 Investment risk benchmarking

The PCC has approved benchmarks for investment Security, Liquidity and Yield.

These benchmarks are simple guideline targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position, and amend the operational strategy depending on any changes.

The proposed benchmarking targets for 2018/19 are set out below:

a) **Security** - the PCC’s maximum security risk benchmark for the current portfolio, when compared to historic default tables, is:
   - 0.25% historic risk of default when compared to the whole portfolio.

b) **Liquidity** – in respect of this area the OPCC seeks to maintain:
   - Bank overdraft limit - £0.1m
   - Liquid short term deposits - including the receipt of government grants, council tax precept income and use of short-term borrowing - of at least £5m available within one week.
   - ‘Weighted Average Life’ benchmark - 9 months (270 days), with a maximum of 2 years.

c) **Yield** – performance target is to achieve:
   - an average return above the weighted average 7 day and 12 month LIBID rates (i.e. the bespoke TVP benchmark)

Any breach of the indicators or limits will be reported to the PCC, with supporting reasons, in the quarterly performance monitoring reports. Members of the Joint Independent Audit Committee will also be notified.

4.6 End of year investment report

At the end of the financial year the Chief Finance Officer will report on the investment activity as part of his Annual Treasury Report.
5 Appendices

5.1 Economic background (as provided by Link on 29.11.2017)

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, inflation prospects are generally muted and it is particularly notable that wage inflation has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the fourth industrial revolution.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks’ monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently, in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks’ holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of QE debt purchases will be over several years. They need to balance their timing to either squash economic recovery by taking too rapid and too strong action or, alternatively, let inflation run away by taking action that was too slow.
and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks.

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the low level of productivity growth, which may be the main driver for increases in wages; and decreasing consumer disposable income, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether an inflation target for central banks of 2%, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a lower inflation target of 1% to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply ‘look through’ tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a shift up in the inflation target to 3% in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should target financial market stability. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that other non-financial asset prices, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only
accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the Monetary Policy Committee, (MPC), meeting of 14 September 2017 managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years’ time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.0% in both September and October so that might prove now to be the peak.) This marginal revision in the Bank’s forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the ‘one and done’ scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the contradiction within the Bank of England between action in 2016 and in 2017 by two of its committees. After the shock result of the EU referendum, the Monetary Policy Committee (MPC) voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was because the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the Financial Policy Committee (FPC) of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit
card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 - 34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that some consumers may have over extended their borrowing and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

**EZ.** Economic growth in the eurozone (EZ), (the UK’s biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.0% y/y), 0.7% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

**USA.** Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

**JAPAN.** has been struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.
5.2 Credit and Counterparty Risk Management

Specified and Non-Specified Investments and Limits

Specified Investments

‘Specified’ investments are sterling investments of not more than one year maturity made with any institution meeting the minimum ‘high’ quality criteria where applicable.

Non-Specified Investments

These are any investments which do not meet the specified investment criteria. A maximum of 50% will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

Investments of up to 2 years will continue to be allowed with the Royal Bank of Scotland (RBS) Group, since no material change in Government ownership is expected during that period. This policy will allow the PCC to lock in investment returns whilst continuing to adopt a low risk approach.

The proposed criteria for (a) Specified and (b) Non-Specified investments are presented below for approval.

a) Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the PCC has the right to be repaid within 12 months if it wishes.

<table>
<thead>
<tr>
<th>Investment Instrument</th>
<th>Minimum credit criteria / colour band</th>
<th>Maximum investment per institution</th>
<th>Maximum maturity period</th>
</tr>
</thead>
<tbody>
<tr>
<td>The PCC’s own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</td>
<td>Minimal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DMADF – UK Government</td>
<td>N/A</td>
<td>No limit</td>
<td>6 months</td>
</tr>
<tr>
<td>Money Market Funds (MMF)</td>
<td>AAA by at least 2 rating agencies and minimum asset base of £500m</td>
<td>£25m or 1% of total asset base per institution whichever is the lower figure</td>
<td>Liquid (instant access)</td>
</tr>
<tr>
<td>Local authorities</td>
<td>N/A</td>
<td>£10m</td>
<td>1 year</td>
</tr>
<tr>
<td>Term deposits with banks and building societies</td>
<td>Blue, Orange, Red, Green</td>
<td>£40m, £30m, £20m, £15m</td>
<td>Up to 1 year, Up to 1 year, Up to 6 months, Up to 100 days</td>
</tr>
<tr>
<td>CDs or corporate bonds with banks and building societies</td>
<td>Blue, Orange, Red, Green</td>
<td>£40m, £30m, £20m, £15m</td>
<td>Up to 1 year, Up to 1 year, Up to 6 months, Up to 100 days</td>
</tr>
</tbody>
</table>
b) Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as ‘specified’ above). The identification and rationale supporting the selection of these other investments, and the maximum limits to be applied, are set out below.

Non-specified investments would include any sterling investments with:

<table>
<thead>
<tr>
<th></th>
<th>Minimum credit criteria / colour band</th>
<th>Maximum investment per institution</th>
<th>Maximum maturity period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authorities</td>
<td>N/A</td>
<td>£10m</td>
<td>5 years</td>
</tr>
<tr>
<td>Term deposits with banks and building societies</td>
<td>Purple Blue (RBS)</td>
<td>£30m £20m</td>
<td>Up to 2 years Up to 2 years</td>
</tr>
<tr>
<td>CDs or corporate bonds with banks and building societies</td>
<td>Purple Blue (RBS)</td>
<td>£30m £40m</td>
<td>Up to 2 years Up to 2 years</td>
</tr>
</tbody>
</table>
5.3 Approved Countries for investments

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

AA+
- Finland
- Hong Kong
- U.S.A.

AA
- Abu Dhabi (UAE)
- France
- U.K.

AA-
- Belgium
- Qatar
Annual Assurance Report 2017 from the Joint Independent Audit Committee to the PCC for Thames Valley and the Chief Constable of Thames Valley Police

Introduction

This Annual Assurance Report 2017 explains how the Committee has complied with each of its specific responsibilities, referred to in Appendix 1, during the last twelve months covering the period December 2016 to December 2017.

The Committee’s last annual report, presented to the PCC and Chief Constable at the Joint Independent Audit Committee meeting held on 15th December 2016, provided an assurance opinion that the risk management and internal control environment in Thames Valley Police (TVP) and the Office of the Police and Crime Commissioner (OPCC) was operating efficiently and effectively. However, we did state that we would continue our scrutiny around ICT and its impact on force change management, the delivery of force financial performance and operational effectiveness. We will explore these issues in more detail later in this report.

Financial management

We received and reviewed the separate Statement of Accounts for 2016/17 for the PCC & Group and the Chief Constable at our special meeting on 27th July 2017, together with the external auditor’s ‘Audit results report for the year ended 31st March 2017’.

We note with approval that the external auditor, Ernst & Young, issued an unqualified audit opinion and an unqualified value for money conclusion for both the PCC and Chief Constable. It was also pleasing to hear from the external auditor that TVP were one of their first clients nationally, including local policing bodies, to have their 2016/17 accounts formally closed and signed-off, and that this, they considered, was due to excellent project planning within and between the OPCC and Force Finance Departments and their effective working relationship with external audit staff. We received the Annual Audit Letter on 12th September.

Last December [2016] we received a draft copy of the Annual Treasury Management Strategy Statement for 2016/17 which we reviewed and scrutinised robustly, before it was formally approved by the PCC in January 2017. We considered and noted the annual treasury report for 2016/17. This report explained how officers had complied with the annual treasury strategy statement. We were reminded that regular progress reports during the year were presented to the PCC and Chief Constable rather than the Committee.
Having considered all the information available to us we are satisfied that both the PCC’s Chief Finance Officer and the Force Director of Finance have the necessary capability and capacity to ensure the proper administration of the PCC’s and Force’s financial affairs. Indeed, the experience and skills of the two individuals concerned, and the teams they lead, have been of real benefit to the PCC and the Force and we commend their efforts.

We were pleased to note that, in November 2017, TVP was one of only two forces nationally to be awarded an overall grading of ‘Outstanding’ by Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) in their PEEL Police Efficiency (Including leadership) Inspection 2017.

**Internal control and governance**

As a result of serious concerns identified and raised in previous year’s assurance report, we have continued to retain a close interest in, and scrutiny of, the transformation of the ICT systems and infrastructure.

In December 2016 we received an ICT Transformation and Delivery Update which provided helpful sections on the ICT 2020 Vision and the IT and Business Change programmes. This report evidenced that positive progress was visible across the ICT business areas. The recent HMIC PEEL reports for TVP and Hampshire Constabulary (HC) had commented specifically on the ICT strategy and how it is fully aligned and supporting the Force’s objectives. It confirmed that progress in this area was good and that the governance and oversight was ensuring that it continues to support the organisations good delivery.

We received a further ICT update in March 2017. This report highlighted the fact that the Chair of JIAC had attended the ICT 2020 Board, the Force Transformation Board and had one-to-one meetings with the Director of Information regarding IT business areas. This had provided a useful forum to ensure there was an effective engagement and understanding between IT department, force change and the audit business area.

In our last (2016) annual report we stated that one of our priorities for 2017 will be to keep a close eye on ICT given its impact on the business and the risks associated. We have done so diligently up to and including the September meeting when the Committee concluded that the level of oversight and monitoring now in place was sufficient to redress our original concerns regarding the lack of governance on ICT performance and that a detailed report to each meeting was no longer required.

In June we received an annual report from the Director of Information, as the Senior Information Risk Owner (SIRO), which provided a summary across HC and TVP for the information assurance and information governance during 2016/17 to provide assurance that information risks were being managed effectively and highlighted some of the key decisions that had been escalated to the SIRO during the year.

In September we received a helpful and timely report on the Joint ICT Department’s response to the recent Wannacry Malware incident that had attacked certain NHS Trust computer systems. It was reassuring to note that there had been no occurrence of the
malware in either the HC or TVP environments during or post the event which showed that there are resilient and good processes in place to ensure such an issue cannot readily take place within the Force infrastructure. The response from the Joint ICT department and the security systems in place was timely, relevant and good overall which endorses confidence that had the malware originally not been patchable, the vast majority of the ICT estate would have up to date antivirus signatures and could have changes to infrastructure and boundaries checks made quickly.

In September, the PCC reported to us that he will not be actively pursuing any governance changes, with the three fire and rescue authorities, in the foreseeable future.

In addition to receiving update reports on ICT we have also attended appropriate meetings of the ICT 2020 Vision Board and Force Transformation Board to see, for ourselves, the action being taken to ensure that the agreed 5 year ICT strategy, and other key projects and programmes are being managed effectively. We remain an observer on the joint Hampshire/TVP Bilateral Governance Board.

In March 2017 we considered and scrutinised the updated Framework for Corporate Governance which included the Statement of Corporate Governance, the Joint Code of Corporate Governance for the PCC and Chief Constable, and the Scheme of Corporate Governance which included Financial and Contract Regulations. Following a major re-write during 2016, only minor amendments were required this year to ensure that it remained relevant and fit for purpose.

In March we received an initial draft of the 2016/17 Annual Governance Statement (AGS) for consideration. Accepting that further work would be required before the AGS was finalised in May for inclusion in the annual Statement of Accounts, we recommended that all statements within the AGS be validated for accuracy before the final version is published.

We received an updated AGS for consideration and endorsement at our meeting in June. It was pleasing to note that following a review of the effectiveness of the present governance arrangements there were no significant governance issues that required immediate attention nor were there any potential issues that may have an adverse impact on the internal control environment during 2017/18.

We received a report in December 2016 which outlined progress against the four potential issues in the 2015/16 AGS action plan and a further update in March 2017.

In June we received a report on the Force’s new Governance and Service Improvement department. We were advised that the Priority Based Budgeting programme had identified an opportunity to review and redesign the delivery of strategy, governance, change and service improvement at force level to better inform decision-makers and drive activity across the organisation. The new department, which had been introduced in April, had the overarching aim of transforming the delivery of corporate and policing strategy, enabling good governance, co-ordinating strategy, prioritising the delivery of change and ensuring continuous service improvement. It was good to meet the new heads of department who would be responsible for delivering these outcomes.
At the same meeting we also received a Change Programmes and benefits overview report which explained which programmes were currently underway, how they are managed and audited, how benefits are tracked and audited, how programme risks are managed, and plans for improving the way change programmes will be managed in future. The chair has been able to monitor the way these programmes are being managed through his attendance at the Force Transformation Board.

In her Annual Audit Letter, published in August 2017, the external auditor stated ‘We are required to consider the completeness of disclosures in the PCC’s and CC’s annual governance statement, to identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.’

Based on the information provided to the Committee during the last twelve months we can provide assurance that, to the best of our knowledge, the corporate governance framework within Thames Valley is operating efficiently and effectively.

Complaints, integrity and ethics

Force Oversight arrangements

In December 2016 we received the updated Anti-Fraud and Corruption Policy for consideration and endorsement. The key aim of this document is to help prevent fraud and corruption within TVP and the Office of the PCC. The policy will assist individuals and their line managers to ensure that their decisions and actions are both legal and appropriate, and could withstand scrutiny and review. The overall aim is to maintain the reputation and integrity of TVP and the PCC.

We continue to attend, as observers, the bi-monthly meetings of the Complaints, Integrity and Ethics Panel to ensure that the Chief Constable’s arrangements for, and the PCC’s oversight of, the proper handling of complaints made against the Force and consideration of other integrity and ethics issues are operating effectively in practice.

Corporate risk management

We have reviewed regular quarterly updates from both the Force and the Office of the PCC (OPCC) in terms of their strategic risk management systems and processes, supplemented by the annual report on Force Risk Management in June 2017.

This is an area of business we take very seriously, and question and challenge officers on a regular basis to ensure that we are sighted on all significant corporate risks and are satisfied that these risks are being dealt with in a timely, effective and appropriate manner.

Based on the information provided to the Committee during the last twelve months it appears that the organisational risks in both the OPCC and Force are being managed effectively and that there is appropriate capability for their respective published goals and objectives to be achieved efficiently and effectively.
**Business continuity management**

As with risk management we have considered quarterly updates from the Force on business continuity, supplemented by the annual report in June 2017. We have made various recommendations to officers in order to improve the appropriateness and usefulness of these reports and are pleased that these have been acted upon.

We are content that business continuity is treated as a serious issue by senior officers within the Force and that regular and practical exercises are undertaken in order to test business continuity planning and to provide learning opportunities for key staff.

We are satisfied that the business continuity management processes are operating efficiently and effectively in identifying issues and capturing organisational learning and there are no significant issues that we need to draw to your attention.

To strengthen further the Committee’s oversight in this area, the JIAC also attends the bi-annual strategic business continuity meeting chaired by the DCC.

**Internal audit**

We received and endorsed the Internal Audit Strategy and Annual Plan 2017/18 at our meeting on 15th March 2017. We noted that that the annual plan included all relevant financial systems, as well as other business critical functional areas and activities. As in 2016, we were pleased to note an emphasis on ICT audits, looking at high risk functions and operations, with a move away from auditing projects and programmes

Although the costed audit plan does not include a specific allocation of days for use by the Committee, there is an extant agreement with the CC and PCC that the Committee may, at its discretion, draw on up to 10 audit days for its own specific use.

In June 2017 we received the annual report from the Chief Internal Auditor. We were pleased to note that all of the planned audits for 2016/17 were completed, subject to any in year changes to the originally approved plan. Of the 20 completed audits, 1 (5%) had received substantial assurance, 12 (60%) had received reasonable assurance and 7 (35%) had received limited assurance. It was pleasing to note the results of the additional sources of assurance that had been provided by independent internal functions or external bodies. Of the 14 sources identified, 7 (50%) were deemed to provide substantial assurance, 6 (43%) provided reasonable and only 1 (7%) provided limited assurance. We challenged robustly, with internal auditors and appropriate officers, the reasons for the reported shortcomings in the assurance levels for some reports and the completion of the associated action plans. Based on the reviews completed during the year, the opinion on the organisation’s system of internal control was that key controls in place are adequate and effective, such that an assessment of reasonable assurance could be placed on the operation of the organisation’s functions. The opinion demonstrates a good awareness and application of effective internal controls necessary to facilitate the achievement of objectives.
and outcomes. There was, in general, an effective system of risk management, control and governance to address the risk that objectives are not fully achieved.

In March 2017 and September 2017 we received updates from the Chief Internal Auditor on progress with delivery of the annual internal audit plan, including a summary of key issues arising from recently completed audits. We continue to receive final audit reports which give us early sight of any key issues arising from completed audits that require management action. This is particularly useful for those few audits where limited or minimal assurance is given.

We have received and debated regular update reports each quarter on progress of agreed actions in internal audit reports. Although the number of overdue actions has started to increase in recent months, we are reassured that management continues to take the implementation of actions arising from internal audit reports very seriously. We shall, however, continue to monitor this situation rigorously in coming years.

In June the Committee received a report from the Chief Internal Auditor which explained the background and content of the Public Sector Internal Audit Standards and the Joint Internal Audit Teams compliance to the standards. The Committee were pleased to note the high level of compliance.

We are satisfied that the system of internal audit in Thames Valley is operating efficiently and effectively and there are no specific issues or areas of concern that we would wish to highlight to the PCC and/or Chief Constable.

**External audit**

In March 2017 the external auditor, Ernst & Young [EY], presented its joint audit plan for the PCC and Chief Constable for the financial year ending 31st March 2017. This explained the context for the audit, as well as outlining the auditor’s process and strategy. EY highlighted the various risks to the financial statements. We were pleased to note that the audit fee for 2016/17 was held at the same cash level as in 2015/16.

At the special meeting on 27th July the External Auditor presented her Audit Results Report which summarised her audit conclusion in relation to the Group (i.e. PCC and Chief Constable) financial position and results of operations for 2016/17. This audit was designed to express an opinion on the 2016/17 financial statements for the PCC and Chief Constable, reach a conclusion on the PCC and Chief Constable’s arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. We were pleased to note that EY had not identified any significant errors or misstatements in the accounts and were able to issue an unqualified audit opinion. It was pleasing to note that the PCC (and TVP) had put in place proper arrangements to secure VFM in its use of resources. As in previous years we were informed that EY could not issue the final audit completion certificate due to delays at the Department for Communities and Local Government (DCLG) end in being able to submit the Whole of Government Accounts (WGA) work.
In August the External Auditor issued her Annual Audit Letter for the year ending 31st March 2017 to the PCC and Chief Constable which confirmed that she had issued an unqualified audit opinion in respect of the financial statements, an unqualified value for money conclusion and the audit completion certificate.

In terms of the financial statements and the year-end audit we are very pleased with the final outcome. We welcomed the efforts made by officers to close the accounts early again this year and were pleased to hear that TVP were one of the first local policing bodies nationally to have their 2016/17 accounts formally signed-off by external audit. This is an excellent achievement and one we hope can be continued and built upon as we move towards the statutory earlier closedown (31st May) and audit sign-off (31st July) for the 2017/18 accounts. We would also like to express our gratitude to the external auditors for their key role in the effective closedown and early audit sign-off process.

**Future Audit Arrangements**

In September 2016 we agreed a recommendation from the PCC and Chief Constable to opt in to the national scheme for auditor appointments led by Public Sector Audit Appointments (PSAA) – an independent, not-for-profit company, limited by guarantee and established by the Local Government Association.

The outcome of the tender process was announced in June. The contract has been awarded in six separate lots to different audit bodies. These new contracts will cover a five year period commencing with the audit of accounts for 2018/19. PSAA has an option to extend the contracts for a further two year period, to a total of seven years, should it choose to do so.

In September we were informed that Ernst and Young had been successful in winning a contract (Lot 2) in the procurement and PSAA had proposed appointing this firm for the auditor of the PCC and Chief Constable. We supported this recommendation and the PSAA and been notified accordingly. Although PSAA will consult on scale fees in due course, we were pleased to note that based on the results of the audit procurement, a reduction in scale fee of around 18% should be possible in 2018/19.

**Health & safety and environment**

We received the 2015/16 annual report last December. Whilst welcoming the information we sought additional information on comparative performance with other forces. We also expressed a wish to see activities relating to the continual improvement commitment in the Force Health Wellbeing and Safety Policy Statement.

We received the 2016/17 annual report in June which helped to document the progress being made in the continuous improvement of TVP policies and procedures for the effective management of health and safety. This year’s report also included information and evidence in respect of wellbeing. We were pleased to note the continued reduction in total safety incidents and that TVP is one of the best performing forces nationally for RIDDOR.
Having requested information regarding the continual improvement commitment at the September meeting, we received the relative performance data and statistics via email on 14 September.

**Equality, Diversity & Inclusion**

In June 2017 we received the 2016/17 equality, diversity and inclusion annual report which showcased the achievements from the past 12 months and planned activities for 2017/18. The report covered the following areas: strategic governance, providing a service to diverse communities, recruitment and attraction, retention and progression, community recruitment and engagement, wellbeing; other equality and diversity activity and future plans which include focussed positive action such as career trackers for under-represented staff groups, reverse mentoring and achieving Disability Confident Committed Employer status.

**Inspection and review**

Her Majesty’s Inspectorate of Constabulary, Fire and Rescue Service (HMICFRS) independently assesses police forces and policing across activity from neighbourhood teams to serious crime and the fight against crime – in the public interest. HMICFRS decides on the depth, frequency and areas to inspect based on their judgements about what is in the public interest.

We understand that the Chief Constable and his management team considers each report in detail, irrespective of whether it relates directly to Thames Valley Police and, where appropriate, agrees an appropriate action plan. We also understand that the PCC is required to consider and publish a response to each HMICFRS report relevant to Thames Valley Police. The Committee has asked to be provided with copies of the HMICFRS reports and responses of the PCC

As far as we know HMICFRS has not issued any report during the last twelve months that has specifically referred to assurance on the internal control environment and/or highlighted governance issues for the PCC and Chief Constable to consider.

**General**

We are pleased to report that the arrangements agreed three years ago, as set out below, are working effectively:

- Be regularly briefed by the Chief Constable and PCC on the full range of activities falling within our specific responsibilities and attend other relevant internal meetings
- Have direct access to the oversight of professional standards and ethics matters by regularly attending the Complaints, Integrity and Ethics Panel as an observer
- Attend any training and conference events that will ensure members are up to date with the policing landscape and audit requirements
- Attend as an observer the regular Force Performance meetings
Some members attended the CIPFA conference for Police Audit Committee members, discussing challenges faced by audit committees and proposed legislative changes that will impact on the work of audit committees. At the September 2017 CIPFA Police Audit conference, the Chair and PCC’s CFO were invited to give a joint presentation on their experiences of the JIAC at Thames Valley.

Over the year we had meetings with the Chief Constable, PCC and senior staff for relevant organisational and functional updates between formal JIAC meetings.

These briefings and invitations to attend internal Force meetings, coupled with the sharing of appropriate CCMT reports of interest, are raising our awareness and knowledge of legislative, policy or operational initiatives that are relevant to the Committee’s remit, such as organisational structural changes, service delivery initiatives, and financial and service planning issues. In turn, this is improving our collective understanding of how the Force and OPCC governance arrangements and control environments are operating in practice.

**JIAC Self-Assessment**

A survey form was sent to all members of the JIAC in the form of a questionnaire. The detailed responses are shown in Appendix 1. Of the 14 sent, there were 10 responses. One non-respondent was the external auditor who gave a general positive comment about the working of the committee.

The key points arising from analysis are:

- A member with direct personal experience of running a law enforcement agency or emergency service organisation could add additional value.
- Need to work on better relationship with other key managers in the Force other than ICT by attending key meetings as observers.
- Be helpful in that respect to be invited to force and PCC key internal conference/training as observers.
- Meetings should be planned for longer than 2 hours to allow for full debate on items which are lower in the agenda.
- The Chair has to ensure that debates do not drift into executive matters. At times questions and challenges are seen to be channelled through the chair, rather than direct from members.

**JIAC operating principles**

The Committee’s current operating principles are shown in Appendix 2. These are consistent with those previously used in the member recruitment process.
Conclusions

The purpose of the Joint Independent Audit Committee is to provide independent assurance to the PCC and Chief Constable regarding the adequacy of the risk management framework and the associated control environment within Thames Valley Police and the Office of the PCC.

Constructive challenges over the past twelve months on a wide range of topics have given us greater access to information and meetings; the positive relationship with the PCC and the Chief Constable and senior staff has enabled us to contribute to improved audit, risk management and internal controls.

The year ahead (2018) will be a very challenging one when a number of leading edge digital policing developments will be brought into service. No doubt we will continue to seek answers on costs and business benefits. We will continue our scrutiny on force change management, the delivery of force financial performance and operational effectiveness.

We will remain alert to the extent to which TVP and the OPCC are exposed to risks, from whatever source that might weaken the control environment or otherwise adversely affect overall performance. The coming months will be extremely challenging, however – based on the information that we have seen collectively or know about individually we can assure the PCC and Chief Constable that the risk management and internal control environment in Thames Valley is operating efficiently and effectively.

We hope that this report with the assurances it contains will enhance public trust and confidence in the governance of TVP and the OPCC.

Joint Independent Audit Committee

Members:

Dr Louis Lee (Chairman)
Mr Richard Jones
Mrs Alison Phillips OBE
Dr Gordon Woods
Mr Michael Day

13 December 2017
Appendix 1

Joint Independent Audit Committee Self-Assessment

Responses from JIAC members and those senior officers that attend Committee

1. Do JIAC members have the right experience and knowledge to serve the needs of the assurance requirements

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<tr>
<th>Yes</th>
<th>RJ, GW, AS, IT, PH, NS, FH, MD, AC, AP</th>
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**Members**

- I feel we bring a range of experience, and three members have a number of years of experience working with TVP. A member with direct personal experience of running a law enforcement agency or emergency service organisation could add additional value.
- There is a diversity of backgrounds and skills on the Committee and these combine to provide thoughtful and relevant review and challenge. However, insight from employees and ‘service users’ would add an extra dimension.
- We need to be continually exposed to the real issues in TVP but our different backgrounds give a breadth of input.
- All members bring an independent perspective to the scrutiny role, and individually have the credibility and integrity to operate effectively as a Committee. The breadth of experience enhances the judgemental dimension of the assurance process.

**Officers**

- Between them the 5 JIAC members have a wealth of knowledge and, when these skills are combined, they easily meet the person spec for the role.
- There is a good mixture of experience and knowledge on the JIAC.
- I think that the extension of JIAC to 5 members has provided better coverage of the experience and knowledge required.
- I think recent new members have led to an improved and holistic view and also ensured we have an organisational focus.
2. Do members have knowledge of the organisation and can connect with key managers?

Yes  GW, AS, IT, PH, NS, FH, MD, AC, AP
No
Partial RJ

Members

- Regular meetings with CC and PCC, and senior officers and staff of the PCC are responsive by email between meetings.
- There was a thorough induction when the newest Committee members joined, but there are relatively few opportunities to maintain knowledge of the organisation and connect with key managers. For example, Committee members have not been invited to recent Force conferences.
- Although I have answered yes to this I think it is an area we need to work on, see above
- Sufficient to have a realistic understanding of the challenges. The candour of the CC and PCC in their (respective) briefings makes a significant contribution to this, in highlighting the extent to which TVP/the OPCC are exposed to risks that might weaken the control environment or otherwise adversely affect overall performance.

Officers

- The 3 previous PA members obviously have more knowledge and experience than the two newer members, but they bring their own skills and attributes.
- The JIAC have a good level of knowledge of both OPCC and TVP, relevant to their role and remit. Members have a good relationship with senior managers.
- The benefit of having 3 members who have been associated with TVP for several years really helps in terms of knowledge and networks. There is always a risk of over-familiarity, but I think that the members are clear about their roles and keeping an appropriate distance.
- Though this could improve to areas beyond IT

3. Does the Chair manage meetings properly – focussed and allowing debate but reach a conclusion?

Yes  RJ, GW, AS, IT, PH, FH, MD, AC, AP
No
Partial NS

Members

- Meetings are well chaired; despite the volume of business at some meetings, I have never felt unable to raise a point or that we are failing to progress the business effectively.
- Louis is skilled in drawing colleagues into the discussion and maintaining an appropriate pace
- Focussed and insightful, able to judge priorities and identify desired outcomes.
Officers

- It would be better if members gave their own thoughts and comments on each agenda item rather than being channelled through the chair. The 2 hour time limit for meetings is self-imposed and not always to the benefit of effective business.
- In the main, yes, although occasionally the later agenda items can be a little rushed if time is tight due to lengthy presentations or discussions on earlier agenda items.
- The chair manages the meetings effectively – making sure that items are covered in sufficient detail where necessary. The chair has an eye for detail and it is appropriate to delve into this until satisfied that policies and processes are working.
4. Does the JIAC stick to its remit, and avoid operational issues and scrutiny role?

Yes  RJ, GW, AS, IT, PH, NS, MD, AC
No
Partial FH, AP

Members

• I believe we stick to our remit, but should be prepared to ask questions about operational issues as part of our role.
• The Committee is able to identify high-level issues from operational issues
• We continually question whether we are drifting into operational issues.
• The CC is adroit at reminding us of our remit, on the few occasions where there has been a slight over-stepping. As the role of the JIAC evolves (in line with national developments), debate over remit is bound to occur but to date has been satisfactorily resolved.

Officers

• Mostly
• It the main yes, but at times it has felt as though the committee has gone beyond its remit and boundary when scrutinising all aspects of ICT and complaints in recent years.
• On the whole, the JIAC keep to their remit and role. Occasionally this can result in discussions verging on operational issues, but this can be a difficult balance to strike at times. Senior managers are good at clarifying discussions and supporting the committee to stay within their remit.
• There will inevitably be some drift (it is human nature) but I think we, collectively, are quite good at challenging where appropriate to get it back on track.

5. Is the JIAC remit known to senior management other than CCMT and PCC’s executive?

Yes  GW, AS, IT, MD, AC
No
Partial PH, NS, FH, AP
?  RJ

Members

• We have a wider range of officers and staff presenting to us than just CCMT and the PCC executives.
• It is unclear how visible (or invisible) the Committee is to senior leadership below chief officer ranks
• Scope for improvement within the Force
Officers

- Senior management in the OPCC are aware of the JIAC but cannot comment on the Force.
- Sometimes only after their functional responsibilities become exposed to scrutiny by the Committee
- Some senior managers are aware of the JIAC role, but awareness could be better among others who do not have a high degree of involvement with the committee. The joint nature of the Committee could also be publicised better as a number of people still view it as an OPCC function.
- Answer based on the ICT SMT – not sure about other depts
- Exposure to JIAC is mainly concentrated on a few key people from a meeting’s perspective, but there is probably better knowledge by attendance of members at Force / PCC meetings (as observers).

6. Are the actions from JIAC always taken on board and acted upon?

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Members

- We recognise we are not an executive group, but rather exist to challenge and advice. When we ask for an update or a presentation, we either get one or an alternative approach is agreed.
- It would be a surprise if a confident and capable executive team always acted on audit committee recommendations, but there is consistently constructive engagement and the JIAC is respected and taken seriously
- Provided actions are firmly within the JIAC’s remit

Officers

- Where possible.
- Yes, particularly when they are included in the Annual Assurance Report
- Sometimes after a delay (usually down to addressing and resolving competing operational priorities)
- The actions requested by the JIAC are acted upon, and where not felt appropriate, the necessary challenge is applied by senior managers at the OPCC or TVP.
- In the vast majority of cases – there will be somewhere circumstances change or further information comes to light, but I think there is a good discipline around actions.
- Mostly
7. **Is the JIAC seen as supportive and persuasive?**

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**Members**

- I believe we have a strong track record of working with TVP and the PCC, but look forward to seeing whether they continue to share this view.
- This question is better answered by the executive.

**Officers**

- Yes, although it can be quite critical as well.
- Persuasive – Yes. Supportive – depends on circumstances (it will not always be the case that the Committee can be ‘supportive’ of individual responsible officers if it is exposing management and system weaknesses relating to individual officers.
- The JIAC is very supportive of the work we complete.
- JIAC should help to provide reassurance (or not) to the PCC and CC. So I would want it to be both supportive and challenging and I think we are achieving a good balance.

8. **Is the JIAC adding value to the organisation and how?**

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**Members**

- Acting as critical friends we look closely at the audit reports, accounts and other documents, providing a scrutiny on behalf of the taxpayer that no other body could do. Although the changes to the accounts, for example, that are prompted by our scrutiny, tend to be cosmetic rather than substantive, I believe that is a measure of the high quality products produced by Linda Waters, Ian Thompson and their teams. As an apolitical committee, I believe we offer constructive challenge on the level of organisational ambition, focusing on how well TVP is achieving its remit, rather than arguing about whether the remit set by the PCC is the correct one. Again, I look forward to seeing whether the PCC and CC and their teams agree.

- By providing independent assurance of the control framework within which a public service operates which may exercise significant power over citizens and which expends substantial public funds. By asking probing, sometimes difficult questions and opening up debate. By bringing a fresh, external perspective to these matters.
• Our challenge focuses and highlights issues of improvement e.g. IT

**Officers**

• Yes, it holds officers to account in an effective manner, particularly its focus on outstanding audit actions. Its annual assurance report is very powerful.
• By helping identify to management potential weaknesses in the organisational control environment to be addressed that might otherwise result in a corporate failure to plan, implement and deliver the ‘right’ strategies and services
• The JIAC adds value, within the confines of their remit and role. They provide a good level of challenge and support.
• Providing an independent view of processes and policies and how the force is managing risks. A good example was the oversight into the dismissal of the Head of ICT and following action.
• I think in IT we have introduced better practices prompted by JIAC
Joint Independent Audit Committee - Operating Principles

Statement of Purpose

- Our Joint Independent Audit Committee is a key component of the PCC and Chief Constable’s arrangements for corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

- The purpose of the Committee is to provide independent assurance to the PCC and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment within Thames Valley Police and the Office of the PCC. It will consider the internal and external audit reports of both the PCC and Chief Constable and advise both parties according to good governance principles. It has oversight of general governance matters and provides comment on any new or amended PCC polices and strategies with regard to financial risk and probity.

- These operating principles will summarise the core functions of the Committee in relation to the Office of the PCC and the Force and describe the protocols in place to enable it to operate independently, robustly and effectively.

The Committee will report directly to the PCC and the Chief Constable.

Committee Composition and Structure

The Committee will consist of five members who are independent of the PCC and Thames Valley Police. They will be appointed by the Chief Constable and the PCC (or their representatives).

The Chairman will be elected by the Committee on an annual basis.

The Committee will hold four formal meetings a year – in public - although there may be a requirement to hold additional meetings at short notice.

The PCC and Chief Constable will attend or be appropriately represented at formal meetings. Committee meetings will be held at key strategic times of the year to coincide with the budget process and publication of financial management reports and accounts:

1. **March** – to consider the Internal Auditor’s Internal Audit Plan
2. **July** – to consider the various end of year report, the External Audit Plan and Fee, the Annual Governance Statement and the Statement of Accounts;
3. **September** – to receive the Annual External Audit Letter
The agenda, reports and minutes of all Committee meetings will be published on the PCC and Force websites. However, members of the press and public shall be excluded from a meeting whenever it is likely that confidential information will be disclosed. Confidential information is defined as:

a) Information furnished to the Committee by a Government department upon terms (however expressed) which forbid the disclosure of the information to the public; and

b) Information the disclosure of which to the public is prohibited by or under any enactment or by the order of a Court.

**Methods of Working**

The Committee will:

- Advise the PCC and Chief Constable on good governance principles
- Adopt appropriate risk management arrangements
- Provide robust and constructive challenge
- Take account of relevant corporate social responsibility factors when challenging and advising the PCC and Chief Constable (such as value for money, diversity, equality and health and safety)
- Be regularly briefed by the Chief Constable and PCC on the full range of activities falling within its specific responsibilities and attend other relevant internal meetings
- Have direct access to the oversight of professional standards and ethics matters by regularly attending the Complaints, Integrity and Ethics Panel as an observer
- Attend any training and conference events that will ensure members are kept up to date with the policing landscape and audit requirements
- Provide an annual assurance report to the PCC and Chief Constable

**Specific responsibilities**

The Committee has the following specific responsibilities:

**Financial Management and Reporting**

- Provide assurance to the PCC and Chief Constable regarding the adequacy of the arrangements, capacity and capability available to their respective chief finance officers to ensure the proper administration of the Commissioner’s and Force’s financial affairs.
- Review the Annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the PCC and/or the Chief Constable.
- Consider the external auditor’s report to those charged with governance on issues arising from the audit of the financial statements, and to give advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.
Internal Control and Governance Environment

- Consider and endorse the local Code of Corporate Governance
- Consider and endorse the Annual Governance Statement (AGS)
- Monitor implementation and delivery of the AGS Action Plan
- Consider and comment upon the adequacy and effectiveness of the assurance framework, and the specific governance and accountability policies, systems and controls in place, such as the Corporate Governance Framework; anti-fraud and corruption; whistle-blowing, declarations of interest and gifts and hospitality.

Corporate Risk Management

- Consider and comment upon the strategic risk management processes; and
- Receive and consider assurances that organisational risks are being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

Business Continuity Management

- Consider and comment upon business continuity management processes, and
- Receive and consider assurances that business continuity is being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

Internal Audit

- Receive and consider the adequacy and effectiveness of the arrangements for the provision of the internal audit service
- Consider and comment on the Internal Audit Strategy and Plan
- Receive and review internal audit reports and monitor progress of implementing agreed actions
- Consider and comment upon the annual report of the Head of Internal Audit

External Audit

- Receive and review reports from the external auditors, including the annual audit letter and audit opinion
- Review the effectiveness of external audit
- Consider and comment upon any proposals affecting the provision of the external audit service
- Consider the level of fees charged, and
- To undertake the future role of the Independent Audit Panel, as set out in the Local Audit and Accountability Act 2014, including considering and recommending appropriate arrangements for any future appointment of External Auditors
Health & Safety

- Satisfy itself on behalf of the PCC and the Chief Constable that an adequate and effective policy and practice framework is in place to discharge legal duties in relation to health and safety. In particular, having regard to the safety, health and welfare of police officers and police staff, people in the care and custody of Thames Valley Police and all members of the public on police premises or property

Equality and Diversity

- Satisfy itself on behalf of the PCC and Chief Constable that an adequate policy and practice framework is in place to discharge statutory requirements in relation to equalities and diversity

Inspection and Review

- To consider any HMIC report that provides assurance on the internal control environment and/or highlights governance issues for the PCC and/or Chief Constable

Accountability Arrangements

- On a timely basis report to the PCC and the Chief Constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.
- Report to the PCC and the Chief Constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements and internal and external audit functions.
- On an annual basis to review its performance against its operating principles and report the results of this review to the PCC and the Chief Constable.
Title: Public Sector Audit Appointments consultation on their proposed work programme and scale of fees 2018/19

Executive Summary:
On 4th December 2017 Public Sector Audit Appointments (PSAA) launched its consultation on the scale of fees for the audit of the accounts for 2018/19. It also includes PSAA’s intentions and indicative estimates for the five years of the appointing period, from 2018/19 to 2022/23.

For 2018/19 it is proposed that the scale fee for all opted-in bodies should be reduced by 23%, compared to 2017/18.

PSAA hope to maintain the reduction of 23% in scale fees for the first three years of the appointing period, based on current assumptions about inflation and the amount of work the auditors are required to undertake. It may be possible to maintain this reduction for the full five years, but it is not possible to be certain at this early stage.

The combined audit fee will therefore reduce from £59,288 to £45,652, a cash reduction of £13,636.

Recommendation:
That the Committee supports the Public Sector Audit Appointments recommendation to reduce the scale fee for the audit of the 2018/19 accounts by 23% compared to the 2017/18 level.

Chairman of the Joint Independent Audit Committee
I hereby approve the recommendation above.

Signature       Date
1 Introduction and background

1.1 PSAA is specified under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 as the appointing person for principal local government bodies in England, including local police bodies.

1.2 PSAA’s responsibilities include appointing auditors to opted-in bodies, setting fees, and monitoring the quality of auditors’ work.

1.3 At the time of issuing this consultation, there are 494 bodies eligible to opt into PSAA’s national scheme, of which 484 (98%) have opted in for the current appointing period, covering the accounts for 2018/19 to 2022/23.

1.4 The full consultation document is attached at Appendix 1.

Scale fees

1.5 PSAA operates on a not-for-profit basis. Fees are therefore set with a view to covering the amounts they need to pay to audit firms, following their auditor procurement exercise, and the expected operating costs of PSAA. Any surplus arising from the scale fees set following consultation will be distributed back to opted-in bodies during the appointing period.

1.6 PSAA propose that scale fees for 2018/19 for all opted-in bodies should be reduced by 23 per cent, compared to the fees applicable for 2017/18. This proposal continues the practice of averaging firms’ costs, so that all bodies benefit from the same proportionate savings irrespective of the firm appointed to a particular opted-in body.

1.7 This reduction is possible as a result of the favourable prices secured from firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced in two stages by an aggregate of 55 per cent, in part reflecting reductions in the size and scope of the Audit Commission, for example with the closure of its inspection services.

1.8 PSAA hope to be able to maintain the reduction of 23 per cent in scale fees for the first three years of the appointing period, based on current assumptions about inflation and the amount of work auditors are required to undertake. They expect to be able to confirm this position when they review and update their assumptions and estimates each year, and consult on scale fees for the following year.

1.9 They may be able to sustain the 23 per cent reduction for the full five years of the appointing period, but it is not possible to be certain at this early stage.

2 Issues for consideration

2.1 The consultation paper sets out the fees that local policing will be expected to pay for the audit of the 2018/19 accounts.
3 Financial comments

3.1 Individual scale fees for 2017/18 (for local police bodies) are attached at Appendix 2. The PCC will pay £31,214 with the Chief Constable paying £14,438. The combined fee is £45,652.

4 Legal comments

4.1 Scale fees are being set in accordance with the Local Audit and Accountability Act 2014.

5 Equality comments

5.1 None directly arising from this report

6 Background papers

6.1 None
Public access to information
Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? No

Is there a Part 2 form? No

<table>
<thead>
<tr>
<th>Name &amp; Role</th>
<th>Officer</th>
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<tbody>
<tr>
<td>Head of Unit</td>
<td>PCC Chief Finance Officer</td>
</tr>
<tr>
<td>The Audit Commission is consulting of proposed changes to the scale of audit fee for 2018/19</td>
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<tr>
<td>Legal Advice</td>
<td>Chief Executive</td>
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<tr>
<td>These fees are being set in accordance with the Local Audit and Accountability Act 2014.</td>
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<tr>
<td>Financial Advice</td>
<td>PCC Chief Finance Officer</td>
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<tr>
<td>Fees are being reduced by 23% compared to 2017/18 level. The combined audit fee for TVP is £45,652.</td>
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<tr>
<td>Equalities and Diversity</td>
<td>Chief Executive</td>
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<tr>
<td>No specific issues arising from this report</td>
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OFFICER’S APPROVAL
We have been consulted on this report and confirm that appropriate financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate report to be submitted to the Joint Independent Audit Committee.

Chief Executive            Date 5 December 2017

Chief Finance Officer       Date 5 December 2017
Consultation on scale of audit fees for 2018/19

Opted-in local government and police bodies

December 2017
Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

In 2015 the Secretary of State for Communities and Local Government delegated a number of statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

As a consequence of these delegations, for 2017/18 the company is responsible under transitional arrangements for appointing auditors to local government and police bodies and for setting audit fees.

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government authorities from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

From 2018/19, PSAA is responsible for appointing an auditor and setting scale fees for relevant principal authorities that have chosen to opt into its national scheme. This consultation relates to the first year of these new arrangements.
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Consultation on 2018/19 scale of fees

Introduction

1. This consultation document sets out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2018/19 financial statements at authorities that have opted into Public Sector Audit Appointments’ (PSAA) national auditor appointment scheme.

2. The document also discusses PSAA’s intentions, and provides indicative estimates, for scale fees for the five years of the appointing period, from 2018/19 to 2022/23. We plan to review and update our estimates each year during the appointing period, and will consult opted-in bodies and other stakeholders annually, before publishing confirmed scale fees on our website.

3. Scale fees are based on the expected work auditors will undertake under the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors’ work.

4. We hope the information set out in this consultation is helpful to opted-in authorities and other stakeholders in considering our proposals for the 2018/19 scale fees, as well as supporting audited bodies’ longer-term financial planning.

Background

5. PSAA is specified under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 as the appointing person for principal local government bodies in England, including local police bodies.

6. PSAA’s responsibilities include appointing auditors to opted-in bodies, setting fees, and monitoring the quality of auditors’ work. More information about PSAA is available on our website.

7. At the time of issuing this consultation, there are 494 bodies eligible to opt into PSAA’s national scheme, of which 484 (98%) have opted in for the current appointing period, covering the accounts for 2018/19 to 2022/23.

2018/19 scale fees

8. PSAA’s approach to setting scale fees for the duration of the appointing period, and the specific proposals for scale fees for 2018/19, are set out in the remainder of this document.

9. PSAA operates on a not-for-profit basis. Fees are therefore set with a view to covering the amounts we need to pay to audit firms, following our auditor procurement exercise, and the expected operating costs of PSAA. Any surplus arising from the scale fees set following consultation will be distributed back to opted-in bodies during the appointing period.
Responding to this consultation

We welcome comments on the proposals contained in this document. Please send comments by email to:

workandfeesconsultation@psaa.co.uk

The consultation will close on Monday 15 January 2018.
Approach to setting scale fees over the appointing period 2018/19 to 2022/23

10 We propose that scale fees for 2018/19 for all opted-in bodies should be reduced by 23 per cent, compared to the fees applicable for 2017/18. This proposal continues the practice of averaging firms’ costs, so that all bodies benefit from the same proportionate savings irrespective of the firm appointed to a particular opted-in body.

11 This reduction is possible as a result of the favourable prices secured from firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced in two stages by an aggregate of 55 per cent, in part reflecting reductions in the size and scope of the Audit Commission, for example with the closure of its inspection services.

12 We hope to be able to maintain the reduction of 23 per cent in scale fees for the first three years of the appointing period, based on current assumptions about inflation and the amount of work auditors are required to undertake. We expect to be able to confirm this position when we review and update our assumptions and estimates each year, and consult on scale fees for the following year.

13 We may be able to sustain the 23 per cent reduction for the full five years of the appointing period, but it is not possible to be certain at this early stage. At present we are making cautious assumptions about the likely level of inflation during the appointing period (4 per cent per annum) having regard to the clear uncertainties and potential risks in the longer-term economic outlook.

14 Scale fees must cover both the cost of auditors’ work at individual opted-in bodies and PSAA’s own costs. PSAA is currently undertaking a significant review of its own costs and staffing structure, and implementing changes that will reduce the cost base for the appointing period.

15 The most significant factors that could have an impact on the level of scale fees required during the appointing period relate to:

- **Inflation**: there is uncertainty about the expected level of inflation but a generally rising trend. The contracts with audit firms include an increase for inflation in the later years of the appointing period.

- **Code of Audit Practice**: the National Audit Office is required to publish a new Code every five years. The next Code will be applicable from 2020/21, the third year of the appointing period. Any changes to the scope of auditors’ work, whether this increases or decreases the work required, must be reflected in scale fees.

- **Changes in financial reporting requirements**: current scale fees reflect the audit work needed based on current financial reporting requirements. Changes to these requirements may have an impact on scale fees.

16 Previous consultations have suggested that audited bodies prefer fee stability, finding it helpful to have certainty about fee levels over as long a period as possible. We are making the proposed fee reduction of 23 per cent for 2018/19 with the intention of providing fee stability for subsequent years. We hope to maintain scale fees at this level for the first three
years of the appointing period, and possibly longer, subject to annual review and consultation.

17 We have considered the alternative approach of making a slightly larger one-off reduction in scale fees for 2018/19. This would provide the immediate benefit for opted-in bodies of maximising all the savings achieved in the procurement at the start of the appointing period, but would also involve greater financial risk.

18 A reduction of more than 23 per cent would not be sustainable over the subsequent years of the appointing period, and fee increases would be required each year to cover the costs of the firms and PSAA. We have therefore opted to base the proposed fee strategy for the appointing period on a significant scale fee reduction that provides a good prospect of fee stability over several years.

19 It is not PSAA’s intention to generate and retain any surplus from scale fees. If any surplus arises, it will be distributed back to opted-in bodies (a similar distribution is being made in December 2017). The scale of any future distribution is likely to be modest at individual authority level. The company’s current financial forecasts suggest that an average annual surplus equivalent to approximately 4 per cent of audit fees may arise and be available for distribution during the five-year appointing period.

20 **We welcome feedback from opted-in bodies in responses to the consultation on the approach we have taken to reducing fees.**
Proposed scale fees for 2018/19

21 The Local Audit (Appointing Person) Regulations 2015 (the Regulations) require PSAA to specify, before the start of the financial year to which the fees relate, the scale of fees for the audit of the accounts of opted-in authorities.

22 The proposed scale of fees for 2018/19 reflects the cost of the expected work programme outlined below, and is based on the scale of fees applicable for 2017/18 with a reduction of 23 per cent. The 2017/18 scale of fees represents the most accurate reflection available of the auditor’s assessment of audit risk and complexity for each audited body.

23 The proposed scale fee for each opted-in local government and police audited body is available on our website. Paragraphs 30 to 34 below explain the arrangements that apply to the variation of fees in certain circumstances.

24 The proposed scale audit fees for 2018/19 audits are based on the scale fees applicable for 2017/18, with a reduction of 23 per cent. The scale fees for 2017/18 provide the most accurate reflection available of the auditor’s assessment of audit risk and complexity for each audited body.

Work programme

25 Under the provisions of the Local Audit and Accountability Act 2014 (the 2014 Act), the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code, on the basis of the scale fees set out in this consultation.

26 The Code requires the auditor to give an opinion on the financial statements of a body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money. Further information on the Code and guidance is available on the NAO website.

27 Auditors tailor their work to reflect local circumstances and their assessment of audit risk. They do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks.

28 The scale fees set out in this consultation are based on the assumption of no significant changes in NAO guidance for auditors, professional standards, or CIPFA/LASAAC financial reporting requirements that would affect materially the amount of audit work to be undertaken for 2018/19 audits. A previous example of such a material change in audit work was the implementation of international financial reporting standards (IFRS) for local government bodies for 2010/11.

Audit quality

29 PSAA is very aware of the need to maintain and, where possible, strive for improvements in audit quality. Our responsibilities in this area have been a major driver in our recent audit services procurement and are emphasised in the contracts we have entered into with successful firms. We are also developing new proposals for monitoring and reporting on audit quality once the new audit contracts are fully operational.
Fee variations

30 PSAA has the power to determine the fee above or below the scale fee, where it considers that substantially more or less work was required than envisaged by the scale fee. Scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

31 Where it becomes clear that audit risk or complexity are significantly different from the level identified and reflected in the previous scale fee, the auditor may request a variation to the scale fee for 2018/19. We would only expect variations from the scale fee to occur for 2018/19 where these factors are significantly different from those identified and reflected in the 2017/18 scale fee.

32 Variation requests must be made to PSAA by the auditor using a standard process and cannot be invoiced to an audited body by the auditor until they have been approved by PSAA.

33 PSAA obtains updated fee information, and explanations for any proposed variations from the scale fee, from appointed auditors on a regular basis. We consider the reasonableness of the explanations provided by auditors, and require the auditor to confirm that they have discussed the reasons for the additional fee with the audited body before we finalise our decision on any variation to the scale fee.

34 PSAA will charge fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998, as a variation to the scale fee.

Value added tax

35 All the 2018/19 fee scales exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.
Next steps

36 PSAA has a statutory duty to prescribe a scale of fees for the audit of accounts of bodies that have opted into its national auditor appointment arrangements. Before prescribing scale fees, we are required to consult opted-in authorities, representative associations of relevant authorities and bodies of accountants.

37 We welcome comments from audited bodies and stakeholders on the proposals contained in this document. The consultation will close on Monday 15 January 2018.

Please send comments by email to:

  workandfeesconsultation@psaa.co.uk

38 Following responses to this consultation, the PSAA Board will approve the final 2018/19 scale of fees for publication in March 2018.

39 If you have comments or complaints about the way this consultation has been conducted, these should be sent by email to generalenquiries@psaa.co.uk.
## Individual fees for police bodies

Individual scale fees for 2018/19 audits of police and crime commissioners and chief constables

<table>
<thead>
<tr>
<th>Police area</th>
<th>2017/18 scale fee for police and crime commissioner</th>
<th>2017/18 scale fee for chief constable</th>
<th>Total 2018/19 scale fee</th>
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