

Meeting: **JOINT AUDIT, RISK & ASSURANCE PANEL**

Time/Date: **TUESDAY 12 MARCH 2013 – 9.00 A.M.**

Location: **GLASS MEETING ROOM, POLICE HEADQUARTERS**

Officer to contact: **PETER LEWIS, CHIEF FINANCE OFFICER (Tel: 0116 229 8980)**

### **AGENDA**

<u><b>Item</b></u>	<u><b>Report of</b></u>	<u><b>Marked</b></u>
1. Apologies		
2. Urgent Business		
3. Declarations of Interest		
4. Minutes of the meeting held on 13 December 2013 (attached)		
5. Terms of Reference	Chief Finance Officer	<b>A</b>
6. Internal Audit Progress Report	Mr D Harris / Mrs S Lane	<b>B</b>
7. Internal Audit Strategy 2013/14	Mr D Harris / Mrs S Lane	<b>C</b>
8. Appointment of External Auditors	Chief Finance Officer/ Finance Director	<b>D</b>
9. External Audit Plan 2012/13	Mr M Jones / Mrs S Bagnall	<b>E</b>
10. Closing the Accounts 2012/13	Chief Finance Officer/ Finance Director	<b>F</b>
11. Management of Risk – Corporate Risk Register	Mr M Humphrey	<b>G</b>
12. Risk Management – Update Position	Chief Constable	<b>H</b>

<b><u>Item</u></b>	<b><u>Report of</u></b>	<b><u>Marked</u></b>
13. Police & Crime Plan – Progress to Date	Chief Finance Officer	I
14. JARAP Recruitment Update, Handover, Workplan and Protocol	Chief Finance Officer	J
15. Date of next meeting: to be re-arranged		

**Panel Members**

Mrs W Martin  
Mrs D Newton  
Mr D Prince  
Mrs A Roberts

**Office of Police & Crime Commissioner**

Mr P Stock (Chief Executive)  
Mr P Lewis (Chief Financial Officer)  
Mr M Humphrey

**Office of Chief Constable**

Mr S Edens (Deputy Chief Constable)  
Mr P Dawkins (Finance Director)

**Auditors**

Mr D Harris (RSM Tenon)  
Mrs S Lane (RSM Tenon)  
Mrs S Bagnall (PricewaterhouseCoopers)  
Mr M Jones (PricewaterhouseCoopers)

## **OFFICE OF THE POLICE AND CRIME COMMISSIONER**

### **Minutes of a meeting of the Joint Audit, Risk and Assurance Panel (JARAP)** **meeting held at Police Headquarters, Enderby at 3.00 p.m. on** **Thursday 13 December 2012**

#### **Present**

Mrs W Martin, Mrs D Newton, Mr D Prince, Mrs A Roberts, Mr P Lewis (Chief Finance Officer), Mr S Edens (Deputy Chief Constable), Mr P Dawkins (Director of Finance), Mrs L Salmon (Governance Support Officer) and Mr M Humphrey, Mr D Harris and Mrs S Lane (RSM Tenon) and Mr M Jones and Mrs S Bagnall (PricewaterhouseCoopers)

#### **01/12. Election of Chair**

It was proposed by Mrs Martin, and seconded by Mrs Roberts, that Mr Prince be elected Chair of the Panel. There being no further nominations Mr Prince was duly elected.

#### **02/12. Apologies**

Apologies were received from Sir C Loader (Police and Crime Commissioner) and Mr P Stock (Chief Executive).

#### **03/12. Declarations of Interests**

The Chair invited members who wished to do so to make declarations of any interests in respect of items on the agenda for the meeting.

No such declarations were made.

#### **04/12. Terms of Reference**

The Panel considered a report of the Chief Executive seeking agreement and approval to the Joint Audit, Risk and Assurance Panel (JARAP) Terms of Reference. A copy of the report marked 'A' is filed with the minutes.

The Chair stated the Panel could not approve its own Terms of Reference therefore the recommendation should be amended to 'endorse' the document.

The following comments were made:

- A work plan and working protocol would be established and presented to the next meeting of JARAP to ensure no conflict with the work of the Police and Crime Panel;
- The Force supported JARAP holding private informal meetings for briefing and training purposes;
- A Deputy Chair was required to ensure the Panel were quorate;
- Members of the Panel would be covered by indemnity insurance;
- Consistent wording with the Code of Corporate Governance should be used in relation to approving but not directing the Internal Audit Plan;

- Section 10.4.1 should include review, scrutinise and sign the annual statement of accounts;

It was proposed by Mrs Martin and seconded by Mrs Newton that Mrs Roberts be appointed Deputy Chair of JARAP. There being no further nominations, Mrs Roberts was duly elected.

Subject to the amendments outlined, members endorsed the Terms of Reference for the Joint Audit, Risk and Assurance Panel.

#### **05/12. Corporate Governance Framework**

The Panel considered a report of the Chief Finance Officer presenting the Corporate Governance Framework. A copy of the report marked 'B' is filed with the minutes.

Members commented that the document should include reference to the need to produce a projected outturn and the consequent effect on reserves and balances.

The Risk Workshop was confirmed as 22 January 2013.

Subject to the amendment outlined, the Panel AGREED the Corporate Governance Framework as the basis for the secure and robust operation of the two corporations sole.

#### **06/12. Management of Risk**

The Panel considered a report of the Chief Finance Officer outlining the arrangements in place regarding the management of risk for the Office of the Police and Crime Commissioner (OPCC). A copy of the report marked 'C' is filed with the minutes.

The Chair stated the Panel could not approve the risk management strategy therefore the recommendation should be amended to 'endorse' the document.

A query was raised around the responsibility for ensuring employees and contractors were risk aware. The Finance Director stated the Force had a method statement and members requested that this approach was utilised in OPCC contracts.

Members endorsed the Police and Crime Commissioner's Risk Management Strategy.

#### **07/12. Risk Management – Update Position**

The Board considered a report of the Chief Constable presenting information on the Force Risk Register highlighting the priority risks and the current state of Business Continuity (BC). A copy of the report marked 'D' is filed with the minutes.

The Deputy Chief Constable stated that 6 of the Force's identified strategic risks were high priority and not 5 as outlined in the report. The Panel AGREED to note the current priority risks.

#### **08/12. JARAP Tactical Plan Progress (including Recruitment)**

The Panel received a report of the Chief Finance Officer providing an update on the recruitment process for substantive JARAP members. A copy of the report, marked 'E', is filed with the minutes.

Mr Humphrey stated an application form would be circulated to Panel members shortly.

The Panel AGREED to note the progress to date.

#### **09/12. Internal Audit Progress Report**

The Panel received a joint report of the Chief Finance Officer and Finance Director providing an update on progress against the internal audit plan 2012/13. A copy of the report marked 'F' is filed with the minutes.

Mr Harris of RSM Tenon stated no weaknesses had been found to affect the qualified Head of Internal Audit opinion.

In light of the Risk Workshop taking place on 22 January 2013 and the need to assimilate resulting information, members suggested changing the date of the next Panel meeting to late February or early March.

The Finance Director stated that the high recommendation in relation to the Winsor Review had been completed.

A query was raised regarding Recommendation 1 of the Advisory Review of Efficiency Saving which outlined the removal of 74 posts. Mr Harris stated he would clarify the information and provide feedback.

The Panel AGREED to:

- (i) note the progress to date; and
- (ii) reschedule the date of the next meeting to late February or early March.

#### **10/12. External Audit Progress Report**

The Board received a joint report of the Chief Finance Officer and Finance Director providing an external audit progress report and introducing the most recent Annual Audit Letter and ISA 260 Report (to those charged with governance). A copy of the report marked 'G' is filed with the minutes.

The Panel AGREED to note the report and the priorities for the coming year.

#### **Chairman**

13 December 2012

3.00 p.m. – 4.05 p.m.

# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE**

## **JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED

**A**

Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF CHIEF CONSTABLE
Subject	TERMS OF REFERENCE
Date	TUESDAY 12 MARCH 2013 – 9.00 A.M.
Author	CHIEF FINANCE OFFICER

### **Purpose of Report**

1. To seek agreement to the amendment of the Joint Audit, Risk and Assurance Panel (JARAP) Terms of Reference for recommendation to the Executive Board.

### **Recommendation**

2. The Panel is recommended to approve the Terms of Reference for presentation to the Executive Board for endorsement.

### **Amended Terms of Reference**

3. The JARAP considered the draft Terms of Reference at the meeting on 13 December 2012 and made a number of comments. The attached document reflects the change requested in regard of signing off the accounts (section 10.4.1).
4. In addition, the Terms of Reference have been further amended in sections 2.1 and 2.2 to adopt a broader approach to “independence” rather than the detailed list that was presented in the version on 13 December. This alteration is based upon legal advice received.
5. The Terms of Reference attached contains marks to enable the JARAP to clearly identify the changes made.

### **Implications**

Financial : Resource requirements to enable development and implementation of the above can be found from existing budgets.

Legal :	Approval of the attached Terms of Reference will ensure statutory compliance with the Act and the Financial Management Code of Practice.
Equality Impact Assessment :	None.
Risks and Impact :	Without an effective JARAP neither the PCC nor Chief Constable will be able to publically demonstrate that they have established a suitable risk control framework. Therefore, neither will be able to produce a fair and representative Annual Governance Statement that has been subject to sufficient independent challenge and review for the purposes of ensuring its integrity. This could expose both the PCC and Chief Constable to the risk of external audit qualification as well as public criticism.
Link to Police and Crime Plan :	The establishment of the JARAP provides a mechanism through which assurance can be sought and the public assured, with regards to the probity, regularity and value for money of resources deployed in the pursuit of the Police and Crime Plan.

#### **List of Attachments / Appendices**

Appendix 1: Joint Audit, Risk and Assurance Panel (JARAP) Terms of Reference.

#### **Background Papers**

Transition Board papers of 10 September 2012 (not attached)

#### **Person to Contact**

Mr P Lewis, Chief Finance Officer - Tel 0116 229 8984

Email: [peter.lewis@leics.pcc.pnn.gov.uk](mailto:peter.lewis@leics.pcc.pnn.gov.uk)

## **TERMS OF REFERENCE FOR JOINT AUDIT, RISK & ASSURANCE PANEL POLICE & CRIME COMMISSIONER AND CHIEF CONSTABLE**

### **1. INTRODUCTION**

- 1.1 In line with the principles of good governance as laid down by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Financial Management Code of Practice for the Police Service of England and Wales, this independent Joint Audit, Risk & Assurance Panel (JARAP) has been established, covering the separate roles and offices of both the Police & Crime Commissioner (PCC) and the Chief Constable.
- 1.2 The Office of PCC and Chief Constable are intrinsically linked by the priorities of the Police & Crime Plan and therefore it is in the best interests of the public, value for money and probity that a Joint Audit, Risk & Assurance Panel (JARAP) is established.
- 1.3 The purpose of the JARAP as an independent body is to seek assurance over the adequacy of the following:
  - The risk management and the internal control framework operated by the PCC and Chief Constable.
  - The effectiveness of their respective governance arrangements.
  - The appointment, support and quality of the work of internal and external auditors as they provide assurance on risk management, internal controls and the annual accounts through their work.
  - Financial and non-financial performance to the extent that it affects the PCC and Chief Constable's exposure to risk, weakens the control environment and undermines their ability to provide good value for money.
  - The financial reporting process.
- 1.4 The JARAP is a non-executive Panel and has no executive powers, other than those specifically delegated in these Terms of Reference.
- 1.5 The JARAP will establish effective communication with the PCC and Chief Constable, their nominated representatives, their respective Chief Finance Officers, Monitoring Officer, Head of Internal Audit, the External Auditor and other relevant stakeholders, including the Police and Crime Panel, for the purpose of fulfilling these terms of reference. A working protocol will be established to ensure that this is achieved by all parties.

### **2. MEMBERSHIP**

- 2.1 The JARAP will have a Chair, a deputy chair and three other members, all of whom must be independent of the PCC and the Chief Constable.
- 2.2 Members of the JARAP shall be recruited by the JARAP Chair on application and through open competition, in conjunction with the Police and Crime



Commissioner and Chief Constable or their representatives. They shall be recruited to ensure that the JARAP has all the necessary skills and experience to fulfil its terms of reference, in accordance with the job description for JARAP members. The JARAP will comprise of members who are independent of the Office of the Police and Crime Commissioner and of the Office of the Chief Constable.

- 2.3 The Chair of the JARAP will be jointly recruited by the PCC and the Chief Constable and will serve for one term in this role as Chair.
- 2.4 All JARAP Members will serve for a maximum of 2 terms, each term being a maximum of 4 years. To ensure continuity, where possible, members shall be rotated on and off the JARAP in turn rather than as a group, therefore the term of membership for the JARAP will be determined on recruitment of the member.
- 2.5 The deputy Chair is selected by a vote by members of the JARAP. The deputy will serve for one term only in this role. The deputy Chair will act as Chair at meetings in the absence of the Chair. If the Chair can no longer continue in this role, the deputy Chair will act as the Chair until the formal appointment of a new Chair. The deputy Chair will not automatically become the new Chair, although may apply for the post of Chair as part of the recruitment and replacement process run by the PCC and Chief Constable.
- 2.6 All members of the JARAP will be subject to an independent annual appraisal, the outcomes will inform the member development programme. See paragraph 9.3 of these terms of reference.
- 2.7 On joining the JARAP, each member must attend an induction training course to help them understand the roles of the PCC and the Chief Constable, the Police and Crime Panel and the organisations pertaining to the PCC and Chief Constable. Further training on specific relevant topics will be provided as necessary, according to the members' own relevant experience and emerging business needs of the JARAP. Members of the JARAP will be expected to attend all such training and to develop their skills as part of a member development programme. Training needs will be considered during the annual appraisal process and a training & development programme established both for the JARAP and its individual members as appropriate.
- 2.8 In accordance with the JARAP members code of conduct, each member will be required to record any conflicts of interest in the register of pecuniary and non-pecuniary interests. In addition, JARAP members will be required to disclose any such interests at the commencement of any meeting where there is a need to do so due to the nature of the JARAP agenda, or immediately if they arise unexpectedly in discussion.

### **3. RIGHTS**

- 3.1 Only members of the JARAP have the right to vote on matters.
- 3.2 The members of the JARAP will be remunerated and reimbursed for all expenses incurred in the fulfilment of their JARAP duties, roles and responsibilities in accordance with the schedule of allowances and expenses agreed by the PCC and Chief Constable.

#### **4. SUPPORT**

- 4.1 The Chair, in conjunction with the PCC and Chief Constable has particular responsibility for ensuring that the work of the JARAP is appropriately resourced, including appropriate secretariat support and any other specialist support necessary to ensure its members are effective in their role. The JARAP Chair has a duty to report any shortfall in the level of support to the PCC and Chief Constable in the first instance and in a public report if this is not remedied.
- 4.2 The allocation of secretariat support to the JARAP and its funding will be agreed between the PCC and Chief Constable. This will include ensuring that best practice as contained in relevant good governance codes and protocols are upheld so that the JARAP is effective and the members' independence is maintained.
- 4.3 The JARAP may with reasonable justification and with joint approval by the respective Chief Finance Officers of the PCC and Chief Constable procure specialist ad-hoc advice e.g. legal, to obtain additional skills, knowledge and experience at the expense of the PCC and Chief Constable to support the JARAP in the achievement of its terms of reference. This will be considered appropriate where specialist advice is not available within the existing JARAP support arrangements or it is not considered appropriate to use this support.

#### **5. FREQUENCY AND NOTICE OF MEETINGS**

- 5.1 The JARAP will meet at least five times a year. The calendar of meetings shall be agreed at the start of each year. One meeting shall be dedicated to the scrutiny and pre-approval of the statement of accounts of the PCC and Chief Constable before submission to external audit.
- 5.2 Further meetings outside of the normal cycle of the JARAP can be convened at the request of the JARAP Chair or any of its members, subject to agreement by the Chair.
- 5.3 The PCC and or CC may ask the JARAP to convene further meetings to discuss particular issues on which they want the JARAP's advice.
- 5.4 Meetings can be requested by the external or internal auditors where this is considered necessary and on agreement of the JARAP Chair.
- 5.5 Unless otherwise agreed, formal notice of each meeting confirming the venue, time and date together with the agenda of items to be discussed, will be forwarded to each member of the JARAP, any other person required to attend and all other appropriate persons determined by the Chair, no later than five working days before the date of the meeting.
- 5.6 Any meetings held outside the normal cycle of meetings should be convened with a minimum notice of five working days. Extraordinary or urgent meetings may be held with less notice but should be for exceptional matters only, subject to the Chair's agreement and quorum requirements. In this case the agenda and any supporting papers will be sent to the JARAP members and to other attendees at the same time as the meeting notice is sent out, recognising that if the matter is so urgent that there may only be an oral report. If this is the case then this will be identified on the agenda.

## **6. ATTENDANCE AT MEETINGS**

- 6.1 Members of the JARAP are expected to attend all meetings. If two or more meetings are missed in a year, this will be discussed as part of the annual appraisal, see 9.3. Regular non-attendance of JARAP members will lead to their removal as a member of the JARAP on agreement by the Chair.
- 6.2 The PCC and Chief Constable, will attend all meetings of the JARAP, or ensure that they are suitably and appropriately represented, therefore ensuring that the purpose of the JARAP is not compromised and that the members are able to appropriately fulfil their responsibilities. In addition, the Police Reform and Social Responsibility Act 2011, Section 114 of the Local Government Finance Act 1988 and the Audit and Accounts Regulations 2011 assign a number of statutory responsibilities to each of the Chief Finance Officers of the PCC and Chief Constable. Given the nature of these responsibilities it is expected that both the Chief Finance Officers of the PCC and the Chief Constable will attend all meetings of the JARAP, or where this is not possible then their nominated representatives.
- 6.3 The Head of Internal Audit and representatives of the external auditor will be invited to attend meetings on a regular basis. The JARAP should meet with the Head of Internal Audit and representatives of the external auditor separately and privately at least once a year.
- 6.4 A minimum of three members of the JARAP must be present for the meeting to be deemed quorate, one of whom must be either the Chair or deputy Chair.
- 6.5 JARAP meetings will be held in public with the matters discussed being placed in the public domain. Where items are considered commercially sensitive or contain issues which are deemed confidential or relate to a member of staff the JARAP may sit privately, that is, excluding members of the public or press, and will record their reasons for this decision in the public domain.
- 6.6 The JARAP may hold private informal meetings e.g. for briefing and training purposes without any non-members present if they so decide. Formal decisions cannot be taken at such meetings.

## **7. ACCESS**

- 7.1 The Chief Finance Officers, the Monitoring Officer, Head of Internal Audit and the representative of external auditor of the PCC and Chief Constable will have free and confidential access to the Chair of the JARAP.

## **8. MINUTES OF MEETINGS**

- 8.1 The secretary of the JARAP will record the names of those present at the meeting, write minutes, including the key points and decisions of all JARAP meetings, along with any actions stemming from discussion that need to be taken before the next meeting. The minutes of the previous meeting must be approved by the JARAP and signed by the chair as a true record at each meeting.
- 8.2 The secretary of the JARAP will establish, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly, see also paragraph 2.8 of these terms of reference.

- 8.3 The unsigned and unapproved minutes of the most recent JARAP meeting will be circulated promptly and no later than ten working days after the meeting to all members of the JARAP, to the PCC and the Chief Constable along with their nominated representative at the JARAP, the Chief Finance Officers of the PCC and Chief Constable and to the internal and external auditors, once they have been approved by the Chair or deputy Chair in the Chair's absence.
- 8.4 The minutes of the JARAP will be placed in the public domain as soon as these have been approved and signed by the Chair, with exclusion to any matter deemed private and confidential, as per paragraph 6.5 of these terms of reference.

## **9. REPORTING**

- 9.1 To ensure relevant and timely reporting throughout the year to the JARAP a reporting time table will be prepared by the PCC and Chief Constable and agreed with the JARAP. This will be designed to enable the JARAP to fulfil its responsibilities and receive the assurances it will seek.
- 9.2 The Chair of the JARAP will provide the PCC and Chief Constable with an Annual Report in the name of the JARAP, timed to support finalisation of the accounts and the Annual Governance Statement, summarising its conclusions from the work it has done during the year and drawing attention to any significant or emerging issues as appropriate. This report will be placed in the public domain following its discussion with the PCC and Chief Constable along with their responses to the Chair's Annual Report. The Chair will be responsible for dealing with any public or media questions relating to that report.
- 9.3 The JARAP will, having regard to best governance practice, review these terms of reference annually and make any changes deemed necessary in consultation with the PCC and Chief Constable.
- 9.4 The JARAP will annually review its own performance to ensure it is fulfilling its terms of reference and operating effectively. In doing so it will make any recommendations for change to the PCC and Chief Constable. This annual review of performance will include an individual appraisal of all members of the JARAP, including the Chair. The performance review of the JARAP and its members will be commissioned and undertaken independently.

## **10. RESPONSIBILITIES**

### **10.1 Risk Management, Governance and internal control responsibilities**

The JARAP will seek assurance in connection with the following:

- 10.1.1 The establishment and maintenance of an effective system of risk management, integrated governance and internal control, across the whole of the PCC and Chief Constable activities that supports the achievement of the objectives of the Police and Crime plan, ensuring probity, value for money and good governance.
- 10.1.2 The timely implementation of any actions necessary to ensure compliance with all internal standards and best practice, both financial and non-financial operated by the PCC and Chief Constable.

- 10.1.3 The adequacy of relevant disclosure statements, in particular the Annual Governance Statement, together with any accompanying Head of Internal Audit report, external audit opinion, risk register or other appropriate independent assurances, prior to endorsement by the PCC and / or the Chief Constable. Subject to this the JARAP will recommend for adoption the Annual Governance Statement for the PCC and Chief Constable.
- 10.1.4 The adequacy of arrangements for ensuring compliance with relevant regulatory, legal and code of conduct requirements and fraud and corruption as set out in Secretary of State Directives and other relevant bodies or professional standards.

## **10.2 Internal audit responsibilities**

It is anticipated that the PCC and Chief Constable will engage the same internal auditors. The role of the JARAP in relation to internal audit will include advising the PCC and Chief Constable on the following:

- 10.2.1 Consider and make recommendations on the provision of internal auditors, including appointment, assessment of performance and dismissal.
- 10.2.2 Review and advise on the internal audit strategy and annual internal audit plan, ensuring that this:
- is consistent with professional standards;
  - meets the audit needs of PCC and Chief Constable; and
  - provides the JARAP with adequate coverage for the purpose of obtaining appropriate levels of assurance over the adequacy of the risk management, governance and internal control environment of both the PCC and Chief Constable.
- 10.2.3 Consider the Head of Internal Audit's annual report and opinion, and a summary of audit activity (actual and proposed) and the level of assurance it gives over the risk management and governance arrangements of the PCC and Chief Constable.
- 10.2.4 Consider the findings of internal audit reports (or their summaries), the assurance provided and the adequacy of the response by the PCC and / or Chief Constable.
- 10.2.5 Commissioning additional work from the internal auditor, having regard to any actual or potential conflicts of interest.
- 10.2.6 Ensuring co-ordination between the internal and external auditors to optimise audit resources.
- 10.2.7 Annually review the effectiveness of internal audit.
- 10.2.8 Where the JARAP considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the JARAP wishes to raise, the Chair of the JARAP must initially take advice from the Monitoring Officer before raising the matter with the PCC and

Chief Constable. Where appropriate the JARAP may then seek independent legal advice.. Exceptionally, the matter may need to be referred directly to the external auditor, HMIC and / or the Home Office e.g. fraud suspicion directly involving the PCC or Chief Constable.

### **10.3 External audit responsibilities**

It is anticipated that the PCC and Chief Constable will engage the same external auditors. The role of the JARAP in relation to external audit will include advising the PCC and Chief Constable on the following:

- 10.3.1 Consider and make recommendations on the provision of external auditors, including appointment and dismissal in conjunction with the Audit Commission who are currently responsible for the appointment of external auditors in England to bodies subject to audit under the Audit Commission Act 1998.
- 10.3.2 Review, advise on and endorse the external audit strategy and annual audit plan, ensuring that this is consistent with professional standards and the External Audit Code of Audit Practice.
- 10.3.3 Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 10.3.4 Consider specific reports as agreed with the external auditor.
- 10.3.5 Commissioning work from the external auditor, having regard to any actual or potential conflicts of interest.
- 10.3.6 Consider major findings of external audit work and the adequacy of response of the PCC and / or Chief Constable
- 10.3.7 Ensuring co-ordination between the internal and external auditors to optimise audit resources.
- 10.3.8 Annually review the effectiveness of external audit.

### **10.4 Annual Accounts of the PCC and Chief Constable**

The JARAP will:

- 10.4.1 Review, scrutinise and sign the annual statement of accounts prior to their external audit. Specifically, it will seek assurances whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements.
- 10.4.2 Consider the external auditor's report to those charged with governance on issues arising from the audit of accounts.

## **11. INFORMATION REQUIREMENT**

11.1 For each meeting the JARAP will normally be provided with the following:

- A report summarising any significant changes to the PCC and Chief Constable risk and controls profile and any action planned in response.
- A report on any governance matters arising or a note that no governance matters have arisen since the last meeting and any action planned in response.
- A progress report from the head of internal audit summarising:
  - Work performed and a comparison with work planned
  - Key issues emerging from internal audit work
  - Management response to audit recommendations
  - Changes to the periodic plan
  - Any resourcing issues affecting the delivery of internal audit objectives.
- A progress report from the external audit representative summarising work done and emerging findings.
- A summary report of actions being tracked and progress made in connection with their implementation on significant risk, governance and internal controls matters. Thereby providing for an on-going process of follow-up.

# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE**

## **JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED

**B**

Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF CHIEF CONSTABLE
Subject	INTERNAL AUDIT PROGRESS REPORT
Date	TUESDAY 12 MARCH 2013 – 9.00 A.M.
Author :	MR D HARRIS, RSM TENON – HEAD OF INTERNAL AUDIT

### **Purpose of Report**

1. This report provides an update of work completed to date against the internal audit plan for 2012/13.

### **Recommendation**

2. The Panel is recommended to discuss and comment on the report.

### **Background**

3. The internal audit plan for 2012/13 was approved by the previous Audit and Risk Committee in March 2012. Progress against this plan is summarised in the Internal Auditors Progress Report with copies of high and medium recommendations.

### **Implications**

Financial :	Audit fees are contained within the budget
Legal :	Effective audit is a statutory requirement
Equality Impact Assessment :	None.
Risks and Impact :	Effective audit will identify risks and impact; not having such audit may allow risks to the financial probity of the organisation to go undetected
Link to Police and Crime Plan :	None direct

### **List of Attachments / Appendices**

Appendix 1: Internal Audit Progress Report



**Background Papers**

Internal Audit Strategy 2012/13 presented to the Audit and Risk Committee in March 2012.

**Person to Contact**

Mr D Harris, RSM Tenon - tel 07792948767

Email: [daniel.harris@rsmtenon.com](mailto:daniel.harris@rsmtenon.com)



## **Leicestershire Police Authority**

### **Internal Audit Progress Report Joint Audit, Risk and Assurance Panel Meeting: 12 March 2013**

Prepared by Dan Harris, Head of Internal Audit

## Introduction

The internal audit plan for 2012/13 was approved by the Audit Committee (of the previous Authority) in March 2012. This report provides an update on progress against that plan and summarises the results of our work to date. Further details of the reports presented to this meeting can be found in the Key Findings from Internal Audit Work below including all High and Medium priority recommendations (we have not included Low priority recommendations).

## Summary of Progress against the Internal Audit Plan

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
2012/13					
Payroll Provider Review (1.12/13)	Final	Green	0	0	0
Transition Governance – Work Stream Management (2.12/13)	Final	Amber / Green	0	2	0
Governance – Transition (Commissioning, Partnerships and Communications) (3.12/13)	Final	Green	0	1	0
Winsor Review – Advisory (4.12/13)	Final	Advisory	1	0	2
Follow Up – Part 1 (5.12/13)	Final	Little	0	10	6
Advisory Review of Efficiency Savings Plan (6.12/13)	Final	Advisory	2		
Key Financial Controls (EMSOU) (7.12/13)	Final	Amber / Green	0	3	9
Transition Asset Management (8.12/13)	Final	Amber / Green	0	1	0
Governance – Transition Preparation for Day One of the PCC (9.12/13)	Final	Advisory	10		
Income & Debtors (10.12/13)	Final	Green	0	0	3
Cash, Banking & Treasury Management (11.12/13)	Final	Green	0	0	2
Key Financial Controls (12.12/13)	Final	Green	0	0	0
Performance Management	Fieldwork in Progress				
Follow Up - Part 2	Fieldwork in Progress				
Risk Management – Assurances	05/03/13				
eBay Procedures	19/03/13				
HR – Regional Review	16/04/13				
Information Systems Assurance Audit – Disaster Recovery / Business Continuity	Mar / Apr 13				

Zanzibar	Delayed to 2013/14 at the request of management
Winsor Review – Assurance	Delayed to 2013/14 at the request of management
Value for Money / Efficiency Work	Delayed to 2013/14 at the request of management

## Other Matters

**Planning and Liaison:** We have met with management to discuss the progress of the 2012/13 audit plan, scope upcoming work and the 2013/14 audit plan which is included as a separate agenda item. Further details can be found below.

No weaknesses have been identified within our reports so far for 2012/13 that will result in a qualified Head of Internal Audit opinion.

## Internal Audit Plan 2012/13 - Change Control:

These proposals are subject to change following the risk workshop in January and other issues being identified.

Action	Date	Agreed By
Benevolent Fund review added, this work has been completed.	August 2012	P Stock P Dawkins
Key Financial Controls (EMSOU) Added	May 2012	P Stock P Dawkins (and other Regional Treasurers)
Zanzibar delayed to 2013/14 due to national delay in implementation	Original Summer 2012	P Stock P Dawkins
Winsor Assurance Review delayed until 2013/14	December 2012	P Stock P Dawkins P Lewis
Value for Money / Efficiency review delayed until Summer 2013/14 to allow for further work to be completed. (This has been included within the change programme within 2013/14)	December 2012	P Dawkins P Lewis
Proposal for the Information Systems Assurance Audit coverage include Disaster Recovery / Business Continuity following the physical changes to the processes	December 2012	Presented to JARAP
Review of eBay procedures added to the plan at the request of management.	January 2013	R Gilbert P Dawkins

## Internal Audit Team:

Daniel Harris, Director - Head of Internal Audit

Suzanne Lane, Senior Manager

## Completion of 2012/13 Internal Audit Plan

Total year allocation	130 days
<b>Year to date used</b>	<b>94 days</b>
Expected total days	130 days

**Information and Briefings:** We have issued the following updates electronically since the last Audit Committee:

- GEN 04/14 Real Time Information

## Key Findings from Internal Audit Work (High and Medium Recommendations only)

There have been no final reports issued since the last Committee

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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# POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL

PAPER MARKED

C

Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF CHIEF CONSTABLE
Subject	INTERNAL AUDIT STRATEGY 2013/14
Date	TUESDAY 12 MARCH 2013 – 9.00 A.M.
Author :	CHIEF FINANCE OFFICER

## **Purpose of Report**

1. To present the approach taken to develop the internal audit strategy for 2013/14 to 2015/16 and the annual plan for 2013/14.

## **Recommendation**

2. The Panel is recommended to discuss the approach to developing the internal audit strategy for 2013/14 to 2015/16 and agree the annual plan for 2013-14.

## **Commentary**

3. The Chartered Institute of Public Finance and Accountancy (CIPFA) has provided guidance for local authorities in general on arrangements for maintaining an adequate and effective system of internal audit. The guidance says that the Head of Internal Audit should consult stakeholders on the draft plan and revise the plan if appropriate.
4. Mr D Harris, Head of Internal Audit will present the report to the meeting.

## **Implications**

Financial :	None.
Legal :	It is a statutory requirement to have audit arrangements in place.
Equality Impact Assessment :	None identified
Risks and Impact :	The implementation of effective audit arrangements will seek to mitigate risks.
Link to Police and Crime Plan :	None direct, but sound systems and unqualified accounts are fundamental to developing and delivering upon the Plan.

**List of Appendices**

Appendix 1: Internal Audit Strategy 2013/14

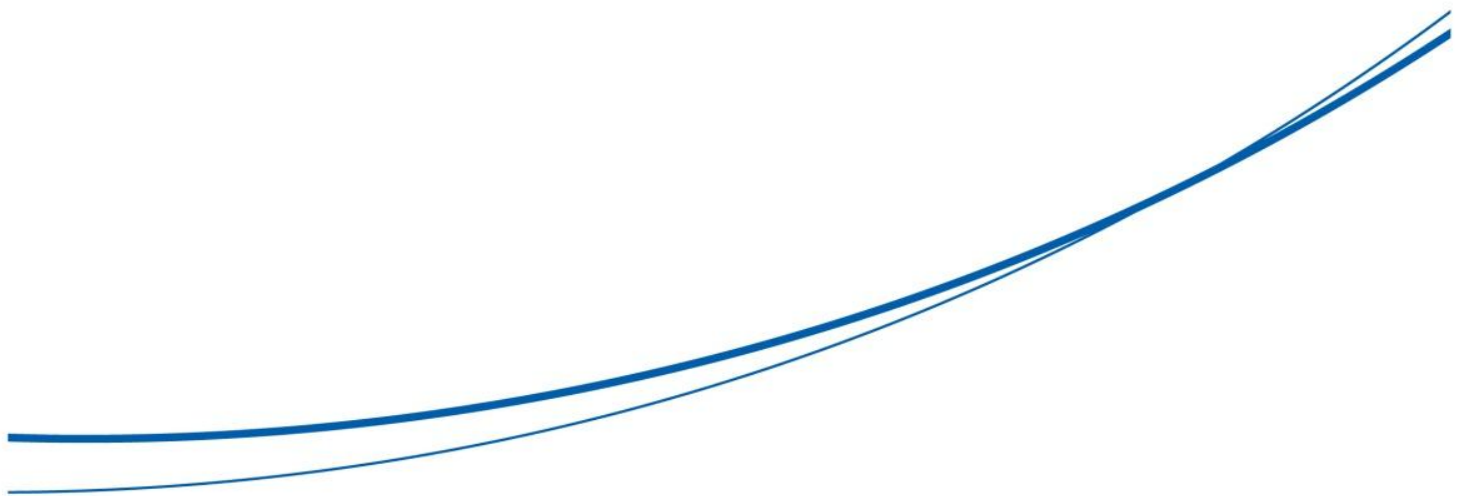
**Background Papers**

None

**Person to Contact**

Mr P Lewis, Chief Finance Officer - Tel 0116 229 8984

Email: [peter.lewis@leics.pcc.pnn.gov.uk](mailto:peter.lewis@leics.pcc.pnn.gov.uk)



**Office of the Police and Crime Commissioner for  
Leicestershire and Leicestershire Police**

**Internal Audit Strategy  
2013/14**

**Presented at the Joint Audit, Risk and Assurance Panel meeting of: 12  
March 2013**

**Dan Harris  
Head of Internal Audit**



## 1 INTRODUCTION

This document sets out the approach we have taken to develop your internal audit strategy for 2013/14 to 2015/16 and the annual plan for 2013/14.

### 1.1 Role of Internal Audit

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

*(Definition of Internal Audit: Chartered Institute of Internal Auditors)*

From 1 April 2013, internal auditors in the public sector are required to work to the *Public Sector Internal Audit Standards (PSIAS)*, which are based on the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and which also adopt the institute's definition of internal auditing and code of ethics.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police to achieve its priorities. The opinion may also be used by the Police and Crime Commissioner (PCC) and the Chief Constable, to support their Annual Governance Statement. This is achieved through a risk-based plan of work, agreed with management and approved by the Joint Audit, Risk and Assurance Panel.

In line with the Financial Management Code of Practice published by the Home Office, both the PCC and Chief Constable must have an internal audit service, and there must be an Audit Committee (which can be joint), in Leicestershire this is the Joint Audit, Risk and Assurance Panel. To support this, we have developed one internal audit plan, which reflects our view of the audit needs for the coming year, and which maps each assurance assignment to the PCC, the Chief Constable, or reflects where an assurance may be of particular benefit to both.

## 2 DEVELOPING THE INTERNAL AUDIT STRATEGY

### 2.1 Issues influencing Internal Audit coverage

The organisation's priorities identified within the Police and Crime Plan are the starting point in the development of our strategy for delivery of internal audit services.

We have considered our previous work and findings on your risk management processes and consider that we can place reliance on your risk registers framework to inform the internal audit strategy.

Appendix A reflects the range of potential issues that may affect the PCC and Chief Constable. These were used to focus our conversations with the senior management team on where our work would be most effective.

In preparing your strategy and more detailed operational plan we have met with:

- Chief Finance Officer (PCC)
- Finance Director
- In addition, we attended the Risk Workshop which was attended by management and members of the Joint Risk, Audit and Assurance Panel.

Further to this we have reviewed the Police and Crime Plan and latest Corporate Risk Registers for the Office of the Police and Crime Commissioner and the Force Strategic Risk Register to understand the key areas of change including the new Priorities identified within the Police and Crime Plan, the change

programme to be undertaken and the developments of the Medium Term Financial Plan to meet with significant budget gap.

The strategy is set out in Appendix B, with the more detailed annual plan for 2013/14 set out at Appendix C.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior and current financial year and will serve to inform the adequacy of the organisation's own recommendation tracking process; and
- an audit management allocation, used at Director and Senior Manager level for quality control, client and External Audit liaison and for preparation for and attendance at Joint Audit, Risk and Assurance Panel.

## **2.2 Working with other assurance providers**

We intend to meet with the External Auditors to confirm the scope of the work in the areas of financial control to ensure they can continue to place their planned level of reliance on our work for 2013/14.

The Joint Audit, Risk and Assurance Panel are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes relevant to the PCC and the Force. We will however seek to work closely with other assurance providers, such as External Audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

## **3 INTERNAL AUDIT RESOURCES**

### **3.1 Your Internal Audit Team**

Your internal audit team is led by Dan Harris as Head of Internal Audit.

Your Client Manager is Suzanne Lane.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

### **3.2 Internal Audit Fees**

The fee for your internal audit service for 2013/14 is £52,020, based on an estimated input of 153 days.

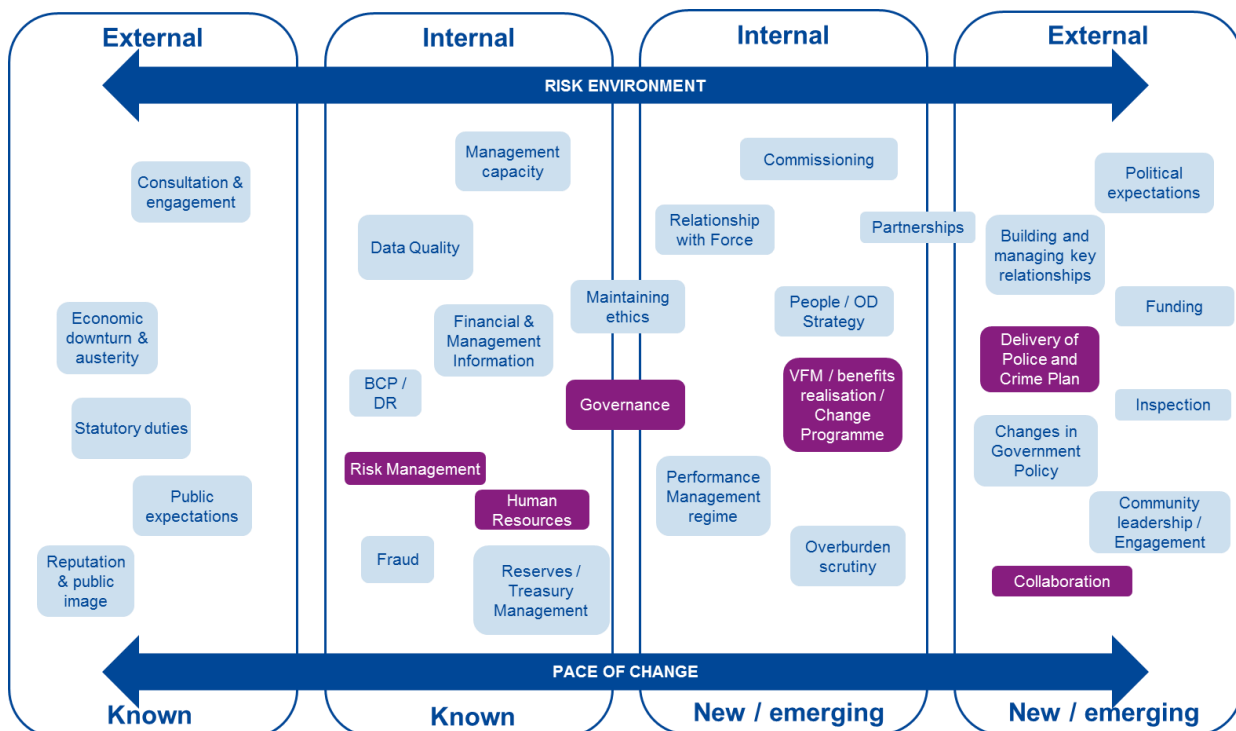
## **4 CONSIDERATIONS FOR THE JOINT AUDIT, RISK AND ASSURANCE PANEL**

- Does the Strategy for Internal Audit (as set out at Appendix B) cover the organisation's key risks as they are recognised by the Joint Audit, Risk and Assurance Panel?
- Does the detailed internal audit plan for the coming financial year (as set out at Appendix C) reflect the areas that the Joint Audit, Risk and Assurance Panel believes should be covered as priority?
- Is the Panel satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks (see Appendix A) not included in our annual plan?

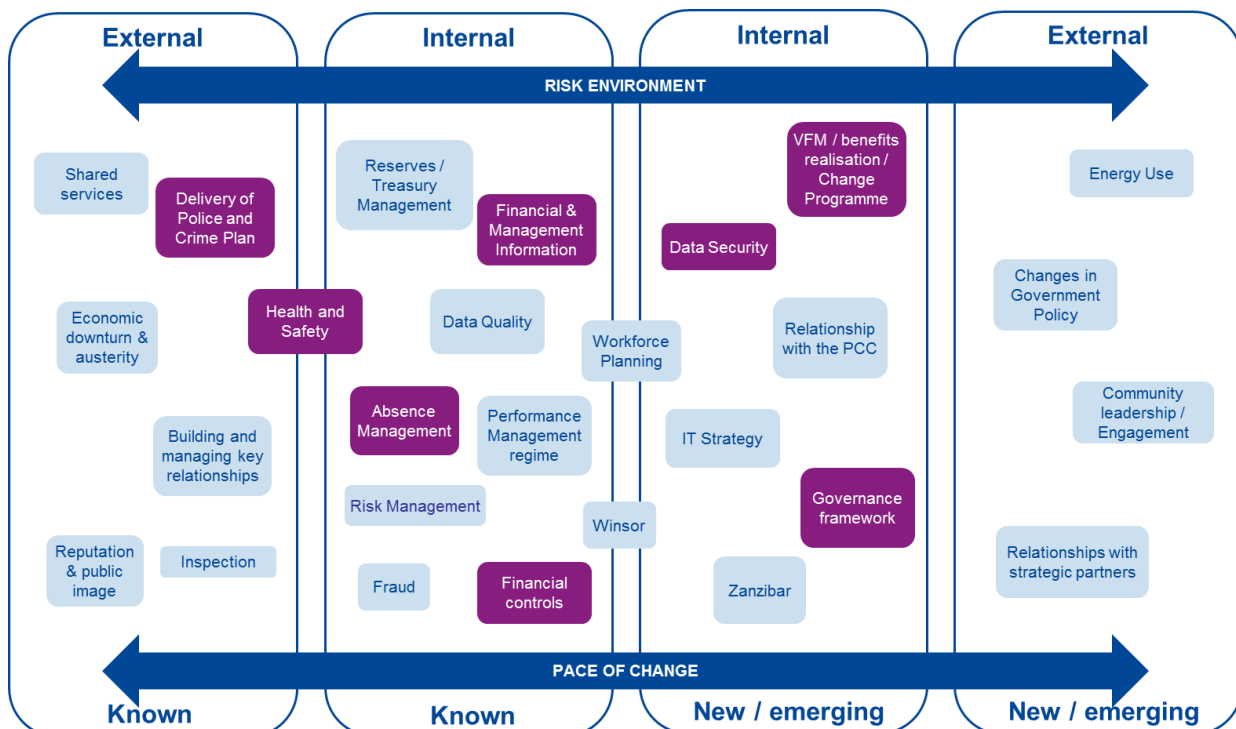
## APPENDIX A: ISSUES AFFECTING THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE AND LEICESTERSHIRE POLICE

The chart below reflects some of the current issues facing the organisation. Those topics which have been highlighted (in purple) are those where internal audit coverage is planned in the coming year.

### Office of the Police and Crime Commissioner for Leicestershire



### Leicestershire Police



## APPENDIX B: STRATEGY FOR INTERNAL AUDIT 2013/14 – 2015/16

### Risk Based Assurance

PCC – Police and Crime Commissioner Corporate Risk Register

CC – Force Strategic Risk Register

Auditable Areas	Relevant Risks	2013/14	2014/15	2015/16
Change Programme	Reduction in Force Budget (CC)	✓	✓	✓
Data Security	Unauthorised use / misuse of IT systems, loss of information. (CC)	✓		
Governance and Delivery of the Police and Crime Plan	Failure to deliver the Police and Crime Plan (OPCC)	✓		
Partnerships / Engagement	Failure to manage key relationships (OPCC) Failure to manage public expectations of the PCC role (OPCC) Governance of partnership working arrangements (CC)	✓ (included in review of the Governance and Delivery of the Police and Crime Plan)		✓
Commissioning	Poor / ineffective commissioning (OPCC)		✓	
Governance	OPCC Corporate Governance Failure (OPCC) Over-burdensome scrutiny of the PCC (OPCC)	✓	✓	
Data Quality	Data quality issues / failures (OPCC)		✓	
Integrity and Standards	Failure to maintain ethical standards and integrity in policing and OPCC activity (OPCC)			✓
Critical Incidents	Failure to recognise & respond to critical incidents & 'lessons learned' (CC)			✓
Collaboration	Governance of Collaboration (CC)	✓		
Energy Use	Energy Use. Environmental and financial risk (CC)			✓

### Core Assurance

Audit Area	Outline scope	2013/14	2014/15	2015/16
Governance	Annual Review of the Governance Arrangements in place.	See risk based	See risk based	✓
Risk Management	Annual Review of the Risk Management Arrangements in place.	✓	✓	✓

Audit Area	Outline scope	2013/14	2014/15	2015/16
Collaboration	Annual review of the Collaborations, this will include an element from each of the East Midlands audit plans.	See risk based	✓	✓

#### Financial Controls (including work allowing greater external audit reliance on our work)

Systems	Source of Requirement	2013/14	2014/15	2015/16
Budgetary Control	Review to provide assurance on the key finance systems. In addition, external audit will place reliance on our work to inform their audit.	✓		
General Ledger		✓		✓
Cash, Banking & Treasury Management			✓	
Payroll (including Pensions and Expenses)		✓		✓
Payments, Creditors & Procurement			✓	
Income & Debtors				✓
Asset Management			✓	
Payroll Provider Review		✓	✓	✓

#### Other Internal Audit Activity

Activity	Rationale	2013/14	2014/15	2015/16
Winsor Review	Review of the Force's processes as a result of the Winsor Review.	✓		
Zanzibar	A review of the implementation of Zanzibar within the Force including the impacts on the other finance systems. This may include both an advisory and assurance element to the project.	✓		
Human Resources	This is a key area for the organisation to be able to deliver their priorities, This could include: <ul style="list-style-type: none"> <li>Recruitment,</li> <li>Training,</li> <li>Absence Management,</li> <li>Appraisals,</li> <li>Modernisation / Utilisation,</li> <li>Workforce Planning,</li> <li>Succession Planning.</li> </ul>	✓	✓	✓
ICT Review	IT is a key area core to the operation of the Authority's systems.		✓	✓
Performance Management	This is a key area to ensure that management decisions made are based on accurate and timely Key Performance Indicators and information and any poor performance		✓	

Activity	Rationale	2013/14	2014/15	2015/16
	is appropriately identified and actioned.			
Estates Management	Operational review of the management of the Force's estates including implementation of the estates strategies, the management of repairs and maintenance, and contract management.		✓	
Health and Safety	A key risk to the Force in how it manages Health and Safety including monitoring of implementation of the Health and Safety Policies and handling of accidents and incidents.	✓		
Seized / Found Property	Sensitive Property in Police possession is lost, stolen or deteriorates.		✓	
Follow Up	To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of recommendations.	✓	✓	✓
Audit Management	<p>This will include:</p> <ul style="list-style-type: none"> <li>▪ Annual planning</li> <li>▪ Preparation for, and attendance at, Audit Committee meetings</li> <li>▪ Regular liaison and progress updates</li> <li>▪ Liaison with external audit</li> <li>▪ Preparation of the annual internal audit opinion</li> </ul>	✓	✓	✓

## APPENDIX C: INTERNAL AUDIT PLAN 2013/14

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Sponsor	Audit Days	Proposed Timing
<b>Assurance and Advisory Work to Address Specific Risks</b>					
Change Programme	<p><i>Failure to deliver the Police and Crime Plan (OPCC)</i></p> <p><i>Lack of resources to deliver the Police and Crime Plan (CC)</i></p> <p>Review of the change programme to ensure that it has been developed and is being monitored to addresses the Strategic Priority 'To develop and produce a comprehensive suite of change options to create a force that is fit for 2016/17 within the funding available' set out in the Police and Crime Plan.</p>	Assurance	OPCC & Force	24	Q2
Data Security	<p><i>Unauthorised use / misuse of IT systems, loss of information. (CC)</i></p> <p>Review of the use and management of IT systems and Data Security within the Force.</p>	Assurance	Force	10	Q4
Governance and Delivery of the Police and Crime Plan	<p><i>Failure to deliver the Police and Crime Plan (OPCC)</i></p> <p><i>Failure to manage key relationships (OPCC)</i></p> <p><i>Failure to manage public expectations of the PCC role (OPCC)</i></p> <p><i>Governance of partnership working arrangements (CC)</i></p> <p>Review of the Governance and Delivery of the Police and Crime Plan including the processes for monitoring and reporting of the Plan and also the engagement and commissioning with key partners including the Police and Crime Panel.</p>	Assurance	OPCC	24	Q4
Governance	<p><i>OPCC Corporate Governance Failure (OPCC)</i></p> <p>Review of the governance arrangements to establish if these are fit for purpose and identify possible areas where</p>	Assurance	OPCC	8	Q2

	improvements may be made.				
<b>Collaboration</b> (to be completed as part of a joint review with the East Midlands)	<b>Governance of Collaboration (CC)</b> We will undertake a joint review to include each member of the East Midlands Collaboration. This may include an audit of the Collaborative Governance Framework, including a review against the Statutory Guidance for Police Collaboration and/or individual collaborated departments. However, the scope of this review will be agreed with the Chief Finance Officers in Collaboration prior to the start of the review.	Assurance	Force	5	Q1
<b>Compliance</b>					
Risk Management	Review of the Risk Management arrangements in place. In 2013/14 we will focus on the OPCC Risk Management arrangements.	Assurance	OPCC	6	Q2
<b>Financial Controls</b>					
Budgetary Control	Key areas include: <ul style="list-style-type: none"> <li>▪ Annual Budget setting process</li> <li>▪ Budget Monitoring.</li> <li>▪ Budgetary Reporting.</li> </ul>	Key Controls	Force & OPCC	6	Q3
General Ledger	Key areas include: <ul style="list-style-type: none"> <li>▪ Access Controls</li> <li>▪ Journals</li> <li>▪ Month end closedown and reconciliation process</li> </ul>	Key Controls	Force	5	Q3
Payroll (including Pensions and Expenses)	Key areas include: <ul style="list-style-type: none"> <li>▪ Starters;</li> <li>▪ Leavers;</li> <li>▪ Changes to contract details;</li> <li>▪ Pensions contributions;</li> <li>▪ Expenses</li> <li>▪ Payment authorisation &amp; run;</li> <li>▪ Reporting.</li> </ul>	Key Controls	Force	9	Q3
Payroll Provider Review	Review of the controls operated within Mouchels for the processing of the Payroll. This will include the following areas: <ul style="list-style-type: none"> <li>▪ Access controls;</li> <li>▪ Processing of employee data;</li> <li>▪ Payroll Reporting;</li> <li>▪ Payroll runs.</li> </ul>	Key Controls	Force	5	Q1
Key Financial Controls	Review of the systems notes of	Key	Force	3	Q3



	<p>the Key Financial Systems to confirm or identify any changes in the control framework and document these in the following areas:</p> <ul style="list-style-type: none"> <li>▪ Cash, Banking &amp; Treasury; Management;</li> <li>▪ Payments &amp; Creditors;</li> <li>▪ Income &amp; Debtors;</li> <li>▪ Asset Management.</li> </ul> <p>(If changes are identified this may result in addition work required for the External Audit)</p>	Controls			
<b>Other Internal Audit Coverage</b>					
Winsor Review	<p>Following our advisory review, we will provide assurance on compliance with the established systems in place, this will include both the process for officers providing relevant information to payroll and the accuracy and timeliness of payments processed by the payroll team.</p>	Compliance	Force	5	Q1
Zanzibar	<p>Zanzibar is that National Police Procurement Hub that will be introduced within the Force which will impact on several areas of the finance systems.</p> <p>We will undertake a two part review, firstly we will undertake an advisory review to support the Force in implementing the new system.</p> <p>Following this we will undertake an assurance review in this area.</p>	Advisory	Force	7	<p>Q1/2 - Advisory</p> <p>Q4 - Assurance</p>
HR – Absence Management	<p>Review to confirm compliance with policies and procedures in relation to absence management and reporting of absence management throughout the organisation.</p>	Assurance	Force	8	Q2
Health and Safety	<p>To follow up on the previous Health and Safety reviews and to provide an overall review of the Health and Safety arrangements including monitoring and reporting of accidents and incidents.</p>	Assurance	Force	8	Q1
Follow Up	<p>To meet internal auditing standards and to provide management with ongoing assurance regarding</p>	Follow up review	Force & OPCC	6	Q4

	implementation of recommendations.				
Management	This will include: <ul style="list-style-type: none"> <li>▪ Annual planning.</li> <li>▪ Preparation for, and attendance at, Joint Audit, Risk and Assurance Panel meetings.</li> <li>▪ Regular liaison and progress updates.</li> <li>▪ Liaison with external audit.</li> <li>▪ Preparation of the annual internal audit opinion.</li> </ul>	-		14	Ongoing
<b>Total</b>				153	

Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED

**D**

Report of	<b>OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF CHIEF CONSTABLE</b>
Subject	<b>APPOINTMENT OF EXTERNAL AUDITORS</b>
Date	<b>TUESDAY 12 MARCH 2013 – 9.00 A.M.</b>
Author :	<b>CHIEF FINANCE OFFICER</b>

## **Purpose of Report**

1. To update the Panel on the external auditor appointments notified by the Audit Commission

## **Recommendation**

2. The Panel are recommended to note the report

## **Appointment of Auditors**

3. The Audit Commission wrote to both the Police and Crime Commissioner (PCC) and the Chief Constable (CC) on 27 November 2012 consulting them individually about the appointment of external auditor. Both the PCC and the CC replied, supporting the appointment of PricewaterhouseCoopers (PWC). Not only would it be essential for both organisations to have the same auditor, given the need for group accounts, but also it would be helpful to have the continuity of the same auditor from the Police Authority regime into the new arrangements.
4. The Audit Commission replied to both the PCC and the CC on 28 January 2013 advising that PWC had been appointed to audit the accounts of the PCC and the CC for five years from 2012/13.
5. During a similar timescale the Audit Commission consulted upon the fees scale for 2013/14. That consultation reminded consultees of the fee reduction for 2012/13, following the outsourcing of work, and that this reduction would continue for five years to 2016/17, subject to annual review.
6. The consultation went on to say that while the fees for most audited bodies would stay at the same level for 2013/14, the fees for police bodies would reduce by a further 7% for 2013/14. This has primarily arisen as the additional work required on transition is clearly not needed in 2013/14.

7. The final work programme and scales of fees for audit year 2013/14 are expected to be announced by April 2013, following the conclusion of the consultation exercise. However, the proposed individual fees for Leicestershire are £43,240 and £20,000 for the PCC and CC respectively. This compares with £48,000 and £20,000 respectively for audit year 2012/13.

### **Implications**

Financial :	As set out in the report
Legal :	It is a statutory requirement to have audit arrangements in place
Equality Impact Assessment :	None identified
Risks and Impact :	The implementation of effective audit arrangements will seek to mitigate risks that may affect the quality of financial systems and the accounts.
Link to Police and Crime Plan :	None direct, but sound systems and unqualified accounts are fundamental to developing and delivering upon the Plan.

### **List of Appendices**

None

### **Background Papers**

Letter from Audit Commission to PCC dated 28 01 13

Letter from Audit Commission to CC dated 28 01 13

Audit Commission Fees Consultation 2013/14

### **Person to Contact**

Mr P Lewis - Tel 0116 229 8984

Email: [peter.lewis@leics.pcc.pnn.gov.uk](mailto:peter.lewis@leics.pcc.pnn.gov.uk)

# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE**

## **JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED

**E**

Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF CHIEF CONSTABLE
Subject	EXTERNAL AUDIT PLAN 2012/13
Date	TUESDAY 12 MARCH 2013 – 9.00 A.M.
Author :	CHIEF FINANCE OFFICER / DIRECTOR OF FINANCE

### **Purpose of Report**

1. To seek endorsement of the draft External Audit Plan 2012/13

### **Recommendation**

2. The Panel is recommended to endorse the draft External Audit Plan 2012/13 for agreement by the Chief Finance Officer (Office of the Police and Crime Commissioner – OPCC) and Director of Finance (Office of the Chief Constable).

### **External Audit Plan**

3. The JARAP Terms of Reference set out the responsibilities in regard of external audit as being, amongst other things, to “review, advise on and endorse the external audit strategy and annual audit plan, ensuring that this is consistent with professional standards and the External Audit Code of Audit Practice”.
4. Mark Jones and Sara Bagnall of PricewaterhouseCoopers (PWC) have consulted with the Chief Finance Officer and Director of Finance in the preparation of this draft Plan. They have advised that the interim audit will commence on 18 March and that the final audit will commence on 1 July 2013.
5. The JARAP is invited to comment on the draft Plan.

### **Implications**

Financial :

Legal :

Equality Impact Assessment :

Risks and Impact :

Link to Police and Crime Plan :

**List of Attachments / Appendices**

Appendix 1: PWC External Audit Plan 2012/13

**Background Papers**

None

**Person to Contact**

Mr P Lewis, Chief Finance Officer - Tel 0116 229 8984

Email: [peter.lewis@leics.pcc.pnn.gov.uk](mailto:peter.lewis@leics.pcc.pnn.gov.uk)

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# ***Police and Crime Commissioner for Leicestershire and Chief Constable of Leicestershire Police***

Government and Public  
Sector

February 2013

## **External Audit Plan 2012/13**





Members of the Joint Audit Risk and Assurance Panel (JARAP)  
Leicestershire Police  
Police HQ  
St Johns  
Enderby  
LE19 2BX

26 February 2013

Ladies and Gentlemen,

We are delighted to present to you our external audit plan for 2012/13, which includes an analysis of our assessment of significant audit risks, our proposed audit strategy, audit and reporting timetable and other matters.

Discussion of our strategy with you enables our engagement team members to understand your concerns and agree on mutual needs and expectations to provide the highest level of service quality. Our approach is responsive to the many challenges affecting the Police and Crime Commissioner for Leicestershire and Chief Constable of Leicestershire Police.

If you would like to discuss any aspect of our Audit Plan please do not hesitate to contact either Mark Jones or Sara Bagnall.

Yours faithfully,

PricewaterhouseCoopers LLP

Encs

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*In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body and on the Audit Commission's [website](#). The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.*

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# Introduction

## Background

On 15 September 2011 the Police Reform and Social Responsibility Act 2011 received Royal Assent in Parliament, introducing a significant change in the way the police forces in England and Wales are governed and held accountable. On 22 November 2012, a Police and Crime Commissioner (PCC) was elected and appointed for Leicestershire and the Police Authority was abolished. The PCC and Chief Constable (CC) of Leicestershire became 'corporation sole' bodies on 22 November 2012.

In January 2013, we were appointed by the Audit Commission as auditors to both the PCC and CC for the year ended 2012/13 and a further four years until 2016/17.

As you have established an independent Joint Audit Risk and Assurance Panel (JARAP) under the new arrangements, we have prepared this plan to set out our plans for the 2012/13 audits of the PCC, CC and Group. The Group consists of the consolidated accounts of the PCC and CC.

## The purpose of this plan

This plan:

- is required by International Standards on Auditing (ISAs);
- sets out our responsibilities as external auditor under the Audit Commission's requirements;
- gives you the opportunity to comment on our proposed audit approach and scope for the 2012/13 audits;
- records our assessment of audit risks, including fraud, and how we intend to respond to them;
- tells you about our team; and
- provides an estimate of our fees.

We ask the JARAP to:

- consider our proposed scope and confirm that you are comfortable with the audit risks and approach;
- consider and respond to the matters relating to fraud; and
- approve our proposed audit fees for the year.

## Our work in 2012/13

We will:

- understand the changes that you have made as a result of your transition to PCC and CC corporation soles and the impact that this has had on your Governance arrangements;
- audit the annual report(s) and statutory accounts, assessing whether they provide a true and fair view;
- check compliance with International Financial Reporting Standards (IFRS);
- check compliance with the code of practice on local authority accounting;
- consider whether the disclosures in the Annual Governance Statement(s) (AGS) are complete;

- see whether the other information in the accounts is consistent with the financial statements;
- report on the PCC's and CC's arrangements for securing economy, efficiency and effectiveness in their use of resources;
- undertake procedures as required for the National Audit Office\* (NAO); and
- tell you promptly when we find anything significant during the audits, directly to management and as soon as practicable to the JARAP throughout the year.

\* We are required to report information on your accounts to the National Audit Office (NAO) that is used as part of the assurance process for compiling the Whole of Government Accounts (WGA).

### ***Risk assessment***

We have considered the operations of the PCC and CC and have assessed:

- business and audit risks that need to be addressed by our audits;
- how your control procedures mitigate these risks; and
- the extent of our financial statements and value for money work as a result.

Our risk assessment shows:

- those risks which are significant, and which therefore require special audit attention under auditing standards; and
- our response to significant and other risks, including reliance on internal and other auditors, and review agencies.

### ***Responsibilities***

Officers and members of each local government body are accountable for the stewardship of public funds. It is our responsibility to carry out an audit in accordance with the Audit Commission's Code of Audit Practice (the Code), supplemented by the Statement of Responsibilities of Auditors and of Audited Bodies. Both documents are available from the Audit Commission's website.

It is the responsibility of the PCC and CC to identify and address their respective operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. In planning our audit work, we assess the significant operational and financial risks that are relevant to our responsibilities under the Code and the Audit Commission's Standing Guidance. This exercise is only performed to the extent required to prepare our plan so that it properly tailors the nature and conduct of audit work to your circumstances. It is not designed to identify all risks affecting your operations nor all internal control weaknesses.

# *Scope of the audits*

## **Framework for our work**

We will conduct our audits in accordance with the relevant requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies (“the Audit Code”) published by the Audit Commission.

## **Code of Audit Practice**

Under the Audit Commission’s Code there are two aspects to our work:

- Accounts, including a review of the Annual Governance Statement; and
- Value for Money/Use of Resources.

We are required to issue a two-part audit report covering both of these elements for both the PCC and CC ‘corporation sole’ bodies.

## **Accounts**

Our audits of the accounts will be carried out in accordance with the Audit Commission’s Code objective, which requires us to comply with International Standards on Auditing (ISAs) (UK & Ireland) issued by the Auditing Practices Board (APB). We are required to comply with them for the audits of the 2012/13 accounts.

We plan and perform our audits to be able to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.

Our audit approach is based on a thorough understanding of the business and is risk-driven. It first identifies and then concentrates resources on areas of higher risk and issues of concern to you. This involves breaking down the accounts into components. We assess the risk characteristics of each component to determine the audit work required.

Our audit approach is based on understanding and evaluating the internal control environment and where appropriate validating these controls, if we wish to place reliance on them. This work is supplemented with substantive audit procedures, which include detailed testing of transactions and balances and suitable analytical procedures.

## **Materiality**

Materiality is another factor which helps us to determine our audit approach. Materiality is more than just a quantitative concept. Judgements about materiality are subjective and may change during the course of the engagement. The judgements about materiality are often implicit, and will be reflected in our assessments of risk and our decisions about which business units or locations, account balances, disclosures and other items are of greater or lesser significance.

We identify and assess the risks of material misstatement at two levels: the overall financial statement level; and in relation to financial statement assertions for classes of transactions, account balances and disclosures. Specifically, under our integrated audit methodology, we are required to identify three quantitative materiality thresholds as set out in the table below. These help us to plan the nature, timing and extent of our work and to evaluate the significance of any unadjusted differences identified from our audit procedures.

<i>Type of materiality</i>	<i>What is it used for?</i>
Overall materiality	Overall materiality represents the level at which we would consider qualifying our audit opinion. Our overall materiality is calculated using a ‘rule of thumb’ of 2% of gross expenditure. This rule of thumb is to be applied separately to the Group, the Police and Crime Commissioner (PCC) and the Chief Constable (CC) ‘corporation sole’ financial statements.
Planning materiality	This is the level to which we plan our audit work and identify significant accounts at the financial statement level. Our audit work is planned around a lower materiality level of 75% of overall materiality.
De minimis threshold	<p>ISA (UK&amp;I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial”. Matters which are clearly trivial are matters which we expect not to have a material effect on the financial statements even if accumulated. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.</p> <p>PwC adopts a ‘rule of thumb’ of 5% of overall materiality. For the Group, this would suggest that we could treat misstatements less than £270,000 as being clearly trivial based on the prior year former Police Authority financial statements.</p> <p>For the 2011/12 audit anything less than £200,000 was considered to be clearly trivial by the Audit and Risk Committee of the former Police Authority.</p> <p>At the time of writing this Audit Plan the format and structure of the single entity financial statements for the PCC and the CC and how significant classes of transactions and balances are treated are yet to be determined in line with Police LAAP Bulletin 95 Accounting for the Impact of Police Reform - the Accounting Arrangements for the Transfer of Functions to the Police and Crime Commissioner (England and Wales). We will need to assess the single entity levels of materiality once the split of transactions has been determined.</p> <p>We will update our assessment once the accounting approach has been agreed and the draft financial statements and group accounts have been prepared in June 2013.</p> <p>In the meantime we propose to apply the same methodology and approach to calculating the thresholds for our materiality considerations to all accounts – Group, PCC and CC once prepared.</p> <p>We will include a summary of any uncorrected misstatements identified during our audit in our year-end ISA (UK&amp;I) 260 report.</p>

We ask the JARAP to consider the proposed approach to be applied and the level at which items will be considered clearly trivial for the audit of the 2012/13 group financial statements. In considering the ‘clearly trivial’ reporting level it may be helpful to know that the NAO expects auditors to report all misstatements above £250,000 as part of its group reporting arrangements and we would therefore propose to apply this level, as a maximum, to all aspects of our Group audit.

### ***Use of Resources***

Our Use of Resources Code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the PCC and CC have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

In guidance updated in February 2013, the Audit Commission is continuing to disapply the specified value for money (VFM) conclusion criteria relating to financial resilience and prioritising resources for police bodies outside London. This is to enable auditors to focus on the key risks relating to the demise of police authorities and the transition to establishing police and crime commissioners and chief constables as new ‘corporation sole’ bodies.

We will therefore undertake risk-based VFM work on the local risks associated with abolition and transition. These risks will, however, include consideration of relevant aspects of the two specified VFM criteria, recognising that whilst police authorities have ceased to exist their functions have transitioned to the new bodies.

We will meet our VFM duty for each body within the Group by:

- reviewing the Annual Governance Statements of the PCC and CC;
- reviewing the results of the work of the Audit Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on our responsibilities; and
- undertaking other local risk-based work as appropriate, for example on the demise of the police authority, or any work mandated by the Commission.

The PCC and CC audits will require separate VFM conclusions for the 2012/13 financial year.

### **Other reporting requirements**

We are also required to consider:

- whether there is any matter which we must refer to the Secretary of State under s19 of the Audit Commission Act 1998; or
- whether we need to issue a report in the public interest under s8 of the Audit Commission Act 1998.

### **Additional procedures for the National Audit Office (NAO)**

In 2011/12, the NAO issued procedures to auditors, via the Audit Commission, in respect of two aspects of the audit of accounts. For 2012/13, we have again received instructions to undertake similar procedures, as follows:

- group instructions under ISA (UK&I) 600; and
- a request to undertake specific audit procedures in order to provide the NAO with additional assurance over the amounts recorded in the Whole of Government Accounts (WGA) L Pack submission.

We will seek to comply with both elements and to report to the NAO in accordance with its requirements. In the unlikely event that we cannot comply with aspects of the instructions, we will raise the issue with the JARAP.



# ***Risk Assessment and audit response to risks identified***

## ***Our risk assessment and audit approach***

Our audits are carried out in accordance with International Standards on Auditing (UK & Ireland) (ISAs) issued by the Auditing Practices Board (APB).

We plan and perform our audits to be able to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material, by considering the amount and nature of transactions.

Our audit approach is based on a thorough understanding of your organisations and is risk-driven. As such, we consider the following areas when developing our audit approach:

- key risks arising from internal developments or from external factors such as policy, regulatory or accounting changes;
- the robustness of the control environment, including the governance structure, the business environment, the management control structure, the information systems and processes and the financial reporting procedures in operation; and
- understanding the control activities operating over key financial cycles which affect the production of the year-end financial statements and validating key controls considered relevant to the audit approach.

## ***Responsibilities with respect to fraud***

The preparation of the financial statements is the responsibility of management. Our responsibility as auditors is to express an opinion on those financial statements. Effective internal control reduces the likelihood that errors, fraud or illegal acts will occur and remain undetected; however, it does not eliminate the possibility.

Our responsibility regarding fraud is to obtain reasonable assurance that material misstatements resulting from fraud will be detected. Accordingly, while we cannot guarantee that all errors, fraud or illegal acts, if present, will be detected, we will design our audit to provide reasonable assurance of detecting errors or fraud that would have a material effect on the financial statements. We will inform you of any material errors, fraud or illegal acts that come to our attention. Please see Appendix 1 for further consideration of fraud risks.

## ***Working with internal audit: the ‘managed audit’***

We also aim to rely on the work done by internal audit wherever this is appropriate. We will ensure that a continuous dialogue is maintained with internal audit throughout the year. We receive copies of all relevant internal audit reports, allowing us to understand the impact of their findings on our planned audit approach.

## ***Communications plan and timetable***

ISA (UK&I) 260 ‘Communication of audit matters with those charged with governance’ requires auditors to plan with those charged with governance the form and timing of communications with them. We have agreed with you previously that ‘those charged with governance’ will be the JARAP. Our team works on the engagement throughout the year to provide you with a timely and responsive service. Please see Appendix 3 for details of when we expect to provide the Audit Committee with the various outputs of our audit.

## Risk assessment

Our risk assessment forms the basis for planning and guiding all subsequent audit activities. It allows us to determine where our audit effort should be focused and whether we can place reliance on the effective operation of controls implemented by management. Risks are categorised as follows:

<b>λ Significant</b>	<p><b>Financial statements:</b> Risk of material misstatement due to the likelihood, nature and magnitude of the balance or transaction. These require specific focus in the year.</p> <p><b>Use of resources (value for money):</b> Risk of impacting adversely on the use of resources (value for money) conclusion.</p>
<b>λ Other</b>	<p><b>Financial statements:</b> Although not considered significant, the nature of the balance/area requires specific consideration.</p> <p><b>Use of resources (value for money):</b> Relevant to our use of resources (value for money) conclusion and therefore requires specific attention.</p>

## Summary of audit risks

A summary of the audit risks identified for 2012/13 audits is set out below, with further information provided on the following pages.

Risk arising	PCC		CC		Categorisation of risks
Impact area	Financial Statements	Value for Money	Financial Statements	Value for Money	λ Significant or λ Other
Management override of controls	◆		◆		λ Significant
Fraud risk in income and expenditure recognition	◆		◆		λ Significant
Transition to Police and Crime Commissioner - Accounting Arrangements	◆		◆		λ Significant
Transition to Police and Crime Commissioner - Governance / Value for Money		◆		◆	λ Other
East Midlands Special Operations Unit (EMSOU)	◆				λ Other
Property, Plant and Equipment: Capital Schemes and Valuation	◆	◆	◆	◆	λ Other

<i>Risk arising</i>	<i>PCC</i>		<i>CC</i>		<i>Categorisation of risks</i>
<i>Impact area</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>λ</i> Significant or <i>λ</i> Other
Going Concern / Financial Climate: Short / Medium Term Financial Strategy and Financial Standing		◆		◆	<i>λ</i> Other

### *Detail of audit risks identified*

<i>Risk arising</i>	<i>PCC</i>		<i>CC</i>		<i>Categorisation of risks</i>
<i>Impact area</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>λ</i> Significant or <i>λ</i> Other
<b>Management override of controls</b>	◆		◆		<i>λ</i> Significant

#### **Reason for risk identification**

ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.

*“Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.” ISA 240 paragraph 31.*

#### **Audit approach**

We will review the appropriateness of journals processed during the year. We will also look carefully at any management estimates and consider if they are subject to bias, reporting back to you on our findings; in particular this will focus on year-end arrangements around changes to estimates or assumptions.

Audit testing will include evaluating the business rationale underlying significant transactions, especially those relating to valuations, provisions and income and expenditure cut off; this will include consideration from a value for money perspective. Our audit procedures are also planned to include an unpredictable element that varies year on year.

<i>Risk arising</i>	<i>PCC</i>		<i>CC</i>		<i>Categorisation of risks</i>
<i>Impact area</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>λ</i> Significant or <i>λ</i> Other
<b>Fraud risk in income and expenditure recognition</b>	◆		◆		<i>λ</i> Significant

#### Reason for risk identification

Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition.

*“When identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.” ISA 240 paragraph 26.*

Because of the nature of the transactions in local government, we extend this presumption to the recognition of expenditure. This is because the opportunities to perpetrate fraud, which the ISA considers are usually present in relation to revenue, are more likely to present themselves through manipulation of expenditure in the public sector. Accounting policies or the treatment of income and expenditure may lead to material misstatements in the reported revenue position. Fraud risk is discussed further in Appendix 1.

#### Audit approach

We will seek to obtain an understanding of income and expenditure controls.

We will evaluate and test the accounting policies for income and expenditure recognition to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting.

As part of the audit we will subject income and expenditure to the appropriate level of testing to identify any material misstatement, focussing on the areas we consider to be of greatest risk. In particular, we will examine the existence and completeness of amounts recognised to ensure the accounts are fairly stated.

<i>Risk arising</i>	<i>PCC</i>		<i>CC</i>		<i>Categorisation of risks</i>
<i>Impact area</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>λ</i> Significant or <i>λ</i> Other
<b>Transition to PCC and accounting under the new arrangements</b>	◆		◆		<i>λ</i> Significant
<b>Value for Money</b>		◆		◆	<i>λ</i> Other

### Reason for risk identification

On 15 September 2011 the Police Reform and Social Responsibility Act 2011 received Royal Assent in Parliament, introducing a significant change in the way the police forces in England and Wales are governed and held accountable. On 22 November 2012, a Police and Crime Commissioner (PCC) was elected and appointed for Leicestershire and the Police Authority ceased to exist. The PCC and Chief Constable (CC) of Leicestershire became 'corporation sole' bodies.

The risk is split between a financial statements risk and a value for money risk:

- The 2012/13 audit requires new accounting arrangements to be implemented with single entity and group financial statements being produced for the first time. The single entity financial statements will be driven by the governance arrangements established at individual bodies between the PCC and the CC. There will need to be a robust assessment of the proposed accounting treatment in line with the principles established in the Police LAAP Bulletin 95 and the Code of Practice on Local Authority Accounting.
- The 2012/13 audit requires a separate Value for Money conclusion to be given for the PCC and CC 'corporation sole' bodies and will require evaluation of the arrangements established between the PCC and CC and how the transition has been implemented and managed. We have not identified any additional risk factors based on the previous findings of HMIC on transition arrangements and how transition has been implemented within Leicestershire within our preliminary discussions to date.

### Audit approach

#### Accounting Arrangements

We will review your proposed approach to the new accounting arrangements based on your assessment of the governance arrangements established between the PCC and CC against the principles established within the Police LAAP Bulletin 95 and the Code of Practice on Local Authority Accounting.

We expect to provide comments on your proposed approach and assessment before the draft financial statements are produced.

We will undertake the audit of the single entity and group financial statements during our final audit visit in July 2013.

#### Value for Money

We will review the governance arrangements established and how the transition has been managed paying particular attention to the financial, governance and operational performance aspects of the transition, including any redundancy and ex-gratia payments.

<i>Risk arising</i>	<i>PCC</i>		<i>CC</i>		<i>Categorisation of risks</i>
<i>Impact area</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>λ</i> Significant or <i>λ</i> Other
<b>East Midlands Special Operations Unit (EMSOU)</b>	◆				<i>λ</i> Other

#### **Reason for risk identification**

Leicestershire is the lead body for EMSOU. As well as accounting for its contribution and share of the assets and liabilities, Leicestershire prepares the key financial statements for the Unit as a whole. These “group” accounts have previously been included as a disclosure note in the former Police Authority’s accounts. Based upon initial discussions it is our expectation that EMSOU disclosures will be included in the accounts of the PCC.

As Leicestershire is the lead body for EMSOU, in previous years we have received requests from the auditors of other east midlands police authorities for information relating to the audit of EMSOU.

We understand that there has been a further increase in the scale and nature of the activities of EMSOU in 2012/13. Where arrangements have been introduced for which Leicestershire is not the lead body, the risks to the organisation and to the accounting will be different to those where Leicestershire is the lead.

#### **Audit approach**

Where Leicestershire is the lead body we will undertake additional procedures to enable us to respond to any requests we may receive from the auditors of the other parties involved in these arrangements. As a result of this we anticipate that there will be an increase in the amount of work and fees have been included in Appendix 4 in respect of this work.

Where Leicestershire is not the lead body, we will need to request information from the auditors of the lead body in order to verify the information which is required for disclosure in the PCC financial statements.

<i>Risk arising</i>	<i>PCC</i>		<i>CC</i>		<i>Categorisation of risks</i>
<i>Impact area</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<span style="color: red;">λ</span> Significant or <span style="color: orange;">λ</span> Other
<b>Property, Plant and Equipment: Capital Schemes and Valuation</b>	◆	◆	◆	◆	<span style="color: orange;">λ</span> Other

#### Reason for risk identification

The economic climate has continued the uncertainty around the value of many land and building assets, and the risk of such assets being overvalued on the balance sheet remains high. We will expect the PCC and CC to have carried out impairment reviews to ensure that assets are not overvalued at the year end, and to process downward revaluations where appropriate.

#### Audit approach

ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of experts (valuers) and processes and assumptions underlying the fair value estimates.

Specific areas of risk and work to be performed include:

- the accuracy and completeness of detailed information on assets;
- whether the assumptions underlying the classification of properties are appropriate;
- whether properties that are not programmed to be revalued in the year might have undergone material changes in their fair value; and
- the Valuer's methodology, assumptions and underlying data, and our access to these.

Where asset valuations are undertaken in-year we will:

- agree the source data used by your Valuer to supporting records.
- assess the work of your Valuer through use of our own internal specialists where required; and
- agree the outputs to your Fixed Asset Register and accounts.

We will also maintain a watching brief over the progress of any proposed developments and plans for any specific valuations and impairment reviews.

We will consider any value for money implications of any asset sales or estate rationalisation as necessary.

<i>Risk arising</i>	<i>PCC</i>		<i>CC</i>		<i>Categorisation of risks</i>
<i>Impact area</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>Financial Statements</i>	<i>Value for Money</i>	<i>λ</i> Significant or <i>λ</i> Other
<b>Going Concern / Financial Climate: Short / Medium Term Financial Strategy and Financial Standing</b>		◆		◆	<i>λ</i> Other
<b>Reason for risk identification</b>					
<p>There continues to be a significant challenge around reducing costs over the next few years as a result of the Government's Comprehensive Spending Review (CSR) and the indicative police grant figures.</p> <p>In addition to the identification and delivery of sustainable savings the Group will need to consider the potential impact that such schemes will have on service provision and operational performance.</p> <p>You have historically been good at identifying and delivering savings against a robust change management programme. However, the scale of the challenge over the next few years is significant and much of the good practice you have demonstrated will need to continue and be intensified if your planned savings are to be delivered.</p> <p>During 2011/12 and 2012/13 you have continued to deliver savings. However, the environment continues to be challenging. You will need to ensure that a robust Medium Term Financial Strategy is in place so that you can demonstrate how you will be financially resilient in the years ahead.</p>					
<b>Audit approach</b>					
<p>In forming our Value for Money conclusions, we will review your Medium Term Financial Strategy. We will wish to understand how you have developed and continue to develop the strategy and will compare the assumptions you have used to comparative benchmarks and best practice.</p> <p>In particular, we will review:</p> <ul style="list-style-type: none"> <li>the governance structure in place to deliver your plans;</li> <li>how you have managed your 2012/13 savings programme;</li> <li>the key assumptions included in the MTFS;</li> <li>the sensitivity of key assumptions to change;</li> <li>the impact of potential changes to key assumptions and the rigour behind the MTFS;</li> <li>the prioritisation of resources as part of the MTFS;</li> <li>your arrangements to review the value for money which you provide; and</li> <li>the adequacy of your planned level of reserves and contingencies against your stated policy and the level of future risk in delivering the MTFS.</li> </ul>					



# ***Appendices***

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# Appendix 1 - Risk of fraud

International Standards on Auditing (UK&I) state that we as auditors are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

## Auditors' responsibility

Our responsibilities are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

## Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

## Responsibility of the Audit Committee (JARAP)

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of antifraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

## Conditions under which fraud may occur

**Management or other employees have an incentive or are under pressure**

Incentive / pressure

**Why commit fraud?**

### Opportunity

Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls

### Rationalisation/attitude

Culture or environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act

### ***Your views on fraud***

We enquire of the members of JARAP:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

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## Appendix 2 - Your audit team and independence

Your audit team has been drawn from our government and public sector team based in the Midlands. Your audit team consists of the key members listed below, but is further supported by our specialists both in the sector, and across other services:

Audit Team	Responsibilities
<b>Engagement Leader</b> <b>Mark Jones</b> Email: <a href="mailto:mark.anthony.jones@uk.pwc.com">mark.anthony.jones@uk.pwc.com</a> Direct telephone: 0121 232 2503	Engagement Leader responsible for independently delivering the audits in line with the Code of Audit Practice, including agreeing the Audit Plan, ISA (UK&I) 260 report(s) and Annual Audit Letter(s), the quality of outputs and signing of opinions and conclusions. Also responsible for liaison with the PCC, CC and JARAP.
<b>Engagement Manager</b> <b>Sara Bagnall</b> Email: <a href="mailto:sara.bagnall@uk.pwc.com">sara.bagnall@uk.pwc.com</a> Direct telephone: 0121 265 6589	Manager on the assignment responsible for overall control of the audit engagements, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA (UK&I) 260 report(s) and Annual Audit Letter(s).
<b>Engagement Team Leader</b> (to be confirmed)	Person responsible for managing our accounts work, including the audit of the statement of accounts, and governance aspects of the VFM conclusion work.

### Our team members

It is our intention that, wherever possible, staff work on the audits each year, developing effective relationships and an in depth understanding of your business. We are committed to properly controlling succession within the core team, providing and preserving continuity of team members.

We will hold periodic client service meetings with you, separately or as part of other meetings, to gather feedback, ensure satisfaction with our service and identify areas for improvement and development year on year. These reviews form a valuable overview of our service and its contribution to the business. We use the results to brief new team members and enhance the team's awareness and understanding of your requirements.

### Independence and objectivity

As external auditors of the PCC and CC we are required to be independent of the PCC and CC in accordance with the Ethical Standards established by the Auditing Practices Board (APB). These standards require that we disclose to those charged with governance all relationships that, in our professional judgement, may reasonably be thought to bear on our independence.

We have a demanding approach to quality assurance which is supported by a comprehensive programme of internal quality control reviews in all offices in the UK. Our quality control procedures are designed to ensure that we meet the requirements of our clients and also the regulators and the appropriate auditing standards within the markets that we operate. We also place great emphasis on obtaining regular formal and informal feedback.

We have made enquiries of all PricewaterhouseCoopers' teams providing services to you and of those responsible in the UK Firm for compliance matters.

There are no matters which we perceive may impact our independence and objectivity of the audit team.

### ***Other services provided to the PCC and CC***

At the time of writing this plan we have not agreed to undertake or undertaken any non-audit services for the PCC or CC.

### ***Relationships and Investments***

Senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

### ***Independence conclusion***

At the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the audits of the PCC and CC, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

# Appendix 3 - Communicating with you

## Communications Plan and timetable

ISA (UK&I) 260 (revised) 'Communication of audit matters with those charged with governance' requires auditors to plan with those charged with governance the form and timing of communications with them. We have agreed with you previously that 'those charged with governance' are the members of JARAP. Our team works on the engagement throughout the year to provide you with a timely and responsive service. Below are the dates when we expect to provide the JARAP with the outputs of our audit.

Stage of the audit	Output	Date
Planning	Audit Plan	March 2013
Audit findings	Internal control issues and recommendations for improvement (if applicable - may form part of the Audit Memorandum)	June 2013
	<b>ISA (UK&amp;I) 260 report incorporating specific reporting requirements, including:</b> <ul style="list-style-type: none"> <li>Any expected modifications to the audit report;</li> <li>Uncorrected misstatements, i.e. those misstatements identified as part of the audit that management have chosen not to adjust;</li> <li>Material weaknesses in the accounting and internal control systems identified as part of the audit;</li> <li>Our views about significant qualitative aspects of your accounting practices including accounting policies, accounting estimates and financial statements disclosures;</li> <li>Any significant difficulties encountered by us during the audit;</li> <li>Any significant matters discussed, or subject to correspondence with, Management;</li> <li>Any other significant matters relevant to the financial reporting process; and</li> <li>Summary of findings from our use of resources audit work to support our value for money conclusion.</li> </ul>	September 2013
Audit reports	Financial Statements including Use of Resources conclusion	September 2013
Other public reports	<b>Annual Audit Letter</b> A brief summary report of our work which is to be available to the public.	October 2013

## Appendix 4 - Audit fees

### Current year fees

The Audit Commission has provided indicative audit fee levels for the 2012/13 financial year. The scale fees for the audits of the two 'corporate sole' bodies set by the Audit Commission are as follows:

	2012/13 £
Police and Crime Commissioner for Leicestershire (Accounts and Value for Money Conclusion)	48,000
Chief Constable of Leicestershire (Accounts and Value for Money Conclusion)	20,000
<b>Total scale fee (excluding work undertaken on EMSOU on behalf of other auditors)</b>	<b>68,000</b>
Work undertaken on EMSOU on behalf of other auditors (Note 1)	5,000
<b>Total audit fee</b>	<b>73,000</b>

**Note 1:** As in previous years, we expect to be requested to undertake specific work on the East Midlands Special Operations Unit (EMSOU) and to report the findings of our work to the auditors of the other bodies which form EMSOU. We understand from preliminary discussions with management, that there are additional arrangements in place in 2012/13 and we anticipate that this will result in increased work as part of the audit.

We have based our fee proposals on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We are able to place reliance, as planned, upon the work of internal audit;
- Working papers and financial statements have been reviewed by officers before providing them for audit;
- The quality of working papers will be good;
- We are able to draw comfort from your management controls;
- No significant system changes or change to risk profile being identified;
- No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based; and
- Our use of resources conclusions and accounts opinions being unqualified.

If these prove to be unfounded, we will seek a variation order to the agreed fee, which will be discussed in advance with you before approval for the variance is sought from the Audit Commission.

### Prior year fees

We have included an analysis of the prior year audit fees for the former Police Authority:

	2011/12 Outturn £
Scale Fee (Accounts, Value for Money Conclusion and WGA)	74,152
Work undertaken on EMSOU on behalf of other auditors	7,500
<b>Total</b>	<b>81,652</b>

## ***Appendix 5 - Other engagement information***

The Audit Commission has appointed us as auditors to the Police and Crime Commissioner for Leicestershire and the Chief Constable of Leicestershire Police and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors.

There are five further matters which are not currently included within the guidance, but which our firm's practice requires that we raise with you.

### ***Electronic communication***

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

### ***Appointed auditor***

Mark Jones, a director in the firm, will discharge the responsibilities of the appointed auditor and in doing so will bind the firm although Mark Jones is not a partner.

### ***Access to audit working papers***

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.



### ***Quality arrangements***

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE1 8HW, or James Chalmers, UK Head of Assurance, at our office at 7 More London, Riverside, London, SE1 2RT. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

### ***Events arising between signature of accounts and their publication***

ISA (UK&I) 560 (revised) places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.

*In the event that, pursuant to a request which the Police and Crime Commissioner for Leicestershire and/or the Chief Constable of Leicestershire Police has received under the Freedom of Information Act 2000, they are required to disclose any information contained in this report, they will notify PwC promptly and consult with PwC prior to disclosing such report. The Police and Crime Commissioner for Leicestershire and the Chief Constable of Leicestershire Police agree to pay due regard to any representations which PwC may make in connection with such disclosure and the Police and Crime Commissioner for Leicestershire and the Chief Constable of Leicestershire Police shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, the Police and Crime Commissioner for Leicestershire and/or the Chief Constable of Leicestershire Police discloses this report or any part thereof, they shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

This report has been prepared for and only for the Police and Crime Commissioner for Leicestershire and the Chief Constable of Leicestershire Police in accordance with the Statement of Responsibilities of Auditors and of Audited Bodies (Local Government) published by the Audit Commission in March 2010 and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED

**F**

Report of	<b>OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF CHIEF CONSTABLE</b>
Subject	<b>CLOSING THE ACCOUNTS 2012/13</b>
Date	<b>TUESDAY 12 MARCH 2013 – 9.00 A.M.</b>
Author :	<b>CHIEF FINANCE OFFICER / DIRECTOR OF FINANCE</b>

## **Purpose of Report**

1. To update the Panel on the proposed closedown arrangements for the end of the 2012/13 accounting year.

## **Recommendation**

2. The Panel are recommended to note and comment upon the report.

## **Closedown of the Accounts 2012/13**

3. The creation of the Office of the Police and Crime Commissioner (OPCC) and associated other changes on 22 November 2012 implies alterations to the well tried and tested accounting processes at the financial year end – 31 March 2013. These have been the subject of much discussion amongst professional bodies and guidance is beginning to emerge.
4. The most significant change is that group accounts are to be prepared to reflect the two corporations sole of the OPCC and Office of the Chief Constable. This requires decisions around the ownership of assets, for example, which then affect where those assets are reflected on the balance sheets of the two organisations. In addition, it has to be decided whether to close accounts for the part years to and from 22 November 2012, or to treat the whole of 2012/13 as being under the new arrangements and hence one set of accounts.
5. Attached at Appendix A is the proposed accounting methodology that is currently under discussion with PricewaterhouseCoopers (PWC), external auditors. It is clearly essential that the Chief Finance Officer (OPCC) and the Director of Finance (Office of the Chief Constable) liaise closely with PWC colleagues to ensure that the planned approach to closedown is agreed and that the process is successfully completed on time.

6. Annex A to Appendix A is the draft, headline timetable for the closedown process; a more detailed timetable is being developed to guide individual processes within closedown.
7. JARAP members are invited to review and comment upon the guidance notes and timetable.

### **Implications**

Financial :	The cost of external audit is contained within the budget for the OPCC
Legal :	It is a statutory requirement to successfully close the accounts and have audit arrangements in place to conclude the audit by 30 Sept 2013
Equality Impact Assessment :	None identified
Risks and Impact :	The creation of two corporations sole adds a further degree of complexity to the closedown process. This is being mitigated through securing additional advice, early discussions with PWC and ensuring that extra accounting capacity is available through closedown.
Link to Police and Crime Plan :	None direct, but unqualified accounts are fundamental to gaining public confidence in the financial management of the two organisations.

### **List of Appendices**

Appendix A – Accounting Methodology

### **Background Papers**

Financial Management Code of Practice

Accounts and Audit Regulations 2011

Police LAAP (Local Authority Accounting Panel) Bulletin 95, 2012

### **Person to Contact**

Mr P Lewis, Chief Finance Officer - Tel 0116 229 8984

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## ***Introduction***

Two new bodies (“Corporation Soles”), the Police and Crime Commissioner for Leicestershire and the Chief Constable for Leicestershire, came into existence on 22<sup>nd</sup> November 2012 following the introduction of the Police Reform and Social Responsibility Act 2011.

The Financial Management Code of Practice for the Police Service of England & Wales (Jan 2012) clearly sets out that this change creates a Group structure and the expectation that Group Accounts will be required (para 7.1).

The group and its individual entities continue to be bound by the requirements of existing legislation/regulations related to its accounting and audit obligations – i.e. the Local Government Act 2003, the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011. What that means in essence is that the accounts for the group will still need to be produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (“the Code”) and subject to audit.

The Chief Constable does not currently have Local Authority status which means that it does not have the legal right to reverse statutory accounting adjustments such as depreciation or pension actuarial adjustments. Whilst “intent” exists for the Government to legislate for such a status, it is unlikely to be realised in time for the production of the unaudited accounts.

This briefing will summarise the latest position in terms of the accounting requirements of this change and the proposed methodology to be used.

## ***General accounting requirements***

In December 2012, CIPFA issued Police LAAP Bulletin 95 which aimed to provide some clarity in terms of accounting requirements. Whilst it left many questions unanswered, the Bulletin did present authorities with two distinct options (A & B) for presenting the changes and in producing the 2012/13 accounts.

Option A requires that the establishment of the two police bodies are accounted for using merger accounting under FRS 6 Acquisition & Mergers. The justification for such an approach being that the change constitutes a group reorganisation – i.e. relative ownership remains the same in that the Government retain the same degree of control both before and after the change.

Accounts produced under this approach would assume that the new entities had always been in existence. A “normal” year’s accounts would therefore be produced beginning on 1<sup>st</sup> April 2012 and showing comparatives for the entities (and consequently the Group) for 2011/12.

Option B requires that the new entities be treated as beginning on 22<sup>nd</sup> November 2012 and thus accounts would be produced for a part-year up to 31<sup>st</sup> March 2013 with no requirement for comparatives. However, this would also mean that accounts up to 22<sup>nd</sup> November 2012 were required for the now obsolete Leicestershire Police Authority – bringing with it complications over sign-off (who could officially sign them?) and audit (the accounts would *technically* not be subject to audit unless Authorities opted to do so).

The national consensus has been an overwhelming support of Option A on the grounds that it best reflects the reality of the situation, no change in overall control having taken place. It is therefore proposed to follow this approach and adapt as appropriate to local circumstances to ensure the accounts show a true and fair view of the activities of both entities and the group.

## ***The Met's approach and how it applies to the rest of the Police service***

As the first to make the change to the new "group" structure, the Met (MOPAC and CPM) produced accounts for 2011/12 that have been scrutinised nationally due to them being the only available example of best practice.

Feedback from both CIPFA and Grant Thornton at recent events suggests that the approach used by the Met is generally sound although must not be seen as a template for other Forces to follow. The main feedback points that need to be taken into account are:

- The accounting policies and methodology selected must be justified locally by reference to each group's Corporate Governance Framework
- LAAP Bulletin 95 confirmed the requirement for prior year comparatives where merger accounting is to be used (Approach A)
- There may potentially be implied operating leases between the PCC and Chief Constable for use of the PCC's assets. This may require detailed disclosures to be made
- Agreement should be sought and obtained from external auditors to the proposed methodology such that contention during the audit is avoided as far as is possible

At a recent regional practitioners meeting, Corporate Accountants and equivalents agreed that Approach A was to be taken and that differences in accounting approach would be due to local governance differences rather than a fundamental difference in interpretation of the accounting code and standards.

## ***Interpreting the Corporate Governance Framework***

The Framework sets out the overriding principle of the PCC having ownership of assets and liabilities (see note 3 page 9) whilst being the contracting body that is legally responsible for all income and expenditure (para 1.1 page 11). However in referring directly to both the Chief's operational independence and "direction and control" of the Force (i.e. para 2.14 page 13, para 2.15 page 13 and particularly para 6 page 18 onwards) it recognises that the Chief will have to consume resources in order to deliver the aims of the Policing Plan.

*"The Commissioner will agree a Force budget with the Chief Constable and these formal consents and financial and other limits on consent are those given to the Chief Constable as a condition of the transfer of funds from the Commissioner to the Chief Constable to enable the Chief Constable to direct and control sufficient resources necessary to deliver the outcomes agreed in the Police and Crime Plan."*

## ***Proposed Accounting Methodology***

The proposed methodology is inherently tied to the fact that the PCC owns both assets and liabilities, receives and controls all income and is the legal body that contracts with suppliers and employees. It also respects the fact that the Chief Constable will consume resources to deliver the aims of the Police and Crime Plan.

It is proposed that:

- Two sets of accounts will be produced – PCC/Group and Chief Constable
- The group accounts will be produced first and then disaggregated to form the individual entity accounts
- Accounting policies will be harmonised across the group and generally reflect the policies adopted by the former Leicestershire Police Authority
- The Police Pension Fund Account will appear as a supplementary statement to the Chief Constable's accounts but not within the PCC and Group accounts (a note within the group accounts will refer the reader to the Chief's accounts) – *NB: Under the Police Reform & Social Responsibility Act 2011 the Chief Constable is the designated "Police Pensions Authority" for administration purposes*
- All assets and liabilities will reside on the PCC/Group Balance Sheet only

- All banking and investments will be in the name of the PCC and hence on the PCC/Group Balance Sheet
- All income will be received by the PCC and shown in the PCC/Group Income & Expenditure Account
- The PCC's Income & Expenditure Account will show a transfer of resources to the Chief Constable's Operating Cost Statement equal to the cost of the resources consumed by the Chief Constable in delivering the Police and Crime Plan
- This transfer will be described as "the PCC's resources consumed, at the request of the Chief Constable, in delivering the aims of the Police and Crime Plan" (abbreviated as needed)
- Costs shown in the Chief Constable's Operating Cost Statement will be inclusive of statutory accounting charges such as depreciation or pension actuarial adjustments but will be reversed under Local Authority rules within the PCC/Group accounts
- The Force's share of the running costs of each s23 Regional Collaboration (or "JANE") will be included in the costs transferred to the Chief Constable
- The PCC's Income & Expenditure Account will show the costs of running the "Office of the Police & Crime Commissioner"
- All reserves will reside with the PCC/Group
- All cashflow movements will take place within the PCC/Group accounts reflecting the fact that the Chief Constable does not have his own banking arrangements
- Both sets of accounts will comply with "the Code" in that they shall include the four primary statements and supporting notes unless modified in agreement with PWC
- Consideration will be given to the requirement for operating lease disclosures between the PCC and Chief Constable for the use of assets by the Chief
- A detailed review of the "Corporate & Democratic Core" disclosure in the accounts will take place to ensure that it's elements are correctly split between the PCC and Chief Constable
- The Local Government Pension Scheme valuation will be carried out on a "single employer" basis in that the PCC will be the named employer and hence the pension liability will sit on the PCC/Group Balance Sheet. The effect of the IAS 19 adjustments will be included in the "cost of resources consumed" figures recharged to the Chief Constable's Operating Cost Statement. It is considered immaterial to request a separate valuation for relatively few Police Staff that are directly employed within the Office of the PCC
- The Police Pension Scheme valuation will be completed in the same way as the LGPS and accounted for in the same manner – the liability will sit with the PCC/Group
- IAS 19 adjustments will be pro-rated to the Office of the PCC for the purposes of Police Objective Analysis – i.e. in reporting the "Corporate & Democratic Core" figures in the Income & Expenditure Account

## ***Timeline***

The two sets of accounts will be delivered by working with proposed timetables at Annex A. It should be noted that as work continues into the precise disclosure requirements of the group, the timetable will adapt accordingly. Further updates can be provided as required.

It is proposed that draft accounts are available for discussion with both Chief Finance Officers on Monday 17<sup>th</sup> June 2013 which leaves ten days until the commencement of the external audit on Monday 1<sup>st</sup> July 2013. Draft accounts can be provided to PWC ahead of the audit once both CFOs approve their release.

It is the intention to table the draft/unaudited financial statements at the JARAP (Joint Audit Risk Assurance Panel) meeting on 28<sup>th</sup> June 2013 – it should be noted that this meeting falls before the audit commences and the reporting deadline of 18<sup>th</sup> June 2013 is only shortly after the deadline for the first set of accounts to be shared with the Chief Financial Officers.

There is a further JARAP meeting on 30<sup>th</sup> September 2013, for which the accounts and audit will be an agenda item.

## ***The next steps***

The precise disclosure requirement is being worked through to ensure that information disclosed in each set of accounts is relevant and, importantly, required for compliance with the Code.

A skeleton set of accounts will then be produced for both the PCC/Group and the Chief Constable for further discussion with Sara Bagnall (Audit Manager, PWC). This will assist in the resourcing plans for the audit as well as providing early warning to ourselves of areas that require further work to ensure compliance with the Code.

A paper will be produced that considers who “directs and controls” each category of assets together with our rationale for the recharge of their consumption to the Chief Constable. The paper will justify why the assets do not appear on the Chief Constable’s Balance Sheet making reference to the risks/rewards of ownership alongside the “control” argument. The paper will also cover an assessment of the need to make Operating Lease disclosures between the PCC and Chief Constable for the use of assets.

Work is ongoing to agree and document the accounting approach to each s23 Regional Collaboration project within the accounts. This will include those projects that have come on-line during 2012/13. That will be shared as soon as it is ready – further work is required to justify whether a s23 can be accounted for differently depending on whether (a) it has any assets and (b) it is a policing or “back-office” service that is collaborated on. The work will also agree in which set of accounts the s23’s should sit as supplementary statements (i.e. EMSOU’s individual set of accounts rather than Leicestershire’s % share). This summary will be shared regionally and form our collective understanding of how to account for the s23s.

An update will be provided at least bi-weekly to the Head of Finance on progress made against the timetable with ad-hoc updates between those meetings should an issue arise.



**Leicestershire Police**  
**High-Level Timetable**  
**Year ending 31st March 2013**

**Annex A**

<b><i>Date</i></b>	<b><i>Milestone</i></b>
18/03/2013	Interim Audit commences
28/03/2013	Final BACS payment to suppliers for the year Final day for input of purchase invoices for 2012/13 Final day for input of sales invoices for 2012/13
29/03/2013	Easter
01/04/2013	Easter
02/04/2013	Sage year-end closedown (Stage 1 - excluding GL)
03/04/2013	Sage available in 2013/14 for new year invoices
10/04/2013	Agree level of provision/reserve is appropriate re Civil Claims
17/04/2013	Last day for input of accruals and prepayments for 2012/13 Deadline for submission of carry-forward requests
18/04/2013	Production of Outturn Report for 2012/13 commences
30/04/2013	Target date for completion of Outturn Report 2012/13
03/05/2013	Target date for completion of capital accounting (excl Property)
10/05/2013	Target date for completion of capital accounting (Property)
17/05/2013	Target date for distributing JANE/s23 accounts with regional colleagues
28/05/2013	PCC meeting re Outturn
17/06/2013	Review by CFOs of draft statements
18/06/2013	JARAP reporting deadline
28/06/2013	JARAP Latest date by which draft statements need to be shared with PWC ahead of audit
01/07/2013	External Audit commences
19/07/2013	External Audit concludes
18/09/2013	JARAP reporting deadline
30/09/2013	JARAP Deadline for publication of both sets of accounts
<b><i>TBC</i></b>	<b><i>We need to clarify the formal notification date for advertising the accounts in the local press: This will also affect the date that PWC are to be present/available to take queries from the public</i></b>

# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED

**G**

Report of	<b>OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF CHIEF CONSTABLE</b>
Subject	<b>MANAGEMENT OF RISK – CORPORATE RISK REGISTER</b>
Date	<b>TUESDAY 12 MARCH 2013 – 9.00 A.M.</b>
Author :	<b>MR M HUMPHREY</b>

## **Purpose of Report**

1. To assure the Joint Audit, Risk and Assurance Panel (JARAP) in connection with progress made in establishing the Police and Crime Commissioner (PCC) corporate risks and associated risk profile. This includes:
  - The PCC Corporate Risk Register.
  - The plans put in place for then further mitigating the risks - as well as obtaining appropriate assurances that this is the case.

## **Recommendation**

2. The JARAP is recommended to:
  - i. Review, acknowledge and ensure understanding of the contents of the PCC Corporate Risk Register as a basis for determining future audit and assurance resources.
  - ii. Provide any further commentary in connection with the PCC Corporate Risk Register that may need to be considered in the future, recognising that the nature of the risk register is such that it will always be under review and subject to change. The important aspect being that the JARAP and PCC / Office of Police and Crime Commissioner (OPCC) understand the nature of the risks included, rather than having exactly the precise wording.
  - iii. Ensure that the plans being progressed that are highlighted in this cover report are appropriate for the purpose of further mitigating the risks as well as providing appropriate assurances to the JARAP with regards to risk mitigation in the future.

## **Background**

3. The management of risk is highlighted as a key factor of all successful organisations, both within the public and private sector. It is recognised as main ingredient of good governance, providing the ability to direct and control resources in a proper manner in the pursuance of objectives.
4. As a starting point, to achieve the above the PCC must ensure that the Corporate Risks and their risk profile are identified and understood.

## **Subject**

5. The PCC Corporate Risk Register has been prepared. This is attached as an appendix. This was developed via a workshop with JARAP members and representatives of both the Office of Police and Crime Commissioner and Force. This has subsequently been shared with attendees and refined as required through a series of meetings with individuals involved in the original workshop.
6. The PCC Corporate Risk Register action plan includes the names of individuals who will be tasked with ensuring that the actions are completed. These individuals are currently agreeing with each of the risk owners the following:
  - How the action will be completed?
  - The resource implications of the action?
  - The timeline for completion?
  - The success measures that will confirm that the actions have been effectively completed? And
  - An overall priority for each action.
  -
7. The outcomes of the above will be built into a separate risk management action plan that will supplement the PCC Corporate Risk Register.
8. A separate risk assurance plan will also be developed. This will demonstrate from where and when assurances will be received throughout the year and in what form. This will assist the JARAP in determining whether the PCC risk control framework, including existing controls and actions planned, is suitably effective and efficient for the purposes of mitigating risk. To start this process off the PCC Corporate Risk Register has been shared with internal audit to aid their 2013/14 planning. The risk assurance map will be up-dated as the 2013/14 year progresses and will provide for a main component on which the PCC Annual Governance Statement is based.

## **Implications**

Financial :	Resource requirements to enable development and implementation of the above can be found from existing budgets.
Legal :	Without the operation of a Corporate Risk Register the PCC / OPCC will not be working in accordance with the Financial Management Code of Practice.

Equality Impact Assessment : None.

Risks and Impact : As identified in the PCC Corporate Risk Register.

Link to Police and Crime Plan : The Corporate Risks identified if not effectively managed are likely to lead to failure of the Police & Crime Plan in some or all areas.

**List of Attachments / Appendices**

Appendix 1: PCC Corporate Risk Register

**Background Papers**

None other than already published

**Person to Contact**

Mr M Humphrey, RSM Tenon - Tel 07764 688248

Email: [matthew.humphrey@rsmtenon.com](mailto:matthew.humphrey@rsmtenon.com)



# **POLICE & CRIME** **COMMISSIONER** for Leicestershire

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Your voice in Leicester,  
Leicestershire & Rutland

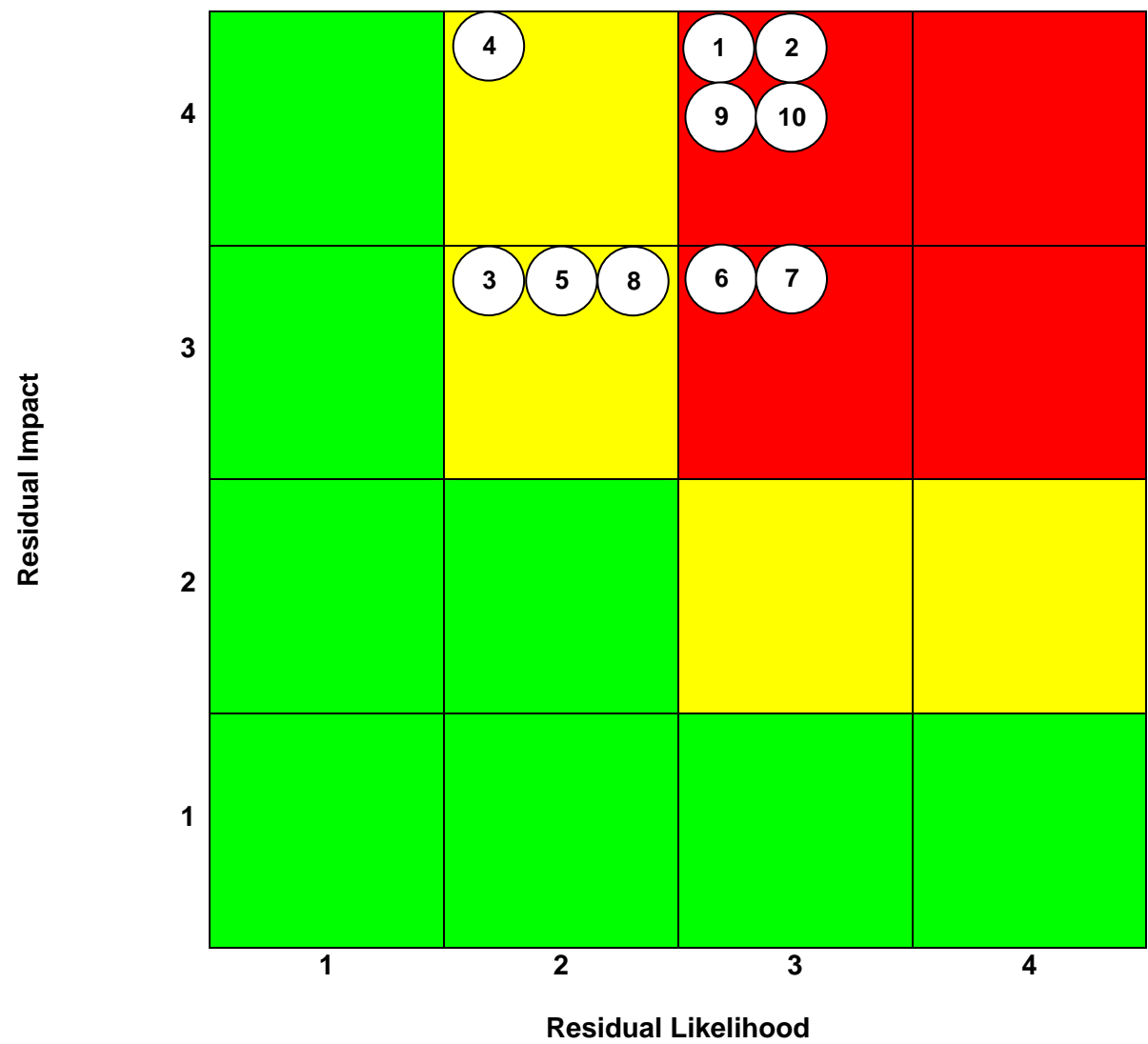
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## **Corporate Risk Report**

Draft

as at 05/03/2013

Corporate Risk Profile



## Corporate Risk List

Ref	Risk	Residual Priority
1	Failure to manage public expectations of the PCC role.	12
2	Over-burdensome scrutiny of the PCC.	12
9	Fail to manage key relationships	12
10	Poor/ineffective Commissioning	12
6	Lack of capacity in the OPCC	9
7	Fail to deliver Police and Crime Plan	9
4	Failure to maintain ethical standards and integrity in policing and OPCC activity	8
3	OPCC Corporate Governance Failure	6
5	Failure in accountability of the PCC, i.e. doing the right thing at the right time and holding the Chief Constable to account.	6
8	Data quality issues/failure	6

## Corporate Risk Register Notes

Following the risk workshop with the JARAP members the risks have been refined through discussion with the CEO and CFO of the OPCC. This has resulted in four risks being merged into other risks. Below is a list of those risks that have been merged. As a result of this the number of Corporate risks has reduced from fourteen (14) to ten (10).

Risk	Reason for removal
Reactionary Resourcing (outside the plan) - Expectations of the PCC is unrealistic i.e. cyber crime.	Merged as a cause into risk 7 'Fail to deliver Police and Crime Plan'.
Ineffective public consultation and engagement	Merged as a cause into risk 1 'Failure to manage public expectations of the PCC role'.
Fail to achieve effective collaboration	Merged as a cause into risk 7 'Fail to deliver Police & Crime Plan'.
Failure to influence national political expectations.	Changed to 'Failure to engage with the national agenda' and merged as a cause into risk 9 'Fail to manage key relationships'.



## Corporate Risk Register

Risk	1. Failure to manage public expectations of the PCC role – <b>Paul Stock</b>												
Cause & Effect			Inherent Risk Priority		Existing Controls		Residual Risk Priority		Actions				
<p>Cause(s):</p> <ul style="list-style-type: none"><li>Public do not understand the role of the PCC</li><li>PCC does not carry out role with conviction</li><li>Ineffective public consultation and engagement</li><li>Lack of capacity within the OPCC to support engagement process</li><li>Media/press influence Public opinion (national and local)</li></ul> <p>Effect(s):</p> <ul style="list-style-type: none"><li>Public support for the PCC weakens (or does not become established)</li><li>Without public support PCC finds it difficult to fulfil role</li><li>National/Government scrutiny and loss of confidence of the PCC system</li></ul>							Web site presence and effective use						Develop a proactive Public communications strategy – <b>Alice Oliver</b>
							PCC actively meeting with community and stakeholders						Develop a proactive Public engagement strategy – <b>Alice Oliver</b>
							Responding to individual public enquires						Increase proactive use of website and other media – <b>Alice Oliver</b>
							Inherited relationships remain effective (but are time limited without PCC maintenance)						Facilitate the PCC's public presence and impact (including support and development for PCC and staff) – <b>Alice Oliver</b>
													Secure the appropriate capability and capacity to support the engagement process – <b>Alice Oliver</b>
Actively foster positive relations with the media/press – <b>Alice Oliver</b>													
Apply a proportionality mechanism for dealing with public enquiries to ensure best use of PCC time and resources – <b>Angela Perry</b>													

## Corporate Risk Register

Risk	2. Over-burdensome scrutiny diminishes effectiveness of the PCC – <b>Paul Stock</b>									
Cause & Effect		Inherent Risk Priority		Existing Controls		Residual Risk Priority		Actions		
<p>Cause(s):</p> <ul style="list-style-type: none"><li>Complexities and sensitivities within the LLR local government landscape</li><li>National/Government scrutiny e.g. HMIC</li><li>Demands of the Police &amp; Crime Panel scrutiny are excessive</li><li>Disproportionate scrutiny from JARAP and/or internal/external audit</li></ul> <p>Effect(s):</p> <ul style="list-style-type: none"><li>Distracts or prevents the PCC and OPCC from fulfilling role(s)</li></ul>		<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	
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				New governance arrangements				Further proactive work with the PCP to enhance relationships and avoid over-burdensome scrutiny – <b>Paul Stock</b>		
				New oversight arrangements via Police and Crime Panel				Enhanced proactive work with Local Government partners for the purpose of strengthening relationships – <b>Paul Stock</b>		
				Continuity of Auditors (both internal and external)				Effective recruitment, induction and development of new JARAP members – <b>Peter Lewis</b>		
				Solid internal control framework inherited from PA				Develop a JARAP work programme – <b>Peter Lewis</b>		
				Interim JARAP provides some continuity						
				Some good relationships with partners						

## Corporate Risk Register

<b>Risk</b>	3. OPCC Corporate Governance Failure – <b>Paul Stock</b>
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Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Actions
<p>Cause(s):</p> <ul style="list-style-type: none"> <li>Ineffective/inappropriate policies and procedures</li> <li>Ineffective/inappropriate training</li> <li>Ineffective/inappropriate supervision</li> <li>Ineffective/inappropriate communication</li> <li>Ineffective leadership</li> <li>Serious non-compliance</li> <li>Ineffective risk management</li> </ul> <p>Effect(s):</p> <ul style="list-style-type: none"> <li>Reputation damage to the PCC and OPCC</li> <li>Possible litigation</li> <li>Loss of staff morale</li> <li>Significant senior staff restructure leading to loss of corporate knowledge</li> </ul>		<p>New governance arrangements</p> <p>Solid internal control framework inherited from PA</p> <p>Executive Board is designed to facilitate transparent decision making</p> <p>Experienced staff providing some continuity</p>		<p>Embed new governance arrangements – <b>Angela Perry</b></p> <p>Enhance the use of the Executive Board and review effectiveness on a cyclical basis – <b>Angela Perry</b></p> <p>Recruitment to agreed structure to enhance governance and control including appropriate competences and skills – <b>Angela Perry</b></p>

## Corporate Risk Register

<ul style="list-style-type: none"> <li>Increased external scrutiny (local and national)</li> </ul>				
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<b>Risk</b>	4. Failure to maintain ethical standards and integrity in policing and OPCC activity – <b>Paul Stock</b>
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Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Actions
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<p>Cause(s):</p> <ul style="list-style-type: none"> <li>Lack of transparency of OPCC activities</li> <li>Fail to develop and adhere to ethical policies and procedures</li> <li>Lack of positive oversight of Force ethical standards and Integrity</li> </ul> <p>Effect(s):</p> <ul style="list-style-type: none"> <li>Reputation damage for the PCC and OPCC</li> <li>Increased scrutiny at local and national levels</li> </ul>		<p>Recruitment and vetting process ensures right candidates are appointed</p> <p>OPCC Code of Conduct</p> <p>Corporate Governance Code</p> <p>Whistle Blowing and Raising Concerns arrangements</p>		<p>Embed the OPCC Code of Conduct and Corporate Governance Code – <b>Angela Perry</b></p> <p>Ensure recruitment and induction process for OPCC staff is robust – <b>Angela Perry</b></p> <p>Develop a cyclical assurance plan for ensuring the on-going effectiveness of policing standards and integrity – <b>Angela Perry</b></p>
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## Corporate Risk Register

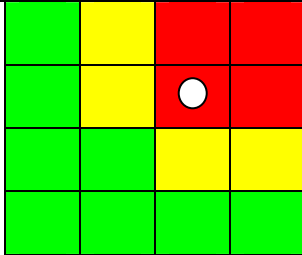
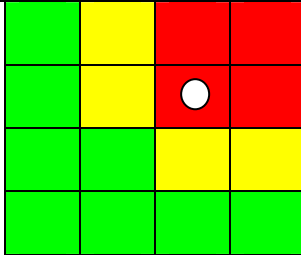
<b>Risk</b>	5. Failure in accountability of the PCC, i.e. doing the right thing at the right time and holding the Chief Constable to account – <b>Paul Stock</b>
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Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Actions
<p>Cause(s):</p> <ul style="list-style-type: none"> <li>PCC is not clear on role and cannot ensure effectiveness</li> <li>PCC lacks conviction in holding Chief Constable to account</li> <li>Appropriate Force Performance monitoring measures and mechanism is not established</li> <li>Protocol for the involvement of PCC during a significant performance issue is not defined or inappropriate</li> </ul> <p>Effect(s):</p> <ul style="list-style-type: none"> <li>Reputation damage for the PCC</li> <li>Fail to deliver all aspects of the Police &amp; Crime Plan</li> </ul>		<p>Discussions between PCC and CC</p> <p>Discussions between CEO and DCC</p> <p>Discussions between CFO and FD</p> <p>Executive Board provides evidence of decision making and performance management</p> <p>PCC attends on a cyclical and scheduled basis Force Performance Delivery Group</p> <p>PCC actively meets with specialists across the Force</p>		<p>Create clarity on decision making process in the absence of the PCC – <b>Angela Perry</b></p> <p>Improving briefing on lines of enquiry for the PCC to hold CC to account – <b>Angela Perry</b></p> <p>Develop audit trail of PCC and CC meetings to evidence that the CC is being held to account effectively – <b>Angela Perry</b></p> <p>Develop systematic and structured discussions between PCC and CC – <b>Angela Perry</b></p> <p>Develop systematic and structured discussions between CEO and DCC – <b>Paul Stock</b></p> <p>Develop systematic and structured discussions between CFO and FD – <b>Peter Lewis</b></p>

## Corporate Risk Register

Risk	6. Lack of capacity in the OPCC – Paul Stock										
Cause & Effect			Inherent Risk Priority		Existing Controls		Residual Risk Priority		Actions		
<p>Cause(s):</p> <ul style="list-style-type: none"><li>No deputy PCC</li><li>OPCC design is ineffective/inefficient</li><li>Uncertainty from the PCC over the design, size and costs of the OPCC</li><li>No business plan to enable required capacity</li></ul> <p>Effect(s):</p> <ul style="list-style-type: none"><li>Increased pressure on the staff of the OPCC</li><li>OPCC finds it difficult to support the PCC to the required level</li><li>OPCC unable to meet demands and expectations of the Public</li><li>PCC alone becomes a single point of failure</li></ul>			<div></div>	<div></div>	Inherited and interim staff provide capacity	<div></div>	<div></div>		<div></div>	<div></div>	Recruit, induct and develop permanent resource – Paul Stock
			<div></div>	<div></div>		<div></div>	<div></div>		<div></div>	Agree and implement with the PCC the Business Plan for 2013/14 – Peter Lewis	
			<div></div>	<div></div>		<div></div>	<div></div>		<div></div>	Use the Business Plan to agree clear lines of responsibility and accountability for the OPCC – Peter Lewis	
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## Corporate Risk Register

Risk	7. Fail to deliver Police & Crime Plan – Sir Clive Loader									
Cause & Effect		Inherent Risk Priority		Existing Controls		Residual Risk Priority		Actions		
<p>Cause(s):</p> <ul style="list-style-type: none"><li>Plan is unrealistic (trying to achieve too much/over ambitious with the resources available)</li><li>Plan does not recognise the differing demographics and politics across Leicestershire</li><li>Key partners are not ‘bought in’ to the plan and/or do not deliver</li><li>Adverse and unexpected events disrupt priorities (e.g. public disorder etc.)</li><li>Reactionary resourcing due to public or other stakeholder pressure</li><li>Ineffective/inefficient utilisation of resources by the OPCC and Force</li><li>Fail to capitalise on collaboration opportunities and/or ensure quality delivery</li></ul> <p>Effect(s):</p> <ul style="list-style-type: none"><li>Major policing failure</li></ul>			<p>A good quality well thought through plan that has been developed in conjunction with the CC Office</p> <p>Balanced budget set for 2013/14 along with intention to deliver a balanced MTFS (medium term financial strategy)</p> <p>Well developed regional collaborative arrangements that supports best use of resources.</p> <p>East Midlands PCC Board established to oversee collaboration in the region</p> <p>Crisis Management – both formal and informal arrangements</p>		<p>Develop on-going review of effectiveness of partner delivery – <b>Sarita Adams</b></p> <p>Pursue rigorously the Change Programme with the Force in order to deliver a balanced MTFS (with regards savings and impact on service quality ) including appropriate measures – <b>Peter Lewis</b></p> <p>Develop a mechanism for structured and controlled changes to the plan – <b>Paul Stock</b></p> <p>Develop a launch plan for the Police and Crime Plan – <b>Alice Oliver</b></p> <p>Develop a summary version of Police and Crime Plan for general circulation – <b>Alice Oliver</b></p> <p>Ensure clarity over roles and responsibilities for Crisis Management between PCC, CC and partners – <b>Peter Lewis</b></p> <p>Develop an on-going collaboration audit and assurance plan – <b>Peter Lewis</b></p>					

## Corporate Risk Register

<ul style="list-style-type: none"><li>• Local and National/Government Scrutiny</li><li>• Reputation damage</li></ul>				
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## Corporate Risk Register

Risk	8. Data quality issues/failure – Peter Lewis									
Cause & Effect			Inherent Risk Priority		Existing Controls		Residual Risk Priority		Actions	
<p>Cause(s):</p> <ul style="list-style-type: none"><li>• Data requirements are not communicated by OPCC to the Force</li><li>• Poor quality data provided by the Force to the OPCC</li><li>• Loss or corruption of data</li></ul> <p>Effect(s):</p> <ul style="list-style-type: none"><li>• May lead to misinformed decision making by the PCC and PCP</li><li>• Reputation damage as public and other stakeholders may not trust reported figures</li><li>• Unable to provide accurate information to external stakeholders.</li></ul>			<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<p>Data quality audits undertaken internally and by HMIC</p> <p>Existing robust systems in place for providing good quality financial information provided</p>		<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<p>Review the findings of recent data quality review audits to understand current position – <b>Gavin Halligan-Davis</b></p> <p>Identify and communicate data requirements to the Force - <b>Gavin Halligan-Davis</b></p> <p>Develop and on-going data audit and assurance programme - <b>Gavin Halligan-Davis</b></p>	
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## Corporate Risk Register

Risk	9. Fail to manage key relationships – Sir Clive Loader									
Cause & Effect		Inherent Risk Priority		Existing Controls		Residual Risk Priority		Actions		
<p>Cause(s):</p> <ul style="list-style-type: none"><li>Fail to identify and understand what our key relationships are (e.g national political, local political, community leaders etc.)</li><li>Fail to understand the complexities and interdependencies of the partner landscape</li><li>Lack of communication strategy and protocols for key relationships</li><li>Failure to engage with the national agenda</li><li>Lack of capacity to maintain effective relationships</li><li>Fragmentation/erosion of key relationships due to staff movements</li><li>Loss of soft assurance mechanism(s)/network(s)/opportunities due to recent changes in policing landscape</li></ul> <p>Effect(s):</p>		<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<p>Inherited partner relationships and some understanding of the interdependencies through transition programme</p> <p>Strategic Partnership Board (SPB)</p> <p>Existing relationships at BCU and LPU level</p> <p>PCC, CEO and CFO engaging with national bodies and policy makers</p>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<p>Define and identify who the key partners are and align to Police &amp; Crime Plan objectives – <b>Sarita Adams</b></p> <p>Find opportunities to better understand the complexities and interdependencies of the partner landscape – <b>Sarita Adams</b></p> <p>Further develop the Police &amp; Crime Plan in consultation with partners – <b>Paul Stock</b></p> <p>Further strengthen the relationship between the PCC/OPCC and the Panel – <b>Sir Clive Loader</b></p> <p>Prioritise efforts that will influence national policy and enhance the reputation of the OPCC – <b>Paul Stock</b></p> <p>Develop soft assurance mechanism(s)/network(s) - <b>Paul Stock</b></p>	

## Corporate Risk Register

<ul style="list-style-type: none"><li>• Unable to suitably influence and develop policing improvement across the County</li><li>• Reduces ability to deliver the Police &amp; Crime Plan</li></ul>				
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## Corporate Risk Register

Risk	10. Poor/ineffective Commissioning – Paul Stock													
Cause & Effect			Inherent Risk Priority			Existing Controls			Residual Risk Priority			Actions		
<p>Cause(s):</p> <ul style="list-style-type: none"><li>Lack of a robust commissioning process</li><li>Lack of cooperation from delivery bodies</li><li>Ineffective scrutiny by PCP of significant commissioning decisions.</li><li>Lack of OPCC commissioning capacity and capability</li></ul> <p>Effect(s):</p> <ul style="list-style-type: none"><li>Inefficient/ineffective use of resources</li><li>Reduces ability to deliver the Police and Crime Plan (including turbulence created by commissioning changes)</li><li>Unable to defend funding challenges from partners</li><li>Reputation damage</li></ul>			<div></div>	<div></div>	<div></div>	<div></div>	<p>Considerable ground work already undertaken to understand and appreciate existing commissioning arrangements</p> <p>Interim commissioning resource in place (since Sep 12)</p> <p>Six month transition funding arrangements in place (ends 30<sup>th</sup> Sep 2013)</p>	<div></div>	<div></div>	<div></div>	<div></div>	<p>Develop commissioning framework and action plan to deliver intentions by 30<sup>th</sup> June 2013 – <b>Sarita Adams</b></p> <p>Engage with partners - <b>Sarita Adams</b></p> <p>Identify and deliver resourcing requirements (including building sufficient capacity and capability) to deliver effective commissioning - <b>Sarita Adams</b></p> <p>Using existing communications to inform the public of the commissioning role - <b>Sarita Adams</b></p>		
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# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE**

## **JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED

**H**

Report of	<b>CHIEF CONSTABLE</b>
Subject	<b>RISK MANAGEMENT – UPDATE POSITION</b>
Date	<b>TUESDAY 12 MARCH 2013 – 9.00 A.M.</b>
Author :	<b>INSPECTOR DUNCAN MALLOY</b>

### **Purpose of Report**

1. This report provides JARAP with information about the Force Risk Register; highlighting the high priority and newly registered risks facing the Force and the current state of Business Continuity (BC).

### **Recommendation**

2. The Panel is asked to discuss the contents of this report and to note the current risks.

### **Summary**

3. The Force Strategic Organisational Risk Board (SORB) oversees and directs the strategic risks facing the Force; it also oversees the management of BC within the Force.
4. The Board last met on 4 February 2013 and was chaired by DCC Edens. The JARAP was not represented at this Board.

### **Risk**

5. The Risk Policy and Procedure have been re-written and were ratified by SORB.

### **Business Continuity**

6. At the February SORB, the Force's critical functions regarding BC were redefined and are now:
  - Receive and Respond to Emergency Calls
  - Secure and Protect Public and Staff
  - Control Major/Critical Incidents
  - Manage Operational Information and Intelligence
  - Investigate Crime
  - Manage Custody and Critical Case Progression
  - Inform and Reassure Our Communities
7. The BC Policy states that plans will be reviewed and also exercised on an annual basis.

## Strategic risks

8. There are, in total, 44 strategic risks identified on the Force's risk register: 5 of these are high priority and are set out in the following tables.
9. Since the December 2012 JARAP, 3 new Strategic Risks have been created.

### High Priority Risks

STR 1329	Reduction in Force Budget.		
Strategic Lead	Paul Dawkins	Impact/ Likelihood	V.High / V.High
Date Recorded	23 February 2012	Rating	High
Category	Finance / Operational	Last SORB	High
Risk Controls	Workforce Modernisation    Change Programme Change Board                      Regular review Force Restructure		
<u>Information.</u> Due to funding measures enforced on Leicestershire Police, there is a budget deficit against previously anticipated funding of up to £21m by 2016/17.			
<u>Risk.</u> The reduction poses challenges to delivering our services.			
<u>Update.</u> This is an ongoing risk which cuts across all Departments including collaborative working and the rating is to remain the same.			

STR310	Failure to recognise & respond to critical incidents & "learn lessons"		
Strategic Lead	Simon Edens	Impact/ Likelihood	High / High
Date Recorded	16 <sup>th</sup> November 2009	Rating	High
Category	Stakeholders / Reputation	Last SORB	High
Risk Controls	Reputational Risk Management Group (Operation Fox)		
<p><u>Information.</u> The Force is vulnerable to reputational damage as the risk climate for Leicestershire Police has increased following the publicity around Operation Teak.</p> <p><u>Risk.</u> Failure to identify incidents or learn lessons from previous incidents would adversely affect our reputation and public confidence.</p> <p><u>Update.</u> Title amended from “Failing to prevent critical incidents that could affect public confidence”. This is an ongoing risk and the risk rating remains the same.</p>			

STR520	Governance of Regional Collaborative Arrangements		
Strategic Lead	Simon Edens	Impact/ Likelihood	High / High
Date Recorded	13-May-2010	Rating	High
Category	Governance	Last SORB	High
Controls	Regional & Sub Regional Programme Boards “Stock Take” Report Force Change Board		
<u>Information:</u> We have collaborative arrangements with East Midland forces to deliver services. <u>Risk:</u> We must ensure proper governance of collaboration arrangements or we may be exposed to risks, e.g. performance or financial. <u>Update:</u> This risk was raised to high in September to mirror the Police Authority Risk Rating. Since then reporting has been improved, but the risk remains as high.			

STR1475	Limitations of the Sentinel ASB system;		
Strategic Lead	Mark Newcombe	Impact/ Likelihood	High / High
Date Recorded	11-May-2012	Rating	High
Category	Operational/Performance	Last SORB	High
Controls	Process Mapping	Funding secured for development	
	Audit Strategy	Governance Structure	
	Change Management Controls	ACPO Lead	
	Communication Strategy	Monitoring process	
	User Questionnaire		
<u>Information.</u> The Sentinel multi-agency ASB Case Management system was launched for Leicestershire Police in October 2011.			
<u>Risk.</u> There are limitations in the system and processes which may lead to mismanagement of ASB cases			
<u>Update.</u> The work on this risk is ongoing. Key implementations were delivered in January 2013 including: - Dynamic Searching Facilities, Lookup Facility, Supervisor Overview of cases, Expanded working sheet. These changes are communicated on a regular basis. Overall the system usage has increased and performance data is being collated and passed out to LPU Commanders. The risk is priority to remain the same.			

STR1571		Genie / DASH not being used correctly, results in incorrect risk assessment	
Strategic Lead	David Sandall	Impact/ Likelihood	High / High
Date Recorded	26-September-2012	Rating	High
Category	Operational/Performance	Last SORB	High
Risk Controls	Recorded in DJD DV Action Plan (DCI Thomson) Communication with LPU Commanders and OCI's Briefing to BCU Continuous Improvement Groups/Hub shifts and LPO's Involvement with IRC Project Group Communication Strategy Move to single DV DI for the whole Force Dip Sampling of records		
<p><u>Information.</u> This risk has been created following a Serious Case Review meeting where a number of audits (DASH, Harassment, and misper) all identified cases where Genie computer checks were not being completed on Victim / Suspect / Location. It also identified that DASH forms were not being completed properly.</p> <p><u>Risk.</u> Unless we have accurate information, which is up to date, we will be unable to assess risks to individuals properly.</p> <p><u>Update.</u> Information has been given to LPU's to more effectively manage standard and medium risk occurrences. There is ongoing work and the risk rating remains the same</p>			

## Risks Registered Since December JARAP

STR1608	Governance of partnership working arrangements		
Strategic Lead	Simon Edens	Impact/ Likelihood	High / Med
Date Recorded	02 January 2013	Rating	Med
Category	Governance	Last SORB	New Risk
Risk Controls	Departmental advice available <b><u>Additional Controls</u></b> Register of Partnerships Policy and Procedure Liaison with OPCC; Working with RSM Tenon Benchmarking with other forces		
<p><u>Information.</u> The Force are increasingly working with external partners to assist us to deliver services; eg Local Authorities , PCT's, Probation Service.</p> <p><u>Risk</u> There is currently no corporate overview of these arrangements, some arrangements are ad hoc and unregulated.. There are potentially unvetted staff being given access to our buildings/systems and information with the resultant potential for malicious or accidental loss or misuse of information.</p> <p><u>Update.</u> This is a new risk with ongoing work.</p>			

STR1625	Radio network - expiry of contract with Airwaves		
Strategic Lead	Thomas Reynolds	Impact/ Likelihood	V.High/Low
Date Recorded	01 February 13	Rating	Low
Category	Contracts and Partnerships	Last SORB	New Risk
Risk Controls	H.O Emergency Services Project. Our requirements given to H.O. National representation. Support programme to deliver end devices.		
<u>Information.</u> Airwave delivers TETRA radio communications for the Police. The contract ends in 2016. <u>Risk</u> A suitable replacement may be delayed or be more costly than the current contract. <u>Update.</u> New risk, ongoing work with the H.O Project. Currently contracts risk, potentially operational			

STR1623	Preparing for New and Emerging Communities		
Strategic Lead	Simon Edens	Impact/ Likelihood	Med/Med
Date Recorded	08 February 13	Rating	Low
Category	People- Communities	Last SORB	New Risk
Risk Controls	Horizon Scanning Mapping Communities Working with the Communities		
<u>Information.</u> Following immigration into the country and the migration of persons within the country, new communities form			
<u>Risk</u> The Force will be unprepared for dealing with communities we are unaware of and do not comprehend, this may impede our ability to provide an effective service.			
Update. New risk with ongoing work.			

## Business Continuity

10. An overview of the BC plans exercising is detailed in the following table: All these plans have highly critical activities and are to be tested by the end of March 2013.



Area	Business Area	Tested	Type	Comments
City	City NHPT Response	Yes	Plan Review	Response and SNT plan- 27 <sup>th</sup> Feb. Workshop to test the plan. Further work to be completed 27 <sup>th</sup> March. Plan then requires a further test - tabletop / full test in Q2/3
Corporate Services	Corporate Services	No		The Corporate Services plan, including the Crisis Management Team, to be tested on 18 <sup>th</sup> March
Counties	Counties NHPT/Response	Yes	Plan Review	Response and SNT plan- 27 <sup>th</sup> February - Workshop to test the plan. Further work to be completed 27 <sup>th</sup> March. Plan then requires a further test; tabletop / full test in Q2/3
DJD	Custody	No		Walkthrough performed within the last 3 months. Test date to be confirmed.
	Forensic Investigation	No		To be tested 18 <sup>th</sup> March.
Regional	Special Branch	No		To be tested 18 <sup>th</sup> March
Support	IT	Yes		Awaiting details from Tim Glover of completed tests.
	Procurement and Support	No		To be tested 18 <sup>th</sup> March
Tasking	Call Management	Yes	Full Plan	January 2013 Full Activation Jane Timms dealing with issues raised. Further review carried out by Ch/Insp Roe
	FHQ Ops Support / EMA	No		To be tested 7 <sup>th</sup> March
	FIB	No		To be tested 5 <sup>th</sup> March
	IRC	Yes	Walk-through	18/01/2013 Actions identified, Jane Timms dealing.
	Serious Collision Investigation Unit	Yes	Plan Review	18/02/2013. Plan updated to include collaboration
	TDFU	Yes	Walk-through	6/2/2013. Plan exercised with Insp Holland

### **Implications**

Financial: STR 1625, No costing for Airwave's replacement.  
 Legal: None  
 Equality Impact Assessment: None  
 Risks and Impact: None  
 Link to Police and Crime Plan: None

### **List of Appendices**

Appendix 1: Risk Matrix  
 Appendix 2: BC Exercising Timetable – All BC plans

### **Background Papers**

None

### **Person to Contact**

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**RISK SCORING MATRIX** : The tables below show how each risk should be analysed to determine its potential impact and likelihood.

**IMPACT**

	Score	Performance / Service Delivery	Finance /Efficiency £	Confidence/ Reputation	Health & Safety	Environment	Strategic Direction
Very High	4	Major disruption to service delivery  Major impact on performance indicators noticeable by stakeholders	Force >1,000,000  Business Area >150,000	Major stakeholder / investigations / longer lasting community concerns Major reputational damage adverse national media coverage > 7 days	Death or a life changing injury	Very high negative environmental impact (high amount of natural resources used, pollution produced, biodiversity affected)	Major impact on the ability to fulfil strategic objective
High	3	Serious disruption to service delivery  Serious impact on performance indicators noticeable by stakeholders	Force 251,000-1,000,000  Business Area 41,000-150,000	Serious stakeholder/investigations/prolonged specific section of community concerns Serious reputational damage adverse national media coverage < 7 days	An injury requiring over 24-hours hospitalisation and /or more than 3 days off work or a major injury as defined by the RIDDOR Regs	High negative environmental impact (medium amount of natural resources used, pollution produced, biodiversity affected)	Serious impact on the ability to fulfil strategic objective
Medium	2	Significant disruption to service delivery  Noticeable impact on performance indicators	Force 51,000-250,000  Business Area 11,000-40,000	Significant investigations/specific section of community concerns Significant reputational damage adverse local media coverage	An injury requiring hospital / professional medical attention and/or between one day and three days off work with full recovery	Medium negative environmental impact (low amount of natural resources used, pollution produced, biodiversity affected)	Significant impact on the ability to fulfil strategic objective
Low	1	Minor disruption to service delivery  Minor impact on performance indicators	Force <50,000  Business Area <10,000	Complaints from individuals Minor impact on a specific section of the community	An injury involving no treatment or minor first aid with no time off work	Low negative environmental impact (limited amount of natural resources used, pollution produced, biodiversity affected)	Minor impact on the ability to fulfil strategic objective

Score		PROBABILITY	Risk Rating	
Very High	4	>75% chance of occurrence. Almost certain to occur.		Impact x Likelihood
High	3	51-75% chance of occurrence. More likely to occur than not.		High - 9-16
Medium	2	25-50% chance of occurrence. Fairly likely to occur.		Medium - 5-8
Low	1	<25% chance of occurrence. Unlikely to occur.		Low - 1-4

Appendix 2: BC Plans: Exercise Timetable.

Period Exercise Due	Exercise Completed	Q1 – Until end of March
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Business Area	Tested Plans	Business Area	Priority	Q1	Q2	Q3	Q4	Type
City	1	City MSU	3					
		City NHPT Response	5	X				Plan Review
Corp Services	0	Anti Corruption Unit	3					
		Complaints and Misconduct	4					
		Corp Services	5					
		Information Management	4					
		Vetting and Disclosure	3					
Counties	1	Counties NHPT/Response	5	X				Plan Review
		Counties Support Unit	3					
DJD	0	CJ Archive	4					
		Comprehensive Referral Desk	4					
		Crime Prosecution Team	3					
		Custody	5					
		DJD Support	4					
		Domestic Violence	4					
		Economic Crime Unit	3					
		File Typing and Tape Summary Units	3					
		Firearm and Explosives Licensing	3					
		Force Serious Crime Team	4					
		Force Targeting Team	4					
		E Forensics	4					
		Forensic Identification	4					
		Forensic Investigation	5					
		Forensic Submissions	4					
		ID Unit	4					
		MAPPA	3					
		Public Protection Management Team	3					
		Process Prosecution Team	3					
		Road Safety	3					
		Signal Team	4					
		Warrants Dep't	3					
		Witness Care	3					
Regional	0	L&D	2					
		Regional Review Team	2					
		Special Branch	5					
Support	0	Estates	4					
		Finance	3					
		HR						
		IT	5					
		Procurement and Support	5					
		TU	3					
Tasking	6	Call Management	5	X				Full Plan
		FHQ Ops Support / EMA	5					
		FIB	5					
		Force Planning Unit	3	X				Full Plan
		IRC	5	X				Walkthrough
		RPU	4		X			Walkthrough
		SERIOUS Collision Investigation Unit	5	X				Plan Review
		TDFU	5	X				Walkthrough
		TSG	4		X			Walkthrough

# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE**

## **JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED



Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER
Subject	POLICE AND CRIME PLAN – PROGRESS TO DATE
Date	TUESDAY 12 MARCH 2013 – 9.00 A.M.
Author	CHIEF FINANCE OFFICER

### **Purpose of Report**

1. To update the JARAP on the progress being made with the development of the Police and Crime Plan.

### **Recommendation**

2. The Panel is recommended to note the update and comment as appropriate.

### **Police and Crime Plan – 2013 to 2017**

3. The Police and Crime Commissioner (PCC) is required to produce a Police and Crime Plan as soon as possible after taking office and not later than the 31 March following the appointment. That Plan must cover the period until the 31 March following the next PCC elections.
4. The draft Plan must be presented to and considered by the Police and Crime Panel (PCP), and the PCC must take account of comments made by that Panel. Sir Clive Loader, Leicestershire PCC, presented his draft Plan to the PCP on 30 January 2013, some 40 working days after his election. This was a particular challenge, as it has been for all PCCs.
5. In order to produce the draft Plan, significant consultation and research had already been carried out before the election, principally by the Corporate Services Department of the Chief Constable's office. However, in view of the short timeframe, Sir Clive was unable to undertake the breadth and depth of further consultation on the draft Plan that he would have liked prior to presentation to the PCP. That presentation made it clear that the members were seeing a draft plan that was the subject of ongoing consultation to 10 March 2013.
6. When the consultation responses have been received and analysed, a revised Plan will be presented to the PCP on 25 March ready for publication by 31 March. Sir Clive has made it clear that he will be undertaking further research

and consultation to take forward the “and Crime” commissioning part of his role. He also recognises that there is not a balanced medium term financial strategy (MTFS) within the Plan; i.e. there is a projection of the funding gap to 2016/17, but no aspirations as to how that gap will be bridged while still enabling the Chief Constable to deliver against the priorities and targets of the Plan.

7. Consequently, the PCC has stated that he will be publishing a refreshed Plan in September 2013 that sets out the commissioning intentions and shows how progress will be made towards a balanced MTFS. This will then be reflected in the Chief Constable’s delivery plan for the priorities and targets set out in the Police and Crime Plan.

### **Consultation Feedback to Date**

8. Feedback to date falls broadly into three parts: from the PCP, from the public and interest groups and from the initial equalities impact assessment. As mentioned above, the deadline for consultation is 10 March, so it is hoped that more comments will be received.

9. *Police and Crime Panel*

- a. This feedback was received in the meeting of the Panel on 30 January, and through a report received shortly thereafter. The Commissioner has responded to the report, in writing.
- b. Main comments received were concerning:
  - i. Further prioritisation of priorities
  - ii. Engagement with partners in developing the Plan and targets
  - iii. Further developing the partnership part of the Plan through more effective engagement with partners
  - iv. Reconsidering the approach to commissioning of services, especially the timetable.

10. *Public and Interest Groups*

- a. To 28 February there had been 89 separate pieces of feedback via the website, including over 40 “pro-forma” responses received from two specific interest groups.
- b. In addition, the PCC has undertaken a number of meetings with groups and feedback from those is also being collated.
- c. The most common themes raised from the 89 pieces of feedback include roads policing and the use of targets within the Plan.

11. *Initial Equalities Impact Assessment (EIA)*

- a. The initial EIA (full EIA yet to be completed) has identified issues in two broad categories: those that are about the contents of the Plan and those that are about some of the language and presentation of the Plan.

- b. A significant number of issues have been raised, both by Force experts and through consultation with others; these are being considered at the moment to identify how best to prioritise and deal with them appropriately.

### **Conclusion**

12. It is recognised that the Police and Crime Plan is a fundamental tool for the PCC to carry out his duties, so it is essential that we make every effort to consult, listen and reflect on the contents of the document prior to publication.
13. At the time of the JARAP meeting, consultation will have closed and it will therefore be possible to update the Panel a little more on the issues raised and proposals for dealing with them.

### **Implications**

Financial :	None direct, but the Police and Crime Plan will assist the Commissioner and Chief Constable in focusing resources to achieve desired outcomes.
Legal :	It is a statutory requirement to have a Police and Crime Plan.
Equality Impact Assessment :	None in regard of this report, but an EIA is being undertaken on the Plan.
Risks and Impact :	None direct in regard of this report, but an effective Plan is essential to directing the resources of both organisations and hence reducing risk of non-delivery of objectives.
Link to Police and Crime Plan :	This report focuses on the delivery of the Plan, not just one aspect of it.

### **List of Attachments / Appendices**

None

### **Background Papers**

Draft Police and Crime Plan as presented to the Police and Crime Panel on 30 January 2013

### **Person to Contact**

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# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE**

## **JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED

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Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER
Subject	JARAP RECRUITMENT UPDATE, HANDOVER, WORKPLAN AND PROTOCOL
Date	TUESDAY 12 MARCH 2013 – 9.00 A.M.
Author	CHIEF FINANCE OFFICER / DIRECTOR OF FINANCE

### **Purpose of Report**

1. To update the JARAP on the progress being made with the recruitment of the JARAP chairperson and members and, in that context, to consider the options for handover and the future workplan.

### **Recommendation**

2. The JARAP is recommended to note the update and comment as appropriate, especially upon the workplan.

### **JARAP Recruitment Update and Handover**

3. Current members of the JARAP will recall that the services of Donal Lavery of RSM Tenon have been secured to assist with the recruitment process. He has so far advised on the job description, person specification and questions for the application form. He will then assist with shortlisting, assessment tools and the interviews.
4. The closing date for both the chairperson role and members of the JARAP is 4 March 2013 (after the date of drafting this report). Shortlisting takes places on 6 March, with interviews for the chairperson role on 14 March and for the members on 21 March.
5. In line with the Terms of Reference, the Police and Crime Commissioner (PCC) and the Chief Constable will interview for the chairperson post (with Donal Lavery). The new chairperson will interview with Simon Edens, Deputy Chief Constable and the Chief Finance Officer, Peter Lewis. Again, Donal Lavery will advise this panel.
6. At the time of writing this report it is not known how many applications there are so it is not possible to assess the likelihood that all of the new roles for the JARAP will be filled. However, a better assessment will be possible at the time

of the meeting itself. Assuming that all roles are filled then it is proposed that there be a handover meeting between the interim JARAP and the new JARAP. Given the experience of the interim members, then such an opportunity to talk through relevant issues and the proposed workplan will be invaluable. The current Chairman has also kindly offered to undertake some mentoring of the new JARAP members should that be required.

7. It was intended to use the JARAP meeting on 24 April 2013 for this purpose, but it is now known that this date was not publicised to the interim JARAP in the belief that we would have transitioned before then. Therefore, if the interim JARAP agrees, we will seek an alternative and mutually acceptable date for the handover meeting.

### **Workplan**

8. In supporting the handover to the permanent JARAP, it is useful to be able to discuss a proposed workplan. While there are some items, such as the closing of the accounts, that are consistent and timetabled, there are other matters that are more flexible and driven by risk assessment.
9. Appendix A sets out a proposed workplan for consideration by the interim JARAP.

### **Working Protocols**

10. The Terms of Reference of the JARAP state:
  - a. The JARAP will establish effective communication with the PCC and Chief Constable, their nominated representatives, their respective Chief Finance Officers, Monitoring Officer, Head of Internal Audit, the External Auditor and other relevant stakeholders, including the Police and Crime Panel, for the purpose of fulfilling these terms of reference. A working protocol will be established to ensure that this is achieved by all parties.
11. There are already well established relationships between the PCC, Chief Constable, chief finance officers, auditors and others, with free and open access between the individuals and the JARAP, both through formal meetings and through informal contact. Section 7 of the Terms of Reference states:
  - a. The Chief Finance Officers, the Monitoring Officer, Head of Internal Audit and the representative of external auditor of the PCC and Chief Constable will have free and confidential access to the Chair of the JARAP.
12. Members of the JARAP are therefore asked to give guidance on whether or not a more formal protocol is required in respect of these officers.
13. Appendix B sets out the Terms of Reference of the Police and Crime Panel. The role of this Panel is clearly set out in the Police Reform and Social Responsibility Act 2011. Both the Police and Crime Panel and the JARAP have at least part of their strength drawn from their independence. They do need to respect each others roles as well as recognise the potential for duplication of effort and hence the inefficient use of resources, but it is arguable that a formal protocol is needed. There is a danger that it could compromise the independence. Perhaps the periodic sharing of workplans is sufficient? The JARAP is asked to consider the need for a formal protocol.



### **Implications**

Financial :	None direct – resources to support the JARAP are contained in the budget
Legal :	It is a statutory requirement to have effective audit and risk management arrangements
Equality Impact Assessment :	None direct in regard of this report; the recruitment process for the JARAP has been undertaken in a way that recognises the diversity of the Leicestershire Police area
Risks and Impact :	None direct in regard of this report, but the workplan is constructed so as to address the risks set out in the risk register
Link to Police and Crime Plan :	None direct, but the workplan seeks to address risks that may threaten the achievement of objectives

### **List of Attachments / Appendices**

Appendix A – Proposed Workplan for the Joint Audit, Risk and Assurance Panel  
Appendix B- Police and Crime Panel Terms of Reference

### **Background Papers**

Terms of Reference of the Joint Audit, Risk and Assurance Panel

### **Person to Contact**

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**Proposed Workplan for the Joint Audit, Risk and Assurance Panel**

This plan is only intended to capture the exceptional issues and not the routine updates. It will also be updated periodically as risks change and new subjects emerge.

<b>Date</b>	<b>Subject</b>	<b>Risk addressed</b>
<b>24 04 13 (change)</b>	Handover from Interim JARAP to permanent JARAP	Corporate governance failure
	Update on closedown of the accounts for 2012/13	Ineffective financial management and technical processes leading to reputation risk
	OPCC risk register – completed action plan including assurance mapping  Risk register for the Office of the Chief Constable including assurance mapping	Focus on managing all high impact risks identified
	Review of staffing and services supplied to the OPCC	Lack of capacity in the OPCC
	Annual Governance Statements for the OPCC and the Office of the Chief Constable	Corporate governance failure
	Report on any fraud or whistle-blowing incidents	Corporate governance failure
<b>28 06 13</b>	Draft accounts presented	Assurance on effectiveness of processes leading to unqualified accounts
	Review of communications and engagement strategy	Failure to manage public expectations of the role  Failure to manage key relationships
	Update on commissioning of services	Poor/ineffective commissioning
<b>30 09 13</b>	Audited accounts presented for sign off	Assurance on effectiveness of processes leading to unqualified accounts
	Review of governance processes in place, relationships between decision making and review bodies, holding the Chief Constable	Corporate governance failure

## Appendix A

	to account	Overburdensome scrutiny Accountability of the PCC
<b>TBC</b>	Private meeting with External and Internal Audit to review closedown process	
<b>03 12 13</b>	<p>Review of process to deliver Police and Crime Plan in September 2013</p> <p>Identify risks to delivery of the Plan priorities</p> <p>Consideration of performance reporting regime</p> <p>Review of Change Programme (taking account of Internal Audit Review being undertaken)</p>	Fail to deliver Police and Crime Plan
<b>28 01 14</b>	Review of JARAP performance in order to identify areas for focus and development	Effective scrutiny
	Review of performance of auditors against plans and planned outcomes	Overburdensome scrutiny
<b>Periodic reviews</b>	<ul style="list-style-type: none"> <li>Accounting policies, financial regulations and delegation limits,</li> <li>Whistle blowing and anti fraud policies</li> <li>Risk appetite (as well as review of risk management policies and registers)</li> <li>Information protection policies</li> <li>Report at each meeting on (nil) occurrences of fraud and data loss, large write offs and larger insurance claims.</li> </ul>	Corporate governance failure

## 1. Terms of Reference

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### Introduction

The Leicester, Leicestershire and Rutland Police and Crime Panel will publicly scrutinise the actions and decisions of the Police and Crime Commissioner (PCC) in the context of relevant sections of the Police Reform and Social Responsibility Act 2011, with a view to supporting and challenging the PCC in the effective exercise of his or her functions, acting as a critical friend.

References in this document to the 'Panel' are references to the Police and Crime Panel. **It should be noted that Home Office guidance and regulations are still to be published in relation to Police and Crime Commissioners and Police and Crime Panels.**

### Terms of Reference (as agreed by all relevant local authorities)

The Police and Crime Panel will be a joint Committee of Blaby District Council, Charnwood Borough Council, Harborough District Council, Hinckley and Bosworth Borough Council, Leicester City Council, Leicestershire County Council, Melton Borough Council, North West Leicestershire District Council, Rutland County Council and Oadby and Wigston Borough Council.

To enable it to effectively scrutinise and support the Police and Crime Commissioner in the exercise of his or her functions, the Panel will:-

1. Review and make a report or recommendation on the draft police and crime plan, or draft variation, given to the Panel by the Police and Crime Commissioner.
2. Hold a public meeting to consider the annual report from the Police and Crime Commissioner on the exercise of the commissioner's functions, at which the PCC will be present to answer questions, and make a report or recommendation (as necessary).
3. Hold public confirmation hearings and review, make reports, or recommendations (as necessary) in respect of proposed senior appointments made by the Police and Crime Commissioner.
4. Review and make reports on the proposed appointment, suspension or removal of the Chief Constable.
5. Review and make a report and recommendation (as necessary) on the proposed police precept.
6. Review and scrutinise decisions made, or other action taken, by the Police and Crime Commissioner in connection with the discharge of the commissioner's functions.

7. Fulfil functions in relation to complaints about conduct matters made against the Police and Crime Commissioner or Deputy Police and Crime Commissioner (if appointed), in accordance with the responsibilities accorded to the Panel by the Police Reform and Social Responsibility Act 2011.
8. Appoint an Acting Police and Crime Commissioner if necessary.
9. Publish all reports and recommendations the Panel makes and send copies to the constituent local authorities.
10. Determine and publish rules of procedure, including those for the appointment and removal of a chairman, method of making decisions and the formation of sub-committees, panels and working parties.
11. Co-opt additional members to the Panel with regard to the balanced appointment objective and to ensuring the required skills, knowledge and experience are represented.