

AUDIT COMMITTEE

Tuesday 14 January 2020 at 2.00 pm
Filby Room, Jubilee House, Falconers Chase,
Wymondham, Norfolk NR18 0WW

A G E N D A

Note for Members of the Public: If you have any specific requirements to enable you to attend the meeting, please contact the OPCCN (details overleaf) prior to the meeting.

Part 1 – Public Agenda

1. Welcome and Apologies
2. Declarations of Personal and/or Prejudicial Interests
3. To approve the minutes of the meeting held on 22 October 2019
4. Audit Committee Terms of Reference – Ethics/Accountability
5. Internal Audit – Reports from Head of Internal Audit (TIAA)
 - 2019/20 Progress Update Report
 - 2019/20 Follow Up Review
 - 2020/21 Internal Audit Plan (draft)
6. Treasury Management
 - 2019/20 Half Year Update (slide presentation)
 - 2020/21 Strategy (draft)
7. Annual Report (final)
8. Forward Work Plan – Report from Chief Finance Officer

Part 2 – Private Agenda

9. Strategic Risk Register Update – Report from Chief Executive and Chief Constable – OPCCN and Norfolk Constabulary

10. Update on Transport – verbal
11. Date of Next Meeting

Tuesday 14 April 2020 at 2pm in the Filby Room, Police HQ

Enquiries to:

OPCCN

Building 1, Jubilee House,
Falconers Chase, Wymondham, Norfolk, NR18 0WW
Direct Dial: 01953 424455 Email: opccn@norfolk.pnn.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.pnn.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.pnn.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.pnn.police.uk

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



NORFOLK
CONSTABULARY
Our Priority is You

Audit Committee Meeting

Tuesday 22 October 2019

1400 hours

**Broadland District Council Offices, Thorpe Lodge, 1 Yarmouth
Road, Norwich, NR7 0DU**

MINUTES

Members in attendance:

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

Also, in attendance:

Mr P Jasper	Assistant Chief Officer (ACO), Norfolk Constabulary
Ms F Dodimead	Audit Director, TIAA
Mr C Harris	Head of Internal Audit, TIAA
Ms S Powell	Audit Manager, Ernst and Young LLP
Ms S Lister	Director (Performance & Scrutiny) - OPCC
Mrs J Curson	(notes)

Part 1 – Public Agenda

1.0 Welcome and Apologies

1.1 Apologies were received from Chief Constable Simon Bailey and T/DCC Paul Sanford from the Constabulary; PCC Lorne Green, Chief Executive Mark Stokes and CFO Jill Penn from the Office of the Police and Crime Commissioner.

2.0 Declarations of Personal and/or Prejudicial Interest

2.1 A Bennett to update her declaration of interests form to enable the register to be updated. But it was noted that there was no conflict of interest with any items on the agenda.

3.0 To confirm the minutes of the meeting held on Tuesday 30 July 2019.

3.1 Paragraph 4.5

P Hargrave asked for this to be noted as an action to be brought forward to forthcoming meetings.

Action: Control Room (Reasonable Assurance)

The Chair reported that the Committee had had a very successful visit to the Control room earlier in the year. Discussion took place around using DMS in the Control Room and the Chair agreed that further discussion would take place once the new follow up report is received in respect of DMS in order for the Audit Committee to take a view on the risks.

3.2 There were no further amendments to the minutes and these were duly signed by the Chair of the Audit Committee.

3.3 Action 4.8 - ERSOU

ACO informed the Committee that D/C/Supt S Mattin is the main lead for any contact between ERSOU and Norfolk Constabulary. There is no specific designated post. The Chief Constable receives performance information and finance information is also received by the ACOs.

Action closed.

3.4 Action 4.12 - Estates Maintenance (Reasonable Assurance)

This is a health and safety issue. The Audit Director is to check whether or not this is a reporting issue and will email the Committee with her findings.

3.5 Action 4.14 - The Chair requested that a review of the STA register be included on the forward programme for the informal morning briefing sessions of the Audit Committee.

This action is to be carried forward to be considered at the next free morning session.

3.6 Action 6.0 - Forward Plan

The Chair asked for any new items to be forwarded to him and then the list will be compiled for future agenda.

3.7 Action 6.1 Audit Committee Annual Report

This has been drafted by the Chair and he has also received comments back from the Committee. The item is to be considered further under an agenda item.

4.0 Annual Audit Letter

- 4.1 The EY Audit Manager presented the Annual Audit Letter for the year ended 31 March 2019. This document is now more user friendly and summarises the results of the audit. A new section was highlighted on the report, 'Focused on your Future', which details two areas that may affect the accounts in the future and needed to be raised to the Committee. ACO informed the Committee these issues are in hand and a significant review of leases has taken place over the last 12 months.
- 4.2 Audit Fees – EY Audit Manager stated that Ernst & Young are not proposing to charge any additional fee this year.
- 4.3 J Hills questioned about updating the PFI model that was identified as a judgemental difference and asked the ACO if IAS17 definition has been adopted. The ACO confirmed that this is being reviewed as part of the planning for the 2019/20 accounts and the constabulary will be considering the points raised by Ernst & Young in the audit.
- 4.4 The Chair reported that he felt this report was very clear. The Executive Summary was particularly useful and was pleased that we had received the opinion by the deadline of 31 July 2019, as people had worked very hard to achieve this deadline. It was also noted that there were no objections received from the public in relation to the accounts as detailed on page 17. The Chair thanked EY staff in the relation to the audit.
- Action: EY Audit Manager will report this feedback to Ernst & Young.**

5.0 Internal Audit reports

- 5.1 The Head of Internal Audit introduced this section of the meeting and stated that TIAA are working hard to complete all the audits prior to the 31st March 2020 as this is the last year of their current contract.
- 5.2 The Audit Director stated that there are three final reports issued since the last Audit Committee. As shown in the report there are a number of audits at draft report stage. The Audit Director also informed the meeting that the process has evolved over the last few months and this has impacted on the timing of getting responses back. It was agreed at a previous meeting that the DCC/ACO would be copied into any draft reports relevant to their area. The new process takes slightly longer but ensures a more complete and quality response.
- 5.3 The Audit Director advised the Committee that a number of the IT audits have been moved to quarter 3 and quarter 4. These have been delayed to allow time to improve the focus of the audits.
- 5.4 P Hargrave raised issue of dog handling showing 'limited' on the page 5 but 'reasonable' on page 11.

Action: F Dodimead stated that there was an error on page 11 so will amend the report to read 'limited'.

5.5 Norfolk 2020: Substantial Assurance

An audit of the Norfolk 2020 team has been completed and there were no recommendations coming out of this audit. The Norfolk 2020 team is a continuous improvement team and continue to work on various aspects of the operational model for policing. They are currently working on improvements and efficiencies in the Control Room. The Norfolk 2020 team, and the equivalent team in Suffolk have daily contact in relation to their workstreams. J Hills asked if savings had been realised from this project work. The ACO informed the meeting that as well as the work delivering a more fit for purpose force, savings in the region of £3m have been delivered.

Action: ACO to arrange for the Committee to be briefed, at a forthcoming morning session of the Audit Committee, by Ralph Jackman who heads up the 2020 team.

5.6 Dog Handling: Reasonable Assurance

The priority 1 recommendation relates to training within Dog Handling and this and the other recommendations are in hand and on track to be delivered in a timely manner by the new Inspector who is extremely committed.

Action: ACO to check whether Dog Handling training is listed on the Force Risk Register.

5.7 Budgetary Control: Substantial Assurance

The ACO informed the meeting that the numbers in the finance team are below the HMIC VfM benchmarking average and the assurance level of the report shows what a good job they are doing. The Chair questioned about key findings in relation to forecasting within the Estates and Facilities budget reports. However, the Audit Director reported that this was only a minor point and the ACO informed meeting that there has been tightening up of how records are being kept, as they were using various spreadsheets rather than recording on the main ERP system.

5.8 Follow Up Report

The Audit Director gave an overview of the Follow-up report. There have been some updates since the report was published and ongoing work is taking place. The Audit Director highlighted to the meeting that not everyone is responding following discussion of the report at Organisational Board so has now decided to revert back to emailing everyone for responses.

5.9 Revised dates

The Audit Director highlighted in the report where an extension of time has been requested and yet to be approved. The meeting was informed that there is no formal policy on requests for extensions to due dates. Discussion will take place between the Audit Director and the ACO to agree any extensions and any issues would then be considered by the Audit Committee. Ongoing work needs to take place in relation to ensuring that there are good links between internal audit and the risk register. It was agreed that any extensions that are within the ACO's portfolio will be approved by the DCC.

Action: The ACO will forward any updates received by him to the Audit Director to update the follow up report.

5.10 **Project Dates**

The project end dates for L&D skills, MOPI and DMS were originally September but all these projects have now been extended. The ACO informed meeting that the DMS upgrade will be finished by the end of December and the Chronicle (L&D skills) project is across 7 forces and this will now be January 2020. There was no update on the MOPI project as this comes under the DCC. All of these are managed by Project Boards and so any delays will be approved through these appropriate governance structures.

6.0 **Draft Annual Audit Committee Report**

6.1 The Chair had circulated the draft report and is now happy to make any amendments following any comments/suggestions received.

Action: The Chair will then arrange for this to be issued as a final report on behalf of the Committee to the Chief Constable and Police and Crime Commissioner, meetings to take place early December 2019. The final version will be noted at the next meeting.

6.2 **Publishing of document**

Discussion took place in relation to where and if the document is published in the public domain. S Lister also suggested that the Audit Committee public documents are included in the briefing pack for the new PCC. This was agreed by the Committee.

Action: S Lister to check the Audit Committee's public area on the PCC's website and The Chair will arrange for this to be sent through for publication.

7.0 **Audit Committee Self-Assessment and Action Plan**

7.1 **Self-Assessment Document**

This was discussed at an informal session of the Committee and the Chairman then updated the document following these discussions. Action No 16 was queried as the date was 31 December 2020 but this date is correct as the skills and experience of members have recently been updated.

Action: S Lister to check where the register of skills and experience is kept and then this to be circulated to the Committee for them to update their details.

7.2 **Action Plan**

This document was agreed by the Committee.

8.0 **Forward Plan**

- 8.1 The Audit Director asked for the Forward Plan for each meeting to be amended as follows:

Plan update to be replaced with Progress Report and Follow Up Report.

- 8.2 Annual audit letter discussed at the meeting today so this to be removed from the forward plan for the meeting on 14 January 2020. The internal auditors' contract finishes next year but they have been asked to map out the audit plan for next year and they will be presenting this at the January and April 2020 meetings. The Audit Director outlined that they will look at the risk register for any items that will need to be audited but also will discuss with various departments any areas of concern that may need to be audited.

Action: The internal auditors asked all the Committee to email them with any audits/areas that they feel should be included in future audits.

- 8.3 The ACO asked for the Plan to be amended to include any forthcoming items to be discussed at the informal morning briefing session. Possible items to be discussed VFM, Fraud Risk and Treasury Management.

Action: ACO will arrange for this document to be amended to include morning session items and this will be re-circulated.

9.0 Part 2 – Private Agenda

9.1 Risk documents

S Lister informed meeting that the documents prepared by J Penn and presented to the meeting today are only in draft form. The final version will be presented to the Audit Committee meeting on 14 January 2020.

9.2 Risk Register

The ACO informed meeting that temporary additional support has now been appointed to the Risk Management team and they will liaise with TIAA on a regular basis. General feedback from the last Audit Committee meeting was good and they are happy with the format of the Risk Register. There have been some amendments made to the Risk Register and all risks will now be linked to the performance monitoring framework. Question was raised about scoring of risks and the ACO informed meeting that the decision is made between V Curtis the Programme Lead, Risk Register manager and the Risk owner.

9.3 Risk Appetite

Risk appetite and inherent risks were discussed at some length and the ACO informed Committee that the process is still being developed and work is ongoing to ensure a fully joined up system for managing risks.

9.4 Risk Registers for the Constabulary and PCC

A Bennett raised question of how both risk registers are linked and S Lister informed meeting that these are discussed at the Strategic Governance Board attended by Chief Officers and the PCC.

It was agreed that both risks registers would be considered at future Audit Committee meetings.

Action: S Lister will feed back to PCC CFO discussions in relation to the two Risk Registers to ensure that links will continue in the future.

9.5 Risk Management Policy and Procedure Monitoring and Review of Risk
Action: TIAA to read both documents and feedback any comments/issues with these documents to S Lister. Morning session of future Audit Committee to include brief from C Harris TIAA on risk appetite.

9.6 Risk Management Policy
Action: The Chair asked for S Lister to arrange for the section on risk management to be amended by PCC CFO as discussed at the meeting.

10.0 Response to Local Audit Review Consultation

10.1 Action: ACO and PCC CFO to discuss draft response further outside of the meeting – deadline for responses 22 November 2019.

11.0 Transport Investigation

ACO gave a brief to the meeting on progress with the investigation and TIAA are undertaking further audit work to tighten controls within the Transport department.

12.0 Date of next meeting: Tuesday 14 January 2020, Wymondham Police HQ



ORIGINATOR: Jill Penn Chief Finance Officer OPCC

REASON FOR SUBMISSION: Review of Audit Committee Terms of Reference

SUBMITTED TO: AUDIT COMMITTEE

SUBJECT: Norfolk Audit Committee Terms of Reference

SUMMARY:

The Terms of Reference were reviewed in January 2019 and amended. A further review has been requested to ensure that these are still relevant and to give the committee an opportunity to amend further.

RECOMMENDATIONS:

To agree the terms of reference with any relevant amendments.

Details of Report

1. INTRODUCTION

Appendix one is the current agreed terms of reference highlighting the changes suggested previously. A copy is attached at Appendix 2 which has further suggested amendments or comments for the committee to consider in its review.

2. DISCUSSION

After reviewing the Chartered Institute of Public Finance and Accountancy (CIPFA) Practical Guidance for Audit committees, the current terms of reference and the current arrangements three areas have been highlighted for consideration by the committee.

After a discussion with the PCC regarding the Audit Committee Annual report accountability was raised as a consideration for the Committee. In addition, with a number of members coming to end of their current terms there is no mention of the number or of length of terms a member can serve on the Committee.

Another area the Position Statement of CIPFA covers is ethics and governance. The current terms of reference detail governance but there is no mention of ethics or the Corporate Governance working group which oversees governance.

3. CONCLUSION

While the current terms of reference cover the main areas CIPFA mention in their Position Statement on the Purpose of an Audit Committee the members are asked to review and agree any relevant changes, especially in the areas discussed above.

Norfolk Audit Committee Terms of Reference

Constitution

The Committee will comprise five named members with appropriate ~~public sector~~ experience and who are independent of the PCC and the Constabulary. One of the members will be the Chairman who will be directly appointed by the Police and Crime Commissioner for Norfolk (PCC) and the Chief Constable.

Statement of purpose

1. 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.
2. 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.
3. 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.

Governance, risk and control

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

4. Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
5. Review the Annual Governance Statement[s] prior to approval and consider whether [it] [they] properly [reflects] [reflect] the governance, risk and control environment and supporting assurances and identify any actions required for improvement.
6. Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

7. Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC/the Constabulary.
8. 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.
9. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. 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:

11. Annually review the internal audit charter and resources.
12. Review and approve the internal audit plan and any proposed revisions to the internal audit plan.
13. Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.
14. 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.
15. 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.
16. 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:

17. Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.
18. Consider the external auditor's annual management letter, relevant reports, and the report to those charged with governance.

19. Consider specific reports as agreed with the external auditor.
20. 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:

21. 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.
22. 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:

23. 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:

24. 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.
25. 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.

26. Annually ~~R~~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.

As agreed by Audit Committee 25 November 2014
As amended by Audit Committee 15 January 2019

John Hummersone
CFO



Norfolk Audit Committee Terms of Reference

Constitution

The Committee will comprise five named members with appropriate ~~public sector~~ experience and who are independent of the PCC and the Constabulary. One of the members will be the Chairman who will be directly appointed by the Police and Crime Commissioner for Norfolk (PCC) and the Chief Constable. The members will be able to serve no more than 3 terms of no longer than 4 year terms at a time.

Statement of purpose

1. 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.
2. 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.
3. 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.

Governance, risk, control and ethics

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

4. Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. This will be delegated initially to the annual meetings of the Corporate Governance Working Group.
5. Review the Annual Governance Statement[s] prior to approval and consider whether [it] [they] properly [reflects] [reflect] the governance, risk and control environment and supporting assurances and identify any actions required for improvement.
6. Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC/the Constabulary.
8. 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.
9. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. 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.
11. Support standards and ethics and monitor that the organisations can demonstrate integrity in their actions.

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:

11. Annually review the internal audit charter and resources.
12. Review and approve the internal audit plan and any proposed revisions to the internal audit plan.
13. Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.
14. 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.

15. 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.
16. 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:

17. Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.
18. Consider the external auditor's annual management letter, relevant reports, and the report to those charged with governance.
19. Consider specific reports as agreed with the external auditor.
20. 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:

21. 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.
22. 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:

23. 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:

24. 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.
25. 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.
26. 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.

Presented to Audit Committee 14 January 2020
Jill Penn
CFO



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

Audit Progress Report – Norfolk

2019/20

INTRODUCTION

1. This summary report provides an update on the progress of our work at the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies as at January 2020. The report is based on internal audit work carried out by TIAA and management representations that have been received during the period since our last progress report.

PROGRESS AGAINST THE 2019/20 ANNUAL PLAN

2. Our progress against the Annual Plan for 2019/20 is set out in Appendix A. The results of these reviews are summarised at Appendix B.

AUDITS COMPLETED SINCE THE LAST REPORT TO COMMITTEE

5. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
Firearms	Reasonable	06/08/2019	08/10/2019	29/10/2019	0	2	0	1
Stores and Uniform	Reasonable	05/08/2019	10/10/2019	15/10/2019	0	3	0	1
Emergency Preparedness	Reasonable	20/09/2019	23/10/2019	24/10/2019	0	3	0	0
Data Protection - GDPR	Limited	06/08/2019	06/11/2019	29/11/2019	1	2	5	2
Complaints	Substantial	22/11/2019	13/12/2019	16/12/2019	0	0	3	0
Limited Duties	Limited	18/11/2019	07/01/2020	07/01/2020	1	2	1	1
Transport Stock	N/A	23/10/2019	23/10/2019	23/10/2019	0	3	0	0
Mobile Device Mgt - Telematics	Reasonable	16/12/2019	23/12/2019	06/01/2020	0	2	1	0

Copies of the finalised reports are available to Audit Committee Members on request. The details for Norfolk only reports will only be included in the Norfolk progress report.

CHANGES TO THE ANNUAL PLAN 2019/20

6. There has been the following changes made to the annual plan since the last meeting:
- Network security / Chronicle has moved to the 2020/21 audit plan due to timing around implementation of the system changes, utilising some of the days for the extra work completed for dog handling and the remaining days to contingency to utilise in quarter four.
 - Collaborations has moved to the 2020/21 audit plan, to focus on the seven forces procurement development, moving days to risk management, overtime, and ED&I.
 - ED&I has been added to the plan at the request of HR.

FRAUDS/IRREGULARITIES

7. We regularly liaise with PSD regarding any work streams that may be relevant for internal audit.

LIAISON

8. Liaison is undertaken with the following:
- Liaison with the Chief Finance Officers and ACOs: Regular progress meetings are held with the Chief Finance Officers and ACOs.
 - Liaison with Risk Management: Increased liaison has commenced, to directly link internal audit with risk management.
 - Liaison with External Audit: We have liaised with EY during the year and kept them informed of our work and will make available to them all final audit reports.

PROGRESS ACTIONING PRIORITY 1 (URGENT and NOT APPROVED RECOMMENDATIONS)

9. We have made the following urgent recommendations (i.e. fundamental control issues) since the previous Progress Report:
- GDPR - Data quality risks and mitigations be reviewed by senior management to ensure that sufficient actions are being taken to reduce the risks to an acceptable level.
10. We have made no recommendations which have not been approved by management since the previous Progress Report.

RESPONSIBILITY/DISCLAIMER

12. 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. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. 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.

Progress against the Annual Plan for 2019/20

System	Audit Ref	Planned Quarter	Planned Days	Changes to Days	Current Status	Audit Committee Reporting	Assurance	Comments
2019/20 Plan								
2020 Strategic Change Programme (Norfolk)	NSC2001	1	9		Final Report	October 2019	Substantial	Norfolk only
2025 Strategic Change Programme (Suffolk)	NSC2002	1	9		Final Report	October 2019	Substantial	Suffolk only
Workplace Health	NSC2005	1	12		Final Report	July 2019	Reasonable	
Temporary Contracts	NSC2006	1	10		Final Report	July 2019	Reasonable	
Estates Maintenance	NSC2007	1	12		Final Report	July 2019	Reasonable	
Contracts	NSC2008	1	12		Final Report	July 2019	Reasonable	
Single Tender Actions	NSC2012	1	6		Final Report	July 2019	Reasonable	
Firearms	NSC2009	1	12		Final Report	January 2020	Reasonable	
Dog Handling	NSC2029	1	0	+8	Final report	October 2019	Limited	Days increased for work completed
Stores and Uniform	NSC2010	1	14		Final report	January 2020	Reasonable	
Emergency Preparedness	NSC2011	2	14		Final report	January 2020	Reasonable	
Data Protection – GDPR	NSC2016	2	12		Final report	January 2020	Limited	
Budgetary Control	NSC2018	2	12		Final Report	October 2019	Substantial	
Complaints	NSC2022	2	0	+8	Final report	January 2020	Substantial	
Limited Duties	NSC2024	2	12		Final report	January 2020	Limited	
Transport Stock	NSC2030	2	0	+2	Final report	January 2020	N/A	Agreed by ACOs/CFOs

System	Audit Ref	Planned Quarter	Planned Days	Changes to Days	Current Status	Audit Committee Reporting	Assurance	Comments
Allowances and Expenses	NSC2027	3	14		Draft report		Limited	
Mobile Device Management	NSC2017	3	12		Draft report issued	January 2020	Reasonable	
Key Financials	NSC2021	3/4	30		In progress			
Website Content	NSC2019	4	12		Scheduled			
Software Licencing	NSC2004	4	12		Scheduled			
Corporate Policies	NSC2014	4	6	2	Scheduled			Days increased to include HR policies
Overtime	NSC2023	4	12	2	Scheduled			Days increased
External Training Budget	NSC2025	4	12		Scheduled			Moved to Q4 – Requested by Mgt
Information Management / Security – Norfolk OPCC	NSC2031	4	0	+8	Scheduled			Requested by Mgt
Transformation – Business Cases	NSC2015	4	12		Scheduled			Moved to Q4 – Requested by Mgt
Strategic Control and Governance	NSC2013	4	12		Scheduled			Moved to Q4 – Requested by Mgt
Risk Management	NSC2020	4	12		Scheduled			Days reinstated
ED&I	NSC2032	4		12	Scheduled			Audit added to plan
Telematics / Use of Vehicles	NSC2026	4	12	-12	Cancelled			ICT review of telematics
Collaborations (incl. Seven Force)	NSC2028	4	20	-20	Cancelled			
Network Security	NSC2003	3	12	-12	Cancelled			
Shared Service Transaction Centre	NSC2022	3	8	-8	Cancelled			
Follow up of previous recommendations		1-4	12		Ongoing			
Management		1-4	20		Ongoing			
Total Days Planned			376					

System	Audit Ref	Planned Quarter	Planned Days	Changes to Days	Current Status	Audit Committee Reporting	Assurance	Comments
Annual Plan Days			330					
Contingency b/fwd			36					
Contingency (c/fwd)								

KEY:

	=	To be commenced
	=	Site work commenced
	=	Draft report issued
	=	Final report issued

Summaries of Finalised Audit Reports issued since the last report

Audit Report: Firearms (NSC2009)

Report: October 2019

SCOPE

The audit considered the adequacy of controls in place in relation to firearms management across Norfolk and Suffolk Constabularies.

MATERIALITY

The Norfolk and Suffolk firearms team, to manage the firearms and deliver firearms training, consists of two Sergeants, ten Constables and three PSEs. There are a total of 48 ARVs for Suffolk and 82 for Norfolk. There are also 60 AFOs, two of which are Suffolk officers awaiting the ARV course.

KEY FINDINGS

The firearms unit works in collaboration as part of the 7 forces model, working to collaborated Standard Operating Procedures (SOPs). Chronicle is a stand-alone system used by the Constabularies to record and manage armed policing records, including officer training.

- A Strategic Threat and Risk Assessment (STRA) is produced annually and is subject to a mid-year review.
- There are currently insufficient Chronicle licences for all armed and Taser officers, with some Taser records being maintained on spreadsheets as a work around. Chronicle should be used to manage both Taser and firearms officers to help ensure all Taser and firearms officers receive all required training.
- A review of range usage by the other collaboration members to ensure that usage by collaboration members is fair.

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Urgent	Important	Routine	Operational
0	2	0	1

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>The Constabularies do not have sufficient Chronicle licences to record all firearms officers and all Taser officers on Chronicle.</p> <p>Chronicle has been designed and should be used to record both Taser and armed officers training records.</p> <p>When a new firearm officer is to be recorded, a Taser officer record is removed from Chronicle to allow the firearm officer to be recorded.</p> <p>To ensure that a record is maintained of Taser officers, a spreadsheet has been created to record Taser officers and their training records. This makes the recording and monitoring of licenced officers disjointed.</p>	<p>It needs to be identified whether there will be a shortage of Chronicle licences and for additional licences to be purchased accordingly to ensure that all armed and Taser officers are recorded</p>	2	<p><i>Taser only officers have been removed and are managed by the Taser SPOC.</i></p> <p><i>There are not enough licenses for these to be managed on chronicle.</i></p>	Complete	Insp Hammerton

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	Records are maintained of the shooting range usage. The Wymondham indoor range is highly utilised, although the extent of usage from other forces within the collaboration is not monitored. There is a risk that Norfolk and Suffolk Constabularies may not have sufficient access to the range as it is being utilised by other forces.	A regular review be undertaken of the Wymondham range usage across the seven force collaboration to be undertaken, to monitor fair usage and sufficient access for Norfolk and Suffolk Constabularies.	2	<i>This is being reviewed and at present usage by the region's forces is relatively low. If we begin to receive a high number of requests then this will be flagged up.</i>	Complete	Insp Hammerton

Audit Report: Stores and Uniform (NSC2010)

Report: October 2019

SCOPE

The audit considered the adequacy of controls in place in relation to uniform stores across Norfolk and Suffolk Constabularies.

The audit focused on the following key areas:

- Systems and processes for ensuring appropriate uniform is ordered, issued and allocated;
- Systems and processes for returned uniform;
- Accuracy of records maintained;
- Monitoring and reporting

MATERIALITY

The Constabularies hold approximately £453k of stock within the property stores. The joint uniform spend for the 2018/19 financial year was £807k.

KEY FINDINGS

The main stores and uniform is managed from the Wymondham site, with a second store held in Martlesham. Access to the stores is controlled and stock levels are recorded on the ERP system.

- An accurate record is not maintained of uniform assigned to individuals, as ERP does not have an item history report, records only go back 10 years and confirmation is not recorded of uniform returned upon cessation of employment.
- There are some officers and staff that do not have access to ERP to order their uniform electronically.
- Optimum stock levels have not been agreed for each item and minimum reorder levels have not been set on the system, as such automatic reordering is not in place.

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Urgent	Important	Routine	Operational
0	3	0	1

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Stock levels are based on historical stock levels. ERP is not currently used to set automatic reorder levels based on minimum stock requirements. Whilst optimum stock levels could be agreed for each item, fluctuating demand would hinder this process.	The introduction of a weekly report, highlighting items that may require reordering to be introduced.	2	<i>The introduction of a weekly report, highlighting items that may require reordering could be introduced and will provide the level control.</i>	31/01/20	Head of Transport and Uniform
2	Compliance	The majority of officers and staff members order their uniform through ERP, which assigns the uniform to them throughout their employment at the Constabularies. There are some officers/staff that do not have access to ERP to order their uniform. Their uniform is ordered by a member of the stores team. Where uniform is not ordered directly by the officer, the uniform is not assigned on ERP, making it harder to determine what uniform is held by an individual.	Consideration be given for police officers and police staff that require uniform to have an account set up on ERP, to ensure that there is an accurate record of uniform held by each police officer and police staff member.	2	<i>This has previously been raised at the ERP Programme Board by the Uniform Supplies Supervisor during 2018 and although supported in principle by the Board is not considered a high priority. With the added support of this audit report this will be further investigated.</i>	31/10/19	Head of Transport and Uniform

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	ERP does not have the ability to produce item history reports for uniform issued. In addition, ERP is not updated when uniform is returned to the store. As such, it is not possible to use ERP to monitor that all uniform can be accounted for during service and when an officer or staff member leaves the Constabularies	ERP be investigated to establish if returns can be recorded and an item history report can be developed, so that an accurate record of uniform orders are available.	2	<i>History reports that contain all uniform provided to individuals is available. However, this does not reflect uniform returned or uniform that is past anticipated its wear date. If ERP were able to provide this function it would be a welcomed facility. With the added support of this audit report this will be further investigated.</i>	31/10/19	Head of Transport and Uniform

Audit Report: Emergency Preparedness (NSC2011)

Report: October 2019

SCOPE

The audit considered the adequacy of controls in place in relation to business continuity. The audit focused on the following key areas:

- Process for development and testing of business continuity plans
- Lessons learnt after a business continuity incident.
- Monitoring and reporting of business continuity

MATERIALITY

Each area has their own business continuity plan.

KEY FINDINGS

- Information management have not tested their business continuity plan, as there has been a review of staffing levels within this department. The plan needs to be tested to ensure that it is still for purpose following the department's restructure. The lack of a test of their current business continuity plan for information management has been highlighted by the constabularies' Business Continuity Manager.
- There are a number of core areas that have not tested their business continuity plans within the designated testing period this year as per the Business Continuity policy, this being Norfolk CCR and ICT, which includes airwaves.
- There are six areas that have not tested their business continuity plans in the designated test time period as last two years; 2018 and 2019, (these being four Norfolk CPC Community Safety teams, HR and PSD)
- A review is required to be undertaken of the Suffolk CCR business continuity plan in relation to the suitability of the Suffolk CCR back-up venue.
- The Norfolk CCR maintain records of business continuity issues, and these are reported daily to the Business Continuity Manager. The same process is not followed in Suffolk.

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Urgent	Important	Routine	Operational
0	3	0	0

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	The Suffolk CCR does not maintain records of business continuity issues. To ensure that the Business Continuity Manager is able to take action to address business continuity issues a process is required in Suffolk for recording business continuity issues.	A process be adopted in Suffolk to formally record and communicate business continuity issues to the Business Continuity Manager.	2	<i>The CCR supervisors have the ability to utilise a drop down menu when producing the daily summaries, which includes Infrastructure failures. The CCR SPOC will conduct some awareness “training” for the supervisors within the CCR, who moving forward can utilise the drop down menu when they have been made aware of a BC incident. The BC manager will receive this when the daily summary is distributed.</i>	01/12/19	CCR Support Inspector Gubbins

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	<p>Of the 10 areas that were selected to test there were three areas that had not tested their business continuity plan annually, these being HR, Information Management and Norfolk CCR.</p> <p>In addition there are six areas that have not tested their business continuity plans in the previous two years; 2018 and 2019, these being;</p> <p>Norfolk CPC Community Safety, Norfolk CPC Community safety - Mental health Team, Norfolk CPC Community safety - Citizens in Policing, Norfolk CPC Community safety - Integrated offender Management Team, HR and PSD.</p> <p>Business continuity plans need to be tested annually, if these are not tested it is not possible to determine if the proposed business continuity plans would work in practice and in changing environments.</p>	All areas to test their business continuity plans annually to ensure that it is appropriate and would work in practice.	2	<p><i>The Community Safety department has undergone a number of management and staffing changes throughout the summer and as a result the BCP tests have been overlooked. Testing is underway and will be completed with managers during their forthcoming 121 meetings. To be completed by 01/11/19, by Chief Inspector Miller (Community Safety)</i></p> <p><i>The HR business continuity plan was tested in 2019, in a scenario where there was a Cyber-attack. Whilst the test was carried out on the 3rd of July, there was a delay in providing the paperwork back to Business Continuity owing in part to some aspects of the plan being altered in light of the test. Both of these documents have since been returned to the Business Continuity Manager. We will ensure that these documents continue to be tested and reviewed on an annual basis. To be completed by 3/7/19, by Human Resources.</i></p> <p><i>There was a change in staff managing BC within PSD in July and this was overlooked. The BC test took place 19/09/19 by Chief Inspector Cross (PSD).</i></p>	30/11/19	Assistant Chief Officer

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	The Suffolk CCR has a business continuity plan in place, and this has been tested as required this year. Whilst there is a back-up control room for Suffolk, the suitability of the back-up CCR location needs to be considered, as the Suffolk CCR back-up control room is a classroom on the main Suffolk Headquarters (HQ) site. There is a risk that if the main Suffolk HQ site is not available then the classroom would also not be available	Review of the Suffolk CCR back-up arrangements be undertaken, to ensure that it would be suitable if the main Suffolk HQ was not available.	2	<i>This has already been highlighted to the ACC and agreed that scoping can be done to identify and establish a new Suffolk CCR Fallback outside of the PHQ site. Some money set aside for CCR refurbishments may be used to assist in developing this and a business case is to be prepared by the end of the year to allow the Chief Constable to sign off a proposal to progress this.</i>	31/01/20	CCR Problem Solving Manager

Audit Report: Transport Stock (NSC2030)

Report: October 2019

<p>SCOPE</p> <p>The aim of the review was to consider the controls operating over the Joint Transport Services workshop stock at the Norfolk Constabulary Head Quarters, following the theft of parts.</p> <p>MATERIALITY</p> <p>The value of the items advertised for sale exceeds £2,000.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> • There were control weaknesses identified within the transport stores in relation to surplus low value vehicle items. • Improvements have been made to the control environment, with the introduction of recording surplus low value items received on new vehicles. • Further improvements could be made around the security of the transport stores, which would help to minimise any future security issues. 								
<p>OVERALL ASSURANCE ASSESSMENT</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>No overall assurance assessment is provided as this was an advisory, rather than an assurance review.</p> </div>	<p>ACTION POINTS</p> <table border="1" style="margin-top: 10px; width: 100%; text-align: center;"> <thead> <tr style="background-color: #2c5e8c; color: white;"> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr style="background-color: #e0e0e0;"> <td>0</td> <td>3</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	3	0	0
Urgent	Important	Routine	Operational						
0	3	0	0						

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	There is Joint Transport Strategy in place that refers to how both Norfolk and Suffolk Constabularies procure police vehicles and replacement criteria. It is noted that there is no policy in place for subsidiary items of equipment that come with vehicles, that are not ordered, required or paid for as separate items. There are accepted practices associated with these items, but this requires formalising within a policy, to clearly state the Constabularies requirements for such items.	A policy be devised for the subsidiary items of equipment that come with vehicles, that are not ordered, required or paid for as separate items, to ensure they are utilised and/or disposed of appropriately.	2	<i>The Transport Strategy will be updated once the new Vehicle Frameworks have been tendered and awarded. A new section will be included that covers subsidiary vehicle items.</i> <i>An interim policy has been in place that has been shared with TIAA.</i>	30/06/19 <i>Noting interim policy in place</i>	<i>Head of Transport, Uniform and Supplies</i>
2	Directed	Security could be improved around the stores during office hours by keeping the door locked, requiring either use of the door code access or lock and key.	Access to the transport stores be restricted.	2	<i>A notification has been sent to staff instructing the stores are now locked at all times the Vehicle Parts Officer is not within the stores. The Workshop Team Leader.</i> <i>The preferred option is lock and key rather than door code access.</i>	COMPLETE	<i>Head of Transport, Uniform and Supplies</i>

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	Whilst the stores are locked out of hours, access can be gained out of hours using the door access code, which is often required for officers working on shift.	Out of hours access to the transport stores be monitored using access reports, with spot checks undertaken to identify any unusual access.	2	<i>A monthly request is to be made to the forces internal PFI team requesting Building 3 entry personal information. This information will be scrutinised or any unusual activity. It should be noted the stores will be locked at these times</i>	COMPLETE (on-going)	Head of Transport, Uniform and Supplies

Audit Report: GDPR (NSC2030)

Report: October 2019

SCOPE

This review assessed compliance with the GDPR, focussing on the following areas: governance, data classification and asset management, data security, Data Protection Impact Assessments, data subject rights, breach management, consent, and data retention. The audit covered the Norfolk and Suffolk OPCCs and Constabularies.

MATERIALITY

The potential risk profile associated with non-compliance with the new GDPR legislation and subsequent data breach is a 20m Euro fine or 4% of turnover and reputational damage.

KEY FINDINGS

Crime data quality risks, one of which is scored 16/16 (red) on the risk register even after mitigations, mean some retention decisions cannot be taken. Data Quality and Management of Police Information (MoPI) audits in 2017 and 2018 were given limited assurance due to data quality issues.

The original Data Protection Reform project plan has moved to business as usual, with two areas outstanding. Progress is reported to the Information Management Steering Group.

There is a comprehensive process in place to review the Information Asset Register. Around 100 of 800 assets had been fully updated at the time of the audit, so details such as legal basis for processing are not yet fully recorded.

Recent reports show Suffolk Constabulary as 85% compliant and Norfolk Constabulary as 90% compliant with the Subject Access Request (SAR) statutory deadline.

No issues arose in respect of the Office of the Police and Crime Commissioners (OPCCs).

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Urgent	Important	Routine	Operational
1	2	5	2

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
7	Compliance	Significant issues have been identified with crime related data quality including system and user errors within Athena, and the inability to effectively cleanse data from legacy systems. Data quality has been raised in previous internal audit reports, with 'Data Quality Arrangements for Athena' in November 2017 and 'Management of Police Information (MoPI)' in July 2018 both being given limited assurance. Poor data quality means that retention decisions cannot be taken, which could impact GDPR compliance. Data quality risks were scored 'amber' on the organisational risk register, but in July 2019 the Records Manager updated the scores to 9/16 (red) for legacy system data quality and 16/16 (red) for Athena data quality. These scores are the same before and after mitigations.	Data quality risks and mitigations be reviewed by senior management to ensure that sufficient actions are being taken to reduce the risks to an acceptable level.	1	<i>The recommendation is agreed. Senior management will review data quality risks and mitigations to ensure that sufficient actions are being taken to reduce the risks to an acceptable level. Appropriate action plans will be agreed, progress against which will be reviewed by the IMSG every two months.</i>	31/03/20	Records Manager

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Compliance	There is an annual process to review and update the Information Asset Register (IAR), working with Information Asset Owners (IAOs). A new Excel-based form has been designed by the Data Protection Officer (DPO) which collects comprehensive information about the information assets, security and data quality controls and lawful basis for processing and retention period, with a link to the schedule, disclosure, contracts, and risk assessment. Completed spreadsheets are returned to the DPO who reviews and signs them off, updating the IAR. At the time of the audit 104 of the 800 assets on the register had been fully updated on the IAR.	A full review of the information assets be completed, including a purge of any assets which may be on the register but no longer in existence.	2	<i>Recommendation agreed. A full review will be completed by 31/12/2020 and the IAR cleansed of information assets that no longer exist.</i>	31/12/20	Compliance Officer (DPO)

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
8	Compliance	Subject Access Requests (SARs) are logged on the CycFreedom case management system. Reports show that the volume of SARs has increased by 78% on the year prior to the GDPR, with 750 SARs closed over the last year, with no charges being applied. A time study undertaken in 2018 found that the average time needed to collate, redact and respond to a SAR is 5 hours 45 minutes. While temporary staff have been employed to assist with handling requests and additional staff are being trained, the Information Management Team is dependent on departments such as the Technical Support Unit (TSU) for video redaction, and these departments often have to prioritise other work when dealing with serious crimes. The GDPR requires that SARs are responded to within one month, and the Information Compliance Unit Performance report 1st April 2019 to 31st May 2019 shows Suffolk Constabulary as 85% compliant and Norfolk Constabulary as 90% compliant with this.	A review be undertaken to determine whether compliance with the GDPR SAR statutory deadline can be improved, possibly feeding into the resource requirements for 2020/21.	2	<i>The recommendation is agreed. A review will be undertaken to determine whether compliance can be improved. A report will be provided to the ACOs with recommendations for an improvement plan.</i>	31/03/20	Information Compliance Manager

Audit Report: Complaints (Norfolk OPCC) (NSC2022)

Report: December 2019

SCOPE

The objective of the audit was to review the systems and controls in place for management of the complaints process within the Office of the Police and Crime Commissioner for Norfolk (OPCC).

MATERIALITY

There have been 10 complaints received in relation to the Chief Constable since the 2017/18 financial year. There have been seven complaints received about the Police and Crime Commissioner since the 2017/18 financial year.

KEY FINDINGS

Responsibility for investigating complaints has been clearly defined. Accurate records of complaints are maintained and staff have been made aware of the process to be followed, which is formally documented in the Complaints Policy.

- Members of the Police and Crime Panel do not have government secure emails. Sensitive information in relation to complaints are sent to unsecure email accounts.
- The Complaints Checklist does not require an independent person to sign it off to confirm that appropriate processes have been followed.
- There is a need to review the complaints section of the website, as it is not as visible as it could be.

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Urgent	Important	Routine	Operational
0	0	3	0

Audit Report: Mobile Device Management (NSC2017)

Report: December 2019

SCOPE

The audit has looked at the use of the telematics systems, including the deployment of the black box units that are installed within the vehicle fleet, across Norfolk and Suffolk Constabularies.

MATERIALITY

Robust management of the telematics systems and data is key to ensuring that the vehicle fleet is managed as efficiently as possible.

KEY FINDINGS

The audit has looked at the management of the key telematics systems in use - Tranman and Airmax. Tranman is a locally hosted application that manages the maintenance of every vehicle in the fleet. Airmax uses live telematics data sent from units installed in the vehicle fleet, (with certain exceptions for operational reasons) to track vehicle location and activity. Airmax was procured at very short notice to satisfy new insurance requirements.

- We noted the presence of a formal "Management and use of vehicle telematics" policy that was formally approved in 2018.
- Airmax has weaker password controls than is considered current best practice in this area.
- A more robust process to monitor Starters, Movers and Leavers is required, to ensure that access to the telematics systems and data is adequately controlled.

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Urgent	Important	Routine	Operational
0	2	1	0

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	Tranman is used by a small number of staff and word of mouth drives user set up, account amendment and removal. Airmax also does not currently incorporate a formal process to manage joiners, movers and leavers. Hence, there is inconsistency in terms of being notified of user account changes that may be required in a timely manner. This is particularly the case for leavers, where an account may not be closed following their departure until sometime afterwards. However, It was noted that there is an ad hoc review of user accounts reconciled to the intranet telephone listing as a reference point, although this is known to be an unreliable information source as it may also not always be up to date.	Management to work with Human Resources to develop a process whereby Joiners, leavers and movers are notified on a regular basis so that user access can be managed and modified in the systems as required in a timely manner.	2	<i>Agree with finding. The Constabularies have procured Chronicle for Driver Management. This is currently going through user testing and has an anticipated go-live date of February 2020. The Chronicle system has an interface with ERP that will ensure joiners, leavers and mover information is up-to-date and accurate.</i>	31/03/20	Head of Transport Services and Uniform Supplies

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	Airmax has weaker password controls in that there is no password change cycle, although passwords can be changed manually should the user choose to do so. However, it is noted that password must contain a similar mix as that set up for AD as discussed above.	Management to work with relevant external partners to ensure that Airmax password controls are enhanced to comply with the Forces' password policy as a minimum standard.	2	<i>Agree with finding. The Information Security Manager has confirmed the standards required to comply with our policy. This enhanced password control has been discussed with Airmax Remote who are working with the Constabularies to ensure compliance.</i>	31/03/20	Head of Transport Services and Uniform Supplies

Audit Report: Limited Duties (NSC2024)

Report: January 2020

SCOPE

The audit considered the adequacy of controls in place in relation to limited duties across Norfolk and Suffolk Constabularies.

MATERIALITY

There are approximately 500 officers on limited duties across both Constabularies.

KEY FINDINGS

- The limited duties policy is not being fully complied with.
- There are inconsistencies between forces processes and the review of individuals on limited duties to assess appropriateness of their new role are not being undertaken.
- A standard process is not in place for recording police staff that are on limited duties.
- The limited duties forms require review, to establish if it would be more appropriate for the form to be part of the electronic suite of forms.
- Review meetings for individuals on limited duties are not being undertaken at the designated intervals.

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Urgent	Important	Routine	Operational
1	2	1	1

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>Whilst there is a current limited duties policy in place, there are areas where the policy is not being complied with:</p> <ul style="list-style-type: none"> • A limited duties officer record form is not completed. • The limited duties meetings do not take place and thus there is no formal record of what has been discussed and the outcome for the officer. <p>Review meetings are not taking place at the designated time periods of 12 month intervals. The review should provide formal decisions as to whether it is appropriate for the officer to remain on adjusted duties.</p>	<p>The policy and processes for managing limited duties be reviewed, to ensure that officers and staff on limited duties are formally monitored and assessed, at appropriate intervals, for continuation on limited duties and whether the current role assigned is appropriate on a more permanent basis.</p>	1	<p><i>A review of Limited Duties processes will take place in the new year. In the meantime an interim process has been initiated to mitigate the risk identified, ensuring that HR Business Partners and HR Advisors have appropriate oversight of all cases, and that these are being progressed appropriately. This is being led by the Interim Senior HR Manager and should be concluded in January.</i></p>	28/02/2020	<p><i>Interim Senior HR Manager and Policy, Reward and Employee Relations Manager</i></p>

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	<p>The limited duties policy refers to a monthly limited duties meeting. The meetings have not taken place to date. Recuperative duties meetings are not being held at designated intervals.</p> <p>It is not clear why meetings have not taken place and whether they are required in the format established within the policy.</p>	<p>The limited duties review meetings be reviewed, to ascertain whether they should be standalone meetings, have appropriate membership for decision making, setting meeting dates, recording meetings and monitoring outcome actions.</p> <p>The proposed membership for the limited duties meeting is;</p> <ul style="list-style-type: none"> • Department Head • HR Advisor • Workplace Health representative 	2	<p><i>This will be subject to the review of Limited Duties processes will take place in the new year. In the meantime an interim process has been initiated to mitigate the risk identified, ensuring that HR Business Partners and HR Advisors have appropriate oversight of all cases, and that these are being progressed appropriately. This is being led by the Interim Senior HR Manager and should be concluded in January.</i></p>	28/02/2020	<p><i>Interim Senior HR Manager and Policy, Reward and Employee Relations Manager</i></p>

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Directed	There needs to be clarity as to how police staff on limited duties are to be dealt with, as there are some departments that are completing the 'Limited Duties Notification Form' and some which are not. There needs to be clarity as to how staff on limited duties are notified and recorded, as it is not clear if there is an expectation to record police staff on limited duties on the limited duties spreadsheet. Early identification is needed for police staff that are on limited duties, as police staff on limited duties receive a shorter period of sickness pay than police officers.	A process be agreed for communication with and recording of police staff that are on limited duties.	2	<i>This will be subject to the review of Limited Duties processes which will take place in the new year. In the meantime an interim process has been initiated to mitigate the risk identified, ensuring that HR Business Partners and HR Advisors have appropriate oversight of all cases, and that these are being progressed appropriately. This is being led by the Interim Senior HR Manager and should be concluded in January.</i>	28/02/2020	<i>Interim Senior HR Manager and Policy, Reward and Employee Relations Manager</i>



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

Follow Up Review

2019/20

Executive Summary

INTRODUCTION

1. The follow up of internal audit recommendations undertaken by TIAA is undertaken throughout the year and reported to the Audit Committee during the year at each meeting.
2. The summary tables show the number of raised and brought forward priority 1 and priority 2 recommendations implemented since being reported to the October 2019 Audit Committee meeting and those outstanding past their implementation dates.

Figure 1 - Summary of the action taken on Recommendations made

Evaluation	P1 - Urgent Recommendations	P2 - Important Recommendations	Total	October '19 Position for comparison
	Number	Number		Total
Implemented Since Last Meeting	1	19	20	12
New Recommendations Added Since Last Meeting (without revised dates)	2	11	13	11
All Outstanding – Past Original Deadline (incl. Deadlines Extended*)	1*(1)	39*(32)	40*(33)	48
Original Deadline Not Yet Reached	2	14	16	14

KEY FINDINGS

3. It is noted that the majority of recommendations continuing to remain outstanding are largely due to resource and IT requirements to be sourced. Long standing recommendations have been retained on the report where relevant and risks are still present that require addressing.
4. There are three large projects in progress that affect recommendations in relation to L&D Skills (NSC1804), Duty Management System (NSC1707 and NSC1916) and MoPI (NSC1818). The recommendations in relation to the first two areas are summarised here instead of reproducing all related recommendations:
 - 4.1 L&D Skills (NSC1804) – this issue is around the skills data held by Learning and Development, the timescales were ambitious, following which the service manager has left the Constabularies.
 - A draft evaluation strategy has been developed. Since this time a new Change and Evaluation Manager has been appointed. They have been tasked to develop this strategy further and publish.
 - With regards to Chronicle, the business case continues to be evaluated through the Motor Risk Board. The Driver Management module is being implemented, to go live by Christmas. A business case for the other modules is being developed.
 - A revised date of 31st January 2020 has been applied for an update on progress.
 - 4.2 Duty Management System (NSC1707 and NSC1916) – This is regarding several areas of risk within the current system that requires investment to improve.
 - This is being incorporated into a project for DMS. The upgrade is being tested and will go live January 2020.
 - 4.3 MoPI Project (NSC1818) – the recommendations raised within this area have been implemented, it is noted that this project is still ongoing and a further review will be incorporated into the internal audit plan.

				Completed since last Audit Committee		Outstanding / Overdue		Outstanding with Extended Period Requested		Outstanding with Extended Period Agreed & Not Reached		Not Yet Due To Be Implemented	
				P1	P2	P1	P2	P1	P2	P1	P2	P1	P2
Audit Ref	Audit Area	Date Presented to Audit Committee	Assurance Level										
2016/17 Internal Audit Reviews													
NSC1714	Overtime, Expenses	Mar-17	Reasonable						1				
2017/18 Internal Audit Reviews													
NSC1817	Data Quality - Athena	Nov-17	Limited		1								
NSC1829	Payroll	Mar-18	Limited								1		
2018/19 Internal Audit Reviews													
NSC1901	Governance and Whistleblowing	Mar-19	Reasonable		2						1		
NSC1906	Enact Replacement	Nov-18	Reasonable						1				
NSC1909	Key Financials	Mar-19	Reasonable						1				1
NSC1910	Capital Programme	Nov-18	Reasonable								1		
NSC1912	Allowances	Nov-18	Limited		1						1		
NSC1915	Establishment	Mar-19	Reasonable								3		
NSC1917	Vetting	Nov-18	Reasonable						2				
NSC1918	Transport Services - Strategy	Jul-19	Reasonable								2		
NSC1920	Telematics and Fuel Usage	Jul-19	Reasonable		2								
NSC1922	Stations	Nov-18	Reasonable								2		
NSC1925	Control Room – Suffolk only	Jul-19	Reasonable						1				
NSC1927	Proceeds of Crime	Jul-19	Reasonable		1								1

				Completed since last Audit Committee		Outstanding / Overdue		Outstanding with Extended Period Requested		Outstanding with Extended Period Agreed & Not Reached		Not Yet Due To Be Implemented		
				P1	P2	P1	P2	P1	P2	P1	P2	P1	P2	
NSC1928	Recovered Property	Jul-19	Reasonable										1	
NSC1930	Ethical Standards	Mar-19	Reasonable		3									
2019/20 Internal Audit Reviews														
NSC2005	Workplace Health	Jul-19	Reasonable								2			
NSC2006	Temporary Contracts	Jul-19	Reasonable								2			
NSC2007	Estates Maintenance	Jul-19	Reasonable		1		1							
NSC2008	Contracts	Jul-19	Reasonable		1									
NSC2010	Stores and Uniform	Oct-19	Reasonable								2		1	
NSC2011	Emergency Preparedness	Oct-19	Reasonable		1								1	
NSC2012	Single Tender Actions	Jul-19	Reasonable		1									
NSC2016	Data Protection	Oct-19	Limited									1	2	
NSC2029	Dog Handling	Oct-19	Limited								1	1	3	
TOTALS				0	13	0	0	2	0	7	0	17	2	10
DMS Project and L&D Project														
NSC1804	L&D Skills	Jul-18	Limited		1						1	6		
NSC1818	MOPI Project	Jul-18	Limited	1	4									
NSC1707	Duty Management	Dec-16	Limited								3			
NSC1916	Duty Management	Nov-18	Limited								5		4	
DMS Project and L&D Project Totals				1	5		0	0	0	0	1	14	0	4
TOTALS				1	19		0	1	0	6	1	32	2	14

THE BREAKDOWN OF THE ACTIONS ON RECOMMENDATIONS KEY:

- The direction of travel for implementing recommendations is shown from right to left.
- The audit will remain on the table until all P1 and P2 recommendations relating to that audit are complete and reported as such to Audit Committee. Once an audit is reported as complete (highlighted in grey), the audit will be removed from the table.
- Outstanding with extended period agreed – outstanding past original deadline and an extension has been agreed with management.
- Outstanding and previously reported as such to Audit Committee – outstanding past agreed deadline and no extension has been agreed.
- New since the last Audit Committee meeting – deadline has recently passed and the recommendation is outstanding.
- Not yet due for implementation – the agreed implementation deadline has not been reached.

SCOPE AND LIMITATIONS OF THE REVIEW

5. The review considers the progress made in implementing the recommendations made in the previous internal audit reports and to establish the extent to which management has taken the necessary actions to address the control issues that gave rise to the internal audit recommendations. The implementation of these recommendations can only provide reasonable and not absolute assurance against misstatement or loss.
6. 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.
7. For the purposes of this review reliance was placed on management to provide internal audit with full access to staff, accounting records and transactions and to ensure the authenticity of these documents.

RELEASE OF REPORT

8. The table below sets out the history of this report.

Date draft report issued:	N/A
Date management responses recd:	N/A
Date final report issued:	January 2020

Detailed Report

FOLLOW UP

9. Management representations were obtained on the action taken to address the recommendations. Only limited testing has been carried out to confirm these management representations.
10. The following details of recommendations are included in this report: outstanding / overdue, extension of time to be agreed and closed with risk accepted.

Outstanding / Overdue / Extension of Time Requested

Audit	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1714 Overtime, Expenses and Additional Payments	<p>Joint expenses policies for Norfolk and Suffolk Constabularies for police officers and police staff to be developed.</p> <p>The updated expenses policies to be placed on the intranet.</p>	2	<p>New Conditions of Service for Police Staff are to be introduced from April 2017 (this was expected to be implemented in October 2016 but was delayed nationally). As a result we will take this opportunity to revise once the new Conditions have been agreed and implemented.</p>	ACO / Head of Transactional Services	30/06/17	01/12/19	20/12/19	<p>The alignment of the policy and procedures will require additional time, to agree the interpretation of the requirements and the implications for officers.</p>

Audit	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1906 Enact Replacement Project	Management to ensure that a local installation of the Apex development tool is completed as soon as possible so that the relevant forms and other tools that are to replace the Enact system can be developed and implemented in a timely manner.	2	Apex has been installed onto our test database to allow development to begin. Some minor configuration is being finalised this week. Whilst this development is underway, Apex will be installed into our change controlled environment and production environment databases. This will not affect the forms development as these can be extracted from the test database and uploaded into each of the new environments without the need to recreate the whole form.	ACO / ERP Systems Team/ICT	23/11/18	01/06/19	20/12/19	The Apex solution has not gone live due to the ERP team leaving the organisation. ICT have looked at the solution and are unsure about its underlying code. As such they need to assess the Apex solution for fitness for purpose, and then embark upon recoding the solution to meet minimum coding standards, before it can move into an operational setting. It maybe that once the solution has been assessed the Office 365 technologies is a comparison which might be a better strategic fit for the two organisations.

Audit	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1909 Key Financial Controls	A flagging system be developed to identify /Iforms that are not being processed promptly by Line Managers so that these can be escalated accordingly.	2	A solution will be implemented upon "Go-Live". The nature of this will develop as the IForms project continues.	ACO / HR Service Centre Manager	30/09/19		20/12/19	I-Forms remains delayed, and therefore this has not been progressed any further.
NSC1917 Vetting	The vetting renewals backlog be cleared in order that renewal vetting is done in a timely manner.	2	Due to resource pressures; new force applicants and increase in the level of checks to be undertaken on each applicant, the backlog has gained pace. There is one post down and no applicants applied to the first advert, this has gone out to advert again. There are three temporary roles that finish on 31st March 2019, however this is unlikely to be met by then. Resolving resource issues would still put back implementation by six months. A business case around web forms has been	DCC / Senior Complaints, Appeals and Policy Manager	31/12/19		13/11/19	Due to resource pressures; new force applicants and increase in the level of checks to be undertaken on each applicant, the backlog has continued to gain pace.

Audit	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
			prepared which would help the process.					
NSC1917 Vetting	The Vetting Policy be reviewed, approved, and communicated.	2	The existing policy has been withdrawn as non-compliant. Now working to a seven force policy in line with APP, with local guidance. Once the national guidance is produced in September 2018, the seven force approach will be agreed and local guidance produced on this basis.	DCC / Senior Complaints, Appeals and Policy Manager	31/03/19		13/11/19	The 7 force vetting collaboration is seeking to agree to develop a single interpretation of the APP. In the meantime, rather than develop a full policy the Head of Vetting has been asked to develop an interim document that summarises the Norfolk and Suffolk position in respect of the areas of the APP that are subject to different interpretation.

Audit	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC2007 Maintenance	The statutory health and safety log spreadsheet be kept up to date, so that management can monitor any red entries to ensure services have taken place.	2	A review of the Estates Department is being undertaken to strengthen the staff time within the department spent on resourcing this area of work. This is subject to the introduction of two part time Facilities Assistant posts from current staff budget resources and part vacant FTE's. Hence due to HR processes and appointment – likely to be up and running around the start of November 2019.	ACO / Head of Estates	01/11/19	31/12/19	20/12/19	The ACO's have now approved the Estates Department staff changes. Both the HR Dept and Finance Dept have now been engaged with to deal with the practical changes and appointment (back fill) of two part Facilities Assistant posts to assist with statutory record keeping. A revised date has been applied to enable time for the new post holders to update the key records.

Overdue / Extended Deadlines

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1829 Payroll, including ERP Reporting	The reporting functionality on ERP to be explored so that all necessary reports can be provided to enable line managers to have all necessary information, including a report of new starters, leavers and changes within the monthly payroll.	2	<p>Heads of Department have regular meetings with their management teams, and with HR and Finance Business Partners to understand their staffing position.</p> <p>However, a business case is in draft in connection to a new reporting solution and funding has been provided within the MTFP.</p> <p>The reporting solution will have much wider benefits than the more narrow issue outlined here.</p>	ACO / Head of Transactional Services	30/06/18	30/06/20	11/11/19	The Excel4Apps reporting tool has not yet been successfully installed. This is under discussion at the SSTC Project Board. A revised date is required in line with the SSTC Project implementation.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1901 Strategic Control, Corporate Governance and Whistleblowing	A police bonus and honorarium policy be developed or incorporated into an existing staff policy, and made available to staff to refer to.	2	Work has commenced on the development of an Honorarium and Bonus policy. This will be subject to the normal consultation process.	DCC / Policy, Reward and Employee Relations Manager	30/09/19	31/03/20	11/11/19	A dedicated resource is working on the constabularies reward and recognition policies and practices within the Policy, Reward and Employee Relations Team. Accepting the need for consultation, it is expected that these will be ready for publication March 2020.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1910 Capital Programme	Business case template documentation be used consistently across both forces for all capital bids, to ensure consistency of information presented and decisions made and recorded.	2	The PMO are currently reviewing the Business Case template for re-design. This review will ensure the use of a consistent template that captures all relevant information in order to prioritise projects and evaluate how they are contributing to strategic priorities, thus enabling a check on benefits realisation, post implementation review etc. As key stakeholders Finance, HR and ICT will be consulted on along with PM and other internal department resources.	DCC / Head of Programme Management Office	30/04/19	31/01/20	11/11/19	The templates have been updated and out to consultation, feedback has been received and they are being tweaked for final version.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1912 Allowances	The process and methodology be reviewed for making honorarium payments, to enable transparency and compliance with Constabularies' policy.	2	A Joint Good Work Recognition Policy is being developed. The policy will standardise the process for honorariums.	DCC / Policy , Reward and Employee Relations Manager	31/03/19	31/03/20	11/11/19	A dedicated resource is working on the constabularies reward and recognition policies and practices within the Policy, Reward and Employee Relations Team. Accepting the need for consultation, it is expected that these will be ready for publication March 2020.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1915 Establishment, Capacity, Recruitment and Retention	The setting up of IT profiles at least a week in advance of the new starter commencing employment be investigated, so that the profile can be checked to ensure that it works. IT to provide the new starter with their password on the day that they start.	2	This is an issue that the business has highlighted since the launch of the ERP solution. The ERP System Team/ICT have advised that the Sailpoint Solution, which will be implemented as part of the Desktop Modernisation Project will address this issue. An update will be provided in due course.	DCC / ERP Systems Team/ICT	30/09/19	31/03/20	11/11/19	This is an issue that the business has highlighted since the launch of the ERP solution. The ERP System Team/ICT have advised that the Sailpoint Solution, which will be implemented as part of the Desktop Modernisation Project will address this issue. A revised date has been applied in line with the ERP recommendations.
NSC1915 Establishment, Capacity, Recruitment and Retention	Reports of amendments to contracts length be produced monthly, to verify whether leaving / extended and permission groups checked for appropriateness to amend.	2	The provision of reports will be scoped by the Management Information Team, and if possible, will be reviewed monthly by HR Business Partners/HR Advisors.	DCC / Head of Resourcing/Head of HR	30/06/19	31/03/20	11/11/19	This is an area of work being picked up as part of the SSTC workstream. MI have proof of concept of being able to generate reports, which will then need to be proactively managed and

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
								reviewed by the SSTC.
NSC1915 Establishment, Capacity, Recruitment and Retention	Approval and rationale for why officers and staff are acting up be recorded for all officers/staff.	2	The new Acting and Temporary Promotions Policy will be published in the Spring of 2019. This will standardise the process and this detail will therefore be captured. Staff are already covered within other HR policies and process.	DCC / Head of Resourcing	30/06/19	31/01/20	11/11/19	Promotion processes in both counties conclude w/c 23rd of December. Work on the policy will commence in January and a draft should be completed at the end of January. This will then be subject to usual consultation procedures.
NSC1918 Transport Services – Strategy	Records of drivers cleared to drive Constabulary pool and hire cars be regularly maintained by the Driving Training Unit, with proactive checks undertaken, to ensure that there has not been a change in	2	There is a requirement that all staff who avail themselves of driving authorisations complete a paper application process, which requires a copy of their driving licence and a DVLA print out of their driving licence summary. This is held on the individual's personal driving folder within the driving school. A reminder	DCC / Driver Trainer Team Leader	30/06/19	31/01/20	13/11/19	The implementation of Chronicle is now likely to be January 2020. This delay is linked to the seven forces requirement.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
	circumstances for cleared drivers.		to all managers that have access to pool cars that their staff require this authorisation prior to the vehicles use, and/or a prompt when staff book pool cars via the intranet that there is a requirement that they need to be authorised by Driving School prior to the vehicles use, can be implemented fairly swiftly. Chronicle (Driver Management Unit) has now been approved for implementation to Norfolk and Suffolk Constabularies and this will ensure the future recording and checking of drivers is more robust.					

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1918 Transport Services – Strategy	A review be undertaken to identify potential dual workforce workers, with a system to record those identified and verify that tax implications have been addressed.	2	A notification will be issued to all Department Heads to ensure that they consider staff travelling between sites comply with the Dual Workplace HMRC guidance and maintain records of those identified.	ACO / Head of Transactional Services	30/06/19	31/01/20	13/11/19	A revised questionnaire is to be sent to all Heads of Departments to pass to their staff travelling, to ascertain if their work pattern meets the required criteria for dual workplace. This is now a larger piece of work than first envisaged and resources will need to be assigned to facilitate this, to ensure a robust implementation.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1922 Stations, including building access and vehicle security	A review be undertaken of the Great Yarmouth police station security arrangements, including changing of locks when staff leave the station.	2	<p>A programme to roll out site lock boxes, to store site keys for sign in/out is in progress as an interim measure to improve security, this is expected to be completed by 31/12/2018.</p> <p>A programme is also in place for replacing locks with salto access, this is ongoing across 2018 and 2019, with the expected completion date for all sites by 31/12/2019.</p>	ACO / The Joint Information Security and Estates and Facilities departments	31/12/19	31/01/20	13/11/19	The SALTO access card solution is now being rolled out in Norfolk and is reaching completion. The rollout to Great Yarmouth may be delayed, therefore the traditional key locks are being replaced with digital mechanical locks, which will be accompanied by an appropriate policy governing the changing of the code for those locks.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC1922 Stations, including building access and vehicle security	A review of officers that have access to the Bury St Edmunds armoury be undertaken to ensure that only officers that have current in date fire arms training and require access are able to access the armoury.	2	Firearms Officers use the Chronical application to access the armoury and the contents contained in it. e- Personnel files need to be updated to reflect the officers' current training status. ERP does not have an accurate record of officers that have undertaken firearms training. Work is underway to address the inaccuracies of records within ERP. Only officers that have undertaken firearms training are granted access to the armoury, it is the training records on ERP being incorrect.	DCC/ACO / The Joint L&D and The Joint Information Security Dept	30/11/18	30/06/20	13/11/19	The new Chronicle solution is in the process of being accredited, and whilst it was initially an armoury / firearms application, it has now developed beyond that, and will include a number of other functions, including training records.
NSC2005 Workplace Health	A review be undertaken on the value of procuring a wellbeing and occupational health system.	2	The options for an OH system is currently being reviewed in order to provide efficiencies in the administration and clinical processes, as well as GDPR compliance.	DCC / Head of Workplace Health, Safety and Wellbeing	31/12/19	30/04/20	13/11/19	An OH system has been approved, and is expected to be implemented from April 2020.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC2005 Workplace Health	Following consideration of whether to continue with a manual system, action be taken to ensure files are GDPR compliant, including marking files subject to GDPR review.	2	Dependent on the outcome of the above point, this will be considered should the paper based files remain.	DCC / Head of Workplace Health, Safety and Wellbeing	31/12/19	30/04/20	13/11/19	An OH system has been approved, and is expected to be implemented from April 2020.
NSC2006 Temporary Contracts	The end of contract date field be made mandatory on ERP for staff on fixed term contracts, and In addition, the ability to amend the contract length period to be restricted to authorised personnel.	2	Agreed. Access to alter ERP records will be reviewed on a regular basis to ensure that the list is fit for purpose. Changes to the ERP system will be explored, but may not be feasible due to cost implications. The Service Centre Manager will monitor the end of contract fields on ERP and ensure that end dates are included.	DCC / HR Service Centre Manager	31/08/19	31/03/20	13/11/19	This is an area of work being picked up as part of the SSTC workstream. Extension of time required.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC2006 Temporary Contracts	Reports be produced monthly for line managers to review staff on fixed term contracts, to monitor the length of the contract, potential extensions required to be approved or to terminate the contract.	2	Agreed. Reports are available and will be run and distributed on a monthly basis to HR Business Partners as they are currently involved in managing the establishment within their individual portfolios. HR Business Partners will then work with commands/departments to ensure that action is taken to resolve issues that arise from this. The report will be implemented from August 2019	DCC / Management Information Team/HR Business Partners	31/08/19	31/03/20	13/11/19	MI have developed a report, which will be available to line managers in line with changes to the SSTC. This will be picked up as part of the SSTC workstream.
NSC2009 Firearms Management	It needs to be identified whether there will be a shortage of Chronicle licences and for additional licences to be purchased accordingly to ensure that all armed and Taser officers are recorded.	2	Taser only officers have been removed and are managed by the Taser SPOC. There are not enough licenses for these to be managed on chronicle.	DCC / Insp Hammerton	31/10/19	31/03/20	13/11/19	This is being considered as part of a review of Chronicle, more time is required to complete this review, as it is wider than just firearms and tasers, the review has commenced with driver training.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
NSC2010- Stores and Uniform	Consideration be given for police officers and police staff that require uniform to have an account set up on ERP, to ensure that there is an accurate record of uniform held by each police officer and police staff member.	2	This has previously been raised at the ERP Programme Board by the Uniform Supplies Supervisor during 2018 and although supported in principle by the Board is not considered a high priority. With the added support of this audit report this will be further investigated.	DCC / Head of Transport and Uniform	31/10/19	31/03/20	13/11/19	Discussions have taken place between ICT and the Uniform Supplies Supervisor regarding the use of SailPoint as a tool to provide new starters with the system access they require from day one. This work is ongoing. During the interim uniform will continue to be booked out against Uniform Supplies staff.
NSC2010- Stores and Uniform	ERP be investigated to establish if returns can be recorded and an item history report can be developed, so that an accurate record of uniform orders are available.	2	History reports that contain all uniform provided to individuals is available. However, this does not reflect uniform returned or uniform that is past anticipated its wear date. If ERP were able to provide this function it would be a welcomed facility. With the added support of this audit	DCC / Head of Transport and Uniform	31/10/19	31/03/20	13/11/19	A database is being further developed that will allow for returns to be removed uniform records.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Last Update	Latest Response
			report this will be further investigated.					
NSC2029 Dog Handling	The records and systems for managing the police dogs, handler training, the deployment of dogs and monitoring of the service be subject to review, with consideration for using a designated system to effectively manage the service.	2	To be progressed after peer review in November 2019. Chronicle would be the preferred option, however in the interim we will review our training forms to ensure they are fit for purpose.	DCC / Insp 3051 HAMMERTON	31/12/19	31/03/20	13/11/19	T/Sgt James Stocking is overseeing training until the shift pattern review has been conducted and new model agreed. The way we record and capture data including performance and training data is being reviewed.

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

Audit Strategy and Annual Internal Audit Plan

2020/21

January 2020

Overview

2020/21 Audit planning process

Introduction

The Audit Plan for 2020/21 has been informed by a risk assessment carried out across all our clients (with members and senior management) 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.

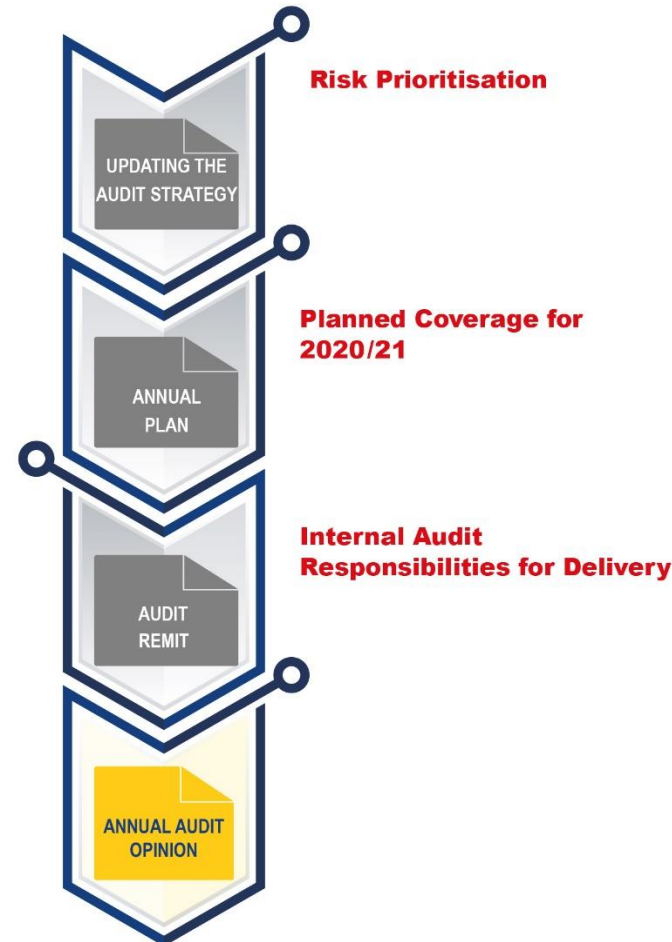
Key Emerging Themes

This year will be another challenging year for police organisations in terms of income, regulation and also the pressures on service delivery. We have identified a number of key areas which require consideration when planning internal audit coverage.

- Police and Crime Commissioner Election – The election for the new Police and Crime Commissioners takes place on 7th May 2020, following which a new Police and Crime Plan will be developed.
- Brexit – Governance and Risk Register need to be stress-tested against continuing uncertainty, which may have knock-on impacts on recruitment and retention of staff and on procurement and suppliers.
- Transformation and Strategic Change – development of new internal systems and processes will impact on the capacity and capability of resources to develop working practices and drive efficiencies.
- Increase in Officers – the national drive to increase officers will impact on the infrastructure to support them, including workforce planning, recruitment, learning and development, IT support, estates and transport.
- Collaborations – The Norfolk and Suffolk Constabularies are building collaborations locally and as part of the seven forces, driving forward efficiencies. The seven force procurement function is taking momentum, with the procurement function being established.

Adequacy of the planned audit coverage

The Fundamental reviews identified in the audit plan for 2020/21 support the Head of Audit’s annual opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control as required by TIAA’s charter. The Organisational 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 (GUARD) to determining your audit needs each year, which includes reviewing your risk register and risk management framework, previous internal audit work for the organisation, the Regulatory Framework and assessment of the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies, external audit recommendations together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. 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.

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies. The resultant changes for 2020/21 which underpin your Audit Plan is set out at Annex A.

Audit Strategy and Annual Plan

Following the risk prioritisation review, the Audit Strategy has been updated (Annex B) and the Annual Plan (Annex C) sets out the reviews that will be carried out, the planned times and the 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 the Annual Plan includes: research, preparation and issue of terms of reference, production and review of working papers and reports and site work. 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. Where additional work is required days and the aggregate day rate will be agreed in advance and will be clearly set out in the terms of reference.

Audit Remit

The Audit Remit (Annex D) 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 and defines the scope of internal audit activities.

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 the IIA UK & Ireland standards.

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

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and the IIA UK & Ireland standards. The Annual Report will include our opinion of the overall adequacy and 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.

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 Mapping

For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assurance mapping process is set out in Annex E.

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.

Performance

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

Area	Performance Measure	Target
Achievement of the plan	Completion of planned audits.	100%
	Audits completed in time allocation.	100%
Reports Issued	Draft report issued within 10 working days of exit meeting.	95%
	Final report issued within 10 working days of receipt of responses.	95%
Professional Standards	Compliance with TIAA's audit charter and the IIA UK & Ireland Standards.	100%

Conflict of Interest

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 the IIA UK & Ireland standards, the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies requirements and TIAA's internal policies.

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.

Audit Committee Responsibility

It is the responsibility of the Audit Committee 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.

Release of Report

The table below sets out the history of this plan.

Date plan issued:	January 2020
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Changes for 2020/21

In addition to the core audit work required to underpin the Head of Audit Annual Opinion (governance, risk management, core financial systems, network controls, follow up etc.) a GUARD assessment of key risks has been completed, to identify those that are most relevant to the organisation and where internal audit assurance would be best focussed. These are summarised below.

LINKED TO RISKS ON PAGE 1	GUARD Risk Analysis
Risk Areas	Cross Ref to Annual & Strategic Plan (Annex B, C)
<p>Strategic Governance – Police and Crime Commissioner elections and Brexit – There is likely to be significant uncertainty and potential fast-emerging risks developing as a result of the UK leaving the EU in January 2020, which will not be fully understood until after the departure date, and the Police and Crime Commissioner elections in May 2020, with new Police and Crime Plans being developed thereafter.</p> <p>How we intend to review this risk: We will assess the extent that the Police and Crime Plan and Risk Register have been stress-tested against this within our audit areas.</p>	Year 1
<p>Increase in Officers – the national drive to increase officers will impact on the infrastructure to support them, including workforce planning, recruitment, learning and development, IT support, estates and transport.</p> <p>How we intend to review the risk: We will assess the infrastructures in place and developing changes, how these are being implemented and supporting the new recruits.</p>	Year 1
Client Specific Risks	
<p>Transformation and Strategic Change – development of new internal systems and processes will impact on the capacity and capability of resources to develop working practices and drive efficiencies.</p>	Year 1
<p>Shared Service Transaction Centre – The move to a shared service transaction centre in 2020/21 brings changes to the management of financial services.</p> <p>How we intend to review this risk: We will consider the structure is devised and that there is effective and on-going monitoring and reporting.</p>	Year 1
<p>Collaborations – The Norfolk and Suffolk Constabularies are building collaborations locally and as part of the seven forces, driving forward efficiencies. The seven force procurement function is taking momentum, with the procurement function being established.</p>	Years 1&2

Fundamental Review Areas To support the Head of Internal Audit opinion	BAF / Risk Ref.	Type	Yr1	Yr2	Yr3
Governance					
Key governance areas will be reviewed on a rotational basis each year such as strategic planning, strategic control, regulatory compliance, performance management, board assurance, partnership working, management of conflicts, health and safety, subsidiary governance and third party assurances.		Assurance	✓	✓	✓
Risk					
A robust risk management framework is critical to all organisations to ensure risks are effectively management and emerging risks identified our cyclical annual reviews will cover embedding risk, risk identification, risk mitigation and risk workshops.		Appraisal	✓	✓	✓
Financial systems - Cost Control and Income Maximisation					
Cost control, income maximisation and robust financial systems are essential to financial well-being of any organisation. Our reviews of key financial systems are designed to ensure compliance with IIA standards and help protect against potential frauds. We will carry out a high level review of key financial systems each year supported by a rolling programme of financial system reviews such as payments health check, income, payroll, budgetary control/management reporting, cost improvement planning and nominal ledger.		Assurance	✓	✓	✓
ICT					
We will use our risk assessment to continue to review ICT risks and controls in place within the organisation. The rolling programme of reviews will include data protection, ICT governance, ICT management and business support, application reviews, network security, data quality and cyber security. The audit areas will be reviewed as systems implementation develops, within areas including Chronicle, ERP upgrade, shared service transaction centre, outcomes of the budget round, impact review of Brexit and the OPCC plan, HR solutions.		Assurance	✓	✓	✓
Follow Up					
We will carry out a continuous follow up of internal audit recommendations utilising TIAA's client portal and recommendation tracker. Updates will be provided to each Committee.		Follow Up	✓	✓	✓

Review Area	Type	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Corporate / Governance									
Strategic Control and Corporate Governance		12			10	12	12		12
Corporate Policies				10		8			
Performance Management			15				12		
Transformation and Strategic Planning / Change						12		12	
2020 Strategic Change Programme						9			
2025 Strategic Change Programme						9			
Whistleblowing					12				
Complaints			10			8			
Communications			18						10
Collaborations / Partnership Working			10				20	10	12
Corporate H&S							10		
Emergency Planning & Business Continuity						14			
Commissioning		9	1	13	18		18		10
Risk Management									
Strategy / Policy OPCC Suffolk			9						
Strategy / Policy OPCC Norfolk			9						
Strategy / Policy / RAID Log Constabularies		15							
Risk Maturity Assessment							8		
Mitigating Controls					10				12
Embedding / Development		12		11		12	4	12	
ICT									
Areas to be agreed								14	40
Cyber Security		10							
ITIL		10							
t-Police		12							
ERP / Enact / DMS					12			20	

Review Area	Type	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Exchange 2010/Email Archiving			12						
Website Content and CAD grazing						12			
Telematics Blackbox						12			
Device Management		15		10			10		
Firewalls			12						
Chronicle							12		
ICT Governance				12					
Disaster Recovery & Business Continuity			12		12				
ERP Second / Third Line			12						
Digital World							12		
Software Licensing						12			
Finance									
Key Financials			30	30	30	30	30	30	30
Shared Service Transaction Centre							12		12
OBB Process							12		
Payroll, including ERP Reporting		10	10	10			12		12
Accounts Payable		10		10				10	
Accounts Receivable		10							
General Ledger		10							
Treasury Management		10						10	
Capital Programme		10			10			12	
Budgetary Control			12			12			12
Fixed Assets					10				10
Pensions Administration			10					10	
Overtime			8			14		12	
Allowances, Expenses and Additional Payments			8	14	14	14			12
Information Management									
Audit Team Assessment				8					
GDPR / Data					18	12		12	
Data Quality				12			12		14
Records Management		4							

Review Area	Type	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Freedom of Information / Data Protection / Document Security Management			15						
Information Management / Security – OPCC						8			
MOPI Project Implementation				10			10		
Human Resources									
HR Strategy & Workforce Planning & People Strategy			10				10		
Establishment, Capacity, Recruitment and Retention					15				
Recruitment			12				12		14
Succession Planning							8		
Absence Management		10		12				14	
Workplace Health						12			12
Limited Duties						12		12	
External Training Budgets						12			
Duty Management System			15		14			14	
Learning and Development				20			12		18
Temporary Contracts				9		10			
ED&I						12			12
PEQF							12		
ill Health Retirement				8				10	
Transport and Stores									
Strategy and Policies					6				
Procurement					9				
Management - Maintenance, Repair, Disposal			15					12	
Fuel Usage with telematics					16				
Transport stock						2			
Use of Vehicles and telematics				10				14	
Stores and Uniform						14			
Estates									
Strategy and Policies					6		6		

Review Area	Type	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Maintenance		8				12			
Health and Safety			12						
Catering (Suffolk)			6						
Facilities									12
Stations incl. Building Access and Vehicle Security		7			14			16	
Contract Management				10					
Suffolk & Norfolk PFI				14					
Norfolk OPCC PFI				14					
Procurement									
Purchase Ordering		12		10				12	
Purchase Cards (Suffolk)		5	6	5					
Purchase Cards (Norfolk)		5	6	5	6				
Contracts		12				12			12
Compliance with contract standing orders in departments				11			12		
Single Tender Actions				6		6			8
Operational / Other Areas									
Control Room Norfolk					14			10	
Control Room Suffolk					14			10	
Firearms Certificates / Management			12			12			12
Dog Handling						8		10	
Proceeds of Crime		15			10				
Recovered Property					10		10		
Business Interests				8					
Safeguarding and Investigations				10					
Ethical Standards (Relationships Conduct)					10				
Vetting					10		10		
Lone Working					10				
Management and Planning									
Follow-up		8	10	12	12	12	12	12	12
Management, Planning and Reporting		20	20	20	20	20	20	20	20

Review Area	Type	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Contingency to use in year									
Total In Year Days		261	337	334	352	376	330	330	330
Contingency b/fwd		-	(69)	(62)	(58)	(36)	-	-	-
Contingency c/fwd		69	62	58	36	-	-	-	-
Totals		330	330	330	330	330	330	330	330

Quarter	Audit	Type	Days	Rationale and Scope	Prog Ref
4	Strategic Control and Corporate Governance	Advisory	12	<p><u>Rationale</u> With the Police and Crime Commissioner elections in May 2020 a new Police and Crime Plans will be devised, setting out the objectives for the Police and Crime Offices and Constabularies.</p> <p><u>Scope</u> The audit will review the objectives for meeting the Police and Crime Plans.</p> <p><u>Lead Officers</u> OPCC / DCCs / ACOs</p>	NSC2001
2	Performance Management	Assurance	12	<p><u>Rationale</u> Operational performance is monitored through the Athena system, and service area performance is managed by the service.</p> <p><u>Scope</u> The audit will take an overview of the performance framework and select service areas for sampling the quality of information being managed.</p> <p><u>Lead Officers</u> OPCC / DCC / ACO</p>	NSC2002
4	Collaborations / Partnership Working	Advisory	20	<p><u>Rationale</u> Collaborations and partnerships with local public sector organisations are growing and developing. Focus will be on the seven forces procurement collaboration and local collaborations with the fire service and probation.</p> <p><u>Scope</u> The audit will focus on whether collaborations and partnerships are fulfilling their requirements.</p> <p><u>Lead Officers</u> OPCC / DCC / ACO</p>	
1	Corporate Health and Safety	Assurance	10	<p><u>Rationale</u> The OPCCs and Constabularies should integrate Health and Safety Act into the main governance structures, including committees.</p>	

Quarter	Audit	Type	Days	Rationale and Scope	Prog Ref
				<u>Scope</u> To review progress of the local policing models. <u>Lead Officers</u> OPCC / DCC / ACO	
1	Outcome Based Budgeting (OBB) Process	Assurance	12	<u>Rationale</u> Outcome based budgeting should provide accountability and enhanced transparency, assisting with the allocation and prioritisation of resources. <u>Scope</u> The audit will review the process to establish if the process is working effectively. <u>Lead Officers</u> OPCC / DCC / ACO	
1 and 2	Commissioning	Assurance	18	<u>Rationale</u> Commissioning contracts are of significant financial value and impact on public safety, service and reputation of the Police and Crime Commissioners and Constabularies. <u>Scope</u> The audit time will be split for audits to focus on the commissioning arrangements at the Office of the Police and Crime Commissioners and management of Constabularies commissioning. <u>Lead Officers</u> OPCC	
2	Risk Maturity Assessment	Advisory	8	<u>Rationale</u> Risk management has been developing across the constabularies over the last couple of years. <u>Scope</u> The audit will focus on the risk maturity of the organisations following developments in risk management. <u>Lead Officers</u> Joint Strategic, Business and Operational Services and Risk Manager	
1-4	Risk Management Embedding / Development	Advisory	4	<u>Rationale</u>	

Quarter	Audit	Type	Days	Rationale and Scope	Prog Ref
				<p>Risk management has been developing across the constabularies over the last couple of years.</p> <p><u>Scope</u></p> <p>The audit will focus on how the risk management framework is developing and being embedded across the organisations. The work will involve review each quarter of the progress.</p> <p><u>Lead Officers</u></p> <p>Joint Strategic, Business and Operational Services and Risk Manager</p>	
3	Device Management and Data Storage	Assurance	10	<p><u>Rationale</u></p> <p>Devices are introduced each year to the Constabularies, including body worn cameras, the audit will review which devices are most relevant to audit at the time, to review the implementation of the technology and the relevant data storage arrangements.</p> <p><u>Scope</u></p> <p>The audit focus will be assessed nearer the time, to ensure that the most appropriate technology is considered.</p> <p><u>Lead Officers</u></p> <p>Director of ICT</p>	
3	Chronicle	Assurance	12	<p><u>Rationale</u></p> <p>Chronicle is being developed and becoming a fundamental system for operational areas and L&D. The development is starting with police vehicles.</p> <p><u>Scope</u></p> <p>The audit will focus on the development of the Chronicle system and how this is being rolled out.</p> <p><u>Lead Officers</u></p> <p>Director of ICT</p>	
2	Digital World and Data Storage	Assurance	12	<p><u>Rationale</u></p> <p>The digital world evolves from the digital policing national strategy, incorporating the policing vision 2025 and a digital policing portfolio, which seeks to maximise resources and make officers more efficient.</p> <p><u>Scope</u></p>	

Quarter	Audit	Type	Days	Rationale and Scope	Prog Ref
				<p>The audit will focus on the measures in place and KPIs to meet the objectives of the digital world.</p> <p><u>Lead Officers</u> Director of ICT</p>	
3/4	Key Financials			<p><u>Rationale</u> The full audits for the financial systems will be undertaken on a systematic basis. The key controls will focus on stress testing the key controls within each of the financial systems identified.</p> <p><u>Scope</u> The review considers the arrangements for key controls operating within the systems and Force Management Statements.</p> <p><u>Lead Officers</u> ACOs / Head of Transactional Services</p>	
3	Shared Service Transaction Centre	Assurance	12	<p><u>Rationale</u> The new shared service transaction centre is due to be implemented in 2020/21.</p> <p><u>Scope</u> The audit will focus on the aims of the service centre and how these are embedded.</p> <p><u>Lead Officers</u> ACOs / Head of Transactional Services</p>	
3	Payroll	Assurance	12	<p><u>Rationale</u> Payroll is a key risk area, with reporting and data assurance being of high risk.</p> <p><u>Scope</u> The review will focus on providing assurance around the payroll system, including data input for starters, leavers, changes and ERP reporting.</p> <p><u>Lead Officers</u> ACOs / Head of Transactional Services</p>	
1	Data Quality	Assurance	12	<p><u>Rationale</u> Data quality is a key area of risk, with new IT systems introduced and numerous data entry points.</p>	

Quarter	Audit	Type	Days	Rationale and Scope	Prog Ref
				<u>Scope</u> The review will focus on the quality of data across areas of the organisations. This will include data recording and retention on central systems and stand-alone systems, quality of input, focusing initially on data quality for priority reporting systems. <u>Lead Officers</u> DCC / Head of Information	
1	Information Management – MOPI Project Implementation	Assurance	10	<u>Rationale</u> MOPI is a national requirement and is significant towards managing police data nationwide. <u>Scope</u> The audit will assess the MOPI strategy for storage and data cleansing, with progress towards implementation of data transfer. <u>Lead Officers</u> DCC / Head of Information	
2	HR Strategy, Workforce Planning and People Strategy	Assurance	10	<u>Rationale</u> The continuous development of the organisations require the structure people with the changing workforce needs <u>Scope</u> The audit will place emphasis on the people strategy, taking into account current and future police needs. <u>Lead Officers</u> DCC / Head of HR	
3	Recruitment	Assurance	12	<u>Rationale</u> The recruitment drive for the extra recruits will have a big impact on the HR team. <u>Scope</u> The review will consider the arrangements for advertising, shortlisting, interviewing and appointing staff/Officers. The review will include the business case supporting the recruitment requirements. <u>Lead Officers</u> DCC / Head of HR	

Quarter	Audit	Type	Days	Rationale and Scope	Prog Ref
2	Succession Planning	Assurance	8	<p><u>Rationale</u></p> <p>Succession planning for senior officers and senior staff members requires consideration with the significant level of change and development occurring in the organisations.</p> <p><u>Scope</u></p> <p>The audit will focus on the current skill set and role assessments and future needs, including how efficiency and effectiveness will be measured and reviewed for individual key roles.</p> <p><u>Lead Officers</u></p> <p>DCC / Head of HR</p>	
2	HR – Learning and Development	Assurance	12	<p><u>Rationale</u></p> <p>The learning and development model is going through development and change.</p> <p><u>Scope</u></p> <p>The review will focus on learning and development across the organisations. This will include the effectiveness of the approach for planning, development, training, specialist training.</p> <p><u>Lead Officers</u></p> <p>DCC / Head of HR</p>	
4	PEQF			<p><u>Rationale</u></p> <p>The contract for PEQF is expected to be in place and signed by 1st April 2020, with the new recruits commencing in October 2021. The structures and processes internally and with partnering organisations, should be designed and programmed ready for the new recruits.</p> <p><u>Scope</u></p> <p>The audit will focus on the new PEQF programme for new recruits and the relationships with the HE providers.</p> <p><u>Lead Officers</u></p> <p>DCC / Head of HR</p>	
2	Estates Strategy and Policies	Assurance	6	<p><u>Rationale</u></p> <p>The Estates strategy may not align with corporate strategies and direction for current and future need due to the additional recruits and new OPCC plan.</p> <p><u>Scope</u></p>	

Quarter	Audit	Type	Days	Rationale and Scope	Prog Ref
				The audit will appraise the strategy for managing the estates for current and future requirements, with supporting policies. <u>Lead Officers</u> DCC / Head of Estates	
2	Procurement – Compliance with CSO within departments	Assurance	14	<u>Rationale</u> Procurement now comes under the seven force model, feeding through to local organisational areas. <u>Scope</u> The review will assess the procurement processes within departments, compliance with contract standing orders, including any single tender actions. <u>Lead Officers</u> Head of Procurement	
1	Recovered Property	Assurance	10	<u>Rationale</u> Clear processes are required to effectively manage property recovered. <u>Scope</u> The review will focus on lost and found property, ownership, storage of claimed items (virtual and physical) and budget allocation. <u>Lead Officers</u> DCC	
3	Vetting	Assurance	10	<u>Rationale</u> This area faces further resource pressures with the intended rise in new officers. <u>Scope</u> The review will focus on the systems and processes for vetting new and existing staff, officers and contractors. <u>Lead Officers</u> Vetting Unit	
1-4	Follow-up	Follow up	12		
1-4	Management and Planning	Management	20		
			Total days	330	

Annex D: Audit Coverage 2015/16 – 2022/23

Review Area	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Corporate / Governance								
Strategic Control, Corporate Governance	Reasonable				Q4	Y		Y
Corporate Policies			Limited		Q4			
Performance Management		Substantial				Y		
Transformation and Strategic Planning / Change					Q4		Y	
2020 Strategic Change Programme					Substantial			
2025 Strategic Change Programme					Substantial			
Whistleblowing				Reasonable				
Complaints		Substantial			Substantial			
Communications		Reasonable						Y
Collaborations		Reasonable				Y	Y	Y
Corporate H&S						Y		
Emergency Preparedness & Business Continuity					Reasonable			
Commissioning	Substantial		Reasonable	Substantial		Y		Y
Risk Management								
Strategy / Policy OPCC Suffolk		Substantial						
Strategy / Policy OPCC Norfolk		Substantial						

Review Area	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Strategy / Policy Constabularies	Reasonable							
Risk Maturity Assessment						Y		
Mitigating Controls				Reasonable				Y
Embedding / Development	Reasonable		Reasonable		Q4	Y	Y	
RAID log	Substantial							
ICT								
Areas to be agreed							Y	Y
Cyber Security	Reasonable							
ITIL	Reasonable							
t-Police	Reasonable							
ERP / Enact / DMS				Reasonable			Y	
Exchange 2010/Email Archiving		Substantial						
Website Content and CAD grazing					Q4			
Telematics Blackbox					Reasonable			
Device Management (e.g. body worn video)	Substantial		Reasonable		Reasonable	Y		
Firewalls		Substantial						
Chronicle						Y		
ICT Governance			Reasonable					
Disaster Recovery & Business Continuity		Reasonable						

Review Area	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ERP Second/Third Line		Reasonable						
Digital World						Y		
Software Licensing					Q4			
Finance								
Key Financials		Reasonable	Substantial	Reasonable	Q3/4	Y	Y	Y
Shared Service Transaction Centre						Y		Y
OBB Process						Y		
Payroll, including ERP Reporting	Limited	Reasonable	Limited			Y		Y
Accounts Payable	Reasonable		Reasonable				Y	
Accounts Receivable	Reasonable		Reasonable					
General Ledger	Substantial							
Treasury Management	Substantial						Y	
Capital Programme	Substantial			Reasonable			Y	
Budgetary Control		Substantial			Substantial			Y
Fixed Assets				Reasonable				Y
Pensions Administration		Reasonable					Y	
Overtime, Expenses and Additional Payments		Reasonable	Limited		Q4		Y	
Allowances				Limited	Limited			Y
Information Management								

Review Area	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Audit Team Assessment			Substantial					
GDPR / Data				N/A	Limited		Y	
Data Quality			Limited			Y		Y
Records Management	n/a							
Freedom of Information / Data Protection / Document Security Management		Reasonable			Limited		Y	
Information Management / Security – OPCC					Q4			
MOPI Project Implementation			Limited			Y		
Human Resources								
HR Strategy & Workforce Planning		Limited				Y		
Establishment, Capacity, Recruitment and Retention				Reasonable				
Recruitment		Limited				Y		Y
Succession Planning						Y		
Absence Management	Substantial		Limited				Y	
Workplace Health					Reasonable			Y
Limited Duties					Limited		Y	
External Training Budgets					Q4			
Duty Management System		Limited		Limited			Y	
Learning and Development - Skills			Limited			Y		Y
Learning and Development – Student Officer Training			Reasonable			Y		

Review Area	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Temporary Contracts			Reasonable		Reasonable			
ED&I					Q4			Y
PEQF						Y		
Sick Health Retirement			Reasonable				Y	
Transport and Stores								
Strategy and Policies				Reasonable				
Procurement				Reasonable				
Management - Maintenance, Repair, Disposal and Fuel Usage		Reasonable				Y		
Fuel Usage with Telematics				Reasonable				
Transport Stores Security					N/A			
Use of Vehicles			Reasonable		Q4		Y	
Stores and Uniform					Reasonable			Y
Estates								
Strategy and Policies				Reasonable		Y		
Maintenance	Reasonable				Reasonable			
Health and Safety		Reasonable						
Catering (Suffolk)		Limited						
Facilities								Y
Stations incl. Building Access and Vehicle Security	Reasonable			Reasonable			Y	

Review Area	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Contract Management			Substantial					
Suffolk & Norfolk PFI			Substantial					
Norfolk OPCC PFI			Substantial					
Procurement								
Purchase Ordering	Reasonable		Reasonable				Y	
Purchase Cards (Suffolk)	Limited	Reasonable	Reasonable					
Purchase Cards (Norfolk)	Limited	Limited	Limited	Reasonable				
Contracts	Reasonable				Reasonable			Y
Compliance with contract standing orders in departments and single tender actions			Reasonable			Y		
Single Tender Actions					Reasonable			Y
Operational								
Control Room Norfolk				Reasonable			Y	
Control Room Suffolk				Reasonable			Y	
Firearms Management		Substantial			Reasonable			Y
Dog Handling					Limited		Y	
Proceeds of Crime	Limited			Reasonable				
Recovered Property				Reasonable		Y		
Business Interests			Reasonable					
Safeguarding and Investigations			Substantial					

Review Area	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Vetting				Reasonable		Y		
Lone Working				Reasonable				
Relationships Conduct				Reasonable				

Role

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 Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies framework of governance, risk management and control. TIAA is responsible for giving assurance to the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies “Governing Body” (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies risk management, control and governance processes.

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.

TIAA may also conduct any special reviews requested by the board, Audit and Risk committee or the nominated officer (being the post responsible for the day to day liaison with the 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.

Standards and Approach

TIAA’s work will be performed with due professional care, in accordance with the requirements of the Chartered Institute of Internal Auditors – UK & Ireland standards.

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 and Risk 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.

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.

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 2003.

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.

Corporate Assurance Risks

We consider four corporate assurance risks; directed; compliance; operational and reputational, and tailor the of audit accordingly. For all types of audit we also taken into account value for money considerations and any linkages to the organisational Assurance Framework. The outcomes of our work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

Assurance Assessment Gradings

We use four levels of assurance assessment: substantial; reasonable, limited and no. Detailed explanations of these assurance assessments are set out in full in each audit report.

LEVELS OF ASSURANCE PROVIDED



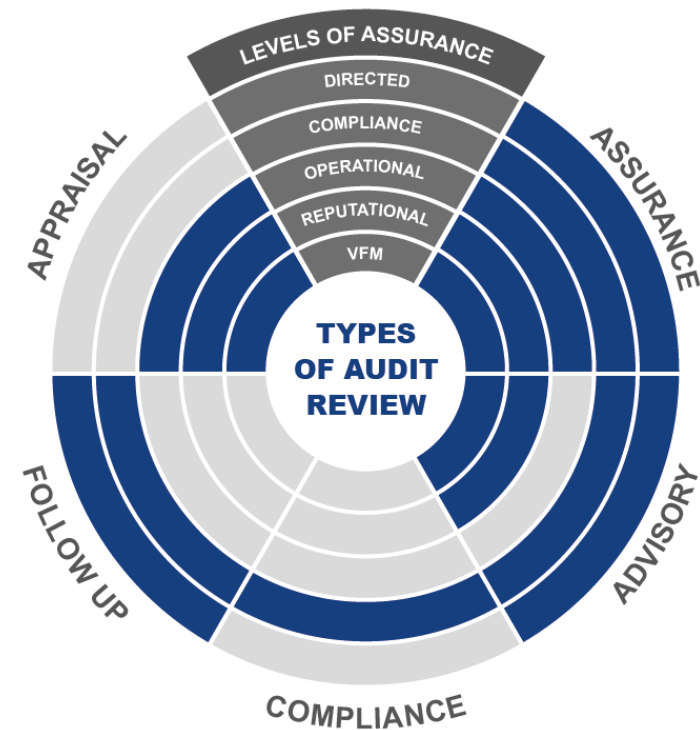
Benchmarking

Where a similar review is carried out at a number of our clients we will subsequent to the completion of the review at each of the clients we will where relevant provide a benchmarking and lessons learned digest. This digest will include Operational Effectiveness Matters for the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies to consider.

Annex E: Assurance Mapping

Types of Audit Review

The Annual Plan includes a range of types of audit review. The different types of review focus on one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review. The suite of audit reviews and how they individually and collectively enable us to inform our overall opinion on the adequacy and effectiveness of the governance, risk and control arrangements is set out in the assurance mapping diagram.



**The Office of the Police and Crime Commissioner for Norfolk
Annual Investment and Treasury Management Strategy Statement 2020/21**

1. Background

- 1.1 The PCC is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the PCC's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the PCC's capital plans. These capital plans provide a guide to the borrowing need of the PCC, essentially the longer-term cash flow planning, to ensure that the PCC can meet his capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet PCC risk or cost objectives.
- 1.3 The contribution the treasury management function makes to the PCC is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.4 CIPFA defines treasury management as:
- “The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*
- 1.5 This PCC has not engaged in any commercial investments and has no non-treasury investments.

2. Reporting requirements

Capital Strategy

- 2.1 The CIPFA 2017 Prudential and Treasury Management Codes require, for 2020/21, all local authorities to prepare a capital strategy report, which will provide the following:
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability
- 2.2 The aim of this capital strategy is to ensure that the PCC fully understands the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 2.3 The Capital Strategy will be published separately but is included within the PCC's Budget and MTFP report.

Treasury Management reporting

- 2.4 The PCC is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.
- a. Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
- the capital plans, (including prudential indicators); (Appendix 1)
 - a minimum revenue provision (MRP) policy, (how unfunded capital expenditure is charged to revenue over time); (Appendix 2)
 - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how investments are to be managed).
- b. A mid-year treasury management report** – This is primarily a progress report and will update the PCC on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- c. An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3. Treasury Management Strategy for 2020/21

3.1 The strategy for 2020/21 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators; see Annex 1.
- the minimum revenue provision (MRP) policy. See Annex 2.

Treasury management issues

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

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

Training

3.2 The CIPFA Code requires the responsible officer to ensure that officers with responsibility for treasury management receive adequate training in treasury management. This also applies to Audit Committee members responsible for scrutiny. Training on the Prudential Code and the Capital Strategy was provided to Audit Committee members in October 2018.

Treasury management consultants

3.3 The PCC uses Link Asset Services, Treasury solutions as its external treasury management advisors.

3.4 The PCC recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, our treasury advisers.

3.5 It is also recognised that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The PCC will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Treasury Management Function

- 3.6 The CIPFA Code defines treasury management activities as “the management of the PCC’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 3.7 The PCC regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the PCC, and any financial instruments entered into to manage these risks.
- 3.8 The PCC acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 3.9 The PCC is required to operate a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties, providing adequate liquidity before considering investment return.
- 3.10 A further function of the treasury management service is to provide for the borrowing requirement of the PCC, essentially the longer term cash flow planning, typically 30 years plus, to ensure the PCC can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using internal cash balances on a temporary basis. Debt previously borrowed may be restructured to meet PCC risk or cost objectives.
- 3.11 The PCC has delegated responsibility for treasury management decisions taken within the approved strategy to the PCC CFO. Day to day execution and administration of investment and borrowing decisions is undertaken by Specialist Accountants based in the Joint Finance Department for Suffolk and Norfolk Constabularies.
- 3.12 External treasury management services continue to be provided by Link Asset Services in a joint contract with the PCC for Suffolk. Link Asset Services provides a range of services which include:
- Technical support on treasury matters and capital finance issues.
 - Economic and interest rate analysis.
 - Debt services which includes advice on the timing of long term borrowing.
 - Debt rescheduling advice surrounding the existing portfolio.

- Generic investment advice on interest rates, timing and investment instruments.
- Credit ratings/market information service for the three main credit rating agencies (Fitch, Moody's and Standard & Poors).

3.13 Whilst Link Asset Services provide support to the treasury function, under market rules and in accordance with the CIPFA Code of Practice, the final decision on treasury matters remains with the PCC.

3.14 Performance will continue to be monitored and reported to the PCC as part of the budget monitoring report.

3.15 Link Asset Service's Economic Forecast is set out in Annex 3.

4. Investment Strategy 2020/21

4.1 On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 - 0.75%
- Q1 2022 - 1.00%
- Q1 2023 - 1.00%

4.2 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Financial Year	Budgeted Interest Earnings
2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later Years	2.25%

The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.

The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

4.3 There are 3 key considerations to the treasury management investment process. MHCLG's Investment Guidance ranks these in the following order of importance:

- security of principal invested,
- liquidity for cash flow, and
- investment return (yield).

Each deposit is considered in the context of these 3 factors, in that order.

4.4 MHCLG's Investment Guidance requires local authorities and PCCs to invest prudently and give priority to security and liquidity before yield, as described above. In order to facilitate this objective, the Guidance requires the PCC to have regard to CIPFA's Code of Practice for Treasury Management in the Public Sector.

4.5 The key requirements of both the Code and the Investment Guidance are to produce an Annual Investment and Treasury Strategy covering the following:

- Guidelines for choosing and placing investments – Counterparty Criteria and identification of the maximum period for which funds can be committed – Counterparty Monetary and Time Limits.
- Details of Specified and Non-Specified investment types.

5. Investment Strategy 2020/21 - Counterparty Criteria

5.1 The PCC works closely with its external treasury advisors to determine the criteria for high quality institutions.

5.2 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 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** – Royal Bank of Scotland Group (including Nat West). These banks are included while they continue to be part nationalised or they meet the minimum rating criteria for UK Banks above.
- **The PCC's Corporate Banker** – If the credit ratings of the PCC's corporate banker (currently Barclays Bank plc) 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** – The PCC will use Building Societies which meet the ratings for UK Banks outlined above.
- **Money Market Funds (MMFs)** – which are rated AAA by at least one of the three major rating agencies. MMF's are 'pooled funds' investing in high-quality, high-liquidity, short-term securities such as treasury bills, repurchase agreements and certificate of deposit. Funds offer a high degree of counterparty diversification that include both UK and Overseas Banks.
- **UK Government** – including the Debt Management Account Deposit Facility & Sterling Treasury Bills. Sterling Treasury Bills are short-term (up to six months) 'paper' issued by the UK Government. In the same way that the Government issues Gilts to meet long term funding requirements, Treasury Bills are used by Government to meet short term revenue obligations. They have the security of being issued by the UK Government.
- **Local Authorities, Parish PCCs etc.** – Includes those in England and Wales (as defined in Section 23 of the Local Government Act 2003) or a similar body in Scotland or Northern Ireland.

5.3 All cash invested by the PCC in 2020/21 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.

5.4 The Code of Practice requires local authorities and PCCs to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for use, additional market information will be used to inform investment decisions. This additional

market information includes, for example, Credit Default Swap rates and equity prices in order to compare the relative security of counterparties.

- 5.5 The current maximum lending limit of £10m for any counterparty will be maintained in 2020/21 to reflect the level of cash balances and to avoid large deposits with the DMO.
- 5.6 In addition to individual institutional lending limits, “Group Limits” will be used whereby the collective investment exposure of individual banks within the same banking group is restricted to a group lending limit of £10m.
- 5.7 The Strategy permits deposits beyond 365 days (up to a maximum of 2 years) but only with UK banks which meet the credit ratings at paragraph 5.2. Deposits may also be placed with UK Part Nationalised Banks and Local Authorities for periods of up to 2 years.
- 5.8 A reasonable amount will be held on an instant access basis in order for the PCC to meet any unexpected needs. Instant access accounts are also preferable during periods of credit risk uncertainty in the markets, allowing the PCC to immediately withdraw funds should any concern arise over a particular institution.

6. Investment Strategy 2020/21 – Specified and Non-Specified Investments

6.1 As determined by CLG’s Investment Guidance, Specified Investments offer “high security and high liquidity”. They are Sterling denominated and have a maturity of less than one year or for a longer period but where the PCC has the right to be repaid within one year if he wishes. Institutions of “high” credit quality are deemed to be Specified Investments where the possibility of loss of principal or investment income is small. From the pool of high quality investment counterparties identified in Section 5, the following are deemed to be Specified Investments :

- Banks: UK and Non-UK;
- Part Nationalised UK Banks;
- The PCC’s Corporate Banker (Barclays Bank plc)
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds;
- UK Government;
- Local Authorities, Parish PCCs etc.

6.2 Non-Specified Investments are those investments that do not meet the criteria of Specified Investments. From the pool of counterparties identified in Section 5, they include:

- Any investment that cannot be recalled within 365 days of initiation.

6.3 The categorisation of ‘Non-Specified’ does not in any way detract from the credit quality of these institutions, but is merely a requirement of the Government’s guidance.

6.4 The PCC’s proposed Strategy for 2020/21 therefore includes both Specified and Non-Specified Investment institutions.

7. Borrowing Strategy 2020/21

7.1 Capital expenditure can be funded immediately by applying capital receipts, capital grants or revenue contributions. Capital expenditure in excess of available capital resources or revenue contributions will increase the PCC’s borrowing requirement. The PCC’s need to borrow is measured by the Capital Financial Requirement (CFR), which simply represents the total outstanding capital expenditure, which has not yet been funded from either capital or revenue resources.

7.2 For the PCC, borrowing principally relates to long term loans (i.e. loans in excess of 365 days). The borrowing strategy includes decisions on the timing of when further monies should be borrowed.

- 7.3 Historically, the main source of long term loans was the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office (DMO). The maximum period for which loans can be advanced by the PWLB is 50 years. However, on 9 October 2019, HM Treasury increased PWLB rates by 100 basis points, many local authorities will now be viewing the PWLB as a lender of last resort. It is very likely that alternative providers of finance will step into the market for lending to local authorities. It is not certain whether this decision will be reversed if Gilt rates rise within the next year.
- 7.4 External borrowing currently stands at £23.97m (excluding PFI). At 31 March 2019 there was a £28.7m Capital Financing Requirement (CFR) relating to unfunded capital expenditure which had been financed from internal resources. The CFR is estimated to be £32.4m at 31 March 2020, £47.9m at 31 March 2021 and £47.0 at 31 March 2022. Additional long term borrowing is estimated at £10.7m for 2020/21, £0.4m for 2022/23 and £1.0m for 2023/24. The borrowing requirement does not include the funding requirement in respect of assets financed through PFI.
- 7.5 The challenging and uncertain economic outlook outlined by Link Asset Services in Annex 3, together with managing the cost of “carrying debt” requires a flexible approach to borrowing. The PCC, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks identified in Link Asset Services economic overview (Section 3).
- 7.6 The level of outstanding debt and composition of debt, in terms of individual loans, is kept under review. The PWLB provides a facility to allow the restructure of debt, including premature repayment of loans, and encourages local authorities and PCCs to do so when circumstances permit. This can result in net savings in overall interest charges. The PCC CFO and Link Asset Services will monitor prevailing rates for any opportunities during the year. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt
- 7.7 The PCC has flexibility to borrow funds in the current year for use in future years, but will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the PCC can ensure the security of such funds
- 7.8 The PCC will continue to use the most appropriate source of borrowing at the time of making application, including; the PWLB, commercial market loans, Local Authorities and the Municipal Bond Agency.

8. Treasury Management Prudential Indicators

8.1 In addition to the key Treasury Indicators included in the Prudential Code and reported separately, there are two treasury management indicators. The purpose of the indicators is to restrict the activity of the treasury function to within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these indicators are too restrictive, they will impair the opportunities to reduce costs/improve performance. The Indicators are:

- **Maturity Structures of Borrowing** – These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing and require upper and lower limits. It is recommended that the PCC sets the following limits for the maturity structures of its borrowing at 31.3.20:

	Actual*	Lower Limit	Upper Limit
Under 12 months	0.7%	0%	15%
12 months and within 24 months	0.8%	0%	15%
24 months and within 5 years	16.3%	0%	45%
5 years and within 10 years	18.8%	0%	75%
10 years and above	63.4%	0%	100%

* Actual is based on existing balances at 17.12.19

- **Upper Limits to the Total of Principal Funds Invested for Greater than 365 Days** – This limit is set with regard to the PCC's liquidity requirements. It is estimated that in 2020/21, the maximum level of PCC funds invested for periods greater than 365 days will be no more than £4.475m.

Prudential Code Indicators 2020/21, 2021/22, 2022/23

1. Background

1.1 The Prudential Code for capital investment came into effect on 1st April 2004. It replaced the complex regulatory framework, which only allowed borrowing if specific government authorisation had been received. The Prudential system is one based on self-regulation. All borrowing undertaken is self-determined under the prudential code. A revised Prudential Code was published in December 2017 and is has applied from 2018/19

1.2 Under Prudential arrangements the PCC can determine the borrowing limit for capital expenditure. The Government does retain reserve powers to restrict borrowing if that is required for national economic reasons.

1.3 The key objectives of the Code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable. The Code specifies indicators that must be used and factors that must be taken into account. The Code requires the PCC to set and monitor performance on:

- capital expenditure
- affordability
- external debt
- treasury management (now included within Treasury Management strategy)

1.4 The required indicators are:

- Capital Expenditure Forecast
- Capital Financing Requirement
- Actual External Debt
- Authorised Limit for External Debt
- Operational Boundary Limit for External Debt

However authorities are now advised to use local indicators, where this would be beneficial, especially if carry out commercial activities.

1.5 Once determined, the indicators can be changed so long as this is reported to the PCC.

1.6 Actual performance against indicators will be monitored throughout the year. All the indicators will be reviewed and updated annually.

2. The Indicators

- 2.1 The **Capital Expenditure Payment Forecast** is detailed in **Appendix x** (of the PCC's Budget and MTFP report 2020/24). The total estimated payments are:

	2020/21	2021/22	2022/23
	£m	£m	£m
Capital Expenditure Forecast	25.483	3.889	5.554

The PCC is being asked for approval to an overall Capital Programme based on the level of capital financing costs contained within the draft revenue budget.

- 2.2 The **ratio of capital financing costs to net revenue budget** shows the estimated annual revenue costs of borrowing (net interest payable on debt and the minimum revenue provision for repaying the debt), as a proportion of annual income from local taxation and non-specific government grants. The estimates include PFI MRP and interest costs. Estimates of the ratio of capital financing costs to net revenue budget for future years are:

Ratio of Capital Financing Costs to Net Revenue Budget		
2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
5.42%	5.40%	5.36%

- 2.3 The **capital financing requirement** represents capital expenditure not yet financed by capital receipts, revenue contributions or capital grants. It measures the underlying need to borrow for capital purposes, although this borrowing may not necessarily take place externally. Estimates of the end of year capital financing requirement for future years are:

Capital Financing Requirement			
31/03/20 Estimate	31/03/21 Estimate	31/03/22 Estimate	31/03/23 Estimate
£95.027m	£110.182m	£107.872m	£107.539m

- 2.4 The guidance on **net borrowing for capital purposes** advises that:

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

Net borrowing refers to the PCC's total external borrowing net of any temporary cash investments and must work within this requirement.

- 2.5 The Code defines the **authorised limit for external debt** as the sum of external borrowing and any other financing long-term liabilities e.g. finance leases. It is

recommended that the PCC approve the 2020/21 and future years limits. For 2020/21 this will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

As required by the Code, the PCC is asked to delegate authority to the Chief Finance Officer (OPCCN), within the total limit for any individual year, to effect movement between the separate limits for borrowing and other long-term liabilities. Any such changes made will be reported to the PCC.

Authorised Limit for External Debt			
	2020/21	2021/22	2022/23
	£m	£m	£m
PWLB borrowing	39.983	38.612	37.902
Other long term liabilities (OCC PFI)	23.994	23.373	22.679
Other long term liabilities (PIC PFI)	33.834	33.049	32.207
Headroom	18.880	18.231	20.129
Total	115.691	113.265	112.916

These proposed limits are consistent with the Capital Programme. They provide headroom to allow for operational management, for example unusual cash movements.

- 2.6 The Code also requires the PCC to approve an **operational boundary limit for external debt** for the same time period. The proposed operational boundary for external debt is the same calculation as the authorised limit without the additional headroom. The operational boundary represents a key management tool for in year monitoring.

Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified again. The PCC is asked to delegate authority to the Chief Finance Officer (OPCCN), within the total operational boundary for any individual year, to make any required changes between the separately agreed figures for borrowing and other long-term liabilities. Any changes will be reported to the PCC.

Operational Boundary Limit for External Debt			
	2020/21	2021/22	2022/23
	£m	£m	£m
PWLB borrowing	39.983	38.612	37.902
Other long term liabilities (OCC PFI)	23.994	23.373	22.679
Other long term liabilities (PIC PFI)	33.834	33.049	32.207
Total	96.811	95.034	92.788

Annex 2

Minimum Revenue Provision (MRP) MRP Policy and Statement for 2020/21.

1. Introduction

- 1.1 The PCC is required to make a charge against the revenue budget each year in respect of capital expenditure financed by borrowing or credit arrangement. The annual charge is set aside for the eventual repayment of the loan and is known as the Minimum Revenue Provision (MRP). This is separate from any annual interest charges that are incurred on borrowing.
- 1.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 amend the way in which MRP can be calculated so that each authority must consider what is “prudent”. The regulations are backed up by statutory guidance which gives advice on what might be considered prudent.

2. Options for Making Prudent Provision

- 2.1 Four options are included in the guidance, which are those likely to be most relevant for the majority of local government bodies. Although other approaches are not ruled out, local government bodies must demonstrate that they are fully consistent with the statutory duty to make prudent revenue provision.

Option 1 - Regulatory Method

Authorities may continue to use the formulae put in place by the previous regulations.

Option 2 - Capital Financing Requirement (CFR) Method

Under this option, MRP is equal to 4% of the non-housing CFR at the end of the preceding financial year.

Option 3 – Asset Life Method

This is to make provision over the estimated life of the asset for which the borrowing is undertaken. This could be done by:

- (a) Charging MRP in equal instalments over the life of the asset
- (b) Charge MRP on an annuity basis, where MRP is the principal element for the year of the annuity required to repay over the asset’s useful life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during repayment period (e.g. by the application of capital receipts) should be made as necessary.

Option 4 - Depreciation

MRP is deemed to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment charged to the income and expenditure accounts.

- 2.2 The regulations make a distinction between capital expenditure incurred before 1 April 2008 and capital expenditure incurred from 1 April 2008 in terms of the options available.
- 2.3 Options 1 and 2 are to be used for capital expenditure incurred pre April 2008. Options 3 and 4 are to be used for Capital expenditure incurred post April 2008.

3. MRP Policy

- 3.1 Before 1 April 2019 the option adopted for expenditure incurred after 1 April 2008 was Option 3a (Equal Instalment method). This method was deemed prudent whilst assets were primarily being internally financed.
- 3.2 As reserves, cash and investment balances have been consumed following the decrease in direct government funding, it is now necessary to externally finance capital expenditure on long life assets. The current preferred financing method is via the Public Works Loans Board (PWLB) borrowed on an annuity basis.
- 3.3 Option 3b (Annuity Method) is adopted for capital expenditure chargeable as MRP for the first time after 1 April 2019. The principal reason for this change was for the charge to revenue to reflect the capital repayment basis on the associated finance. This method will therefore adopt a similar MRP basis as those assets financed through lease or PFI arrangements.
- 3.4 The revised Statutory Guidance released on 2 February 2018 stipulates that this change in policy cannot be applied retrospectively to assets placed in service prior to the date the revised policy was introduced. Therefore Option 3a still applies to capital expenditure chargeable as MRP for the first time prior to 1 April 2019.

4. Recommendations

- 4.1 It is proposed that the following MRP policy is adopted as follows for 2020/21:
- Capital expenditure incurred before April 2008 is treated in accordance with Option 1 of the regulatory guidance;
 - Capital expenditure chargeable as MRP for the first time from 1 April 2008 to 31 March 2019 is treated in accordance with Option 3(a) of the regulatory guidance.
 - Capital expenditure chargeable as MRP for the first time after 1 April 2019 is treated in accordance with Option 3(b) of the regulatory guidance.

LINK ASSET SERVICES

ECONOMIC BACKGROUND

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January; however, even with a Conservative Government overall majority gained at the general election on 12 December, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020.

While the Bank of England went through the routine of producing another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers are worth when faced with the uncertainties of where the UK will be following the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that is worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence the MPC views inflation as causing little concern in the near future.

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and both of the largest parties made significant promises in their election manifestos to increase government spending. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure. In addition, it has to be borne in mind that even if the post-election Parliament agrees the deal on 31 January 2020, the current transition period for negotiating the details of the terms of a trade deal with the EU only runs until 31 December 2020. This could prove to be an unrealistically short timetable for such major negotiations which leaves open two possibilities; one the need for an extension of negotiations, probably two years, or a no deal Brexit in December 2020.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in October to 1.5%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market**, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, this was about half of what had been expected. The unemployment rate fell back again to a 44 year low of 3.8% on the Independent Labour Organisation measure in September, despite the fall in numbers employed, due

to numbers leaving the work force. Wage inflation has been edging down from a high point of 3.9% in July to 3.8% in August and now 3.6% in September, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.9%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

In the **political arena**, the general election result could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 1.9% in quarter 3; it is expected to fall further. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening; CPI inflation fell from 2.3% to 2.0% in September.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy \$60bn, whereas it had been reducing its balance sheet by \$50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt).

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China. However, in early November, a phase one deal was agreed between the US and China to roll back some of the tariffs which gives some hope of resolving this dispute.

EUROZONE. **Growth** has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it

aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period**; (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by ‘growth friendly’ fiscal policy.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

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

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The interest rate forecasts provided by Link Asset Services above are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU**. On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has diminished.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.

- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments**. Austria, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some \$19trn of corporate debt in major western economies**, if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is \$15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also

flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.

- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

**Link Asset Services
November 2019 (updated)**



Audit Committee Report – 1 April 2018 to 31 July 2019

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.

The Committee comprises 5 independently appointed members who have a range of backgrounds and experience. During the year, it met 5 times and its meetings were open to the public to attend.

Governance and Risk Management frameworks

During the year, the Committee reviewed the draft Annual Governance Statement for the year ended 31 March 2019 which set out the arrangements that operated to ensure effective governance in the OPCCN and the Constabulary. This statement was published as part of the annual financial statements. It is also reviewed by the external auditors and they did not raise any issues in relation to its contents.

At each meeting 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.

Internal Controls

Internal auditors have been appointed to assess and test the operation of internal controls in a number of activities based on a programme of work for the year. The Committee reviewed and agreed the internal audit plan for the 2018/19 year and then received progress reports from the internal auditors on their work at each meeting.

The Committee also had the opportunity to discuss individual internal audit reports with the internal audit team and with management at each of its meetings, including reports providing limited assurance. In the case of the latter, the meetings were attended by officers to provide assurance on intended actions to address recommendations. These reports also included progress in implementing agreed recommendations arising from the internal audit work.

The Committee also reviewed the internal audit annual report for the year ended 31 March 2019 and which provided a positive conclusion that there are adequate and effective management, control and governance processes in place to manage the achievement of the OPCCN and Constabulary objectives.

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.

Before the start of the external audit process, the Committee received details of the external audit plan based on the statutory responsibilities of the external auditor.

At the conclusion of the external audit process, the Committee received a report from the external auditor which set out the results of the audit work in relation to annual accounts and the arrangements for securing value for money in the use of resources at the OPCCN and the Constabulary. The external auditor provided unqualified opinions for the year ended 31 March 2019 by the national deadline of 31 July 2019. The external auditor will summarise all of these results in an Annual Audit Letter which will be published on the OPCCN website.

Other Matters

The Committee reviewed the annual Treasury Management strategy for the year ending 31 March 2019. This strategy set out details of the approach to managing debt and investments.

It also received an update on treasury management arrangements part way through the financial year.

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 included in this programme were a visit to the main Contact and Control Room in Police headquarters, risk management arrangements and budget monitoring procedures.

The Committee also meets the internal auditors and external auditors in private once a year without officers from the OPCCN and Constabulary being present. This is in line with recommended practice.

The Chartered Institute of Public Finance & Accountancy has issued guidance for audit committees in the public sector. This guidance includes a self-assessment checklist of best practice. The Committee reviewed its performance using this checklist and has produced an action plan for further improvement.

R. Bennett

Chair
On behalf of the Audit Committee
October 2019



Audit Committee Forward Work Plan

14 April 2020

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 14 January 2020	
Internal Audit 2019/20 Progress Report and Follow Up Review 2019/20 Annual Report 2020/21 Internal Audit Plan (Final)	Reports from Head of Internal Audit
Annual Governance Statement 2019/20	Report from CFO
External Audit Plan 2019/20	Report from Director, E&Y
Strategic Risk Register update – Part 2 private agenda	Report from Chief Exec and CC
Forward Work Plan	Report from CFO

9 June 2020 Private (informal meeting)

Draft Statements of Accounts 2019/20	Reports from CFO
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28 July 2020

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 14 April 2020	
Internal Audit 2020/21 Progress Report (including outstanding reports from 2019/20)	Report from Head of Internal Audit
Final Accounts 2019/20 Approval including External Auditor's Audit Results Report	Reports from CFO and E&Y
Forward Work Plan	Report from CFO

20 October 2020

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 28 July 2020	
Internal Audit 2020/21 Progress update and follow-up Report	Report from Head of Internal Audit
Strategic Risk Register update	Report from Chief Exec and CC
Forward Work Plan	Report from CFO

12 January 2021

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 20 October 2020	
Audit Committee Terms of Reference	Report from CFO
Internal Audit 2020/21 Progress update and follow up report 2021/22 Internal Audit Plan (draft)	Reports from Head of Internal Audit
External Audit 2019/20 Accounts Annual Audit Letter 2020/21 Audit Plan	Reports from Director, E&Y
Treasury Management 2019/20 Half Year Update 2020/21 Strategy (draft)	Report from CFO
Strategic Risk Register Update – Part 2 private agenda	Report from Chief Exec and CC
Forward Work Plan	Report from CFO

Report Author

Jill Penn

Chief Finance Officer - OPCCN