AUDIT COMMITTEE

Tuesday 4th July 2023 at 14.00 hrs
Microsoft Teams and Barsby Conference Room

A G E N D A

Note for Members of the Public:

Please contact the OPCCN (details below) prior to the meeting if you wish to attend the Committee for the public part of the agenda.

Part 1 – Public Agenda

9. Draft Terms of Reference – Report from CFO Page 61

10. Forward Work Plan – Report from CFO Page 65

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Part 2 – Private Agenda

11. Fraud update – Report from CFO's

12. Audit of Accounts update – verbal update

13. Date of Next Meeting

Tuesday 29th August 2023 at 14.00hrs – Teams and In Person Meeting - Please note that questions from members of the public will not be accepted for this meeting**.**

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Enquiries to:

OPCCN
Building 7,
Falconers Chase, Wymondham, Norfolk, NR18 0WW
Direct Dial: 01953 424455 Email: opccn@norfolk.police.uk

如果您希望把这份资料翻译为国语，请致电01953 424455或发电子邮件至：opccn@norfolk.police.uk 联系诺福克警察和犯罪事务专员办公室。

Если вы хотите получить данный документ на русском языке, пожалуйста, обратитесь в Управление полиции и комиссии по рассмотрению правонарушений в графстве Норфолк по тел. 01953 424455 или по электронной почте: opccn@norfolk.police.uk

Se desejar obter uma cópia deste documento em português, por favor contacte o Gabinete do Comissário da Polícia e Crimes através do 01953 424455 ou pelo e-mail:
opccn@norfolk.police.uk

Jei šio dokumento kopiją norėtumėte gauti lietuvių kalba, prašome susisiekti su Policijos ir nusikalstamumo komisarų tarnyba Norfolko grafystėje (Office of the Police and Crime Commissioner for Norfolk) telefonu 01953 424455 arba elektroninio pašto adresu opccn@norfolk.police.uk

Jeśli chcieliby Państwo otrzymać kopię niniejszego dokumentu w języku polskim, prosimy skontaktować się z władzami policji hrabstwa Norfolk (Office of the Police and Crime Commissioner for Norfolk) pod numerem 01953 424455 lub pisać na: opccn@norfolk.police.uk

Audit Committee Meeting

Tuesday 18th April 2023
14:00 hours
Via Microsoft Teams

MINUTES

Members in attendance:

Mr R Bennett (Chair)
Ms A Bennett
Ms J Hills
Mr A Matthews
Mr P Hargrave

Also, in attendance:

Mr G Orpen-Smellie	Norfolk Police and Crime Commissioner
Mr M Stokes	Chief Executive OPCC
Ms J Penn	Chief Finance Officer, (PCC CFO), OPCC
Mr P Jasper	Assistant Chief Officer (ACO), Norfolk Constabulary
Mrs F Roe	Director of Audit, TIAA
Ms C Lavery	Audit Manager, TIAA
Mr S Megicks	Deputy Chief Constable
Mrs N Lister	Transcribing the minutes from the Teams Recording

The meeting was both 'in person and on Teams'

Part 1 – Public Agenda

1.0 Welcome and Apologies

1.1 No apologies received

1.2 The chair advised that the meeting was quorate given the attendance.

1.3 There were no questions received from the public.

2.0 Declarations of Personal and/or Prejudicial Interest

2.1 It was confirmed that there were no interests to declare for Part 1 of the agenda.

3.0 Minutes of the last meeting

3.1 The minutes of the last meeting were duly agreed by the Audit Committee members as an accurate account and the Chair will now sign these as an accurate record of the meeting.

3.2 TIAA was asked by the committee to clarify how the findings or recommendations regarding issues around culture or poor behaviour would be incorporated and reflected in the audits that they complete. Fiona Roe informed the Committee that any areas of concern or recommendations on culture and behaviour will be included in a specific section on the audit report where this is formally documented.

3.3 PCC Giles Orpen-Smellie confirmed a piece of work around culture and standards has been initiated through the PCC's Strategic Governance Board which will be shared with the Audit Committee. DCC Simon Megicks advised any review will also incorporate the HMICFRS review of vetting and the issues around culture. .

4.0 Action Log

4.1 The action log was reviewed in detail and the log will be updated to reflect the discussion.

5.0 Internal Audit 2022/23 Summary of Internal Control (SICA)

5.1 We noted there we had reviewed three reports issued by TIAA since the last meeting, one had a substantial conclusion overall and two had reasonable conclusion overall.

5.2 The committee raised concern that a number of audits in the 2022/23 annual plan had been moved to the last quarter of the year and wanted to understand if this will impact on the 2023/24 audit plan. F Roe advised the committee that work is in progress to complete the majority of outstanding Audits by early May. TIAA will then continue with the 2023/24 plan immediately after this. It was confirmed the timing of the plans will be issued.

5.3 F Roe confirmed that TIAA have additional resources that are now vetted who are already working on the contract and previous resources who worked on the contract last year will be returning to the contract. Therefore, in terms of resourcing and resilience this will ensure the audit timetable will be back on track.

5.4 The Audit Committee raised a question in connection to the audit of use of social media for existing police staff as the SICA report only mentions the induction of new staff covering this topic.

5.5 C Lavery confirmed the recommendation is for existing staff to have separate training on the use of social media and that this should have been included in the management comments.

5.6 DCC Megicks advised the committee that the Constabulary continually issue Comms on both the policy position and guidance on the use of social media and the internet. There are also multiple training days, and they cover a multitude of items which will now include cultural work and social media. This will cover the use of social media and what the expectations are and what officers need to know and do as part of both the policing code of ethics and local values. They will and will continue to have updates in relation to all these issues.

5.7 The committee asked if there is an issue with the Cyber Security draft report which was undertaken in Q3 and if there is an issued with the management responses. F Roe confirmed this is still with TIAAs auditor and will ask for this to be chased up and to review the managements responses. The Chair requested an update on the status of this audit before the next meeting in July

Action 93 F Roe, TIAA to provide update to the Chair on the Cyber Security draft report offline before the next meeting in July

6. Interim Head of Internal Audit Opinion

6.1 The Chair requested to be updated on the position of the of the Head of Internal Audit opinion.

6.2 F Roe confirmed it is interim now as there are pieces of work still ongoing, and that the interim opinion is looking reasonable. In terms of the number of limited assurances reports it has reduced each year.

6.3 No further questions were raised by the Committee to TIAA on the interim head of internal audit opinion ahead of the final opinion due at the July committee meeting.

6.4 The Chair observed that the list of audits with an assurance rating of reasonable and substantial reflects the work by TIAA with both the Forces and the PCC's office.

7. Forward Work Plan – Report from CFO

7.1 J Penn will be reviewing the contents of each individual meeting for the year.

7.2 Due to issues with the timing of the audit of accounts there have been committee meetings in March and April 2023 and J Penn's recommendation to the committee is for one of these meetings to be cancelled in 2024 and if required an additional meeting will be scheduled by exception. A review may be required as to when the meetings for 2024 take place.

7.3 The Chair agreed that it would be appropriate to return to the historically scheduled meetings over an annual cycle and then if required a special meeting for the accounts.

7.4 J Penn confirmed the contents of the informal morning briefings are being reviewed along with the order of subjects to come to those sessions.

7.5 **Action 94 -** J Penn and P Jasper to review the content and ordering of the Audit Committee morning briefs.

7.6 The Chair confirmed the Audit Committee annual report due on the agenda for today's meeting has been moved to the July 2023 meeting

7.7 The Chair raised the need for a review of the committee's Terms of Reference and members of the Committee agreed it would be appropriate to review these now there as there will shortly be new audit committee members.

7.8 The Chair requested the Terms of Reference be on the July meeting's agenda.

7.9 **Action 95:** J Penn to add Terms of Reference to the July's meeting agenda and draft a revised Terms of Reference and send to the Chair to review ahead of the meeting.

7.10 The committee asked for the skills Self-Assessment to be reviewed and J Penn confirmed that the questionnaire will be sent out again in September as this would then include the new members.

8. AOB

8.1 Jill Penn requested Audit Committee members to send any holiday dates to her should there be a need for any additional briefings or meetings.

8.2 **Action 96** All Committee members to send annual leave dates to J Penn

8.3 A Matthews updated on the recruitment of new Committee members after the Interviews took place on 17th April. A Matthews confirmed the view of the interview panel that the two applicants were both very appointable.

8.4 There has been consideration about potential conflict of interest as both applicants are members of Cambridgeshire Joint Audit Committee. Mark Stokes confirmed he had to spoken his counterpart in Cambridgeshire and there are no concerns regarding conflicts of interest and any related matters will be able to dealt with transparently through committee processes such as declaration of interests.

8.5 It was agreed that the formal wording would be reviewed around the terms of engagement letter for new committee members so that it was made clear about how any matters of conflict of interest should be dealt with.

Meeting closed

Date of next meeting

Tuesday 4th July 2023 at 1400 hours – hybrid meeting MS Teams and in person

POLICE & CRIME COMMISSIONER NORFOLK

NORFOLK CONSTABULARY

Audit Committee
Public – Part 1

Action Log – 18th April 2023

Action Number	Meeting Date	Actions and update	Owner	Status
New actions: Tuesday 11 October 2022				
084	11.10.22	**Complaints Report** **Action:** The Chair advised that there is an error in the Complaints report, C Lavery will arrange for this to be amended and will forward to the CFO for circulation to the Committee. **25.01.23 –** amended complaints report will be circulated to members **14.03.23** – C Lavery will send this to J Penn to circulate and once circulated to the Audit Committee members action can be closed **18.04.23 – C Lavery confirmed this report was circulated to the audit committee members on 17 April 2023**	TIAA	Action closed 18.04.23
New actions: Tuesday 25 January 2023				

090	25.01.23	**Outstanding draft reports yet to be finalised** Annual plans still awaiting draft report from quarter 2 are taking too long to move to final report. F Roe confirmed the draft reports go to local managers, then to the OPCC and to both Constabularies for review. If there is something that would be impactive on another part of the organisation or the delivery of a particular recommendation or the way it's going to be implemented, this causes delays in finalising the report. F Roe aware the process is slow and will be working with management with the aim to improve the time and will escalate where necessary. **Action** F Roe to provide information on performance on outstanding draft audit reports which require finalisation against the target time to respond of 10 working days. **14.03.23 update** F Roe confirmed this information will be circulated by the end of March, which will summarise performance against the 10 days turn around target of the draft report to finance. **Action –** C Lavery to amend the progress against the annual plan report to reflect when reports have slipped to another quarter. This will provide assurance that reports are not waiting extended times to be finalised. **14.03.23 update** This will be completed by the end of March **18.04.23 update** C Lavery emailed details of reporting dates to audit committee members on 17th April 2023 C Lavery confirmed there is nothing in place to ensure that the KPIs are finalised in 10 working days and the expectation is that management do reply within the 10 days. C Lavery confirmed that TIAA's delivery support will used to check	F Roe/C Lavery	Live

		that the replies are timelier and if not chase up more promptly. Peter Jasper raised concern that the 10 working days is not sufficient time for departments heads due to their competing demands. P Jasper felt 15 working days was more of a realistic time scale to complete this task. The Chair requested that F Roe and C Lavery discuss with P Japer and consider what is a reasonable period of time for the request to be completed and to bring back to the next meeting a proposal time for what they consider is realistic, timely and is achievable.		
New actions: 14th March 2023				
91	14.03.23	**Changes to the TIAA annual plan 2023/2024** **Action** C Lavery to update the PCC Norfolk and Suffolk annual plan 2023/2024 removing Recruitment from the Audit plan, new e-recruitment to remain and Out of Court disposals to be added. C Lavery to update Suffolk Constabulary with these amendments **18.04.23 –** C Lavery confirmed amended and revised plan was issued and approved by Suffolk. **18.04.23 The Chair and the audit committee approved the updated plan**	C Lavery	Action closed 18.04.23
92	14.03.23	**Change to start time of the Audit Committee – member only session** **Action** J Penn will arrange for the start time of the Audit Committee – members only session be moved from 1000 to 1100 as requested by the Chair **18.04.23 actioned**	J Penn	Action closed 18.04.23
New actions: 18th April 2023				

93	18.04.23	**Update on Cyber Security draft report** **Action** F Roe, to provide update to the Chair on the Cyber Security draft report offline before the next meeting in July	F Roe	
94	18.04.23	**Audit Committee morning brief** **Action** J Penn and P Jasper to review the content and ordering of the Audit Committee morning briefs	J Penn/ P Jasper	
95	18.04.23	**Draft Terms of Reference** **Action** J Penn to add this item to the July meeting's agenda and draft a revised Terms of Refence and send to the Chair to review ahead of the meeting	J Penn	
96	18.04.23	**Action 96** All Committee members to send annual leave dates to J Penn	Committee members	

INTERNAL AUDIT

Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies

Indicative Audit Strategy 2023/26 and Annual Plan 2023/24

2023/24

JUNE 2023

FINAL

OVERVIEW

Introduction

The Audit Plan for 2023/24 has been informed by a risk assessment carried out across our police clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Emerging Themes

This year will continue to be another challenging year for the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies in terms of the macroeconomic and financial environment, spiralling costs and the labour market. We have identified a number of key areas which will individually and collectively affect the sector in various ways; these require consideration when planning internal audit coverage.

Macroeconomic and financial environment: The UK economy has experienced a sequence of significant events including Brexit, the pandemic and the conflict in Ukraine. Further challenges lie ahead as the government seeks to cut spending and raises taxes to plug the gap in the UK's finances. Rapid and increasingly prolonged inflation, rising interest rates, shortages in the labour market and continuing supply chain disruption are leading to increased costs and a challenging financial situation for many.

Increasing wage demands: One of the consequences of the economic situation is demands for significant pay increases to help combat the effect of inflation and a perceived lack of pay progression for over a decade. This has seen strike action taking place or planned by rail workers, postal workers, lecturers, bus drivers and nurses. This will put pressure on organisational budgets and present challenges in recruitment.

Cyber security: This continues to be one of the highest ranked risks for organisations and shows no sign of going away. The widespread move to remote working and increased online service delivery has made organisations more vulnerable to phishing, malware, and ransomware attacks, particularly where there has been a lack of investment in infrastructure.

Climate change: Global warming can lead to physical, operational, financial and reputational risks arising. 'Loss and damage' - the phrase used to describe the destruction being wrought by the climate crisis - will remain high on the agenda. Aside from the obvious environmental impact, climate change can stress local economies, threaten business models and pose widespread disruption to organisations.

Vetting: HMICFRS' inspection into police vetting in the wake of the Sara Everard case found that it was falling well below the standards required. It identified that cultural shortcomings were prevalent in all of the forced inspected and warning signs that were not acted upon. The report is long and comprehensive and contains 43 recommendations and five areas for improvement. The deadlines for implementation of the recommendations are relatively tight, being April and October 2023.

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2023/24 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies' framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

INTERNAL AUDIT PLAN

Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2023/24, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies and those within the sector and has been developed with senior management and Committee.

Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS). In 2022, TIAA commissioned an External Quality Assessment (EQA) of its internal audit service. The independent EQA assessor was able to conclude that TIAA 'generally conforms to the requirements of the Public Sector Internal Audit Standards and the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF)'. 'Generally conforms' is the highest rating that can be achieved using the IIA's EQA assessment model.

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies. We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Internal Audit Strategy and Plan

Following the risk prioritisation review, the Audit Strategy has been produced (Appendix A) and the Annual Plan (Appendix B) sets out the reviews that will be carried out, the planned times and the high-level scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies. This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Chief Finance Officers and the Associate Chief Officers and will be clearly set out in the terms of reference for the additional review(s).

Release of Report

The table below sets out the history of this plan.

Date plan issued:	January 2023

Date revised plan issued:	March 2023
Date final plan issued:	June 2023

APPENDIX A: ROLLING STRATEGIC PLAN

Review Area	Entity	Type	2023/24	2024/25	2025/26
Governance					
Business Interest, Secondary Employment and Declaration of Interest	All	Assurance	✓		
Commissioning Grants	OPCC	Assurance		✓	
Performance Management	All	Assurance			✓
Equality Diversity and Inclusion	All	Assurance		✓	
Complaints	All	Assurance		✓	
Sustainability	All	Assurance	✓		
Corporate and HR Policies	All	Assurance		✓	
Change Management Programme	All	Assurance			✓
Whistleblowing	All	Assurance			✓
Risk					
Risk Management	All	Assurance	✓	✓	✓
Business Continuity	All	Assurance	✓		
ICT					
Use of Social Media	All	Assurance			✓
Cyber Security Maturity Assessment	All	Advisory	✓		
New e-recruitment system review	All	Assurance	✓		
ICT – Support for New Projects	All	Assurance		✓	
Device Management	All	Assurance			✓
Finance					
Key Financial Controls	All	Assurance	✓	✓	✓
Payroll	All	Assurance		✓	
Procurement Strategy and Compliance	All	Assurance	✓		

Review Area	Entity	Type	2023/24	2024/25	2025/26
Expenses	All	Assurance	✓		
Overtime Payments	All	Assurance		✓	
Capital Programme	All	Assurance			✓
Pensions	All	Assurance		✓	
Operational Performance and Infrastructure					
Planned and Preventative Estate Maintenance	All	Assurance	✓		
Fleet Management Strategy	All	Assurance	✓		
Safeguarding (a different area of safeguarding to be subject to review every two years)	All	Assurance		✓	
Firearms Management and Training	Constabularies	Assurance	✓		
Fuel usage and security of fuel cards.	Constabularies	Assurance	✓		
Data Quality	All	Assurance	✓		
Out of Court Disposals	Constabularies	Assurance	✓		
Police Dogs	Constabularies	Assurance			✓
ANPR Camera	Constabularies	Assurance			✓
Body Worn Cameras	Constabularies	Assurance		✓	
Security of Seized Proceeds of Crime (Cash and Assets)	Constabularies	Assurance			✓
MoPI Compliance	Constabularies	Assurance		✓	
Subscriptions	All	Assurance	✓		
Workforce					
Vetting	All	Assurance		✓	
Agile Working	All	Assurance			✓
Absence Management including Limited Duties	All	Assurance			✓
Staff retention and staff appraisals	All	Assurance	✓		
Recruitment	All	Assurance	✓		
Ill Health Retirement	All	Assurance		✓	

Review Area	Entity	Type	2023/24	2024/25	2025/26
Grievance Reporting and Management	Constabularies	Assurance	✓		
Culture and required behaviour	Constabularies	Assurance	✓		
Workforce Planning	All	Assurance	✓		
Learning and Development	All	Assurance		✓	
Resource Management Unit	All	Assurance			✓
Management and Planning					
Follow Up		Follow Up	✓	✓	✓
Annual Planning		Management	✓	✓	✓
Annual Report		Management	✓	✓	✓
Audit Management		Management	✓	✓	✓
Total Days			**275**	**275**	**275**

APPENDIX B: ANNUAL PLAN – 2023/24

Quarter	Review	Type	Days	High-level Scope	Prog Ref	Review Type
1	**Business Interest, Secondary Employment and Declaration of Interest**	Assurance	12	The review considers the adequacy of the business interest and secondary employment policy and compliance with the agreed policy and procedures. The review will also assess the adequacy of the process for declaration and approval of business interests' process, system for recording of business interests, monitoring and reviewing of business interests, and reporting of business interests	B000	System
1	**Fuel usage and security of fuel cards.**	Assurance	12	The audit will review the arrangements in place for ensuring there are appropriate controls in place in relation to fuel usage and security of fuel cards.	V2011	System
1	Sustainability	Assurance	12	The audit will review the arrangements in place for ensuring appropriate sustainability projects have been identified to meet statutory targets.	B000	System
1	**Business Continuity**	**Assurance**	12	Business continuity is of increased importance, the Covid-19 pandemic has resulted in working practices having to change significantly, it is vital that appropriate working arrangements are in place.	B000	System
1	**Fleet Management Strategy**	Assurance	12	The review will look to ensure that there is an appropriate fleet management strategy in place to ensure that there is an appropriate fleet. The review will also consider what arrangements are in place to ensure that there is a sustainable fleet.	G2061	System
1	**Grievance Reporting and Management**	Assurance	12	The review will consider the arrangements in place in relation to grievance reporting and management.	B000	System
1	**Staff retention and staff appraisals**	Assurance	12	The review will consider controls in place in relation to staff retention. The audit will also consider the effectiveness of appraisals and ensuring that appraisals are undertake timely.	V2019	System
2	Cyber Security Maturity	Advisory	12	A cyber security maturity assessment to be undertaken.	I2022	ICT
2	**Ill Health Retirement**	Assurance	10	The review will consider the arrangements in place in relation to ill health retirement.	B000	System
2	Planned and Preventative Estate Maintenance	Assurance	12	The review will consider the arrangements in place to deliver the programme of planned and preventative maintenance across the estate.	B000	System
2	**Firearms Management and Training**	Assurance	12	The objective of the audit is to ensure that there are adequate controls in place to ensure that firearms are maintained appropriately, securely stored, access is restricted and controlled and officers have received sufficient training.	B000	System
2	**Absence Management including Limited Duties**	Assurance	16	The review will assess the controls in place to ensure absence is appropriately managed.	B000	System

Quarter	Review	Type	Days	High-level Scope	Prog Ref	Review Type
2	**New e-recruitment system**	Assurance	12	This review will look to ensure that the new e-recruitment system is working appropriately, and system controls are working as desired.	I030	ICT
3	**Expenses**	Assurance	8	This review will look to ensure that there are adequate controls in place to ensure that expenses are appropriately authorised and paid.	V2010	System
3	Subscriptions	Assurance	8	The review will look to ensure that there are adequate controls in place to ensure that subscriptions are appropriately managed.	B000	System
3	Out of Court Disposals (OOCDs).	Assurance	12	The objective of the audit is to ensure that out of court disposals are processed appropriately in accordance with agreed policy and decisions are consistently applied.	B000	System
3	Procurement Strategy and Compliance	Assurance	12	The review will ensure that there is an appropriate procurement strategy in place and to ensure that there is compliance with the strategy.	V2015	System
3	Data Quality	Assurance	12	The review will look to ensure that data is accurately recorded and reported.	V2016	System
4	Key Financial Controls	Assurance	16	Key financial controls will be reviewed on an annual basis covering main finance systems and processes, with a more detailed review of each finance area on a modular basis over a three-year period.	V2017	System
4	Risk Management	Assurance	10	This review will cover the structures and processes put in place to ensure effective Risk Management across the organisation, including embedding risk, risk identification, and risk mitigation. The audit will review the Constabularies and the Police and Crime Commissioners approach to risk management.	G2040	System
4	**Culture and required behaviour**	Assurance	12	The review will look to establish that there are appropriate controls in place in relation to ensuring officers behave appropriately and to ensure that there are appropriate controls in place to identify and address negative behaviour.	B000	Assurance
1 – 4	Follow-up	Follow up	10	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring good progress for implementing recommendations, and providing reports to the Joint Audit Committees.		
1	Annual Planning	Management	1	Assessing the Police and Crime Commissioners' and the Chief Constables' annual audit needs.		
4	Annual Report	Management	1	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.		
1 – 4	Audit Management	Management	15	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Joint Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).		
		Total days	**275**			

2022/23 Internal Audits Carried Forward to 2023/23 Plan

Quarter	Review	Type	Days	High-level Scope	Review Type
3	Change Management Programme	Assurance	10	The audit will review the systems and controls in place for management of the change management programme. The audit will be undertaken in conjunction with the ICT Project Management – Support for New Projects review.	Assurance
3	ICT Strategy	Assurance	10	The objective of the review is to undertake a review of the new ICT strategy to establish if this is appropriate strategy in place and to ensure progress is being made in accordance with the ICT strategy.	Digital Assurance
4	ICT Project Management – Support for New Projects	Assurance	12	The objective of the review is to undertake a review of the ICT Project Management function to establish if this is operating effectively. The audit will be undertaken in conjunction with the Change Management Programme review.	Digital Assurance
2	Cyber Security	Assurance	12	The audit approach will consider the security management arrangements for the pro-active identification, prioritising and mitigating against cyber-threats.	Digital Assurance
3	Security of Seized Proceeds of Crime (Cash and Assets)	Assurance	10	The review will assess the effectiveness of controls for managing the recovery of seized property process for both Norfolk and Suffolk Constabularies.	Assurance
3	Data Protection / Freedom of Information	Assurance	10	The review will assess the controls in place to meet statutory obligations in relation to data protection and compliance with freedom of information requests.	Assurance
3	Vetting	Assurance	14	The review will consider the extent to which vetting procedures have been strengthened in line with recent guidance and whether national recommendations in this area have been adopted and implemented. The review will also consider what controls are in place to ensure that business interest, secondary employment and any declarations of interests are considered when undertaking vetting.	Assurance
		Total days	**78**		

APPENDIX C: PREVIOUS YEARS ROLLING STRATEGIC PLAN

Review Area	2019/20	2020/2021	2021/2022	2022/23
Governance				
Justice Services Review			✓	
Norfolk – OPCC Audit – Community Safety Partnership				✓
Transformation and Strategic Planning / Change			✓	
Strategic Control and Corporate Governance		✓		
2020 Strategic Change Programme	✓			
2025 Strategic Change Programme	✓			
Collaborations		✓		
Performance Management		✓		✓
Commissioner’s Grants	✓		✓	✓
Change Management				✓
Corporate Health and Safety		✓		
Complaints	✓			✓
Corporate and HR Policies	✓		✓	
Whistleblowing				✓
Risk				
Risk Management	✓	✓	✓	✓
Business Continuity			✓	
Emergency Planning	✓			

Review Area	2019/20	2020/2021	2021/2022	2022/23
Digital Assurance				
Website Content	✓			
Telematics	✓			
Software Licensing	✓			
GDPR/Data Protection	✓			
Information Management/Security OPCC	✓			
Systems – ERP / Enact / DMS / Chronicle interfaces			✓	
Device Management		✓		
Digital World		✓		
ICT Strategy				✓
ICT Project Management – Support for New Projects				✓
Cyber Security				✓
Use of Social Media				✓
Finance				
Key Financials	✓	✓	✓	✓
Single Tender Actions	✓			
Shared Services Transaction Centre			✓	
Overtime	✓		✓	
Expenses and Additional Allowances	✓			
Local procurement compliance including waivers		✓		✓
Shared Services Transaction Centre			✓	
Procurement strategy			✓	
Payroll		✓		
Budgetary Control	✓			
OBB Process		✓		

Review Area	2019/20	2020/2021	2021/2022	2022/23
Contract Management	✓			
Capital Programme			✓	
Pension administration			✓	
Operational Performance and Infrastructure				
Firearms Management	✓			
Firearms Licensing				✓
Dog Handling	✓		✓	
Uniform Stores	✓			
Estate Maintenance	✓			
Transport Management - Maintenance, Repair, Disposal, Transport Stock			✓	
Estates Strategy		✓		
ANPR Camera			✓	
Security of Seized Proceeds of Crime (Cash and Assets)		✓		✓
Data Quality (differing area of focus each year)		✓	✓	✓
MOPI Compliance		✓		
Safeguarding				✓
Data Protection including Freedom of Information				✓
Workforce				
Equality Diversity and Inclusivity	✓			
Vetting		✓		✓
Agile Working				✓
Establishment, Capacity, Recruitment and Retention			✓	
PEQF		✓	✓	
Workplace Health	✓			✓
Resource Management Unit				✓

Review Area	2019/20	2020/2021	2021/2022	2022/23
Succession Planning		✓		✓
Absence Management including Limited Duties	✓		✓	
Recruitment and Training		✓		
HR Strategy		✓		
Learning and Development		✓		
External Training Budget	✓			
Temporary Contracts	✓			

APPENDIX D: INTERNAL AUDIT CHARTER

The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit Committee.

Definition of Internal Auditing

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.

The Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies' senior management and governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

Scope

All the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies' activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies' management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

As well as providing the required level of assurance, TIAA's may engage in consultancy activity that contributes to the overall assurance that can be delivered to the Audit Committee.

TIAA may also conduct any special reviews requested by the Board, Audit Committee or the nominated officer (being the post responsible for the day-to-day liaison with TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, TIAA reports to a nominated officer within the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies' management.

Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies requirements.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies and additional time will be required to carry out such testing. The Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

Liaison with the External Auditor

We will liaise with the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has IS0 9001:2015 accreditation.

Audit Committee Responsibility

It is the responsibility of the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the Audit Committee is also approving the Internal Audit Charter.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and PSIAS/IIA standards.

Progress Reports: Progress reports will be prepared for each Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Follow-Up Reports: We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies' governance, risk management and operational control processes based on the work completed during the year.

Other Briefings: During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA's audit charter and PSIAS/IIA Standards.	100%

ORIGINATOR: Chairman

SUBJECT: Audit Committee Annual Report – 1 April 2022 – 31 March 2023

SUMMARY:

The work undertaken by the Committee is presented in the Annual Audit Committee Report. This submission is for the PCC and Chief Constable to review and discuss with the Audit Chair. A meeting will be scheduled before the current Chair leaves post in September 2023.

Introduction

The purpose of the Audit Committee is to provide independent advice and recommendations to the Police and Crime Commissioner and the Chief Constable for Norfolk on the adequacy of governance and risk management frameworks, the internal control environment and financial reporting.

The Committee has an independent role to review the effectiveness of governance, risk management and control arrangements in the Office of the Police and Crime Commissioner for Norfolk (OPCCN) and in Norfolk Constabulary. It also reviews financial reporting and annual governance processes as well as the work of the internal and external auditors.

This report covers the activities undertaken by the Audit Committee at its meetings during the period from 1 April 2022 to 31 March 2023.

The Committee comprises 5 independently appointed members who have a range of backgrounds and experience. During the period, it met 5 times, and these meetings usually are open to the public to attend. However, 3 meetings (2022) were held virtually with the public being asked to submit questions before the meetings and all details of the meetings appear on the website as usual. 2 meetings in 2023 became hybrid meetings which is the plan to continue with moving forward.

Governance and Risk Management frameworks

During the year, the Committee reviewed and continually updated the Draft Annual Governance Statement for the year ended 31 March 2022 which sets out the arrangements that operated to ensure effective governance in the OPCCN and the Constabulary. Because of the delay in auditing the accounts by external audit and other factors the audited accounts have yet to be signed off.

This statement is routinely published added to the annual financial statements for the year ended 31 March 2022. It is also reviewed by the external auditor who did not raise any issues at this stage in relation to its contents as part of the annual audit process.

The Committee supported the work of the Corporate Governance Working Group in refreshing the Corporate Governance Framework, which has been updated and will be placed on the website.

At its meetings during the year, the Committee reviewed the strategic risks facing the OPCCN and the Constabulary, together with the actions being taken by management to manage those risks effectively. The Committee also discusses any emerging risks with representatives from the OPCCN and the Constabulary.

Internal Controls

Internal auditors have been appointed to assess and test the operation of internal controls in several activities based on a programme of work for the year.

7 Force Commercial services undertook a procurement exercise with involvement of the Committee. The outcome of that procurement was that TIAA were awarded the contract.

The Committee reviewed and agreed the internal audit plan for the 2022/2023 year and then received progress reports from the internal auditors on their work at each meeting. During the year, to date, out of a total of 9 internal audit results reported to the Committee 1 were substantial, 8 reasonable and no limited assurances.

The Committee discussed individual internal audit reports with the internal audit team and with management at each of its meetings.

The internal audit reports included progress in implementing agreed recommendations arising from earlier assignments. The Committee has been pleased with the continued progress that has been made by management to action recommendations. It will continue to focus on this important area.

The overall conclusion from the Head of Internal Audit annual report for 22/23 is anticipated to be that TIAA are satisfied that, for the areas reviewed during the year, the Police and Crime Commissioner for Norfolk (PCC) and Chief Constable of Norfolk Constabulary (CC) had reasonable and effective risk management, control, and governance processes in place.

Financial Reporting

The OPCCN and the Constabulary are required to produce annual financial statements in accordance with recognised accounting standards and which are then subject to an independent external audit.

Prior to the production of the annual accounts, the Committee reviewed the accounting policies to be used in compiling the accounts. It also reviewed the draft annual accounts before the external audit process commenced and questioned the Chief Finance Officers on a range of accounting matters that they contained.

Once external audit has completed its work the accounts will be signed off by the PCC and CC.

Other Matters

The Committee reviewed the annual Treasury Management strategy for the year ending 31 March 2024, together with an update on treasury activities during 2022/23. The strategy sets out details of the approach to managing debt and investments.

As well as its formal meetings, the Committee meets to discuss topics that are relevant to its business so that members have a greater insight into policing matters.

Topics that have been included in this programme of training and development during the year were Complaints, Commissioning, Violence Against Women and Girls, 7 Force Procurement, Workplace Health. Force Management Statement, Fire Safety, and IT Project Management.

The Committee met Internal Audit and External Audit in private, which is recommended best practice, in January 2023.

There will be change to the membership of the Committee during 2023/24. The Chair and another key member will be standing down as will come to the end of their terms. Recruitment has been underway to fill the two vacancies and the process to appoint a new Chair has been undertaken. Key skills of the committee members will be analysed once the changes have embedded, to ensure any development needs are met. In addition, succession planning is underway for ensuring the continuation in recruiting members at appropriate times before the terms of current members' end.

The terms of reference for the Committee are being reviewed and any necessary changes will be agreed by the committee and published on the OPCCN website.

A joint meeting with Suffolk Joint Audit Committee is being considered in September.

Rob Bennett
Chair
On behalf of the Audit Committee

POLICE & CRIME COMMISSIONER
FOR JUSTICE, FOR SAFETY, FOR NORFOLK

NORFOLK CONSTABULARY
Our Priority is You

ORIGINATOR:	Chief Finance Officer

REASON FOR SUBMISSION: To review and note the Accounting Policies used in preparing the Accounts

SUBMITTED TO: AUDIT COMMITTEE

SUBJECT: Accounting Policies

SUMMARY:

The accounting policies are a necessary part of the year end accounting.

RECOMMENDATIONS:

To note the Accounting Policies used for the Final Accounts.

DETAILS OF REPORT

1. INTRODUCTION

The PCC is required to have in place details of the accounting policies used in preparing the accounts.

2. DISCUSSION

The documents submitted are with track changes which will be removed once the accounts are ready for publication. All comply with the accounting code.

3. CONCLUSION

The revised accounting policies are fit for purpose and adopted by the PCC and CC through delegation to the PCC CFO and The CC ACO.

1. Accounting Policies

General principles

The Statement of Accounts summarises the Group's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Group is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. Those practices primarily comprise the Code supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Cost recognition and intra-group adjustment

Refer to Note 5 for further details.

Recognition of working capital

The Scheme of Governance and Consent sets out the roles and responsibilities of the Police and Crime Commissioner and the Chief Constable, and also includes the Financial Regulations and Contract Standing Orders. As per these governance documents all contracts and bank accounts are in the name of the PCC. No consent has been granted to the Chief Constable to open bank accounts or hold cash or associated working capital assets or liabilities. This means that all cash, assets and liabilities in relation to working capital are the responsibility of the PCC, with all the control and risk also residing with the PCC. To this end, all working capital is shown in the accounts of the PCC and the Group.

Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not in the financial period in which cash payments are paid or received.

Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Debtors and creditors

Revenue and capital transactions are included in the accounts on an accruals basis. Where goods and services are ordered and delivered by the year-end, the actual or estimated value of the order is accrued. With the exception of purchasing system generated accruals, a de-minimis level of £1,000 is set for year-end accruals of purchase invoices, except where they relate to grant funded items, where no de-minimis is used. Other classes of accrual are reviewed to identify their magnitude. Where the inclusion or omission of an accrual would not have a material impact on the Statement of Accounts, either individually or cumulatively, it is omitted.

Charges to the Comprehensive Income and Expenditure Statement (CIES) for Non-Current Assets

Net cost of policing of the PCC is debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets.
- Revaluation and impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible assets.

The PCC is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisation. However, it is required to make an annual contribution from revenue, the Minimum Revenue Provision (MRP), towards the reduction in the overall borrowing requirement (represented by the Capital Financing Requirement) equal to an amount calculated on a prudent basis determined by the PCC in accordance with statutory guidance.

Depreciation, amortisation, and revaluation and impairment losses are reversed from the General Fund and charged to the Capital Adjustment Account via the Movement in Reserves Statement (MIRS). MRP is charged to the General Fund along with any Revenue Funding of Capital and credited to the Capital Adjustment Account via the MIRS.

Guidance issued under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 enables authorities to calculate an amount of MRP, which they consider to be prudent. For capital expenditure incurred from 2008/09, the PCC has approved calculating the MRP using the Option 3 method, which results in MRP being charged over the related assets' useful life.

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure on the acquisition, creation or enhancement and disposal of non-current assets is capitalised subject to a de-minimis threshold of £10,000. Expenditure below this amount on an individual asset is treated as revenue, with the following exceptions:

- Desktop and laptop computers and tablets
- Monitors
- Widespread replacement of communication devices
- Servers
- Software licences
- Radios
- Firearms including TASERs
- Vehicles with a life exceeding 12 months
- Annual Assets (projects incurring expenditure throughout the year which are not classified as assets under construction)
- Where government grant funding has been sought and received for specific expenditure on the assumption that both the grant and expenditure are treated as capital

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Group does not capitalise borrowing costs incurred on the acquisition or construction of non-current assets.

The cost of assets acquired other than by purchase is deemed to be fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Group). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Group.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets under construction – historic cost until the asset is live (assets under construction are not depreciated).
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for in the following way:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the net cost of policing of the PCC in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>Impairment</u>

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the following way:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

<u>Depreciation</u>

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant and equipment – straight-line allocation over the useful life of the asset.

The Code requires that where a property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, where the remaining asset life is significantly different for identifiable components, unless it can be proved that the impact on the Group's Statement of Accounts is not material. The Group has assessed the cumulative impact of component accounting. As a result, the Group applies component accounting prospectively to assets that have a valuation in excess of £2m unless there is clear evidence that this would lead to a material misstatement in the Group's Financial Statements.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation or amortisation is charged in both the year of acquisition and disposal of an asset on a pro rata basis. Depreciation or amortisation is charged once an asset is in service and consuming economic benefit.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification, on the basis relevant to the asset class prior to reclassification, and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts and are to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the PCC's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Fair Value Measurement

The Group measures some of its non-financial assets such as surplus assets and investment properties at fair value on each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or
b) In the absence of a principal market, in the most advantageous market for the asset or liability

The Group measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Group's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Group will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. Research expenditure is not capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the PCC or Group's services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Group can be determined by reference to an active market. In practice, no intangible asset held by the Group meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of a finite intangible asset is amortised over its useful life and charged to the net cost of policing of the PCC in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the net cost of policing of the PCC in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Council Tax

Billing authorities act as agents, collecting council tax on behalf of the major preceptors, which includes the PCC. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax collected could be less or more than predicted.

The council tax income included in the CIES is the PCC's share of accrued income for the year. However, regulations determine the amount of council tax that must be included in the PCC's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS. The Balance Sheet includes the PCC's share of the end of year balances in respect of council tax relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Employee benefits

Benefits payable during employment

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. An accrual is made for the cost of annual leave entitlements earned by employees but not taken before the year end. The accrual is made at the most recent wage and salary rates applicable.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the entity to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the entity can no longer withdraw the offer of those benefits or when the entity recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the entity to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Officers have the option of joining the Police Pension Scheme 2015. Civilian employees have the option of joining the Local Government Pension Scheme (LGPS), administered by Norfolk County Council. Some officers are still members of the Police Pension Scheme 1987 and the New Police Pension Scheme 2006, where transitional protection applies. All of the schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Constabulary, and all of the schemes are accounted for as defined benefit schemes.

The liabilities attributable to the Group of all four schemes are included in the Balance Sheet on an actuarial basis using the projected unit credit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits (including injury benefits on the Police Schemes) earned to date by officers and employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of earnings for current officers and employees.

Liabilities are discounted to their value at current prices, using a discount rate specified each year by the actuaries.

The assets of the LGPS attributable to the Group are included in the Balance Sheet at their fair value as follows:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

All three of the police schemes are unfunded and therefore do not have any assets. Benefits are funded from the contributions made by currently serving officers and a notional employer’s contribution paid from the general fund; any shortfall is partially topped up by a grant from the Home Office.

The change in the net pensions’ liability is analysed into six components:

- Current service cost – the increase in liabilities as a result of years of service earned this year, it is debited to the net cost of policing in the CIES. The current service cost is based on the latest available actuarial valuation.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs are debited to the net cost of policing in the CIES.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is charged to the Financing and Investment Income and Expenditure line in the CIES. The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. They are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the four pension funds – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amounts payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This means that in the MIRS there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

<u>Discretionary Benefits</u>

The Group has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including injury awards for police officers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The Group makes payments to police officers in relation to injury awards, and the expected injury awards for active members are valued on an actuarial basis.

Events after the reporting period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified.

- Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events. However, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

<u>Financial Liabilities</u>

Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the PCC has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

<u>Financial Assets</u>

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The PCC's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the PCC, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The PCC recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the PCC.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Government grants and contributions

All government grants are received in the name of the PCC. However, where grants and contributions are specific to expenditure incurred by the Chief Constable, they are recorded as income within the Chief Constable's accounts. Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Group when there is reasonable assurance that:

- The Group will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Group are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet within creditors as government grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants / contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account.

Investment policy

The PCC works closely with its external treasury advisors Link Asset Services to determine the criteria for high quality institutions. The criteria for providing a pool of high-quality investment counterparties for inclusion on the PCC's 'Approved Authorised Counterparty List' is provided below:

- UK Banks which have the following minimum ratings from at least one of the three credit rating agencies:

UK Banks	Fitch	Standard & Poors	Moody’s
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

- Non-UK Banks domiciled in a country which has a minimum sovereign rating of AA+ and have the following minimum ratings from at least one of the three credit rating agencies:

Non-UK Banks	Fitch	Standard & Poors	Moody’s
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- Part Nationalised UK Banks;
- The PCC’s Corporate Banker (Barclays Bank) – if the credit ratings of the PCC’s Corporate Banker fall below the minimum criteria for UK Banks above, then cash balances held with that bank will be for account operation purposes only and balances will be minimised in terms of monetary size and time;
- Building Societies (which meet the minimum ratings criteria for UK Banks);
- Money Market Funds (which are rated AAA by at least one of the three major rating agencies);
- UK Government;
- Local Authorities, PCCs etc.

All cash invested by the PCC in 2022/23 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

Joint operations and joint assets

Joint operations are activities undertaken by the PCC or the Chief Constable in conjunction with other bodies, which involve the use of the assets and resources of the Group or the other body, rather than the establishment of a separate entity. The Group recognises on the PCC Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the relevant CIES with its share of the expenditure incurred and income earned from the activity of the operation.

Joint assets are items of property, plant and equipment that are jointly controlled by the Group and other bodies, with the assets being used to obtain benefits for these bodies. The joint operation does not involve the establishment of a separate entity. The Group accounts for only its share of the joint assets, and the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the arrangement.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The PCC as Lessee</u>

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the PCC are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the PCC at the end of the lease period).

The PCC is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds toward the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

<u>The PCC as Lessor</u>

Where the PCC grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the net cost of policing line in the CIES. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Private Finance Initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Group is deemed to control the services that are provided under its PFI schemes, and for the Police Investigation Centres (PICs) ownership of the property, plant and equipment will pass to the Group at the end of the contracts for no additional charge, the Group carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The liability was written down by the initial contribution.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Group.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the Chief Constable's net cost of policing in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – these are included as part of the unitary payment such that the supplier absorbs any peaks and troughs throughout the life of the contract.

Provisions

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Group may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Group settles the obligation.

The insurance claims provision is maintained to meet the liabilities for claims received but for which the timing and/or the amount of the liability is uncertain. The Group self-insures part of the third party, motor and employer's liability risks. External insurers provide cover for large individual claims and to cap the total claims which have to be met from the provision in any insurance year. Charges are made to revenue to cover the external premiums and the estimated liabilities which will not be met by external insurers. Liability claims may be received several years after the event and can take many years to settle.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MIRS so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the PCC – these reserves are explained in the following paragraphs:

<u>Revaluation Reserve</u>

This reserve records the accumulated gains on non-current assets arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). The reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred, only because the asset has been revalued. The balance on this reserve for assets disposed is written out to the Capital Adjustment Account. The overall balance on this reserve thus represents the amount by which the current value of non-current assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historic cost.

<u>Capital Adjustment Account</u>

This account accumulates (on the debit side) the write-down of the historical costs of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on this account represents timing differences between the amount of the historical cost of the non-current assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with the statutory provisions. The PCC accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the PCC and Chief Constable make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the PCC and Chief Constable have set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Value Added Tax

VAT payable is included as an expense or capitalised only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. Where the VAT is irrecoverable it is included in the relevant service line of the Group's CIES, or if the expenditure relates to an asset, is capitalised as part of the value of that asset. Irrecoverable VAT is VAT charged which under legislation is not reclaimable (e.g., purchase of command platform vehicles).

Going Concern

The Code stipulates that the financial statements of local authorities that can only be discontinued under statutory prescription shall be prepared on a going concern basis. This assumption is made because local authorities carry out functions essential to the local community, and cannot be created or dissolved without statutory prescription. Transfers of services under combinations of public sector bodies do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting. However, in order to assist External Audit with establishing their going concern conclusion, a review of going concern is carried out by management. Refer to section 8 of the narrative report and Note 32 for detail of this review.

PROCEDURE

MONITORING AND REVIEW OF RISK

Owning Department:	Finance		
Department SPOC:	Chief Finance Officer – Jill Penn		
Organisational Lead:	Chief Executive – Mark Stokes		
Governing Policy:	Risk Management		
Risk Rating:	N/A	Legal Sign Off: Date:	N/A N/A

Approved by

Norfolk Audit Committee:			
PCC			
Published Date:		Review Date:	

Index

1. Summary of Changes

1.1 This is a new policy and procedure for risk management.

1.2 This policy and procedure replace the following policy:

- Procedure Monitoring and Review of Risk (2019)
- 1.3 roles and responsibilities have been updated

2. Aim

2.1 This procedure outlines the risk management framework for the Office of Police and Crime Commissioner (OPCC). It describes the processes required to successfully deliver the risk management policy and defines the roles, responsibilities and practices which ensure organisational risk is managed effectively.

2.2 All staff are encouraged to be risk aware in order that risks can be identified, assessed, and managed; therefore, embedding risk management throughout the organisation.

3. Risk Definition

3.1 Risk is defined by the International Standards Organisation (ISO 31000) as:

“The effect of uncertainty on objectives, the effect can be positive (opportunity), negative (threat) or a deviation from the expected. Also, risk is often described by an event, a change in circumstances or a consequence”.

3.2 The effective management of risk is critical for any organisation to ensure that it maintains its services and continues to progress effectively towards achieving its strategic aims.

3.3 Risk management is the planned and systematic approach to the identification, assessment/evaluation, and management of risks in order to achieve operational effectiveness, continuous improvement and to deliver organisational objectives. Risk controls and mitigation plans can reduce the probability of a risk occurring to an acceptable level, or if the event does occur, reduce its level of impact.

4. Risk Reporting

4.1 The risk reporting process involves:

- The PCC will hold operational and organisational risks, monitored and managed by the senior management team and reviewed on a regular basis.
- Monthly review of directorate risk registers.
- Review and monitoring of all risks by the Complaints and Compliance Manager
- Organisational risk register compiled from risks within the directorate risk registers.
- Higher level risks (red and 8 amber) are submitted for consideration and discussion at the monthly Senior Management meetings.
- Risks with a significant impact or likelihood organisationally or key red risks are escalated to the Chief Executive via the Strategic Risk Register.
- Half Yearly submission of the Strategic Risk Register is made to Norfolk Audit Committee. (April & October)
- The Norfolk Strategic Governance Board Meetings will discuss developing, agreeing, and implementing risk management issues and actions.
- Audit and compliance review by internal auditors.

5. Risk Management Process

5.1 The diagram below shows the key elements that make up the overall risk management process which should be used for the identification, assessment, evaluation, and treatment/control of a risk should it occur. This is the information used to articulate and manage risks within the risk registers.

5.2 The risk management process is designed to support the OPCC in the delivery of the strategic and operational objectives, the Vision, Mission and Values and the Norfolk PCC's aims and objectives within their respective Police, Crime and Community Safety Plan. Potential risks should be identified against these objectives as a result this concept can quite easily be used against directorate or personal aims or objectives.

6. Risk Identification

6.1 It is the responsibility of all managers and staff at all levels to be aware of the risks they face while undertaking their day-to-day activities. Once a risk has been identified, it can be added to a risk register that acts as an audit trail of decisions and actions taken which in turn can be used to assist in assessing priorities and allocation of resources.

6.2 Identifying risks is something everyone does automatically every day and can be seen as a tool used to demonstrate:

- You have thought what could go wrong or what unforeseen event could occur.
- You have taken steps to stop it from happening.
- That any additional resources or action to be taken has been identified.

6.3 Risks can be aligned to the following:

- Organisational Vision, Mission, and Values.
- Operational and Strategic Objectives.
- Police, Crime and Community Safety Plan Objectives and Aims.

- Internal and External Audit reports, Internal Controls.
- Compliance with Statutory Requirements and Recommendations.
- Key Financial Risks or Performance Activity.
- Partner Organisations or External Agencies.

6.4 When describing a risk, you are telling a story in three parts:

- The risk source (or causes) – in other words, the risk itself.
- The uncertain event and the consequences.
- The effects of the risk on the organisation.

6.5 Risk is the combination of a **source / cause** of risk and an **event / threat** that gives rise to a **consequence / effect** which might be considered as abnormal.

6.6 Risks may be positive (opportunity) or negative (threat). Think:

Cause ⇨ Threat ⇨ Consequence
or
Source ⇨ Event ⇨ Consequence

6.7 To correctly describe a risk, the **cause / source** together with the **event / threat** and **consequence** should be stated.

- The **source / cause** is the intrinsic thing which may cause harm.
- The **event / threat** is the ‘something’ that could occur that would give rise to the risk.
- The **consequence** is the outcome or impact of the risk.

Example:
A garage may run the risk of a catastrophic release (consequence) of flammable liquid (source) if an earthquake (event) ruptures the four hundred tonne tank of petrol being stored on the forecourt.

Example:
A spark (event) from a non-flameproof electrical switch may ignite (consequence) the flammable liquid (source) which has been released from the storage tank.

6.8 Ideally, a description of risk will also contain within it, **when** and **where** the event could occur.

Example:
Our reputation will be sullied (consequence), if we do not react within the first hour (when) of a hazardous liquid spill (event) in our factory (where) in immediately getting information to the public in order to stop misinformation (source) spreading.

6.9 It is not necessary to put all of this into one sentence. What is key is to ensure the risk and its actual impact on the department and/or organisation is properly described.

Articulation of Risk:

6.10 Examples of typical wording of individual risks:

The risk is………

The risk of………could lead to

Inability to……..

Reduction of…………

Failure of / to……..

Lack of……….. could lead to………resulting in……..

Threat of…….could result in……..

Possibility of…….

Reduction of……

Increase in………..

Lack of………….

Example:
Failure of uninterrupted power supply could lead to inability to power up computer systems during a power outage resulting in personnel unable to use the computer systems to undertake their normal duties.
Insufficient training in the use of hazardous machinery may lead to inappropriate use by staff resulting in possible injury.

Risk vs. Issue – What's the Difference?

6.11 The formal definition of risk is the 'effect of uncertainty on objectives', whether the effect is a positive opportunity or a negative threat.

6.12 Think of it as:

- An **issue** is a problem *today*
- A **risk** *may* become a problem in the *future,* it hasn't yet occurred but it may.

6.13 A risk is a 'future event' that could have an impact on organisational objectives. It may happen or it may not. You can plan for a risk based on its likelihood and potential impact – risks can be avoided completely, minimised and tolerated, transferred to another party or dealt with by controls and strategies to deal with their effect.

6.14 An issue is a 'present problem or concern influencing organisational objectives' – it has already occurred and is affecting our objective at the present time. In other words, an issue is raised when something has gone or is going wrong.

When does a Risk become an Issue?

6.15 A risk could become an issue if it materialises – when you can no longer stop the impact, it is an issue.

Example:
You are planning to travel to an all-day meeting which is some distance away by train as your car is out of action. However you have heard the train drivers may go on strike within the next week. This is a **risk**! You know it might happen so you have the opportunity to manage the risk.

You may decide to minimise the risk by investing in a bus timetable, seeing if there are any lift sharing options travelling with a colleague or hiring a vehicle. Therefore if the strike does occur you can still get to the meeting and achieve your objective – you have put in place a **mitigating control** or action.

You go to the meeting and whilst there receive a text saying the train drivers have in fact gone on strike! You now have an **issue** which you must resolve – the potential risk has become an issue as it has occurred. You therefore have to catch the bus home!

7. Types of Risk

Type of risk	*Explanation*
Strategic	This is a risk requiring review and intervention at a strategic level due to the potential scale of impact on priorities and resources and/or where action to address the risk cannot be adequately provided by the manager or directorate.
Operational	This is a risk which may have a significant impact on the directorate's capability to address the organisational priorities and action to address the risk lies within the remit of the manager or directorate.
Programme	This is a risk requiring intervention at a programme level due to the potential scale of impact on priorities and/or resources and action to address the risk cannot be adequately provided at project level.
Project	This is a risk which may have a significant impact on the delivery of the project however action to address the risk lies within the remit of the project.

Operational Risk

7.1 Although the focus of this procedure is around 'business', 'organisational' or 'strategic' risks, operational risk is a key and important factor in the day to day business of the OPCC. Operational threat, risk and harm is identified in line with the Strategic Assessment but not in line with 'business' risk due to the differing nature and impact it has, along with the more localised considerations and intelligence that is required for assessment.

7.2 However, where appropriate, operational risk relating to an area of business should be recorded under a directorate risk register in line with the scoring and assessment outlined above and as set out within the risk management policy. It should be escalated through the risk management process where there is a potential for it to have an organisational as well as operational impact.

8. Risk Register

8.1 The risk register is the tool used to hold all the information and details of each risk. It identifies:

- The department.
- Category / type of risk.
- Date the risk was first identified.
- Risk description.
- Risk owner.
- Initial scoring of the risk likelihood/impact at its inherent level ie. the level of risk at the time it is entered onto the risk register and before any controls or mitigation action has been taken.
- Details of the control(s) or counter measures taken to manage the risk to an acceptable level and within the risk appetite. The controls should be specific and measurable – not just updates on any action taken.
- The secondary level of risk likelihood/impact score ie. the residual or current level of risk. This scoring is important as it will show whether or not the controls taken are working to bring down the risk likelihood and/or impact. If the residual risk score remains the same as the inherent then further controls or action plans will need to be considered in order to bring down the risk to an acceptable level.
- Risk control response, i.e. the 4T's - Treat, Tolerate, Terminate or Transfer (see Section 11).
- Risk status – live, new or closed.

8.2 The risk registers are maintained at directorate level and these are used to feed into, depending on the nature and seriousness of a particular risk, the Strategic Risk Register.

8.3 The OPCC currently operate the following risk register templates:

- Strategic Risk Register for the reporting and management of significant risks which threaten or enhance the long term achievement of corporate objectives. These risks could also cause reputational damage or operational/organisational disruption;
- Operational Risk and Issues Register for the reporting of all operational risks including information management, health and safety and business continuity related risks.
- Programme and Project Risk, Assumption, Issue and Dependency (RAID) Logs for the reporting risks that may threaten programme delivery or cause disruption to the delivery of a specific project. These risks are managed by the Commissioning department working with the

Chief Finance Officer to ensure risks of a significant nature are captured and reported through the SMT.

8.4 By bringing all the relevant information together in a single format, the risk register allows all staff, managers, chief officers, auditors, and external agencies to see the overall risk situation at any given time as well as future plans and historic progress.

9. Risk Assessment

9.1 Once identified, risks will need to be rated based on the likelihood of the risk materialising and the impact this would have should the risk occur – see definitions and matrix below – the criteria for assessing risk areas are defined by using a 4 x 4 matrix.

9.2 It is recognised that rating a risk is not an exact science and should be informed by evidence where possible ie. economic forecasts, trends, historic information/events etc., however it is also about applying collective professional knowledge and judgement and the active consideration of the likelihood and impact of a risk materialising that is also important.

9.3 The purpose of rating a risk is to focus attention to ensure appropriate and proportionate controls and mitigation plans are in place.

DEFINITION OF IMPACT SCORE					
		SERVICE DELIVERY	FINANCIAL	STRATEGIC	REPUTATION
1	Negligible	Negligible service disruption No impact to any key services/objectives Negligible public dissatisfaction	Negligible financial impact (<1% of budget/cost savings)	Negligible deviation from strategic direction. Negligible impact on strategic aims or delivery plan	No Impact
2	Marginal	Limited service disruption Minor public/partner dissatisfaction No impact on key services although may impact on minor services	Minor financial impact (2-3% of budget/cost savings)	Minor deviation from strategic direction. Minor impact on strategic aims and delivery plan	Little impact inside or outside the force itself
3	Serious	Significant service/dept disruption Noticeable public/ partner dissatisfaction Impact on some services/some key objectives or targets are not met	Measurable financial impact (3-4% of budget/cost savings)	Medium term and serious deviation from strategic direction, aims and delivery plan. Measurable impact on strategic direction	Negative local or regional media coverage. Regional public/political concern.
4	Critical	Major service disruption	Severe financial impact (>5% of budget/cost savings)	Long term severe deviation from strategic direction, aims and delivery plan. Long term impact on strategic objectives Significant recovery time required	Long term local, regional or national media coverage Major public/political concern Possible public or other enquiry

DEFINITION OF LIKELIHOOD SCORE			
No	DESCRIPTION	PROBABILITY	LIKELIHOOD

1	Remote Possibility	5% - 20%	No indication that the risk or event will happen or very likely at the current time
2	Possible	20% - 50%	The risk or event could occur within certain circumstances (remote chance and level of uncertainty that it will not)
3	Likely	50% - 80%	The risk or event is more likely to happen than not (moderate chance)
4	Almost Certain	80% or more	The risk or event is expected to occur or occurs regularly (very significant chance it will happen)

Risk Score Matrix		LIKELIHOOD			
		Remote	Possible	Likely	Almost Certain
IMPACT	Critical	4	8	12	16
	Serious	3	6	9	12
	Marginal	2	4	6	8
	Negligible	1	2	3	4

LIKELIHOOD X IMPACT = RISK SCORE

High (critical)	Implement immediate control measures and take action to reduce or eliminate risk. Risk to be managed at appropriate management meeting with consideration at Corporate Management Team. Consider whether risk should be escalated to the Strategic Risk Register.
Medium (Serious)	Implement control measures to reduce and manage risk. More than one control may be used. All controls should be regularly assessed (monthly) to ensure they remain relevant and cost effective.
Medium/Low (Marginal)	Implement control measures to reduce risk and frequently review risk circumstances, controls and monitor any changes to the level of risk severity. Consider whether risk needs to be escalated to next level.
Low (Negligible)	No immediate action. Risk should be recorded on risk register and monitored at departmental/project manager level.

10. Risk Appetite

10.1 Risk appetite can be described as the amount of risk an organisation is willing to accept, tolerate or be exposed to at any one point. The concept of a risk appetite is key to achieving effective risk management and it is essential to consider before moving on to consider how risks can be controlled.

10.2 The level of risk may change within the organisation, depending on whether risks are speculative or mission critical, i.e. the OPCC may tolerate a higher degree of risk for business benefit opportunities over business critical projects.

10.3 The organisational risk appetite for the OPCC has currently been agreed as risks rated between 1 and 6. Any risk scoring 8 or above is deemed significant and will be subject to escalation to the Audit Committee for review. This essentially means that action must be taken to proactively manage the risk. What is considered a high level of risk at one level is likely to be a lower level of risk to a higher level of management. This facilitates a risk escalation process for the taking of risk decisions and ensures appropriate delegated authority within the business area. All risks must be assessed using the 4x4 Risk Assessment Matrix and should be considered for impact on an organisation-wide basis.

10.4 Using the traffic light system to clarify:

Red	These risks are not acceptable, as their combination of likelihood and impact is too high for the PCC and OPCC to bear. These risks fall outside the risk appetite.
Amber	These risks should be reduced to a manageable level and are tolerable if a reduction is achieved. These risks therefore fall within the risk appetite.
Yellow	These risks are tolerable but further mitigations should be considered to further reduce the level of risk. These fall within the risk appetite.
Green	These risks are acceptable at the present time but should be regularly monitored. They have such a low score that should they occur their effect could be managed. These fall within the risk appetite.

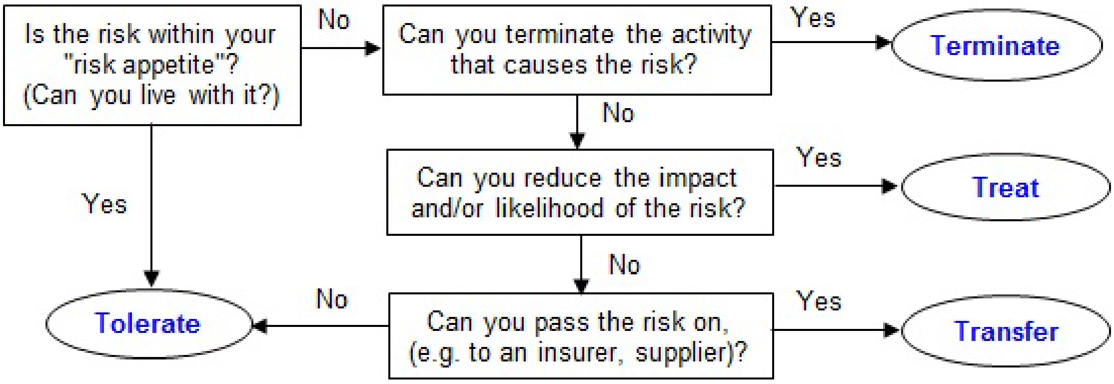
11. Risk Control / Treatment

11.1 Once a risk has been assessed and scored, consideration then needs to be given what controls or mitigations need to be put in place to reduce the level of risk to a more manageable level. If initial action is failing to reduce the likelihood or impact of the risk, then further controls will need to be considered and be part of the risk review process. Care should be taken to ensure any additional controls remain cost effective to the actual level of risk.

11.2 Having determined the control and mitigation strategy to implement, the appropriate control actions need to be taken and these are known as the 4Ts:

- **Terminate** - the activity that causes the risk.
- **Treat** - the likelihood and/or impact to reduce the risk to an acceptable level.
- **Tolerate** – the risks which are acceptable and within tolerance or appetite levels.

- **Transfer** - the risk to another department or party (i.e. insurance).



Terminate the Risk

11.3 Some risks can only be addressed by terminating the activity that generates the risk. Whilst this option will not be appropriate for the majority of operational police activity, it can be of benefit in project management where anticipated outcomes or benefits are jeopardised by the risk.

Treat the Risk

11.4 The risk will be reduced from its current level with the application of appropriate controls and counter measures and regularly reviewed. The majority of risks will be addressed in this way.

Tolerate the Risk

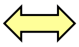
11.5 This option may be considered where the degree of risk exposure is at an acceptable level (control/counter measures may already be in place) without further action; or where the ability to take action is limited; or the cost of any action is disproportionate to the level of benefit gained. If chosen, this option may be supplemented with a contingency plan to minimise any impact that might arise if the risk is realised.

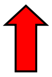
Transfer the Risk

11.6 Some risks, particularly financial ones or risk to assets may be addressed by transferring to another department, a partner agency or a third party ie the contracting out of a particular service or taking out insurance. It should however be remembered that many legal liabilities cannot be avoided simply by having someone else carry out an activity. For example you can pass on the activity (outsourcing service) but not the legal responsibility (liability) or the accountability for ensuring that it is carried out correctly.

Direction of Travel

 Reducing

 No Movement

 Increasing

Remember - all risks can be:

Treated by applying further controls
Tolerated but still monitored
Transferred to another department/insurance/party
Terminated when suitably mitigated

12. Residual Risk Assessment and Review

12.1 Once control or counter measures have been reviewed, then consideration of the residual or current risk score need to be undertaken. This is the actual level of likelihood and/or impact of the risk after the control(s) has been applied. This stage also acts as an assessment whether the mitigations in place are actually working or whether a change in action is required.

12.2 All risks should be monitored and regularly reviewed to ensure that the degree of likelihood or impact has not increased. The following questions should also be addressed:

- Is the risk still the same? (has the environment changed, are the scores still appropriate?)
- Are the controls/counter measures or planned actions still relevant and appropriate?
- What progress has been made in implementing those controls/actions?
- Has the cost of controls/actions been considered (i.e. time, cost, people, equipment etc.)

13. Policy and Procedure Monitoring and Review

13.1 The risk management policy and procedure will be routinely monitored and reviewed by the Chief Finance Officer and internal audit to ensure it remains applicable and compliant with relevant organisational and legislative changes and requirements.

13.2 Compliance with this policy and procedure is monitored through SMT.

13.3 The Chief Finance Officer, working with internal audit, is responsible for reviewing this policy on an annual basis in preparation of the Annual Governance Statement.

13.4 The top strategic risks will be reported regularly to the Audit Committee.

14. Communication and Training

14.1 To support the risk management process, a regular communication reminder will ensure that all staff understand the policy and procedure on risk management, what the risk priorities are and to promote individual awareness of risk and risk management.

14.2 The PCC is committed to providing risk management training to all staff. There will be a programme for new members of staff to receive introductory training, and refresher training will be offered on a rolling basis.

Norfolk Joint Audit Committee
Terms of Reference

Statement of Purpose

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

The purpose of the Audit Committee is to provide independent advice and recommendation to the PCC and the Chief Constable on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the Committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of the governance, risk management and control frameworks, financial reporting and annual governance processes, and internal audit and external audit.

These terms of reference will summarise the core functions of the committee in relation to the Office of the Police and Crime Commissioner (OPCC) and to the Constabulary and describe the protocols in place to enable it to operate independently, robustly, and effectively.

Membership

The Committee will comprise a maximum of six named members with appropriate experience and who are independent of the Police and Crime Commissioner for Norfolk (PCC) and the Constabulary. To be quorate at least 3 members must be in attendance.

One of the members will be the Chair of the Committee, who will be directly appointed by the PCC and the Chief Constable (CC).

The members will be able to serve no more than 2 terms, each term being a maximum of 4 years. To ensure continuity, were possible, members shall be rotated on and off the Committee in turn rather than as a group, therefore the term of membership will be reviewed as appropriate.

Meetings

The process for calling and holding meetings will be the delegated responsibility of the PCC CFO in liaison with the CC ACO. There will be 4 meetings a year. The calendar of meetings shall be agreed at the start of each year. Further meetings outside of the normal cycle can be convened at the request of the Chair. The PCC or Chief Constable may ask the Committee to convene further meetings to discuss particular issues on which they want advice. Meetings can also be requested by the external or internal auditors where this is considered necessary, with the agreement of the Chair.

Reports submitted to the Committee will be available 10 working days before a meeting.

Minutes will be drafted for Audit Chair and PCC CFO review by CC ACO and the unsigned and unapproved draft minutes of the most recent meeting will be circulated promptly to all parties attending the meetings once they have been agreed by the Chair and CFO.

The minutes of the Committee will be placed in the public domain as soon as these have been approved and signed by the Chair, with the exclusion of any matter deemed private or confidential.

Governance, risk, and control

The Committee will, in relation to the PCC and the Chief Constable:

1. Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
2. Review the Annual Governance Statement(s) prior to approval and consider whether it/they properly reflect(s) the governance, risk and control environment and supporting assurances and identify any actions required for improvement.
3. Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
4. Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC/the Constabulary.
5. Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the police and crime commissioner/the chief constable in addressing risk-related issues reported to them.
6. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
7. Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy, actions, and resources.

And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

Internal audit

The Committee will:

8. Annually review the internal audit charter and resources.
9. Review and approve the internal audit plan and any proposed revisions to the internal audit plan.

10. Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.

11. Consider the head of internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements.

12. Consider summaries of internal audit reports and such detailed reports as the committee may request from the PCC/Chief Constable including issues raised or recommendations made by the internal audit service, management responses and progress with agreed actions.

13. Consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations

External audit

The Committee will:

14. Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.

15. Consider the external auditor's annual management letter, relevant reports, and the report to those charged with governance.

16. Consider specific reports as agreed with the external auditor.

17. Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

Financial reporting

The Committee will:

18. Review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the police and crime commissioner and/or the chief constable.

19. Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.

And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

Other functions

The Committee will:

20. Examine the annual draft Treasury Management Strategy, monitor its application during the year and make any recommendations to the PCC and to the Chief Constable in this respect.

Accountability arrangements

The Committee will:

21. On a timely basis report to the PCC and the Chief Constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.
22. Annually report to the PCC and the Chief Constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
23. Annually review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the PCC and the Chief Constable.

Jill Penn
CFO

Audit Committee
Forward Work Plan

4 July 2023

Committee briefing **4 July 2023**	One Plan approach/SBOS (change management)
Welcome and Apologies	
Declarations of Interest	
Minutes of meeting **18 April 2023**	
Actions from previous meeting	Action Log
Internal Audit Progress and Follow up Report 2023/24 updated Plan Draft Annual Report	Reports from Head of Internal Audit (TIAA)
Audit Committee Annual report	Report from Chair and CFO
Accounting Policies	Report from CFO/ACO
Update to Risk Policy and Procedures (OPCCN)	Report from CFO
Draft Terms of Reference	Reports from CFO
Forward Work Plan	Report from CFO
Part 2 Private Agenda	
Minutes of meeting **18 April 2023**	
Actions from previous meeting	Action Log
Fraud Update – Part 2 private agenda	
Audit of Accounts update -Part 2 private agenda	Verbal report

10 October 2023

Committee Briefing 10 October	Data Protection & GDPR/Estates Strategy update
Welcome and Apologies	
Declarations of Interest	
Minutes of meeting **4 July 2023**	
Actions from previous meeting	Action Log
External Audit 2022/23 Audit Plan	Report from Director, E&Y
Internal Audit 2023/24 Summary of Internal Control	Reports from Head of Internal Audit
Audit Committee Effectiveness (Skills)	Report from CFO

Annual Governance Statement 2022/23	Report from CFO
Forward Work Plan	Report from CFO
Part 2 Private Agenda	
Minutes of meeting **4 July 2023**	
Actions from previous meeting	Action Log
Fraud Update – Part 2 private agenda	
Strategic Risk Register update– Part 2 private agenda	Report from Chief Exec and CC

24 January 2024

Committee briefing 24 January 2024	Cyber crime/ Reoffending prevention work
Welcome and Apologies	
Declarations of Interest	
Minutes of meeting **10 October 2023**	
Actions from previous meeting	Action Log
Internal Audit 2023/24 Progress update and follow up report	Report from Head of Internal Audit TIAA
Treasury Management 2023/24 Half Year Update 2024/25 Strategy (draft)	Report from CFO
Forward Work Plan	Report from CFO
Part 2 Private Agenda	
Minutes of meeting **10 October 2023**	
Actions from previous meeting	Action Log
Fraud Update – Part 2 private agenda	

26 March 2024

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting **24 January 2024**	
Actions from previous meeting	Action Log
Final Accounts 2022/23 Approval including External Auditor's Audit Results Report	Report E&Y (External Audit)
Internal Audit 2023/24 Progress update and follow up report	Report from Head of Internal Audit
Corporate Governance Framework	Report from CFO
Forward Work Plan	Report from CFO
Part 2 Private Agenda	
Minutes of meeting **24 January 2024**	
Actions from previous meeting	Action Log
Fraud Update – Part 2 private agenda	

Note:-

1. An Audit Skills questionnaire will be sent out in September 2023

2. A private meeting with Audit Committee members and Internal and External Audit leads will take place in January 2024. Details will follow once the meeting has been arranged.

Report Author
Jill Penn
Chief Finance Officer – OPCCN