

**OFFICE OF THE POLICE & CRIME COMMISSIONER FOR HUMBERSIDE/  
HUMBERSIDE POLICE**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**Monday, 12 December 2022 - 10.00AM**

**Office of the Police and Crime Commissioner, The Lawns, Harland Way, Cottingham,  
HU16 5SN**

**A G E N D A**

<b>Business</b>		<b>Lead</b>	<b>Primary Action Requested</b>
1. Minutes of meeting 20 June 2022	Pages (1 - 3)	Chair	To approve
2. JIAC Action Schedule	Pages (4 - 8)	Chair	To receive
3. Annual Cycle of Business 2022/23	Page (9)	Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)	To receive
4. Timetable of Meetings	Page (10)	Committee Manager	To receive
5. Risk Registers	Available on Member Portal	Paul Wainwright	To receive
<b><u>External Audit</u></b>			
6. Auditor's Annual Report	Pages (11 - 44)	Mazars	To receive
7. Auditor's Completion Report Follow Up Letter 2021/22	Papers to follow	Mazars	To receive
<b><u>Internal Audit</u></b>			
8. Progress Report	Pages (45 - 56)	West Yorkshire Police (Internal Audit)	To receive
<b><u>Finance</u></b>			
9. Treasury Management Mid-term Review	Pages (57 - 62)	Chief Finance Officer (OPCC)	To receive
<b><u>Force Update</u></b>			
10. Information Systems Update	Verbal	Head of Information Systems (HP)	To receive
11. Feedback from the Force HMICFRS Assurance Group	Verbal	JIAC Members	To receive
<b><u>Other Business</u></b>			
12. Any Other Business	-	Chair	-



**JOINT INDEPENDENT AUDIT COMMITTEE**

MONDAY, 26 SEPTEMBER 2022

Office of the Police and Crime Commissioner, The Lawns, Harland Way, Cottingham,  
HU16 5SN

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**PRESENT**

**Members:**

James Doyle (Chair), Chris Brown (attended remotely), Pam Jackson, Kathryn Lavery, Gerry Wareham

**Officers:**

Humberside Police (HP)

Sabine Braddy - Financial Accountant and Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)

Office of Police and Crime Commissioner (OPCC)

Martyn Ransom - Deputy Chief Finance Officer, Clare Rex - Statutory Operations Manager, Paul Wainwright - Head of Assurance and Statutory Duties, and Kevin Wilson - Chief Finance Officer

Auditors

Gavin Barker (External Audit), Louise Stables (External Audit) and Neil Rickwood (Internal Audit)

Committee Manager

Samm Campbell

**40/22 MINUTES OF 18 JULY 2022 - Agreed**

**41/22 JIAC ACTION SCHEDULE - Received**

**42/22 ANNUAL CYCLE OF BUSINESS 2022/23** - The Committee received its Annual Cycle of Business for the 2022/23 financial year.

**Agreed** - That the Annual Cycle of Business for the 2022/23 financial year be received.

**43/22 EXTERNAL AUDIT COMPLETION REPORT** - The Committee received the Audit Strategy Memorandum 2021/22 presented by Gavin Barker (Mazars).

The Audit Completion Report for the year ending 31 March 2022 had been completed earlier than in recent years as Mazars and the wider external audit industry had begun to recover from backlogs resulting from the Covid-19 pandemic and staffing shortages. However, the Whole of Government Accounts remained in backlog, meaning that, until they concluded for any given year, all external audits would technically remain open. Mazars indicated that it would report on value for money in future. Mazars was also awaiting assurance in relation to the Pension Fund before financial statements could be signed off.

In response to a question from the Committee, Mazars indicated that it was satisfied with the management responses to its recommendations. The Committee also asked whether the delays to the external audit process had affected the Force or Office of the Police and Crime Commissioner and heard that these delays had had no significant impact but that officers hoped to be able to return to pre-pandemic timescales in the future years. However, Mazars was on target to achieve the 30 November 2022 deadline pending the audit of the Pension Fund.

- Agreed -**
- (a) That the Audit Completion Report for the period ending be received;
  - (b) that the Committee be updated in relation to the disaster recovery exercise referred to in the report;
  - (c) that the Committee be updated on the actions arising from the report, and
  - (d) that future reports contain more detailed management responses to recommendations.

**44/22 INTERNAL AUDIT PROGRESS REPORT** - The Committee received a report on the progress of the internal audit and draft internal audit reports presented by Neil Rickwood (West Yorkshire Police).

There were nine audits in progress at the time of the meeting:

STATUS OF AUDITS	2022/23 (as at 14 Sept 22) APPENDIX A
Final Reports with Response Received	1
Final Reports – Response Awaited	-
Final Reports – No Response Required	-
Work Completed/Advice/briefings provided	-
Draft Reports Issued	3
In Progress	5
<b>TOTAL</b>	<b>9</b>

Progress against the 2022/23 audit plan had continued and, since the previous meeting the report on overtime processes has been issued as a final report with management responses. This audit provided ‘substantial assurance’ and demonstrated a number of areas of good practice. In addition, three audits were at the draft report stage. Since the report had been written, the audit on police vetting had concluded pending management response.

**Agreed** - That the report be received.

**45/22 FORCE COMPLAINTS UPDATE** - The Committee received a presentation in relation to Force complaints by Clare Rex - Statutory Operations Manager.

In February 2020, the Force reformed the way that it dealt with complaints. If a complaint included details that could amount to criminal activity or misconduct, an investigation would be undertaken. Around two percent of complaints resulted in a formal investigation and the review body for these was the Independent Office for Police Conduct. Complaints which did not relate to criminal behaviour or misconduct were handled otherwise than by investigation (OTBI - also known as handling). Around 98 percent of complaints were handled OTBI. The IOPC held quarterly liaison meetings with the Office of the Police and Crime Commissioner (OPCC). The OPCC published its review outcomes and responses, which not all other OPCCs did. The Committee reviewed a number of graphs which showed that demand in relation to complaints was unpredictable and that only 0.8 percent of outcomes were not deemed

reasonable or appropriate. The OPCC compared well nationally in terms of its timeliness in addressing complaints and had been recognised by the IOPC for its good practice. The PCC had recently agreed to fund an Initial Complaint Resolution Team for three years to be the central team for receiving complaints and to achieve resolutions as soon as possible.

**Agreed** - That the update be received.

**46/22 HMICFRS FORCE ASSURANCE GROUP FEEDBACK** - A meeting of the HMICFRS Force Assurance Group was due to take place on 26 September 2022 following the cancellation of recent meetings.

**Agreed** - That the update be received.

**47/22 FUTURE MEETING VENUE - Agreed** - That the meeting of the Committee due to be held on 12 December 2022 be held at the Office of the Police and Crime Commissioner site at the Lawns in Cottingham.



**ROLLING ACTION SCHEDULE OF JOINT INDEPENDENT AUDIT COMMITTEE - HUMBERSIDE POLICE/OFFICE OF POLICE & CRIME COMMISSIONER**

Date of Meeting	Agenda Item	Minute Number	Action	Officer to Action	Complete/Update
26 September 2022	External Audit Completion Report	43/22	(b) that the Committee be updated in relation to the disaster recovery exercise referred to in the report; (c) that the Committee be updated on the actions arising from the report, and (d) that future reports contain more detailed management responses to recommendations.	Gavin Barker - External Audit	
20 June 2022	Strategic Risk Update	21/22	(b) that the full risk register be circulated to the Committee.	James Tabor - Strategic Planning Manager	<b>Complete</b> – the register was circulated.
20 June 2022	Internal Audit Progress Update	24/22	(c) that subsequent internal audit reports contain timelines for recommendations.	Neil Rickwood (West Yorkshire Police)	<b>Complete</b> – the report was updated at the 26 September meeting..
21 March 2022	Declarations of Gifts, Hospitality and Sponsorship	09/22	(a) That the Gifts and Hospitality form be amended to include an additional column to include who offered the gift/hospitality.	Paul Wainwright - Head of Assurance and Statutory Duties (OPCC)	<b>Complete</b> – this is now included.
21 March 2022	Declarations of Gifts, Hospitality and Sponsorship	09/22	(b) That the Chief Executive of the OPCC publish a separate register of interests form.	Paul Wainwright - Head of Assurance and Statutory Duties (OPCC)	<b>Complete</b> – register of interests completed annually.
13 December 2021	Numbers and Deployment of Additional Recruited Officers	56/21	That regular updates be provided to the Committee.	Emma Bowen - Head of People Services (HP)	<b>Complete</b> - added to annual cycle of business on a bi-annual basis
27 September 2021	Whistleblowing, Fraud and Anti-Bribery and Anti-Money Laundering Policy Updates	40/21	That the update be removed from annual cycle of business.	Gareth Naidoo - Committee Manager	<b>Complete</b> - annual cycle of business updated.
27 September 2021	OPCC Staff Register of Interests [Minutes of 19 July 2021 - reference to previous Minute 30/21]	36/21	That the staff register of interests of the OPCC be published on the OPCC website.	Clare Rex - Statutory Operations Manager (OPCC)	<b>Complete</b> - The staff register of interests is now published on the website: <a href="https://www.humberside-pcc.gov.uk/Transparency/Who-We-are-and-What-We-Do/Who-We-Are-and-What-We-Do.aspx">https://www.humberside-pcc.gov.uk/Transparency/Who-We-are-and-What-We-Do/Who-We-Are-and-What-We-Do.aspx</a>
19 July 2021	Chief Constable & Police and Crime Commissioner Draft Financial Statements	30/21	Members also queried the role of the Chief Executive of the OPCC as a non-executive director on the Board of Ongo Partnership Limited:  <ul style="list-style-type: none"> <li>Duration to date of her role as non-executive director on the Board of Ongo Partnership Limited and whether it was a remunerated post;</li> <li>Any involvement in the £650,000 Safer Streets Grant Income awarded to Ongo Partnership Limited and whether this was recurring expenditure.</li> </ul> <p><i>The Chief Finance Officer (OPCC) agreed to confirm the details of this with Members outside the meeting.</i></p>	Kevin Wilson - Chief Finance Officer (OPCC)	<b>Complete</b> - The Chief Executive of the OPCC wrote to the Chair following the meeting.
19 July 2021	Annual Cycle of Business 2021/22	29/21	That the items 'Decoupling of the joint HR function with South Yorkshire Police' and 'Update on the numbers of and deployment of additional recruited officer' be received at the next meeting (27 September 2021).	Emma Bowen - Head of People Services (HP)	<b>Complete</b> - included on the agenda for 13 December 2021.
7 June 2021	AOB - FOI request figures	26/21	That it be confirmed how and where Freedom of Information (FOI) request figures are disclosed.	James Tabor - Strategic Planning Manager (HP)	<b>Complete</b> - FOI disclosures are made via the website at this address: <a href="https://www.humberside.police.uk/what-weve-already-released-under-foi">https://www.humberside.police.uk/what-weve-already-released-under-foi</a>



**ROLLING ACTION SCHEDULE OF JOINT INDEPENDENT AUDIT COMMITTEE - HUMBERSIDE POLICE/OFFICE OF POLICE & CRIME COMMISSIONER**

Date of Meeting	Agenda Item	Minute Number	Action	Officer to Action	Complete/Update
7 June 2021	Risk Register Report	20/21	That the item 'Police Legitimacy' be included on a future meeting agenda.	James Tabor - Strategic Planning Manager (HP)	<b>Complete</b> - an update was provided to the Committee at its meeting of 13 December 2021.
7 June 2021	PCC Register of Interest	17/21	That regarding the publication of the PCC's Register of Interest (Minute 7/21 'Declarations of Gifts, Hospitality and Sponsorship'), it be clearly stated on the website that it has been updated annually.	Paul Wainwright - Head of Assurance and Statutory Duties (OPCC)	<b>Complete</b> - the OPCC reviews the publication of the Register of Interests annually and this is made clear on the website.
22 March 2021	CIPFA Financial Management Code	9/21	That the significant compliance demonstrated by the self-assessment against the FM Code be noted and that the areas of partial compliance be developed further during 2021/22	Kevin Wilson - Chief Finance Officer (OPCC)	Complete - an update was provided to the Committee at its meeting of 13 December 2021.
22 March 2021	Treasury Management Strategy Statement 2021/22	8/21	(a) That a paragraph be added to reference potential impact of public sector pay. (b) That the Strategy Statement be updated to reflect the latest budget and reference to the extended furlough schemes.	Kevin Wilson - Chief Finance Officer (OPCC)	<b>Complete</b> - Strategy updated to reflect these requests.
22 March 2021	Declarations of Gifts, Hospitality and Sponsorship	7/21	It was noted that the PCC Register of Interest only detailed interests since taking up office in 2016 and was queried whether this should be updated annually. It was agreed that the Chief Finance Officer would look into this matter further.	Kevin Wilson - Chief Finance Officer (OPCC)	<b>Complete</b> - the register is reviewed annually, but this is unclear on the website. The website has been updated to make this clear.
22 March 2021	Draft Annual Governance Statement - Chief Constable	5/21	The Head of Finance and Business Services/S.151 Officer (HP) agreed to check if a good level of custody support had been maintained over the last year.	Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)	<b>Complete</b> - There has been no shortfall in custody support during the pandemic. Support has been provided by Appropriate Adults UK.
22 March 2021	Force Complaints Update	4/21	That the Committee receive future updates on a bi-annual basis.	Gareth Naidoo - Committee Manager/ Clare Rex - Statutory Operations Manager (OPCC)	<b>Complete</b> - added to annual cycle of business bi-annually for 2021/22
22 March 2021	Risk Register	3/21	(b) That the Risk Register be regularly published on the website in order to support the Committee's bi-annual review of this.	James Tabor - Strategic Planning Manager (HP)	<b>Complete</b> - the risk registers will be updated with the latest that is reported to the Accountability Board. This also allows for a consistent understanding.
22 March 2021	Annual Cycle of Business	2/21	That the Annual Cycle of Business be included as standing item alongside the Action Schedule on every agenda.	Gareth Naidoo - Committee Manager	<b>Complete</b>
14 December 2020	Updated Corporate Governance Framework	41/20	(b) That guidance be issued to all Force and OPCC staff reminding them of the sign-off procedure for Conflict of Interest matters	Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)	<b>Complete</b> - Reminders on the sign-off procedure for Conflict of Interest matters are posted on the Force Intranet on an at least annual basis for all staff to view. The last reminder posting was 29/08/2020 and the time before that was 11/04/2019. Another reminder will therefore be posted during 2021.  Code of Ethics 2014.pdf  Business Interests and Voluntary Work
14 December 2020	Updated Corporate Governance Framework	41/20	(c) That under 'Money Laundering' the Framework be explicit regarding crypto currency;	Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)	<b>Complete</b> - The Code of Corporate Governance has been updated accordingly (March 2021) and re-published on the OPCC web-site.



**ROLLING ACTION SCHEDULE OF JOINT INDEPENDENT AUDIT COMMITTEE - HUMBERSIDE POLICE/OFFICE OF POLICE & CRIME COMMISSIONER**

Date of Meeting	Agenda Item	Minute Number	Action	Officer to Action	Complete/Update
14 December 2020	Updated Corporate Governance Framework	41/20	(d) That the Chair of JIAC be added as a route for reporting whistle blowing;	Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)	<b>Complete</b> - The Code of Corporate Governance has been updated accordingly (March 2021) and re-published on the OPCC web-site.
14 December 2020	Updated Corporate Governance Framework	41/20	(e) That the Head of Finance and Business Services/S.151 Officer (HP) confirm the command procedures should the Chief Constable and Deputy Chief Constable both be absent at the same time.	Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)	<b>Complete</b> - In the highly unlikely event that anything happened to both the Chief Constable and the Deputy Chief Constable, then an Assistant Chief Constable would be designated.
14 December 2020	Internal Audit - Progress Report	46/20	That the implementation/timeframe for completing the audit on 'Repeat Victims: Tasking & Problem Solving' be confirmed in due course.	Neil Rickwood (Internal Audit)	<b>Complete</b> - The full audit on Repeat Victims will commence in March/April 2021 - the interim audit was finalised in November 2020 with the latest action deadline of December 2020. So further audit work from March 2021 will have given 6 months for the new processes to have matured/become embedded. This in turn will ensure that the findings/issues subsequently reported will provide a more accurate reflection of how systems in this area have developed/progressed and been implemented.
28 September 2020	Revised Complaints Process	27/20	(a) That the Committee receive a progress report (and to include compliments) in six months' time.	Clare Rex - Statutory Operations Manager (OPCC)	<b>Complete</b> - Progress report received at 22 March 2021 meeting.
28 September 2020	Revised Complaints Process	27/20	(b) That the administration process of the review mechanism be circulated to Members of the Committee.	Clare Rex - Statutory Operations Manager (OPCC)	<b>Complete</b> - Administration process of the review mechanism circulated to Members of the Committee.
27 July 2020	Minutes & Action Schedule of 8 June 2020	16/20	That the following narrative be added to Minute 4/20: <i>"A Member noted that the Committee was responsible for independent assurance to the PCC and Chief Constable on the adequacy of the governance and risk management frameworks and queried the complete omission from the risk register of the judicial review, to which the Chief Constable was a defendant, given the potential impact on reputation and public confidence. The PCC agreed it should have been included on the risk register and said the process was being reviewed."</i>	Committee Manager	<b>Complete</b> - Minutes amended and published on OPCC website.
27 July 2020	Risk Management Register Update	17/20	That any long running risks that have not changed status or progressed be reviewed on a periodic basis and reported to the Committee accordingly.	James Tabor - Strategic Planning Manager (HP)	<b>Complete</b> - Added to annual cycle of business on a 6 monthly basis.
27 July 2020	Melton 2 Project Update	21/20	(b) That the plans/presentation slides be placed on the secure portal for Members to access.	Committee Manager	<b>Complete</b> - Placed under the 'Reference Material' page on secure portal on 28 July 2020 for Members to access
8 June 2020	Internal Audit Progress Report 2020/21	11/20	That Internal Audit provide an update at a future meeting on areas where best practice can be gleamed or implemented.	Internal Audit	<b>Complete</b> - Updated provided at meeting of 14 December 2020.
8 June 2020	Year-End Financial Outturn 2019/20	9/20	(a) That the link to the Melton 2 Project Decision Record on the Force website be shared with Members; (b) That an update on the Melton 2 Project be provided as part of a future Member Development Session and added to the Annual Cycle of Business	(a) Assurance Manager (OPCC) (b) S.151 Officer for the Chief Constable/ Committee Manager	<b>(a) Complete</b> - link shared with Members via email 8 June 2020. <b>(b) Complete</b> - added to Member Development session topic list on Annual Cycle of Business .Also added as an update presentation for 27 July meeting.

**ROLLING ACTION SCHEDULE OF JOINT INDEPENDENT AUDIT COMMITTEE - HUMBERSIDE POLICE/OFFICE OF POLICE & CRIME COMMISSIONER**

Date of Meeting	Agenda Item	Minute Number	Action	Officer to Action	Complete/Update
8 June 2020	Risk Management Register Update	4/20	That an update on the Force Risk Management Register be brought to the next meeting.	Assurance Manager (OPCC) and Head of Corporate Development (HP)	<b>Complete</b> - added to agenda for 27 July 2020
8 June 2020	Risk Management Register Update (Revised Complaints Process)	2/20	(a) That a briefing on the revised arrangements for dealing with Force complaints be placed as a reserve item on Annual Cycle of Business and added to a future meeting agenda at the appropriate time; (b) That an update on the decoupling of the joint HR function with South Yorkshire Police be placed as a reserve item on Annual Cycle of Business and added to a future meeting agenda at the appropriate time; (c) That an action schedule be produced for monitoring and tracking completed actions.	(a) Statutory Operations Manager (OPCC)  (b) Assistant Chief Officer (Resources)  (c) Committee Manager	<b>(a) Complete</b> - To be added to the agenda for 28 September 2020.  <b>(b) Complete</b> - Added to list of reserve items on Annual Cycle of Business  <b>(c) Complete</b> - action schedule updated and will be included with the minutes at each meeting.
20 December 2019	Professional Standards Department	373	That a briefing on the revised arrangements for dealing with complaints should be provided to a future meeting	Claire Rex (OPCC)	<b>Complete</b> - Added to the agenda for 28 September 2020.
20 December 2019	External Audit Progress Report	374	That more information on the Redmond Review and NAO consultation be provided for Members	External Audit (Mazars)	<b>Complete</b> - Update provided at meeting of 14 December 2020.
20 December 2019	IS Governance And Financial Management	389	That the report be noted and an update be brought to the next meeting.	Internal Audit	<b>Complete</b> - Update provided at 8 June 2020 meeting.
23 September 2019	Implementation Of The Humberside Police/Humberside Fire And Rescue Service Joint Estates Collaboration And Performance Management	358 Repeat of 328 and 331	Report to the Fire and Rescue Transformation Board to be submitted to a future meeting of the Committee.	Assistant Chief Officer (Resources) [HP]	<b>Complete</b> - Fire and Rescue Transformation Board no longer in existence.
23 September 2019	Force Update On Current Issues	358	T/ACC Young and ACO(R) invited members to attend problem solving training in respect of the Neighbourhood Policing Strategy and to visit the Hydra Suite at Courtland Road and consideration be given to holding future meetings at alternative venues.	T/ACC Young and ACO(R)  Deputy Chief Executive and Treasurer	<b>Complete</b> - Committee meeting on 9 December 2019 to be held at Courtland Road to allow Hyrda Suite visit. Future meetings to be arranged at alternative venues if possible.
23 September 2019	Internal Audit - Progress Report	360	Members commented on the HMICFRS focus on a process in relation to RUI as against using information to establish whether its use was correct and to identify lessons learned to improve effectiveness.	Head of Audit/ Deputy Chief Executive and Treasurer	<b>Complete</b> - Use of RUI and HMICFRS focus raised at the HMIC Governance Group.
23 September 2019	Committee Self-Assessment and Annual Report	363 Repeat of 341 and 351	Self-Assessment Improvement Plan and updated Draft Annual report to be submitted to the next meeting.	Deputy Chief Executive and Treasurer	<b>Complete</b> - Updated improvement plan and draft annual report on the December 2019 agenda.
23 September 2019	Annual Fraud Risk Assessment	367	The process of Annual Fraud Risk Assessment be continued in 2020. The Head of Professional Standards Department be asked to present to a future meeting of the Committee.	Deputy Chief Executive and Treasurer/ Risk and Governance Officer	<b>Complete</b> - Annual Fraud Risk Assessment to be continued in 2020 and reported to this Committee. Head of Professional Standards' briefing on the agenda.
23 September 2019	Civil Claims	368	That details of claims submitted and costs during the period April to September 2019 be reported to the Committee.	Head of Legal Services	<b>Complete</b> - Report placed on the Member secure area.
29 July 2019	Committee Self-Assessment and Annual Report	351	Self-Assessment Improvement Plan and updated Draft Annual report to be submitted to the next meeting.	Deputy Chief Executive and Treasurer	<b>Complete</b> - Updated improvement plan and draft annual report on the December 2019 agenda.
07 June 2019	Implementation Of The Humberside Police/Humberside Fire And Rescue Service Joint Estates Collaboration And Performance Management	331	Report to the Fire and Rescue Transformation Board to be submitted to a future meeting of the Committee.	Assistant Chief Officer (Resources) [HP]	<b>Complete</b> - Fire and Rescue Transformation Board Report to be provided for a future meeting

**ROLLING ACTION SCHEDULE OF JOINT INDEPENDENT AUDIT COMMITTEE - HUMBERSIDE POLICE/OFFICE OF POLICE & CRIME COMMISSIONER**

Date of Meeting	Agenda Item	Minute Number	Action	Officer to Action	Complete/Update
07 June 2019	Force Update On Current Issues	333	T/ACC Young and ACO(R) invited members to attend problem solving training in respect of the Neighbourhood Policing Strategy and to visit the Hydra Suite at Courtland Road and consideration be given to holding future meetings at alternative venues.	T/ACC Young and ACO(R) Deputy Chief Executive and Treasurer	<b>Complete</b> - Committee meeting on 9 December 2019 to be held at Courtland Road to allow Hydra Suite visit. Future meetings to be arranged at alternative venues if possible.
07 June 2019	Committee Self-Assessment and Annual Report	341	Self-Assessment Improvement Plan and updated Draft Annual report to be submitted to the next meeting.	Deputy Chief Executive and Treasurer	<b>Complete</b> - Updated improvement plan and draft annual report on the December 2019 agenda.
18 March 2019	Implementation Of The Humberside Police/Humberside Fire And Rescue Service Joint Estates Collaboration And Performance Management	328	Report to the Fire and Rescue Transformation Board to be submitted to a future meeting of the Committee.	Assistant Chief Officer (Resources) [HP]	<b>Complete</b> - Fire and Rescue Transformation Board Report to be provided for a future meeting



**JIAC Annual Cycle of Business**

Agenda Item/Issue	20 Jun 2022	18 Jul 2022	26 Sep 2022	12 Dec 2022	20 Mar 2023	Lead
<b>Standing Items</b>						
Minutes of previous meeting	X	X	X	X	X	Committee Manager
Action Schedule	X	X	X	X	X	Committee Manager
Draft Annual Cycle of Business for next financial year					X	Committee Manager
Timetable of Meetings				X		Committee Manager
<b>Statutory and Corporate Governance &amp; Risk Management</b>						
Risk Registers (full review)	X			X		Paul Wainwright - Assurance Manager (OPCC)/James Tabor - Strategic Planning Manager (HP)
Force Complaints Update			X		X	Clare Rex - Statutory Operations Manager (OPCC)
Draft Annual Governance Statements					X	Paul Wainwright - Assurance Manager (OPCC) & Jim Wright - Head of Finance and Business Services (HP)
Declarations of Gifts, Hospitality & Sponsorship ( <i>link to Force &amp; OPCC websites</i> )					X	Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services (HP)
<b>Finance</b>						
Treasury Management Strategy					X	Kevin Wilson - Chief Finance Officer (OPCC)
Treasury Management Mid-Term Review				X		Kevin Wilson - Chief Finance Officer (OPCC)
Treasury Management Annual Report	X					Kevin Wilson - Chief Finance Officer (OPCC)
Draft Accounts		X				Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services (HP)
Audited Accounts		X				Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services (HP)
<b>External Audit</b>						
Audit Strategy Memorandum	X					Gavin Barker - Mazars (External Audit)
Report Updates	X			X		Gavin Barker - Mazars (External Audit)
Audit Completion Report		X				Gavin Barker - Mazars (External Audit)
Auditor's Annual Report	X			X		Gavin Barker - Mazars (External Audit)
Audit Opinion		X			X	Gavin Barker - Mazars (External Audit)
<b>Internal Audit</b>						
Annual Audit Plan (Review and Approve)					X	Neil Rickwood - West Yorkshire Police (Internal Audit)
Progress Reports (including any final reports)	X	X	X	X	X	Neil Rickwood - West Yorkshire Police (Internal Audit)
Head of Internal Audit Opinion and Annual Report						Neil Rickwood - West Yorkshire Police (Internal Audit)
<b>Force Update</b>						
Force HMICFRS Assurance Group Update	X	X	X	X	X	JIAC Members
Update on Numbers and Deployment of Additional Recruited Officers	X			X		Emma Bowen - Head of People Services (HP)

<b>Additional Items</b>						





**JOINT INDEPENDENT AUDIT COMMITTEE**  
**TIMETABLE OF MEETINGS 2023/24**

<b>Meeting Date</b>
<b>Mon 19 June 2023</b> <b>(10.00am)</b>
<b>Mon 17 July 2023</b> <b>(10.00am)</b>
<b>Mon 25 September 2023</b> <b>(10.00am)</b>
<b>Mon 11 December 2023</b> <b>(10.00am)</b>
<b>Mon 18 March 2024</b> <b>(10.00am)</b>





# Auditor's Annual Report

Police and Crime Commissioner for  
Humberside and the Chief Constable for  
Humberside – year ended 31 March 2021

August 2022



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- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Police and Crime Commissioner for Humberside and the Chief Constable for Humberside. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for the Police and Crime Commissioner for Humberside and the Chief Constable for Humberside ('the PCC and CC') for the year ended 31 March 2021. Although this report is addressed to the PCC and CC, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 15 March 2022. Our opinion on the financial statements for both the PCC & Group and CC was unqualified.



### Wider reporting responsibilities

We received group instructions from the National Audit Office on 21 July 2022 in relation to Whole of Government Accounts work. The firm has raised a query in relation to these instructions and once this has been answered, we will be able to complete work on the Whole of Government Accounts return and issue our audit certificate to formally close the 2020/21 audit.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the PCC and CC and to consider any objection made to the accounts. We did not receive any questions or objections in respect of either the PCC & Group or CC's financial statements.



### Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the PCC and CC's arrangements to secure economy, efficiency and effectiveness in their use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the PCC and CC's arrangements.

We have also highlighted a significant weakness and recommendation for the PCC and CC in relation to information governance.

Introduction

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Other reporting responsibilities and our fees

# 02

Section 02:

**Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinions

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the PCC & Group and the CC and whether they give a true and fair view of the PCC & Group and CC's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 15 March 2022 gave an unqualified opinion on the financial statements for both the PCC & Group and CC for the year ended 31 March 2021.

## Qualitative aspects of the CC and PCC's accounting practices

We have reviewed the PCC and CC's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the PCC & Group and CC's circumstances.

Draft accounts were received from the PCC & Group and CC on 20 July 2021 and were of a good quality.

## Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we had the full co-operation of management.

# 2. Audit of the financial statements

## Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our 2020/21 audit.

### Exit Packages

#### Description of deficiency

As part of our testing of exit payments, we reviewed an ex gratia payment of £50k relating to a now former employee. We sought evidence of the approval of the payment, the reasons for the payment and the determination of the amount to be paid.

Ex gratia payments, which are payments that are made where there is no legal liability, are by their nature sensitive payments, and they are also relatively few in number. Given their nature, it is all the more important that there is a clear record not only of the decision reached, but also of the considerations as part of the decision making process, the reasons for the decision and the justification for the level of settlement made. Such a decision record is important to demonstrate appropriate governance and proper decision making.

Records were provided that supported the decision, in line with the Governance Framework and required approvals. However, a formal decision record process is not currently in place and should be implemented as this would improve recording and evidencing of such decisions.

We have received assurances from the Chief Finance Officer of the Chief Constable's office that the payment was properly approved, and that it was fully considered and appropriately paid. We have been provided with background information that supports this position. We are satisfied based on these representations that the payment was appropriate. Steps need to be taken to ensure that a proper decision record is maintained in future.

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#### Potential effects

Without a decision record, it may be difficult to support sensitive and potentially contentious decisions, making it more difficult to demonstrate appropriate governance and proper decision making.

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#### Recommendation

For future such payments, where there is no report or minutes supporting a sensitive decision of this nature, a separate decision record should be kept. This should clearly record the decision reached, the considerations as part of the decision making process, the reasons for the decision and the justification for the level of settlement made.

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#### Management response

A decision record process has been implemented by People Services so that such decisions are formally recorded.

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# 2. Audit of the financial statements

## Treasury Management Strategy

### Description of deficiency

The decision record for the approval of the Treasury Management Strategy was missing a record reference and signature. The strategy informs the treasury management team of how to invest and borrow in the financial year meaning there is no further approval of individual investments providing they are within value limits set out within the overarching strategy.

### Potential effects

Investments and loans are made without appropriate approval.

### Recommendation

All decision records should be signed, dated and referenced to evidence approval.

### Management response

The published Treasury Management Strategy for 2020/21 was clearly approved on 26/03/20 via email and therefore there was no risk of investments/loans made without approval. The Treasury Management Policy for 2021/22 was approved on 31/3/2021 and has been recorded as a decision and published on the OPCC Website (<https://www.humberside-pcc.gov.uk/Document-Library/Working-for-You/Decision-Log/2021/032021-TMSS-2021-22.pdf>). It is the policy to publish PCC decision records as they are made.



# 2. Audit of the financial statements

## Land Valuation

### Description of deficiency

Limited information is provided by the external valuer to support the calculation of asset land values.

### Potential effects

Inaccurate land values may not be identified as the finance team have limited information on which to assess the reasonableness of land valuations.

### Recommendation

A review should be undertaken of the evidence provided by the valuer to support the valuation of land as a high level reasonableness check.

### Management response

The external valuers will be contacted and will be reminded that they are required to provide clarifications when requested by Finance and by the Auditor.

# 2. Audit of the financial statements

## Accounts Payable Control Account Reconciliation

### Description of deficiency

Our walkthrough of accounts payable identified that the accounts payable control account reconciliations had not been performed by the finance team on a monthly basis during 2020/21 due to staffing changes.

### Potential effects

Inconsistencies between the accounts payable values in the accounts payable system and general ledger are not identified and resolved.

### Recommendation

The accounts payable control account reconciliations should be completed monthly and on a timely basis.

### Management response

Processes have now been put in place so that a Payables Control Account Reconciliation will be completed on a monthly basis.

# 2. Audit of the financial statements

## IT Controls – Leavers Access

### Description of deficiency

When testing leavers, it was noted that 4 user account disabling requests arrived after the actual leaving date. We inspected the user account details from the leavers list and AD user list and noted that although the access was removed for the leavers, it was not performed in a timely manner.

### Potential effects

Unauthorised access to the network may compromise data confidentiality and integrity.

### Recommendation

In order to ensure access is appropriately restricted, and avoid compromising the confidentiality and integrity of data, we recommend ensuring that the user access management process is complied with in terms of time and quality, through:

- Issuing disabling requests for all leavers;
- Ensuring disabling requests are issued timely (before the actual leaving date of the employee);
- Implementing a periodic review at both network and application level, for identifying, investigating and solving any exceptions to the user access management process.

### Management response

Officers will ensure that leaver access is removed in a more timely manner.

# 2. Audit of the financial statements

## Internal control recommendations – follow up of previous internal control points

### Related Parties

#### Description of deficiency

During our work on related parties in 2019/20, we identified 3 interests held by management that had not been included on the Declaration of Interests forms. In all three instances there had been no transactions with the related parties during 2019/20.

#### Potential effects

Transactions with related parties are made and not disclosed.

#### Recommendation

Officers should be reminded to include all interests on their Declaration of Interest forms.

#### Management response

Officers will be reminded to include all interests on their Declaration of Interest forms.

#### 2020/21 Update

Our work in the current year also identified 3 interests held by management that had not been included on the Declaration of Interests forms.

# 2. Audit of the financial statements

## HR Documentation

### Description of deficiency

During our work on testing payroll expenditure, we identified one instance where we were unable to obtain HR documentation for the employee as the records held in the HR system were corrupt. We obtained the evidence we required from alternative procedures.

### Potential effects

The PCC and CC do not maintain adequate records.

### Recommendation

Procedures should be implemented to ensure HR documentation is maintained and accessible for all employees.

### Management response

HR documentation records in question were held by South Yorkshire Police who were unable to retrieve. HR records since the de-collaboration are held by Humberside Police and are maintained and accessible.

### 2020/21 Update

Our work in the current year identified no further instances of inaccessible HR documentation.

# 2. Audit of the financial statements

## IT Controls – User Access Policy

### Description of deficiency

During our review and testing of IT General Controls we noted there was no formalised User Access policy.

### Potential effects

Inappropriate access to IT systems.

### Recommendation

Management should consider implementing a User Access policy to consider policies for new starters, movers and leavers.

### Management response

A Policy is currently being written by the IT System Administration Team Leader who is working in conjunction with the ICU function. This will formally document the User Access Policy for the Force. The document will be reviewed in draft by the IT SLT and formal approval / signoff will be by the Head of IT. Expected date for a review of the draft Policy will be by 30th Nov 2020.

### 2020/21 Update

Our work in the current year highlighted no similar findings.

# 2. Audit of the financial statements

## IT Controls – Back Up Policy

### Description of deficiency

During our review and testing of IT General Controls we noted there was no formalised Back Up policy.

### Potential effects

Lack of understanding of the process, lack of responsibility and accountability as roles are not defined, loss of data.

### Recommendation

Management should consider implementing a Back Up policy.

### Management response

A Backup Policy draft document is already available but further input and detail is required in order to seek approval for official sign off. The task of completing the Policy documentation resides with the IT Server Manager and a formal review of the draft will be undertaken before the 30th Nov 2020. A formal sign off of the document will be achieved prior to the 31st Dec 2020.

### 2020/21 Update

Our work in the current year highlighted no similar findings.

# 2. Audit of the financial statements

## IT Controls – Privileged Access Accounts

### Description of deficiency

During our review and testing of IT General Controls we noted one shared account is used by all users with privileged access.

### Potential effects

Inappropriate access to the system could be obtained and lack of audit trail.

### Recommendation

Management should consider a different approach to providing privileged users with access to the systems.

### Management response

The IT SLT agree that this is not an appropriate approach when dealing with elevated user privilege levels. User privileges should be associated to a single user account only and a formal communication statement will be issued by the Head of IT in order to address this matter.

### 2020/21 Update

Our work in the current year highlighted no similar findings.



# 2. Audit of the financial statements

## Pensions – Benefits Paid

### Description of deficiency

During our work, we identified a difference between the benefits paid to pensioners per the actuary report and the data held by East Riding of Yorkshire Pension Fund. The difference was not material and thus no amendment has been made to the financial statements. We have confirmed the actuary uses an estimation technique for benefits paid, and not the data held by the pension fund.

### Potential effects

Inaccurate information is used by the actuary.

### Recommendation

As the pension fund information is more accurate, we recommend that you ask the East Riding of Yorkshire Pension Fund to provide this information to the actuary in future so that it can be used as the basis for estimating benefits paid in the actuary's report.

### Management response

We will request that the ERPF provide the actual benefits paid to Pensioners as part of the 20/21 Annual Accounts process.

### 2020/21 Update

Management followed up on this issue with ERPF and the actuary. It was agreed that the estimated basis for benefits paid used by the actuary was the most appropriate method. Assurance was also provided that the differences between the estimate and the actual were much less than we originally identified in our audit work.

# 2. Audit of the financial statements

## Pensions – Actuary Report for PCC and CC

### Description of deficiency

Our work has identified, for the Local Government Pension Scheme, one actuary report is obtained, covering both the PCC and CC. An allocation is then made in the financial statements based on pension contributions.

### Potential effects

The allocation between PCC and CC is not accurate.

### Recommendation

The PCC and CC obtain separate actuary reports to ensure the data is as accurate as possible.

### Management response

The OPCC and Humberside Police will request individual actuarial reports from the actuary as part of the 20/21 Accounts process.

### 2020/21 Update

Management followed up on this issue, The additional costs of separate actuarial reports for the PCC and CC were considered prohibitive relative to the benefits. Management therefore propose to continue with the current approach.

# 03

Section 03:

**Commentary on VFM arrangements**

# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the PCC and CC has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the PCC and CC plans and manages their resources to ensure they can continue to deliver its services
- **Governance** - How the PCC and CC ensures that they make informed decisions and properly manage their risks
- **Improving economy, efficiency and effectiveness** - How the PCC and CC use information about their costs and performance to improve the way they manage and deliver their services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the CC and PCC has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses. We outline the risks that we have identified and the work we have done to address those risks on page 21.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. We outline the identified significant weaknesses and our associated recommendations on pages 22 and 23.

The table below summarises the outcomes of our work against each reporting criteria. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	24	No	No
Governance	26	Yes	Yes
Improving economy, efficiency and effectiveness	28	No	No

# 3. VFM arrangements – Risks of Significant Weakness & Work Undertaken

## Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p><b>1 Collaborative Provision of Information Services</b></p> <p>Humberside Police have a collaborative arrangement in place with a neighbouring Force for the provision of Information Systems and Information Technology services. The neighbouring Force are the lead provider of these services, which incorporates financial governance, procurement and the employment of all staff.</p> <p>As a result of management concerns, the Assistant Chief Officer commissioned an Internal Audit review of IS (Information Services) Corporate Governance and Financial Management, and Internal Audit reported the outcome in October 2019. This review was undertaken from Humberside Police’s perspective as a party to the agreement and focused on the management of two significant IS projects, the implementation of Enterprise Resource Planning (ERP) and Smart CONTACT.</p> <p>The conclusion of the Internal Audit review was that there was Inadequate Assurance over the corporate governance and financial management of this collaborative arrangement. Following the internal audit review, Humberside Police’s Assistant Chief Officer was given the lead role in addressing the issues arising. The Assistant Chief Officer identified further significant issues and has led the implementation of changes to improve the arrangements in place, which were ongoing during the year ended 31 March 2021.</p> <p>The Police and Crime Commissioner and Chief Constable identified this as a significant governance issue in their respective Annual Governance Statements for the 2019/20 financial year.</p> <p>As part of our VFM conclusion for 2019/20 we reported what is known as an ‘except for’ qualification. This means that we concluded that, based on our work, in all significant respects, the Police and Crime Commissioner and the Chief Constable respectively, had put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2020, ‘except for’ the collaborative provision of information services.</p>	<p><b>Work undertaken</b></p> <p>We addressed this risk by considering the progress made by Humberside Police to address the weaknesses identified by Internal Audit which resulted in them concluding that that there was Inadequate Assurance over the corporate governance and financial management of the collaborative arrangement.</p> <p>In particular, we reviewed the follow up review of IS Corporate Governance and Financial Management and Control undertaken by Internal Audit and reported in January 2021. We reviewed this to determine the progress made in implementing the recommendations outlined in the original Internal Audit review.</p> <p><b>Results of our work</b></p> <p>The Internal Audit report highlighted that progress had been made, with evidence of improvement across all the key areas of weakness identified in the initial Internal Audit review. However, it also acknowledged the significant and, in some cases, long term nature of some of the outstanding and ongoing improvement actions. An overall limited assurance rating was issued in respect of the effectiveness and efficiency of the risk management approach.</p> <p>The ongoing limited assurance rating is relevant to the financial year ending 31 March 2021 and, in our view, indicates that although improvements have been made, a significant weakness exists in the Police and Crime Commissioner’s and Chief Constable’s arrangements for Governance.</p>

### 3. Identified significant weaknesses and our recommendations

#### Identified significant weaknesses in arrangements and recommendations for improvement - Chief Constable for Humberside

We have identified a significant weakness in both the PCC and CC’s arrangements to secure economy, efficiency and effectiveness in their use of resources. The table below sets out the identified significant weaknesses relating to the Chief Constable along with our recommendations for improvement.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p><b>1 Collaborative Provision of Information Services</b></p> <p>Humberside Police have a collaborative arrangement in place with a neighbouring Force for the provision of Information Systems and Information Technology services. As a result of management concerns, an Internal Audit (IA) review of Information Services (IS) Corporate Governance and Financial Management was commissioned and reported in October 2019 a conclusion of Inadequate Assurance. Following the IA review, management identified further significant issues and this led to the implementation of changes to improve the arrangements in place, which were ongoing during the year ended 31 March 2021.</p> <p>During 2020/21 IA undertook a follow-up review of IS Corporate Governance and Financial Management and in January 2021 reported that progress had been made, with evidence of improvement across all the key areas of weakness identified in the initial review. However, IA also acknowledged the significant and, in some cases, long term nature of some of the outstanding and ongoing improvement actions. IA issued an overall Limited Assurance (positive direction of travel) rating.</p> <p>The ongoing Limited Assurance rating is relevant to the financial year ending 31 March 2021 and, in our view, indicates that although improvements have been made, a significant weakness existed in the Chief Constable’s arrangements for governance in this area during the year. The Chief Constable needs to fully address the weaknesses identified in the Internal Audit report, as these weaknesses adversely impact upon the oversight and delivery of IS services which underpin wider policing services.</p>		●		<p>We recommend that the Chief Constable ensures all the outstanding issues reported are addressed and that further monitoring of improvement actions is undertaken. The Chief Constable should also continue to engage IA to independently follow up on implementation of improvement action until sufficient assurance is obtained that internal controls are both embedded and operating effectively and that the governance and financial management arrangements in place in respect of the collaborative provision of information services are sufficiently robust.</p>	<p>The long term nature of some of the outstanding improvement actions mean there is still further work to do.</p> <p>Internal Audit has subsequently reported a reasonable assurance assessment in its latest follow up during 2021/22.</p> <p>As part of our 2021/22 audit, we will follow up the progress made.</p>

### 3. Identified significant weaknesses and our recommendations

#### Identified significant weaknesses in arrangements and recommendations for improvement - Police and Crime Commissioner for Humberside

We have identified significant weaknesses in both the PCC and CC's arrangements to secure economy, efficiency and effectiveness in their use of resources. The table below sets out the identified significant weaknesses relating to the Police and Crime Commissioner along with our recommendations for improvement.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p><b>1 Collaborative Provision of Information Services</b></p> <p>Humberside Police have a collaborative arrangement in place with a neighbouring Force for the provision of Information Systems and Information Technology services. As a result of management concerns, an Internal Audit (IA) review of Information Services (IS) Corporate Governance and Financial Management was commissioned and reported in October 2019 a conclusion of Inadequate Assurance. Following the IA review, management identified further significant issues and this led to the implementation of changes to improve the arrangements in place, which were ongoing during the year ended 31 March 2021.</p> <p>During 2020/21 IA undertook a follow-up review of IS Corporate Governance and Financial Management and in January 2021 reported that progress had been made, with evidence of improvement across all the key areas of weakness identified in the initial review. However, IA also acknowledged the significant and, in some cases, long term nature of some of the outstanding and ongoing improvement actions. IA issued an overall Limited Assurance (positive direction of travel) rating.</p> <p>The ongoing Limited Assurance rating is relevant to the financial year ending 31 March 2021 and, in our view, indicates that although improvements have been made, a significant weakness existed in the Chief Constable's arrangements for governance in this area during the year. The Chief Constable needs to fully address the weaknesses identified in the Internal Audit report, as these weaknesses adversely impact upon the oversight and delivery of IS services which underpin wider policing services.</p> <p>This also represents a significant weakness for the Police and Crime Commissioner who is elected by the public to hold the Chief Constable and the Force to account.</p>		●		<p>We recommend that the PCC puts in place robust monitoring and reporting processes to hold the CC to account for making the required improvements to the corporate governance and financial management of the IS collaborative arrangement.</p>	<p>The long term nature of some of the outstanding improvement actions mean there is still further work to do.</p> <p>Internal Audit has subsequently reported a reasonable assurance assessment in its latest follow up during 2021/22.</p> <p>As part of our 2021/22 audit, we will follow up the progress made.</p>

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### How the PCC and CC identifies significant financial pressures that are relevant to its short and medium-term plans

Detailed processes are in place to identify service costs as part of budget setting. The PCC has a Medium-Term Resource Strategy (MTRS) which covers a period of 5 years and considers shifting police priorities and changes in funding. The MTRS sets out the financial direction of the force and outlines the key risks and financial pressures. The MTRS includes the revenue budget, capital programme and precepting decisions. It is reassessed and extended annually and if required re-prioritised to enable the Force to achieve the aims and objectives established in the PCC’s Police and Crime Plan.

The PCC and CC has a well-established and robust budget monitoring process in place. The process is led and co-ordinated by the finance team but includes conversations and challenge with relevant budget holders and other members of staff as appropriate, with a focus on the main current and future issues arising and agreeing action where necessary.

Budget monitoring identifies pressures during the year which are logged. Longer term issues identified through budget monitoring feed into the mid-year review of the budget and annual update of the MTRS. A thorough analysis of budget pressures is undertaken as part of the mid-year budget review. These are considered for the forthcoming year’s budget and MTRS review along with central pay pressures and national/regional pressures.

The Covid 19 pandemic continued to impact on finances in 2020/21, creating short term financial pressures. However, this was largely offset by additional funding and ultimately an underspend for the year of £3.4m was achieved. Of this underspend £1.4m was carried forward into 2021/22 to alleviate future pressures. We have seen evidence of effective financial management arrangements despite the additional issues caused by the Covid-19 pandemic.

### How the PCC and CC plans to bridge funding gaps and identifies achievable savings

A savings target is included in the MTRS. Savings are identified from a number of reviews and investment in more efficient ways of working (e.g. Digital Innovation Fund). The MTRS includes a group savings requirement of £0.750m in 2021/22, increasing year on year to £2.5m in 2025/26. The failure to deliver planned savings is recognised as a risk to the financial position.

The 2020/21 budget included a savings target of £2.1m, which was achieved. The overall savings target included in the MTRS is underpinned by a savings plan which sets out the specific schemes along with the forecast savings that are to be generated.

Review of financial reporting to Chief Officers Group (COG) and Police and Crime Panel demonstrates that savings plans are monitored in year and progress tracked to ensure delivery.

### How the PCC and CC plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Resources follow priorities through the MTRS which aligns with the organisational change programme and other force plans.

The Police and Crime Plan April 2017 to March 2021, sets out the Humberside Police and Crime Commissioners vision, mission, values and aims. Appendix 3 of the plan sets out the financial context and references the MTRS as providing details of the resources available to support delivery of the plan.

The MTRS clearly states that one of its aims is to support the delivery of the Police and Crime Plan 2017 – 2021. The MTRS is underpinned by workforce planning and capital programmes which are aligned with the delivery of the Police and Crime Plan priorities and the continued delivery of an efficient and effective police service to the communities of Humberside.



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

### How the PCC and CC ensures that its financial plan is consistent with other plans

The MTRS is underpinned by workforce planning and capital programmes which are aligned with the delivery of the Police and Crime Plan and Plan on a Page priorities.

Review of the Capital Strategy 2019/20 to 2023/24 demonstrates the linkages between MTRS and Treasury Management Strategy Statement (TMSS). The Capital Strategy states that the capital programme is the PCC’s plan of capital works for future years and arrangements are in place within the MTRS and TMSS setting out how the programme will be funded. The MTRS includes the 5-year capital programme and how this is to be financed and therefore considers the revenue implications of the capital programme. Review of the Melton 2 project evaluation supports that revenue implications of capital programmes are considered. This further demonstrates the linkages between the MTRS and the Capital Strategy. The MTRS also sets out the Prudential borrowing required to fund the capital programme and review of the TMSS shows the clear links between the borrowing requirement shown in the MTRS and the TMSS, as well as the expected impact on the PCC’s capital financing requirement and minimum revenue provision.

The force has a Target Operating Model (TOM) which sets out the resource requirements of the force. During 2020/21 organisational reviews were commissioned, with the police workforce being reviewed and a TOM set at the department/function level. This work was aligned with the available funding contained within the MTRS, also considering the implications arising from Operation Uplift and the savings required to deliver a balanced budget. The MTRS annual update includes rebasing of the Police and PCC staff each year and is linked to the resource requirements set out within the TOM.

In addition, the MTRS takes into account the wider financial implications of national funding streams and ongoing initiatives such as the Police Allocation Funding (PAF) used to distribute grant between forces, Operation Uplift the Government’s commitment to police officer numbers, the police finance settlement and Ministry of Justice Grant.

### How the PCC and CC identifies and manages risks to financial resilience

Substantial work is undertaken to understand possible future impacts on the budget. The annual update of the MTRS considers various budget pressures, such as pay and price increases, the revenue implications of the capital programme and other financial pressures, the most significant of which in 2020/21 being the implications of the Covid-19 pandemic.

Review of the MTRS shows that it includes a risk assessment and considers the key financial risks facing the police e.g. pay awards, failure to deliver planned savings, impact of Covid-19, further reductions in funding etc. For each risk identified the likelihood and impact is assessed and details are included of how the risk is to be managed. The MTRS includes a reserves strategy so that unexpected budget pressures can be met without adverse impact on the achievement of key objectives and council taxpayers. The reserves strategy sets out the key MTRS principle to seek to maintain the general reserve at 3% of the net revenue budget.

The overall financial position is monitored monthly, with a focus on forecast outturn and identified financial pressures, along with strategies to mitigate these and the risk to the overall financial position. The PCC and CC have a good track record of predicting pressures and costs based upon prior year experience and review of the MTRS indicates that assumptions are largely realistic although the plan recognises the uncertainties and risks.

Our work did not identify a significant weakness in the PCC and CC’s arrangements in relation to the financial sustainability reporting criteria.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### How the PCC and CC monitors and assesses risk and how the PCC and CC gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Corporate Governance Framework sets out the governance arrangements for both the PCC and CC. The integrated scheme of governance clarifies the way the two corporations sole govern both jointly and separately. The PCC holds the Force to account and ensures it delivers against the Police and Crime Plan, making it answerable to the communities it serves. The PCC fulfils this duty through regular assurance conversations and one to one briefings. It also hosts the Joint Independent Audit Committee (JIAC), Accountability Board and External Ethics Committee. The PCC also sets the Chief Constable's terms of employment, including his salary and annual leave entitlement in line with the Home Office's national guidelines set out in Police Regulations.

The Corporate Governance Framework sets out the risk and resource management arrangements and that the Accountability Board provides scrutiny of Force strategic risks. Review of reports to the Accountability Board show that reporting of strategic risks includes the impact and likelihood of risks and the control mitigations to reduce the risk to an acceptable level. Force strategic risks are also reported to JIAC.

The Internal Audit service is provided to the PCC and CC by West Yorkshire OPCC. The internal audit team provides assurance based on a risk-based audit plan which complies with auditing standards. It produces an annual report to JIAC, which provide an opinion on the control environment. The audit team also provides advice and support on the design and operation of the control environment in general. The Head of Internal Audit Opinion for 2020/21 gave a reasonable assurance opinion.

The Corporate Governance Framework also sets out the Fraud Response Plan and details the various ways in which suspected fraud and corruption may be reported.

### How the PCC and CC approaches and carries out its annual budget setting process

The PPC's approach to budget setting is to deliver a sustainable budget and capital programme, whilst delivering the Commissioner's Police and Crime Plan and meet the requirements of the National Strategic Policing Requirement. The MTRS includes consideration of the impact of Central Government funding and local taxation yields on the overall financial position and identifies these as risk areas. Review of the budget setting arrangements highlights no significant weaknesses and the PCC is aware of the financial pressures it faces.

### How the PCC and CC ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The PCC and CC have a well-established budget monitoring process which includes monthly updates focusing on the financial outturn position for revenue and capital. Regular budget monitoring reporting is taken to the COG and the Accountability Board. Monitoring reports set out the annual revenue budget, year to date actual spend, forecast outturn and any forecast variance at the overall force level. The reports highlight the key points of note and the reasons for under and overspending. Reporting also includes revenue performance at command level, monitoring of the annual savings target and performance against the approved capital programme.

Review of COG and Accountability Board minutes confirm there was regular reporting of the financial position during the 2020/21 financial year and show clear evidence of discussion and challenge of the financial information presented.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

A mid-year review of all budgets is undertaken and amendments to the annual budget made as required. Review of COG and Police and Crime Panel minutes show clear evidence of this. The outturn position was not significantly different to that reported during the year and did not indicate a weakness in arrangements. There was a clear understanding of the reasons behind the increased underspend reported at year end. This is further evidence of effective arrangements for budgetary control.

Statutory financial reporting requirements are well resourced with a dedicated accountant supported by the Chief Constables Chief Finance Officer (CCFO), Police and Crime Commissioners Chief Finance Officer

(PCCCFO) and Deputy. The PCC and CC have an effective system for production of the final accounts. The draft accounts were shared with us on 20 July 2021, before the 31 July 2021 deadline and we have found no significant deficiencies in the draft accounts in 2020/21. The accounts are reflective of the reported budgeted financial position summarised in the outturn report.

### How the PCC and CC ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

The foundation of the PCC and CC decision making is set out within the Corporate Governance Framework. This includes the Financial Regulations, Standing Orders and Scheme of Delegation which make it clear where the responsibility for any given decision lies. Decisions are formalised by Decision Records, which are publicised on the PCC website. Review of a number of decision records demonstrate that decisions are supported by reports that outline options and recommendations for approval. Reports set out the financial, legal, equalities implications to ensure decisions are supported by robust information and how the decision links to the Police and Crime Plan and therefore overall strategy. Decision records reviewed support informed decision-making and clearly stated the decision being required by the Police and Crime Commissioner. Our overall review of the PCC and CC meeting minutes did not identify any evidence of a significant weakness in the arrangements.

As part of the audit of the financial statements our work highlighted an ex-gratia payment made during 2020/21. Whilst we are satisfied that the payment was fully considered, properly approved and appropriately paid, a formal decision record process is not currently in place for such payments. We therefore recommended that this be introduced to demonstrate appropriate governance and proper decision making over sensitive and potentially contentious decisions. Page 7 of this report explains this issue in more detail.

Declarations of interests are made by all senior police officers and support officers of both the CC and PCC. Our review of related party declarations and associated transactions as part of our work on the financial statements, has highlighted no significant weaknesses. A gifts, gratuities, donations and hospitality policy is in place. Registers are maintained of PCC gifts and hospitality and this is published on the PCC website. All police officers are required to comply with the Police Code of Ethics. Annual messages are communicated to all staff from professional standards branch and a documented conflicts of interest policy is in place.

The impact of Covid-19 necessitated some changes to the Force's governance to respond to the pandemic. On 9th March 2020 an operational order was put into effect, Operation Flame, to mitigate the impact of Covid-19 on local communities, and to work together with others to promote recovery to a state of normality. The operation had a Gold/Silver/Bronze command structure, with each level of command having designated responsibilities. Whilst the governance activities required to respond to the Covid-19 outbreak took place under this operation, the existing Force governance structure remained in place, with all meetings taking place as scheduled, but subject to adjustments such as video conferencing or social distancing where appropriate. The arrangements allowed the Force to maintain business as usual governance activities whilst responding to the Covid-19 outbreak.

Due to identified weaknesses in the PCC and CC's corporate governance and financial management arrangements in respect of the collaborative provision of information services we have highlighted a significant weakness in arrangements. We outline the identified significant weaknesses and our associated recommendations on pages 22 and 23.

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### How financial and performance information has been used to assess performance to identify areas for improvement

Financial performance and savings monitoring is reported monthly to COG and periodically to the Accountability Board and Police and Crime Panel. Each Assistant Chief Constable (ACC) is held accountable for financial performance at COG and in turn through discussions at their Senior Leadership Teams (SLT). Review of reporting to SLT shows detailed information is shared including latest financial position, forecast financial outturn and commentary on key pressures/underspends. Reporting also includes analysis of other key areas that impact on the financial position including overtime, events and mutual aid.

A performance structure is in place that has enabled leaders across the organisation to hold each other to account. A formal performance review process is in place to support the delivery of Force plans, this is achieved through updates to Chief Officers, a monthly Victim Focussed Performance meeting and supported by Local Accountability Meetings (LAMs) and Team Accountability Meetings (TAMs). Review of an example LAM report shows detailed reporting of performance across the key themes of people, resources, connected and communities. The report includes an overview with a clear traffic light system for rating performance. Review of the LAM shows reporting across a wide range of performance areas, including deployable resource against TOM, financial performance, repeat victims, referrals, compliance, crime outcomes, workloads and reported crime figures. The reports show trend data and compare performance with prior periods highlighting those areas where performance improvement is required. Team Accountability Meetings (TAMs) also show reporting of performance, with actions clearly identified and assigned to a responsible officer.

A performance management framework is in place for all staff with Performance Development Reviews (PDR's) carried out at least annually. Performance management at the individual level includes setting objectives, identifying career aspirations and training needs and reviewing performance against set objectives formally on an annual basis and with interim assessments throughout the year. The purpose of PDR's being to not only assess the individual's contribution to force performance, but to also consider continuous personal development, health and wellbeing requirements and opportunities for individuals.

### How the PCC and CC evaluates the services it provides to assess performance and identify areas for improvement

A Force Accountability Framework is in place to support robust and effective performance management. As detailed above monthly Victim Focussed Performance meetings, are chaired by the Deputy Chief Constable (DCC) and attended by command SLT's and other key stakeholders including Her Majesty's Inspectors of Constabulary and Fire and Rescue Services (HMICFRS). The purpose of these meetings being to monitor both local and force performance. Monthly LAMs chaired by the relevant ACC or Assistant Chief Officer (ACO) focus on the delivery of their local plans and monitoring performance against specific indicators. The process is further supported through local TAMs and Performance Development Reviews across every level of the organisation.

In June 2019, the 2018/19 HMICFRS PEEL inspection was published. This report rated the Force as 'good' for efficiency, effectiveness and legitimacy and this was an improvement from the previous report which rated the Force as 'requires improvement' for efficiency and effectiveness. The PEEL process has continued to be developed by HMICFRS and has moved to a continuous assessment model. HMICFRS plans to complete PEEL inspections of all Forces by the end of 2022.

### How the PCC and CC ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

There are many examples of partnership working in a variety of functions within the Force. Partnerships and other services commissioned by the PCC are subject to grant and partnership agreements that specify expected outcomes, with monitoring undertaken to ensure delivery.

Community Safety Partnerships are in place for each of the Local Authority areas that Humberside Police work across. The partnerships include the Local Authority, Humberside Police, Humberside Fire and Rescue, Humberside Probation and Health.

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Regional collaborations for the provision of policing services between Humberside Police, North Yorkshire Police, South Yorkshire Police and West Yorkshire Police are in place. With a Regional Collaboration Board responsible for governance of the arrangements. A Lead Force model has been adopted for each functional area of regional collaboration, the OPCC for Humberside has lead force responsibility for underwater search services, OPCC for South Yorkshire for procurement & stores and firearms and the OPCC for West Yorkshire for serious and organised crime, scientific support and collision investigation. The OPCC for Humberside collaborates in a two Force partnership with the OPCC for South Yorkshire on the provision of Information Services.

There has been increasing collaborative working with Humberside Fire and Rescue. The PCC shares a Chief Finance Officer/S151 Officer and Deputy Chief Finance Officer/Deputy S151 Officer with Humberside Fire Authority. Humberside Police and Humberside Fire Authority collaborate on a joint operation in respect of their emergency vehicle maintenance requirements, which are delivered by Emergency Services Fleet Management (Humberside) Ltd (ESFM), a company limited by guarantee which was established for that purpose.

Partnership working also forms a key part in providing and improving support to victims. One example of this is the Humberside Rape and Serious Sexual Offences Group (RASSO) Service Improvement Group (SIG). Review of the terms of reference show one of the key purposes of the group is to bring together representatives from partner agencies, to oversee, innovate and develop the care of victims who have experienced serious sexual assault. The group is made up of representatives from the PCC, CC, NHS, Sexual Assault Referral Centre (SARC), Community Interest Companies, Charities and Crown Prosecution Service (CPS). Representatives from Local Authorities (public health and social services) and other victim and witness services are also invited to attend to support the achievement of key SIG aims. An example outcome of the group has been improving consultation with victims, including around decisions to pursue or withdraw from criminal investigations, an area identified as requiring improvement from consultation with victims. Partnership working with Hull University has been undertaken to improve communication letters and to provide toolkits and training to stakeholders.

### How the PCC and CC ensures that where services are commissioned or procured this is done in accordance with relevant legislation.

The PCC and CC are part of the Yorkshire and the Humber (YatH) Regional Procurement Team, with the rationale being that the service can delivered most effectively and efficiently by using a Lead Force model whereby the management and the provision of the function is undertaken by South Yorkshire CC and the PCC for South Yorkshire. A Collaboration Agreement is in place for the provision of the procurement service to the PCC and CC.

The YatH Regional Procurement Team are responsible for providing procurement services to the parties to enable them to benefit from procurement collaboration for categories of work, goods and services. The key categories are estates and facilities management, transport, IT/ISD, crime and forensics, operations and corporate services. The Team also provide contract management for region wide multiple force contracts, monitoring and reporting performance, delivering efficiencies through the use of eBusiness tools, developing and maintaining regional information on the National Contracts Data Base and developing regional policies and procedures to support the procurement process.

Regional contract standing orders are included in the Code of Corporate Governance, these are comprehensive and up to date. Review of the standing orders show that they clearly set out the requirement for compliance, the requirement for competitive procurement/tender process, the responsibility for financial and contractual delegation and the exceptional circumstances in which the normal procedures can be waived. The standing orders also set out the thresholds for quotations/tenders and the delegated officers for signing contracts and the financial thresholds they are permitted to authorise.

Our work did not identify significant weakness in the PCC and CC's arrangements in relation to the economy, efficiency and effectiveness reporting criteria.

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We received group instructions from the National Audit Office on 21 July 2022 in relation to Whole of Government Accounts work. The firm has raised a query in relation to these instructions and once this has been answered, we will be able to complete work on the Whole of Government Accounts return and issue our audit certificate to formally close the 2020/21 audit.

## 4. Other reporting responsibilities and our fees

### Fees for work as the PCC & Group auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Joint Independent Audit Committee in March 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£26,045	£26,045
Recurring increases in the base audit fee arising from regulatory pressures for the PCC (recurring)	£5,242	£5,242
One-off fee increases for 2019/20 specific issues	£2,959	£0
Additional fees in respect of the new VFM approach (recurring)	£0	£5,500
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring)	£0	£1,750
<b>Total fees</b>	<b>£34,246</b>	<b>£38,537</b>

Additional fees are subject to Public Sector Auditor Appointments (PSAA) approval. Amounts are excluding VAT.

### Fees for other work

We confirm that we have not undertaken any non-audit services for the PCC in the year.

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## 4. Other reporting responsibilities and our fees

### Fees for work as the CC's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Joint Independent Audit Committee in March 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£11,550	£11,550
Recurring increases in the base audit fee arising from regulatory pressures for the PCC (recurring)	£2,360	£2,360
One-off fee increases for 2019/20 specific issues	£1,976	£0
Additional fees in respect of the new VFM approach (recurring)	£0	£3,500
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring)	£0	£750
<b>Total fees</b>	<b>£15,886</b>	<b>£18,160</b>

Additional fees are subject to Public Sector Auditor Appointments (PSAA) approval. Amounts are excluding VAT.

### Fees for other work

We confirm that we have not undertaken any non-audit services for the CC in the year.

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# Gavin Barker – Director, Public and Social Sector

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## **Mazars**

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

\*where permitted under applicable country laws.

## INTERNAL AUDIT PROGRESS REPORT

### 1 PURPOSE OF THE REPORT

- 1.1 The report sets out the current progress against the 2022/23 Audit Plan.

### 2 BACKGROUND

- 2.1 This Progress Report monitors the delivery of work undertaken in relation to the provision of shared Internal Audit services as per the Joint Service arrangements between West Yorkshire and Humberside Police & Crime Commissioner (PCC) and the respective Police Forces.

**Table 1: Summary of Progress against the Audit Plan for 2022/23**

STATUS OF AUDITS	2022/23 (as at 30 Nov 22) APPENDIX A
Final Reports with Response Received	2
Final Reports – Response Awaited	1
Final Reports – No Response Required	1
Work Completed/ Advice/ briefings provided	-
Draft Reports Issued	2
In Progress	5
<b>TOTAL</b>	<b>11</b>

- 2.2 Progress against the 2022/23 audit plan has continued and since the last JIAC in September two reports have been finalised, Vetting: Designated Posts provided limited assurance (summary provided in Appendix B) and a Crime Screening Follow-Up Audit was closed down. It is also worth noting that all audits on the 2022/23 audit plan are either at reporting stage, in progress or are on target to commence by Q4. All audits once finalised are made available in full on the members portal.
- 2.3 To continue the additional commentary provided as part of the progress report introduced in September, both the RAG rated audit progress/ status (Appendix A) and recommendation follow-up/ action tracker (Appendix C) have been updated.

### 3 OPTIONS, RISKS AND OPPORTUNITIES

- 3.1 If the Internal Audit function does not provide an efficient and effective risk based audit service the Police and Crime Commissioner and Force will be

unable to obtain an appropriate level of assurance regarding the system of internal control operating within both organisations.

#### **4 POLICING PLAN AND PERFORMANCE**

- 4.1 Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

#### **5 IMPACTS ON OR LINKS TO COLLABORATION**

- 5.1 The Internal Audit function is provided to the Humberside Police & Crime Commissioner and Chief Constable by internal audit staff from the West Yorkshire Office of the Police & Crime Commissioner under a s22 agreement with the Police and Crime Commissioner for West Yorkshire.

#### **6 FINANCIAL IMPLICATIONS**

- 6.1 There are no direct, specific financial implications within the progress report. However, individual audits contained within the report may include recommendations which contribute to a more effective use of resources and enhance the value for money being obtained by the Force/ PCC. In addition, wherever practicable, recommendations are made which do not cause the PCC/ Force to incur additional costs.

#### **7 LEGAL IMPLICATIONS**

- 7.1 The Police and Crime Commissioner and Chief Constable are required to ensure that appropriate Internal Audit arrangements are in place.

#### **8 EQUALITY AND DIVERSITY AND HUMAN RIGHTS**

- 8.1 There are none in the context of this report.

#### **9 CONCLUSION**

- 9.1 The report summarises progress to date against the 2022/23 audit plan and updates members on the findings of the External Quality Assessment.

#### **10 RECOMMENDATIONS**

- 10.1 It is recommended that the Joint Independent Audit Committee note the contents of the report and discuss any issues arising.

**Contact Officer:**

Neil Rickwood, Head of Audit

**Background documents:**

Appendix A - Audit Plan 2022/23 (to date)

Appendix B- Summary of Vetting: Designated Posts

Appendix C – Recommendation Follow-up & Action Tracker Report



**Appendix A – 2022/23 Internal Audit Plan and Progress (as at 30 November 2022)**

<i>Audit Name</i>	<i>Scheduled</i>	<i>Type of Audit</i>	<i>Audit Progress &amp; Status (RAG rated)</i>	<i>Audit Opinion</i>	<i>Description</i>
OHU	c/f 21/22	Assurance/ Support	<b>DRAFT REPORT</b> <i>(Issued 4 November 2022)</i> <i>Agreed end of November for feedback on draft report.</i>	Reasonable	Completion of carried forward audit work commenced late in Q4.
VAIWG	Q1-2	Risk	<b>In Progress</b> <i>Initial plan was to start the audit in Q1, however it has been requested by HP that the audit take place in Q3-4. The purpose of this is to give sufficient time for VAIWG activity to be more effectively embedded. A meeting to agree a scope for the work to be held with T/ACC Wildbore on 12 December 22.</i>	-	Audit to evaluate/ provide assurance regarding HP's overall prevention approach to VAWG.
Serious Sexual Offences (SSO) investigation quality	Q1-2	Risk	<b>FINAL REPORT</b> <i>awaiting management responses</i> <i>(Issued 21 November 2022)</i>	Reasonable	Review of the quality of investigations in relation Serious Sexual Offences (SSO) with a key focus on a victim informed approach as part of these investigations. Initial work commenced in 21/22 which has been incorporated in the 22/23 audit programme as an expanded scope.
Force Vetting	Q1-2	Assurance/ Support	<b>FINAL REPORT</b> <i>(Issued October 2022)</i>	Limited	A review of the vetting arrangements in place for both police officers and police staff. The audit was initially planned for Q1 but was postponed pending the implementation of CoreVet. The audit is due to commence in September 2022.
Overtime Processes	Q1-2	Financial Systems	<b>FINAL REPORT</b> <i>(Issued July 22)</i>	Substantial	Review of overtime processes – Police Officer and Police Staff

<i>Audit Name</i>	<i>Scheduled</i>	<i>Type of Audit</i>	<i>Audit Progress &amp; Status (RAG rated)</i>	<i>Audit Opinion</i>	<i>Description</i>
Victim Code Compliance	Q1-2	Governance	<b>DRAFT REPORT</b> <i>(Issued 9 November 2022)</i>	Reasonable	Wider audit focussing on the 'harder to measure aspects' not just regularity of victim updates / victim right to review.
Custody	Q3	Risk	<b>Commencing late Nov 2022</b> <i>Niche access approved and scope of work agreed. Commencing once auditor back from AL.</i>	-	A review of the management of the risks associated with custody services.
Logistics	Q3	Assurance/ Support	<b>In Progress</b> <i>Scoping meeting and draft Audit Brief issued.</i>	-	A review of the management and administration of Annual Leave, RDIL and Time Off processes within the logistics function.
Management of Offenders	Q3-4	Assurance/ Support	<b>In Progress</b> <i>Scoping meeting -15 Nov 2022</i>	-	Management of Offenders including IOM and the specific management of sex offenders within the community – including the use of VAST (lie detector technology)
IS Audit Universe workstream	Q3-4	Risk/ Governance	<i>IS Audit Programme signed-off by Chief Officers in HP &amp; SYP. Meeting held with SYP IA (23 November) to allocate audit assignments.</i>  <i>Asset Management &amp; Change management audit assignments currently being scoped.</i>	-	IS Department commissioned an ITIL assessment exercise which identified areas of risk which will provide direction for subsequent audit activity for a shared audit programme of work with SYP IA team. IS are subsequently undertaking an organisational review and review of their target operating model. In the interim it has been agreed that IA will add value by auditing change/ demand management, asset management and cybersecurity.
Financial Systems Assurance & Testing	Q4	Financial Systems	<i>Agreed with Head of Finance to commence testing/ fieldwork in February 2023. Work being scoped.</i>	-	Annual review of Key Financial Systems, including Payroll, Debtors, Creditors & Budget Monitoring
Follow-Up Exercises <b>Crime Screening</b>	Q1-4	Follow-up	<b>FINAL REPORT</b> <i>(Issued 30 September 2022)</i>	Reasonable	Follow up of previous audits, providing assurance to JIAC and Senior Management that



<i>Audit Name</i>	<i>Scheduled</i>	<i>Type of Audit</i>	<i>Audit Progress &amp; Status (RAG rated)</i>	<i>Audit Opinion</i>	<i>Description</i>
					actions relied on to address risk are implemented with particular reference to fundamental & significant recommendations in areas of limited assurance.
Follow-Up Exercises <b>Golden Hours Principles</b>	Q3-4	Follow-up	<b>In progress</b> (2) FU of findings reported in a Briefing Note in 2021/22 which related to issues first identified in 2019. Discussions have now taken place with Superintendents for Operations on both banks who have agreed to take ownership of the report and provide management actions, action owners and action dates to Internal Audit. It was agreed that responses were to be provided by the end of December (at latest), which provides time to gain full understanding of situation and what is required.  Subsequent work will be largely determined by the implementation of the actions in the briefing note.	-	Follow up of previous audits, providing assurance to JIAC and Senior Management that actions relied on to address risk are implemented with particular reference to fundamental and significant recommendations in areas of limited assurance.
Follow-Up Exercises: <b>Organised Crime Groups (OCGs)</b>	Q4	Follow-up	<b>In Progress</b> Confirmation/ evidence in support of force actions being chased.	-	Follow up of previous audits, providing assurance to JIAC and Senior Management that actions relied on to address risk are implemented with particular reference to fundamental and significant recommendations in areas of limited assurance.



<b>Audit</b>	<b>Designated Post Vetting</b>
<b>Assurance Opinion</b>	<b>Limited Assurance</b>
<b>Overall Risk</b>	<b>Medium Risk</b>

### Introduction

The minimum level of vetting for all police personnel is recruitment vetting (RV). Prior to deployment into specific roles determined as 'designated posts', police personnel should hold management vetting (MV) clearance. In order to grant MV clearance, the force should ensure that they have no reason to doubt the integrity of the individual or their susceptibility to improper external influences. The purpose of MV is to provide a means of additional assurance in relation to the integrity, reliability and potential for financial vulnerability of individuals serving in posts with access to sensitive police premises, information, intelligence, financial or operational assets where the risk of potential compromise of those assets is high and the risk of serious damage to the force is substantial. Serious damage is defined as:

- Frustrating the prevention and detection of serious, organised or major crime
- Frustrating the apprehension or prosecution of such offenders
- Causing significant financial loss to the force
- Unlawful or inappropriate awarding of contract
- Otherwise adversely affecting the operational capability, reputation or security of the force.

Security Clearance (SC) vetting is required where individuals require substantial access to secret and occasionally TOP SECRET assets and information. Developed Vetting (DV) is one of the most detailed and comprehensive forms of security clearance in UK government. It is needed for posts that require individuals to have frequent and uncontrolled access to TOP SECRET assets or require any access to TOP SECRET codeword material.

Internal Audit was commissioned to undertake a review to determine the extent of insufficient vetting clearance in roles currently assigned as designated posts and to propose improvement actions to minimise this risk in future deployments.

### Main Findings

#### *Implementation of Core Vet*

The force had recently implemented Core Vet as the force vetting management system. As a result, at the time of the audit, the vetting unit members were still gaining an understanding and experience of the new system as well as identifying and remedying a number of glitches and issues arising from the data transfer from the previous system.

#### *Designated Post Assignment*

During a similar exercise at West Yorkshire Police (WYP), the auditor was advised that there is currently a lack of definitive and consistent criteria nationally for the identification and classification of designated posts. The auditor established that the Force Vetting Officer (WYP) sits on the National Working Group which is looking to promote consistency in the identification and classification of designated posts. The designated post schedule at Humberside Police identifies all designated posts, the level of vetting clearance required, the approving officer (who requested/approved the designation) and date. This schedule confirms that designated posts appear to be regularly reviewed, with the majority of approvals dated 2019 & 2020.

It was noted during the audit that a significant number of the designated posts noted on the schedule require SC vetting (Security Clearance) or have an either/or requirement (for example some posts noted as requiring either SC/DV). This lack of clarity regarding the specific clearance requirement increases the risk of inappropriate vetting clearance.

The auditor was provided with a list of 317 individuals who are currently deployed within roles assigned as designated posts. As noted above, in some cases there was a lack of clarity in respect of the specific vetting requirement, with 49 of the 317 being noted as having an either or requirement.

Audit testing identified a number of issues, including:

- Chief Officer Group noted as requiring only SC level vetting, though 3 of 4 are cleared or are in the process of being cleared to DV level.
- Vetting clearance not evidenced to the minimum requirement for the post in 53 instances.
- Eight instances of SC vetting completed but no record of the existing MV clearance (SC cannot be applied for without existing MV clearance). The Force Vetting Manager assured the auditor that current MV clearance will be in place but this may be a potential issue with the data transfer from the previous system.

- Two instances where minimum vetting clearance has expired.
- Fifteen instances where MV or SC clearance is expired, though there is a current higher level clearance in place.
- Ten instances of vetting clearances recorded on separate people records on Core Vet.

#### *Auditor Observations – Core Vet implementation, Succession Planning & Resourcing*

The audit was initially intended to commence in early 2022 but was postponed due to the impending implementation of Core Vet. The experienced and long term incumbent Force Vetting Manager had left and in the subsequent months the role has been filled twice, with the newest Force Vetting Manager taking up post in early August 2022. As well as changes of personnel in this key role, the team has also coped with the implementation of Core Vet, including needing to address a number of glitches and issues arising since the transfer to the new system. As noted earlier in this report, an issue identified by the auditor in respect of the lack of evidence of MV where SC is in place may be as a result of a further previously unidentified data transfer issue.

The part time resource appointed to support the new Force Vetting Officer is due to leave the team in addition to two vetting officers. At the time of the audit visit, Supt PSD was escalating the critical resourcing issue being faced by the team. The current resourcing and demand issue will increase the risk of the force being unable to cope with demands and further increase the risk of lack of appropriate vetting across new recruits, current workforce and contractors.

An issue with potential issues with the access to historic vetting records on Warrantor was raised with the auditor. It is understood that the admin rights holder for this system were passed to the part time FVM who is shortly due to leave the organisation and it is unclear if the individual had adequate experience and knowledge of super user access rights to enable him to adequately handover access rights prior to him leaving.

#### Conclusion

There is **limited assurance** that appropriate vetting status has been determined or the correct clearances are in place in respect of designated posts at Humberside Police. There are a number of improvement actions required to reduce inconsistencies and address weaknesses in respect of the current decision making and completion & recording of vetting clearances with regard to designated posts.

It is noted that the Force Vetting Unit responded swiftly and positively to the audit findings and reacted promptly to implement the agreed improvement actions. A follow up audit is planned for later in 2022 by which time there should be added assurance regarding designated post vetting.

#### **Recommendations and Management Action**

Seven recommendations were made, all significant, including:

- Changes agreed at the National Working Group in relation to adoption of a more definitive and consistent criteria for the identification and classification of designated posts should be communicated across the necessary personnel in force and additional vetting undertaken, where required. In the meantime, where the force feels this is necessary and appropriate, particularly where minimum vetting requirements are currently unclear, the force should review these requirements and provide clarity and consistency across designated posts.
- The Force Vetting Unit together with People Services should develop a robust mechanism to ensure that appropriate support is available both centrally and within Commands to provide assurance that additional vetting requirements are identified and addressed prior to moves into designated posts.
- The Force Vetting Unit should investigate the instances of SC vetting clearance with no record of existing MV clearance to identify and remedy any potential issue with the data transfer of these records following the implementation of Core Vet.
- The Force Vetting Unit should reinforce the need to record all vetting clearances on one unique person number. The FVU should investigate the instances of duplicated records identified during the audit testing and where necessary, undertake appropriate remedial action to merge or cross reference the records.
- The Force Vetting Unit should ensure that appropriate vetting clearance is obtained for those identified as not having the minimum vetting level clearance or where previous clearance has expired.
- Further to the escalation and resolution of the short term critical demand and resourcing issue being highlighted by the Supt PSD, the Force should ensure that there are appropriate succession planning and business continuity plans in place to ensure that this crucial function is appropriately resourced, skilled and experienced to provide assurance that vetting is robust and associated risks are appropriately managed.
- As a matter of urgency the Force Vetting Manager should ensure that access rights to the historic Warrantor system are handed over prior to the current super user leaving the organisation. Where this cannot be achieved, enquiries will need

to take place to ensure business continuity and that access to appropriate personnel within the Force Vetting Unit can be granted.

A management response has been agreed for all recommendations made.



**SUBJECT: UPDATE ON TRACKED ACTIONS & THE FOLLOW-UP OF RECOMMENDATIONS**

**REPORT OF THE HEAD OF AUDIT**

**1. PURPOSE OF THE REPORT**

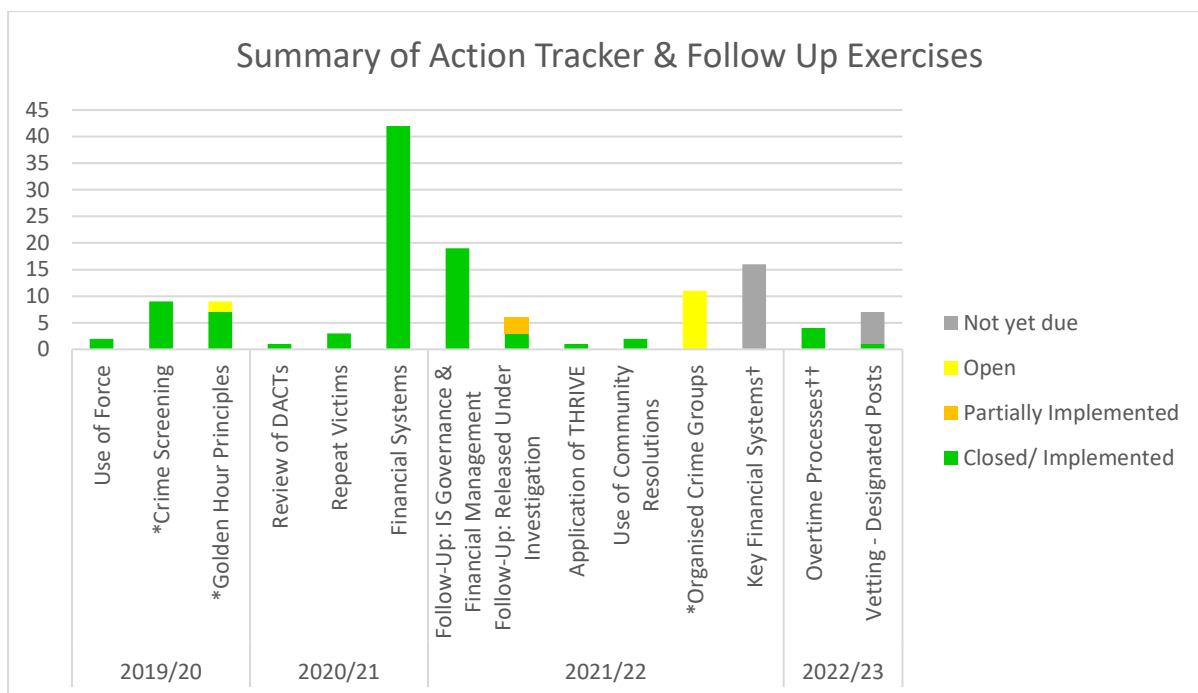
- 1.1 To provide the committee with an update on the implementation of previous audit recommendations.

**2. KEY INFORMATION**

- 2.1 Internal Audit follow up on recommendations included in reports which resulted in an overall assurance opinion of limited or inadequate assurance. Any fundamental recommendations within reports with an opinion of substantial or reasonable assurance are also followed up on. 'Significant' recommendations relating to a review with an overall opinion of substantial or reasonable assurance, are followed up by exception, depending on the level of risk posed to the organisation. Monitoring of 'Merits Attention' recommendations does not take place, due to the low level of risk associated with advisory actions. This enables the section to focus on the review of high-risk areas, ensuring that action is taken to address significant issues.
- 2.2 In addition to the primary follow-up activity detailed above Internal Audit also liaise with Humberside Police's Strategic Planning Department who undertake their own action tracker activity which seeks updates on management action against all audit recommendations irrespective of the overall assurance opinions assigned to the audit report, including those assessed as providing reasonable assurance. In order to provide assurance and subsequent reliance on the action tracker work undertaken Internal Audit will also dip-sample selected actions to provide evidence and confirmation that the closure of recommendations can be considered appropriate.

**Current Status**

- 2.3 As part of this initial detailed follow-up/ action tracker report Internal Audit have collated the audit reports and follow up work undertaken since 2019/20 into a table below.



\* Indicates those audit reports providing limited or inadequate assurance which have/ will be subject to follow up activity.

† Recommendations will be followed up as part of the annual audit of Key Financial Systems planned for Q4.

†† Audit not to be followed up as provided 'substantial assurance' with only one significant recommendation. Action tracker update confirms that actions can be closed down.

### **Current Follow-Up Work**

2.4 There are currently two significant areas of follow-up activity as highlighted in the progress report, namely Golden Hours Principles and Organised Crime Groups (OCGs) which both originally provided limited assurance in 2019/20 and 2021/22 respectively.

#### **2.4.1 Golden Hour Principle (GHP) Compliance**

In 2019, the force rolled out an initiative aimed at improving Golden Hours Principle (GHP) compliance. Internal Audit reviewed the initiative several months post implementation, providing a limited assurance opinion due to inconsistent practice & assessment of compliance, and an absence of monitoring and measurement to determine whether the initiative was achieving its ultimate purpose, improved outcomes.

The Internal Audit review, planned for 2021/22, was to evaluate the actions the force had taken to monitor and measure the extent the GH initiative leads to the improved outcomes.

Through opening discussions, it is evident that the force has recognised that the GH initiative had lost momentum and was taking action to reinvigorate it. The force had designed new GHP templates for use within Niche, which was eventually implemented in May 2022. Internal Audit were advised that consideration would be given to monitoring



and measurement of outcomes once the new GH process and infrastructure had been established and become firmly embedded.

It was therefore agreed with the force that a review would take place, split into two parts. Firstly an evaluation of what the force is doing/has done to reinvigorate the Golden Hour Principles work and secondly, once the new GH Niche process has been embedded for several months Internal Audit will evaluate what the force is actually doing to measure GH effectiveness, commenting on outcomes, and making recommendations for improvement as appropriate.

It has been previously agreed and reported to the JIAC that an interim briefing note prepared in 2021/22 which primarily relates to the first element of this work will be incorporated into the agenda and actioned as part of the Patrol Board activity.

Discussions have now taken place with Superintendents for Operations on both banks who have agreed to take ownership of the report and provide management actions, action owners and action dates to Internal Audit. It was agreed that responses were to be provided by the end of December (at latest), which provides time to gain full understanding of situation and what is required.

#### 2.4.2 Managment of Organised Crime Groups (OCGs)

Indications from HP Action Tracker updates are that significant progress has been made to address the issues identified. This will be evidenced and verified by the follow-up audit activity required as a result of the original 'limited' assurance level provided in 2021/22. Internal Audit are currently in the process of organising a meeting with the primary action owner to confirm and evidence any progress made.



## TREASURY MANAGEMENT MID-YEAR REPORT 2022/23

### SUMMARY

1. This report provides the Police and Crime Commissioner with a review of the treasury management activity and Prudential Indicators for the first six months of 2022/23.
2. The report shows full compliance with the Commissioner's Prudential Indicators for the first six months of 2022/23 and was also considered by the Joint Independent Audit Committee on 12/12/22.

### RECOMMENDATIONS

3. That the Commissioner takes assurance from the treasury management activities undertaken during the first six months of 2022/23 and the Prudential Indicators as outlined in paragraphs 14 and 15 and detailed in Appendix 1.

### BACKGROUND

4. Treasury Management, as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 2009 is:

"The management of the organisation's investments and cash-flows, its banking and money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks."

5. One of the main requirements of the CIPFA Code is that the Commissioner receives an annual report detailing treasury management activities within the year and compliance with the annual Treasury Management Policy.
6. This report provides the Commissioner with details of the treasury management activities and Prudential Indicators for the first six months of the 2022/23 financial year in line with the requirements of the Code.

### INVESTMENT ACTIVITY

7. The Commissioner's temporary investments totalled £25.5m as at 30 September 2022.

Table 1 – Investment income earned 2022/23

Interest Earned April to September 2022/23	Rate of return 2022/23	Benchmark return 2022/23*	Difference (+ = favourable)
£41,060	+1.92%	2.19%	-0.27%

\*Benchmark set as the Average SONIA rate for the year

8. Interest earned during the first half of 2022/23 was £18k higher than originally budgeted for in respect of investment activity for the year, due to higher interest rates than anticipated. This has been reflected in the mid-year review.

### BORROWING

#### Short-Term Borrowing

9. The Commissioner seeks to minimise the use of short-term borrowing to fund temporary cash shortfalls. The Commissioner did not take any short-term borrowing during the first half of the year.

### Long-Term Borrowing

10. Long-term loans are taken out either to replace existing loans which have matured or to fund capital expenditure. Under the Prudential Regime there are no longer centrally imposed limits on borrowing, but individual Commissioners are required to determine themselves what is a sustainable and affordable level of borrowing as an integral part of their Medium-Term Financial Planning processes.
11. The Commissioners level of borrowing was £104.6m at 30 September 2022, on which £2.3m of interest is expected to be paid.

### PRUDENTIAL INDICATORS

12. Appendix 1 details the agreed Prudential Indicators for 2022/23 and the actual figures as at 30 September 2022.
13. During the financial year the Commissioner operated wholly within the limits approved.

### Capital Expenditure

14. The Chief Finance Officer/S.151 Officer considers the current capital programme to be affordable and sustainable with the revenue effects of capital investment built into the Medium-Term Resource Strategy. Through the Medium-Term Financial Planning Process, the Commissioner has aligned its resources to key strategic priorities.

### Treasury Management

15. Based on the Operational Boundary definition, external debt at 30 September 2022 was £46m below the agreed Operational Boundary for 2022/23 and the maturity structure for both borrowing and investments remain within the approved upper and lower limits. Subsequent borrowing or re-scheduling during 2022/23 will take into account prevailing interest rates on offer from the Public Works Loans Board, the current maturity structure of loans, balanced with the need to reduce capital risk by keeping down cash-balances.

### STRATEGIC PLAN COMPATIBILITY

16. Treasury management is an integral part of the financial management of the Commissioner. Utilising approved borrowing and investment strategies will maximise investment income whilst minimising exposure to liquidity and market risks.

### FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

17. The continued approach to investment of surplus funds is designed to further mitigate against potential losses as a consequence of counterparty failure and reflects a prudent approach to treasury management activity.

### LEGAL IMPLICATIONS

18. The Commissioner must comply with the requirements of the CIPFA Code of Practice on Treasury Management and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This report ensures such compliance.

### EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

19. No direct issues arise from this report.

### CORPORATE RISK MANAGEMENT IMPLICATIONS

20. The application of and regular monitoring thereafter of a prudent Treasury Management Policy and related Prudential Indicators ensures that the Commissioner effectively manages financial risks whilst minimising borrowing costs and maximising investment income. It is therefore key to good financial management and an important element of the Medium Term Financial Planning Process.

HEALTH AND SAFETY IMPLICATIONS

21. No issues arising.

COMMUNICATIONS ACTIONS ARISING

22. No direct issues arising.

DETAILS OF CONSULTATION AND/OR COLLABORATION

23. The Commissioner's treasury management strategy has been developed using market information and specialist advice supplied by the Commissioner's treasury management advisors.

BACKGROUND PAPERS

24. 'Treasury Management and Capital Expenditure Prudential Indicators, Treasury Management Policy Statement 2022/23 and Minimum Revenue Provision (MRP) for 2022/23'  
CIPFA Code of Practice on Treasury Management 2009

RECOMMENDATION RESTATED

25. That the Commissioner takes assurance from the treasury management activities undertaken during the six months to 30 September 2022 and the Prudential Indicators as outlined in paragraphs 14 and 15 and detailed in Appendix 1.

**K WILSON**



**Prudential Indicators 2022/23**a) Capital ExpenditureIndicator 1 - Capital Expenditure

The actual capital expenditure for the current year compared to the revised budget, together with estimates of expenditure to be incurred in future years are shown below:

	2021/22 Actual £k	2022/23 Budget £k	2022/23 Revised £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k
Total Capital expenditure	20,977	16,236	16,927	11,198	10,822	5,221

The small predicted overspend against the revised 2022/23 budget will be carefully monitored during the second half of the year and regularly reported to the Police and Crime Commissioner in the 2022/23 Monthly budget monitoring reports.

Indicator 2 - Capital Financing Requirement

The capital financing requirement for 2022/23 and estimates for future years are as follows:

	Actual 31/03/22 £k	Estimate 31/03/23 £k	Estimate 31/03/24 £k	Estimate 31/03/25 £k	Estimate 31/03/26 £k
Capital Financing Requirement	118,272	130,355	134,315	136,755	133,113

The capital financing requirement measures the Commissioner's need to borrow for capital purposes. In accordance with best professional practice, the Commissioner does not associate borrowing with particular items or types of expenditure. The Commissioner has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Strategy. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Commissioner and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Commissioner's underlying need to borrow for a capital purpose. A key indicator of prudence under the Prudential Code is: -

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years".

The Chief Finance Officer/S.151 Officer reports that the Commissioner has had no difficulty meeting this requirement during the course of this financial year and no difficulties are envisaged in future years. This takes into account current commitments, existing plans and the proposals contained in the Medium Term Resource Strategy.

Indicator 3 – Core Funds and Expected Investment Balances

The total core funds and expected investments for 2022/23 and future years are as follows:

	2022/23 Original £k	2022/23 Revised £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k
Total Core Funds	22,100	28,400	20,300	13,010	7,300
Expected Investments	(7,760)	6,067	(6,033)	(1,126)	478

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). The expected lack of investments each month is mitigated due to the Pensions grant of which 80% was received in July 2022 which is drawn upon each month. The PCC is significantly under borrowed, long-term borrowing will be taken when the Public Works Loan Board consultation on rates is concluded. Temporary borrowing will be utilised if needed.

b) Treasury Management

Indicator 4 - Operational Boundary for External Debt

The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the S.151 Officer's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by the Chief Finance Officer/S.151 Officer.

	2022/23 Operational Boundary £k	Actual as at 30/09/22 £k	2023/24 Operational Boundary £k	2024/25 Operational Boundary £k	2025/26 Operational Boundary £k
Borrowing	150,000	104,616	150,000	150,000	150,000

The Chief Finance Officer/S.151 Officer confirms that borrowing in the year has not exceeded the operational boundary at any point within the year and is not expected to do so over the course of the next period based on information currently available.

Indicator 5 - Authorised Limit for External Debt

The table below shows the Authorised limit for External Debt for 2022/23 and subsequent three year period as approved by Members compared to the actual level of borrowing as at 31 March 2022.

	2022/23 Authorised Limit £k	Actual as at 30/09/22 £k	2023/24 Authorised Limit £k	2024/25 Authorised Limit £k	2025/26 Authorised Limit £k
Borrowing	180,000	104,616	180,000	180,000	180,000

The Authorised Limit reflects the Commissioner's projected long and short term borrowing requirements, together with any other long-term liabilities it may have. The figures are based on the estimate of most likely, prudent but not worst case scenario, with sufficient headroom over and above this to allow for operational management of, for example unusual cash movements.

The Chief Finance Officer/S.151 Officer confirms that the Authorised Limit has not been approached at any point during the year.

Indicator 6 - Ratio of Capital Financing Costs to Net Revenue Stream

The ratio of financing costs to net revenue stream for the current year and estimates for future years are as follows: -

	2021/22 Actual %	2022/23 Original %	2022/23 Revised %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %
Ratio of Financial Costs to Net Revenue Stream	2.70	3.27	3.23	4.02	4.45	4.55

These ratios indicate the proportion of the net budget of the Commissioner that is required to finance the costs of capital expenditure in any year. Estimates of financing costs include current commitments and the proposals contained in the capital programme of the Commissioner.



In calculating the ratio, Net Revenue Streams in any year have been taken to exclude any element of the net budget requirement that is intended to provide reserves for the Commissioner.

Indicator 7 – Upper and Lower Limits for the maturity structure of borrowings

This indicator seeks to ensure the Commissioner controls its exposure to the risk of interest rate changes by limiting the proportion of debt maturing in any single period. Ordinarily debt is replaced on maturity and therefore it is important that the Commissioner is not forced to replace a large proportion of loans at a time of relatively high interest rates.

“The Authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowings. The prudential indicators will be referred to as the upper and lower limits respectively for the maturity structure of borrowing and shall be calculated as follows:

Amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate;

Where the periods in question are:

- Under 12 months
- 12 months and within 24 months
- 24 months and within 5 years
- 5 years and within 10 years
- 10 years and above”

(Paragraph 74 of the code)

	Actual as at 30/09/22	Upper Limit	Lower Limit
	%	%	%
Under 12 Months	3.10	15	0
12 months and within 24 months	3.36	15	0
24 months and within 5 years	9.44	30	0
5 years and within 10 years	16.18	60	0
10 years and above	67.93	80	0

The Chief Finance Officer/S.151 Officer confirms that the maturity structure of external debt as at 31 March 2022 is within the upper and lower limits approved by the Commissioner.