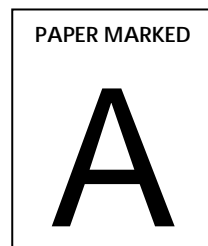


# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL**



Report of	<b>OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF THE CHIEF CONSTABLE</b>
Subject	<b>ANNUAL GOVERNANCE STATEMENTS</b>
Date	<b>TUESDAY 24 JULY – 9:30AM</b>
Author :	<b>MR MARTIN HENRY</b>

## **Purpose of Report**

1. To present the Annual Governance Statements for the Police and Crime Commissioner and the Chief Constable.

## **Recommendation**

2. The Panel is recommended to consider and note the Annual Governance Statements for the Police and Crime Commissioner and the Chief Constable.

## **Background**

4. There is a statutory requirement to produce an Annual Governance Statement for the Police and Crime Commissioner and the Chief Constable.
5. The Annual Governance Statements are included in the Statement of Accounts. However, good practice states that they should be considered as a stand-alone report and considered prior to the approval of the statement accounts.
6. The Annual Governance Statement describes the governance arrangements that were in place over the last financial year for each corporation sole.
7. The Annual Governance Statements are prepared in accordance with the CIPFA guidance notes for Policing bodies in England and Wales (2016 Edition). A copy of which is available upon request from the Office of the Police and Crime Commissioner. The statements are structured to systematically consider each of the seven principles of good governance set out in the CIPFA/SOLACE framework.
8. For Policing bodies the approval of the Annual Governance Statement sits with the Police Commissioner and the Chief Constable for their respective organisations and both of them have considered and approved the attached statements.
9. The Annual Governance Statements are presented to JARAP ahead of the consideration of the Statement of Accounts, in line with good practice, and the panel are requested to consider and note the attached statements.

## **Implications**

Financial:	There are no financial implications associated with this report
Legal:	There are no legal implications associated with this report.
Equality Impact Assessment:	There are no Equality implications associated with this report.
Risks and Impact:	There are no separate Risk implications associated with this report.
Link to Police and Crime Plan:	The Annual Governance Statements are produced in accordance with the Terms of Reference of the JARAP which is a key governance and assurance mechanism for the delivery of the Police and Crime Plan.

## **List of Attachments / Appendices**

Appendix A – Annual Governance Statement – Police and Crime Commissioner  
Appendix B – Annual Governance Statement – Chief Constable

## **Background Papers**

None

## **Person to Contact**

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### Introduction

In the financial year 2017-18, the implications of the Police Reform and Social Responsibility Act 2011 continued for the two corporations' sole of the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC). The year was the second year of Lord Willy Bach's term in office and the paragraphs below detail the governance and assurance arrangements that have been in place throughout the year.

#### 1) Scope of Responsibility

The Police and Crime Commissioner for Leicestershire (PCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that it is used economically, efficiently and effectively. The PCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The PCC has approved and adopted a Corporate Governance Framework, which is consistent with the principles and guidance Notes of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of both the Framework and the 2016 Guidance notes for Policing Bodies in England and Wales can be obtained from the Office of the Police and Crime Commissioner (OPCC), Leicestershire Police Headquarters, St Johns, Enderby, Leicester, LE19 2BX.

This statement explains how the PCC has complied with the Framework and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an annual governance statement.

#### 2) The Purpose of the Governance Framework

The Corporate Governance Framework comprises the systems and processes, and culture and values, by which the OPCC is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the OPCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PCC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Corporate Governance Framework was developed in 2013/14, was considered by the Joint Audit Risk and Assurance Panel (JARAP) and reviewed in March 2014 to incorporate the changes required under Stage 2 Transfer arrangements. The Framework is currently under review to consider the opportunity to improve and develop it further.

#### 3) The Governance Framework

Both the PCC and the CC continued to ensure that appropriate management and reporting arrangements were in place to enable it to satisfy itself that its approach to corporate governance was both adequate and effective in practice. These arrangements included:

- The Corporate Governance Framework;

- A Risk Management Strategy;
- An Annual Governance Statement produced by the OPCC and the OCC;
- A Regional Governance Statement;
- Responsibility given to the Strategy;
- Reviewing the operation of the Framework and the Risk Management Strategy in practice; and
- Ensuring that there is an effective Internal Audit function.

During 2017-18, Mazars continued as Internal Auditors for the region. Regular review and planning meetings took place which helped identify, discuss and share best practice and identify potential common audit themes.

Additionally, Mazars attended Regional CFO and Finance Director meetings to update on the progress of 2017-18 Regional Collaboration audits and the Regional Collaboration Internal Audit Plan and proposed timescales for 2018/19.

In 2017-18 Mazars also carried out a review of the effectiveness of audit committees and found that:

*“From our experience of attending or, in some cases, reviewing such arrangements across both the police sector and beyond, arrangements in place within Leicestershire Police / OPCC are generally sound.”*

Mazars also ran a regional audit committee meeting which brought together CFO's and Finance Directors from across the region alongside members of Joint Audit and Risk and Assurance Panel (or equivalent) members which provided the opportunity to network and share good practice on a regional basis.

The 2018/19 Internal Audit Plan was considered and approved at the JARAP meeting held on the 21 February 2018. It was prepared following discussion and consideration of regional and three force audit themes, the risk register and other factors.

Mazars attended each JARAP meeting to routinely report to and provide assurance on the adequacy and effectiveness of internal control. In addition, they contribute to the JARAP forward plan and agenda-setting to inform and highlight national and regional themes, considerations and practices.

The system of internal control is based on a framework of robust financial and contract procedure rules and processes, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the OPCC and the Office of the Chief Constable (OCC) and is reviewed by internal and external audit. In particular the system includes:

- A Police and Crime Plan for 2017-21 which was developed during the year, the priorities and themes within it were based on significant public consultation. A link to the document is contained here:

<https://www.leics.pcc.police.uk/DOCUMENT-LIBRARY/Planning-and-Money/Police-and-Crime-Plan/2017-2021/Police-and-Crime-Plan-2017-2021.pdf>

- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan. Supported by the PCC attending the Performance Delivery Group (PDG) and reviewing Performance Reports at the Strategic Assurance Board;
- Comprehensive budgeting systems that seek to align resources with priorities;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action or highlight reinvestment opportunities;
- Effective risk management strategies, registers, action plans and tactics;
- A Commissioning Framework to 31 March 2018 which detailed the approach to engagement with partners and to commissioning appropriate outcomes through third party providers;

- A new Commissioning Framework developed for 2018-21 to support the delivery and priorities of the new Police and Crime Plan.
- Engagement in value for money benchmarking such as is conducted by Her Majesty's Inspectorate of Constabulary (HMICFRS);
- A well-researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- Codes of Conduct and standards of behaviour clearly set out in governance documents and the former signed by the PCC;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC;
- Internal Audit team where the plan is directed towards risk and emerging issues; and where the plan is shaped by both the OPCC and the OCC;
- External reviews and inspections including thematic reviews by HMICFRS which inform the PCC and the CC and highlight risks and learning points in addition to good practice.
- An Ethics, Integrity and Complaints Committee to align the work of the JARAP and the Committee for optimum benefit moving forwards;
- Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly.

#### **4) Compliance with the Seven Principles set out in the CIPFA/SoLACE Framework**

##### **Principle A: Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of Law:**

Both the PCC and the CC support the Corporate Governance Framework which aligns to the Code of Corporate Governance and which provides guidance on expected behaviours to ensure integrity. The Corporate Governance Framework also includes Anti-Fraud, Bribery and Corruption Policy in addition to Whistleblowing Policy. The JARAP receive regular updates on Fraud and Corruption and Whistleblowing arrangements in line with their annual plan. Any whistleblowing activities are investigated by the Professional Standards Department and appropriate action is taken. The Section 151 Officer and Monitoring Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to the PCC, CC, JARAP or Police and Crime Panel.

Detailed reviews of whistleblowing and complaints are considered by the Ethics, Integrity and Complaints Committee who also undertake dip sampling of complaints.

The Police and Crime Plan outlines the PCC's commitment to ethical values and the PCC and DCC have completed the register of interests which is contained on the PCC website. Additionally, Related Parties Disclosures are undertaken for all key staff in the OPCC and OCC.

##### **Principle B: Ensuring openness and comprehensive stakeholder engagement**

All agendas, papers and meetings of the JARAP and Ethics, Integrity and Complaints Committee and the Police and Crime Panel are contained on the respective websites. All of these meetings are open to the public.

Papers, reports and decisions made by the PCC are published on the PCC website, together with consultation, details of future public events and public surveys.

Detailed financial information is included on the police force's website which details every expenditure transaction over £500

The Police and Crime Plan sets out the importance placed by the PCC on stakeholder engagement, together with his plans and approach to developing these further.

### **Principle C: Defining outcomes in terms of sustainable, economic, social and environmental outcomes**

The PCC has produced a Police and crime Plan which has been informed by the Strategic Policing Requirement and the result of significant consultation with the public and key stakeholders.

This plan is used to direct the resources of the PCC and the Chief Constable through the Revenue and Capital Budgets and Commissioning Framework. It informs where resources are most needed and targets investment into priority areas.

The PCC has a Minimum Revenue Policy and Reserves and Treasury Management are considered with the Capital Programme and Revenue budget when considering the level of precept to be set. There are regular reports to the Strategic Assurance Board to report on progress and compliance with the code during the year.

### **Principle D: Determining the Interventions necessary to optimise the achievement of intended outcomes**

All new areas of business are considered through the Force arrangements via the Change Board (which the PCC and CFO attend). Business cases support proposals both at a local, regional and sub-regional level before consideration and sign off where appropriate by the PCC or CC, dependent on the values contained within the Corporate Governance Framework.

Regionally, Business Cases are considered first by the DCC Board before consideration by the CCs and PCCs, together with advice from statutory officers.

Significant decisions are documented on a Decision Record and published on the PCC website.

### **Principle E: Developing Capacity and Capability**

The Force work closely with the College of Policing to ensure investment is maximised for officers and staff. Significant work has taken place across the region with the college in respect of the apprenticeship scheme for new recruits and further development of officers aspiring to senior ranks.

The PCC has continued to support the CC in recruiting officers and PCSO's to maintain establishment levels and ensure continued introduction of new ideas and ways of working.

### **Principle F: Managing Risks and Performance**

Performance forms a significant part of the regular Strategic Assurance Board meetings and the PCC and a representative from the OPCC attend the monthly Performance Delivery Group meetings (PDG) to discuss Performance at a more operational level and identify the issues and challenges.

Whilst Leicestershire have mirrored the national trend where Crime levels have increased, the PCC highlights areas of Force Performance which are of concern. He has undertaken further scrutiny in this area on a regular basis and this is also an area reviewed regularly by the Police and Crime Panel.

The PCC and CC have a joint Risk Management Policy and manage and record risks in the same manner, through the same system. These risks are reviewed regularly and considered at every JARAP meeting.

There are joint policies in place for Anti-Fraud and Corruption and Bribery, together with the joint Corporate Governance Framework which sets out the financial regulations, expected processes and internal controls.

There is a shared Internal Audit Service across the region and updates on local and regional audits are considered at every JARAP meeting.

Annual reports on HR and complaints and disciplinary processes are considered by the Strategic Assurance Board and the Ethics, Integrity and Complaints Committee, together with actions and lessons learned.

### **Principle G: Implementing good practices in transparency, reporting and accountability**

All significant decisions of the PCC are published on the website, together with appropriate supporting documentation. The Police and Crime Plan and Commissioning Framework are also reported on and published on the website.

The PCC meets weekly with the CC to discuss key issues and challenge and scrutinise where performance is slipping or other key aspects.

The PCC attends and reports to the Police and Crime Panel who scrutinise how the PCC is holding the CC to account, consider performance, the Police and Crime Plan and other priorities.

### **5) Review of Effectiveness**

The OPCC and OCC have responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the OPCC and OCC who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Office of the Police and Crime Commissioner (OPCC) were subject to a significant number of staff vacancies or sickness during 2017-18. Towards the end of 2017 a new permanent Chief Executive was appointed and a new Chief Finance Officer was recruited and confirmed in post towards the end of the financial year. Before these appointments were made interim arrangements were put into place to cover for these statutory roles. The Executive Director became the acting Chief Executive and the Assistant Chief Officer (Finance and Resources) for the force became the acting Chief Finance Officer for the Commissioner. Once the Chief Executive was appointed he set about restructuring the office and a new structure was implemented. Whilst a number of appointments have been made to the new structure there are still a number of posts that remain vacant and this has impacted upon the capacity and resilience of the office over the year.

The OPCC and OCC continued to invest in an Internal Audit programme in 2017-18 which continued to give assurance under the arrangements for the two corporation soles. These ensured specific local audits on:

- Audit Committee (JARAP) effectiveness
- Workforce planning
- Business Continuity
- Commissioning
- Health and Safety
- Risk Management
- Estates Management
- Core Financial Systems
- Payroll
- Payroll project
- Seized and found property
- Payroll provider
- Counter fraud

During 2017-18, the following collaborative audits were carried out

- EMCHRS Learning and Development
- EMSOU forensic services
- EMCHRS Occupational Health
- East Midlands Criminal Justice Service
- Proceeds of Crime Act

In addition to a review of key controls working well and highlighting findings and recommendations, the Internal Audit reports also include an overview on sector comparisons, risk management and value for money observations.

The Mazars Internal Audit annual report covered the period 1 April 2017 to 31 March 2018 and will be reported to and considered by the JARAP in June 2018. The key messages in that report are included here within this Annual Governance Statement.

The Internal Audit opinions included within their annual report for both the Police and Crime Commissioner and the Chief Constable for 2017-18 were as follows:

*“From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31 March 2018, we can provide the following opinions”:*



The basis of Mazars’ opinion was as follows:

*Internal Audit applies a risk-based approach and our audits assess the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we can provide assurance that management have in place a robust control environment and, whilst further remedial actions are needed in some areas, we are assured that management have in place effective processes for the implementation of identified areas of weakness.*

**Corporate Governance**

*Whilst no specific audit of Governance was carried out during 2017-18, we have carried out a number of audits where governance arrangements were a key aspect. In addition, during 2017-18 we*



undertook a review of the effectiveness of the *Joint Audit, Risk & Assurance Panel (JARAP)*. The audit used the five good practice principles set out in the National Audit Offices (NAO's) good practice guide 'The Audit Committee Self-Assessment Checklist, 2012', covering the role of the audit committee; membership, independence, objectivity and understanding; skills; scope of work; and communications. We engaged with the Chair and other members of the JARAP during the review, with the aim being to identify areas where arrangements could be strengthened. As part of the review we utilised CIPFA's self-assessment tool which provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: *Audit Committees in Local Authorities and Police*. JARAP members were required to independently complete the self-assessment and then a session was held with members to analyse further their responses.

Through our delivery of the internal audit plan, our review of the JARAP's effectiveness and attendance at JARAP meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police has been effective for the year ended 31<sup>st</sup> March 2018.

### **Risk Management**

As part of the 2017-8 Internal Audit plan we undertook an audit of the controls and processes in place in respect of risk management. The specific areas that formed part of this review included: policies and procedures; risk registers; risk mitigation; programme assurance; reporting arrangements and follow up of previous recommendations. We provided a satisfactory assurance opinion and concluded that there is a basically sound system of internal control, although we highlighted some areas where improvements to the control environment could be made. Overall risk management within the Force and OPCC is deemed effective and controls processes tested were being consistently applied.

Additionally, during the course of delivering the 2017-18 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

### **Internal Control**

As illustrated in the tables below, we have noted that Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police have a generally sound control environment, although we have noted areas where improvements are required. During the 2017-18 year, eleven (85%) internal audits were rated either 'significant' or 'satisfactory', whilst two (15%) internal audits were given 'limited assurance'. In addition, of the four collaborative audits covering the East Midlands policing region, all were rated at least 'satisfactory assurance'.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2017-18, split between those specific to Leicestershire and those undertaken as part of East Midland's regional collaborative audits.

Assurance Gradings	2017-18	
Significant	7	54%
Satisfactory	4	31%

## Appendix A

Limited	2	15%
Nil	0	0%
<b>Sub-Total</b>	<b>13</b>	
No opinion	3	
<b>Total</b>	<b>16</b>	

### Collaboration Audits

Assurance Gradings	2017-18	
Significant	2	50%
Satisfactory	2	50%
Limited	0	0%
Nil	0	0%
<b>Total</b>	<b>4</b>	

External audit (Ernst & Young LLP) issued their Annual Audit Letter for 2016-17 in October 2017. That letter was intended to summarise the results of their 2016-17 audit and built on the report to those charged with governance considered by the JARAP at their meeting on the 14 September 2017. It reported that:

- *“we have issued an unqualified audit opinion for the PCC, CC, Group and Pension Fund – the financial statements give a true and fair view of the financial position of each entity as at March 2017 and of its expenditure and income for the year then ended;*
- *other information published with the financial statements was consistent with the Annual Accounts;*
- *we concluded that you have put in place proper arrangements to secure value for money in your use of resources*
- *the Governance statement was consistent with our understanding of the PCC and CC;*
- *we had no matters to report in the public interest;*
- *written recommendations to the PCC and CC which should be copied to the Secretary of State – we had no matters to report;*
- *other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014 – we had no matters to report;*
- *reporting to the National Audit Office (NAO) on our review of the PCC and CC’s Whole of Government Accounts Return (WGA) – we had no matters to report;*

As a result of the above we have also:

- *issued a report to those charged with governance of the PCC and CC communicating significant findings resulting from our audit - our Audit Results Report was issued on 14 September 2017;*
- *issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office’s 2015 Code of Audit Practice - our certificate was issued on 14 September 2017.”*

The JARAP met four times in public during the year. The JARAP undertook a detailed work plan which included considering the work of internal and external audit, tracking of Internal Audit recommendations, risks and risk management, and specific themes. In addition, the JARAP approved

an annual workplan, for 2018, reviewed their terms of reference, produced an annual report of their work and will be producing an annual report for 2017-18.

JARAP members undertake portfolio and detailed reviews into key areas and also regularly attend pertinent meetings including regular attendance at the Strategic Organisational Risk Board (SORB), the Force Change Board and the Strategic Health and Safety Committee.

During the year, the JARAP received or prepared a number of updates, presentations, letters and reports on specific areas of risk or concern.

Mr Luke Pulford became chairman of the JARAP from November 2017 following the previous chairman stepping down at the end of his first term in the role. Two new members were also recruited as JARAP members and commenced in their role with effect from 01 November 2017. In April 2018 an induction day was held for new and existing members and included presentations on a range of topics as well as highlighting practical arrangements for members.

As part of the JARAP development, members agreed for an Internal Audit of JARAP Effectiveness to take place and this was undertaken in May 2017. The audit reviewed the JARAP in line with the guidance for core functions of Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013). The audit was presented to the panel in September 2017 and found that the arrangements for the committee were generally sound.

### **6) Significant Governance Issues and Actions**

There were no formal reports issued by the S151 or Monitoring Officer during the year, outcomes of Monitoring Officer Investigations, objections from local electors or ombudsman referrals.

In 2017-18 our internal auditors, Mazars, carried out 12 audits and as detailed on the table earlier two of them were given limited assurance. The audits that received limited assurance were:

- Health and Safety; and
- Seized and Found Property

A brief summary of these internal audits is included below.

#### *Health and Safety*

There was one priority one recommendation, eight priority two recommendations and three priority three recommendations.

The priority one recommendation centred on Health and Safety training. It recommended that the Risk Management Unit should support the Force and the OPCC with regards to a number of training requirements.

This recommendation was agreed by management and is in the process of being implemented. Progress against the recommendations is routinely reported to the JARAP meeting and the internal audit plan for 2018-19 includes provision to consider this area again to assess what progress has been made.

#### *Seized and Found Property*

There was one priority one recommendation, four priority two recommendations and two priority three recommendations. The priority one recommendation related to ensuring that all property is identified, recorded and securely held.

The management response detailed all the improvements that had been made and the continued investment planned to strengthen arrangements in this area. Progress against all of the recommendations are routinely reported to the JARAP meeting and the internal audit plan for 2018-19 includes provision to consider this area again in order to assess what progress has been made.

### *Police and Crime Plan and Resources*

The Police Precept and Budget was agreed by the Police and Crime Panel on 31 January 2018. The report highlighted that whilst the budget was balanced for 2018-19 and 2019-20, thereafter a financial deficit started to emerge so that by 2022-23 there was estimated to be a deficit of £9.0m on a £193.5m budget which represents a deficit of 4.7% on the total budget.

Work will continue to seek options to close this deficit over the lifetime of the financial plan.

### *HMICFRS Inspections and Force Performance*

The 2017 police effectiveness, efficiency and legitimacy (PEEL) inspections delivered the following results:

- The extent to which the force is **effective** at keeping people safe and reducing crime is **good**.
- The extent to which the force is **efficient** at keeping people safe and reducing crime **requires improvement**
- The extent to which the force is **legitimate** at keeping people safe and reducing crime is **good**

Force management statements (FMSs) will be a new source of evidence for the PEEL inspection programme. A number of police forces have been involved in the development of FMS's, which will simplify, strengthen and streamline the information that forces are asked to provide. They will enable HMICFRSFRS to make decisions about which areas of a force's work present the greatest risk, and to design PEEL inspection fieldwork and analysis accordingly. This will mean more focused inspection fieldwork, and, in well-managed forces, less of it.

The force will be submitting its first Force Management Statement early in June 2018.

### *Collaborative arrangements*

In 2017-18 there were a number of tri-force arrangements in place, particularly in relation to Finance, HR and ICT. A decision was taken in the year to move away from this delivery model and these arrangements officially ended on 31 March 2018.

### *High priority strategic risks*

At the end of March 2018 the Strategic Risk Register highlighted three strategic risks that were judged to be high priority. They were:

- The failure to transition to the national Emergency Services Network (ESN)
- The management of the archive provision
- A failure to accurately record crime

All three of these risks are being managed through the Strategic Organisation Risk Board (SORB) and the JARAP.

### *Conclusion*

This document highlights the main areas of assurance that are in place for the OPCC as well as highlighting particular issues that have been raised through internal audit reports, external audit reports, the strategic risk register and the external inspections that have been carried out by HMICFRSFRS. It is intended to provide assurance that the overall arrangements in place are sound although there are several areas highlighted that do require further management action to improve and these will be monitored closely over the next financial year as well as enhancing our governance arrangements over the same period.

## Appendix A

Lord Willy Bach  
Police and Crime Commissioner

July 2018

Paul Hindson  
Chief Executive, OPCC

July 2018

Martin Henry  
Chief Finance Officer, OPCC

July 2018

## Chief's Annual Governance Statement 2017/18

### 1) Scope of Responsibility

The Chief Constable (CC) of Leicestershire is responsible for the delivery of policing service to the communities of Leicester, Leicestershire and Rutland and has direction and control over officers and staff operating with the Force. The CC holds office under the Crown and is appointed by the Police and Crime Commissioner (PCC).

The CC is accountable in law for the exercise of policing powers and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the Force. In discharging his overall responsibilities, the CC is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of these functions.

The CC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The CC has adopted the Corporate Governance Framework approved by the PCC, which is consistent with the principals of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Framework can be obtained from the Office of the Police and Crime Commissioner (OPCC), Leicestershire Police Headquarters, St Johns, Enderby, Leicester, LE19 2BX or on our website at [www.leics.pcc.police.uk](http://www.leics.pcc.police.uk).

This statement explains how the CC has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

The Chief Constable as a standalone corporation sole is legally required to produce an Annual Governance Statement. The statement assists the PCC in holding the CC to account for efficient and effective policing. The statement sits alongside the statutory accounts for the CC and gives assurance to the PCC of the CC's governance arrangements. The PCC produces their own statement.

### 2) The Purpose of the Governance Framework

The Corporate Governance Framework comprises the systems and processes, and culture and values, by which the CC is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the CC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the CC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Corporate Governance Framework in place for 2017/18 is currently under review to consider the opportunity to improve and develop it further.

### 3) The Governance Framework

The CC has continued to ensure that appropriate management and reporting arrangements are in place to enable him to satisfy himself that his approach to corporate governance is both adequate and effective and supports the OPCC. These include:

- A Code of Corporate Governance;
- A risk management strategy;
- Responsibility given to the Assistant Chief Officer (Finance & Resources) to oversee the implementation and monitoring of the operation of the Code and risk management strategy;
- Reviewing the operation of the Code and risk management strategy in practice;
- Ensuring that there is an effective internal audit function.

Mazars are the appointed internal auditors and have been given the responsibility to review independently the status of the PCC's and CC's internal control arrangements. Mazars routinely report to and attend the Joint Audit, Risk and Assurance Panel (JARAP) to provide assurance on the adequacy and effectiveness of internal control. Mazars also attend management and JARAP agenda-setting meetings where appropriate to inform and highlight national and regional themes, considerations and practices.

The system of internal control is based on a framework of robust financial and contract procedure rules and processes, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the OPCC and the Office of the Chief Constable (OCC) and is reviewed by internal and external audit. In particular the system includes:

- A detailed Force delivery plan which sets out how the CC intends to achieve the objectives contained within the PCC's Police and Crime Plan;
- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan;
- Comprehensive budget setting and management systems that seek to align resources against police and crime plan priorities;
- A Force Change Board which oversees the transformational change programme designed to deliver an affordable and sustainable medium term financial position;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action;
- A Force Strategic Organisational Risk Board which is responsible for the identification of strategic risks, the development of risk mitigation strategies and ongoing monitoring;
- Engagement in value for money benchmarking such as is conducted by Her Majesty's Inspectorate of Constabulary (HMIC);
- Well researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC;
- Internal Audit function where the plan is directed towards risk and emerging issues; and where the plan is shaped by both the OPCC and the OCC;
- External reviews and inspections including thematic reviews by HMICFRS which inform the PCC and the CC and highlight risks and learning points in addition to good practice.
- Codes of conduct and standards of behaviour policies for both police officers and staff;
- Determining the conditions of employment and remuneration of police officers and staff, within appropriate national frameworks;
- Governance arrangements with Partners which oversee key areas of strategic partnership working such as the Strategic Partnership Board, chaired by the PCC with the CC and other key stakeholders in attendance;
- An Ethics, Integrity and Complaints Committee
- Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly.

### Chief Finance Officer

The CC formally appointed a professionally qualified Chief Financial Officer (CFO) for the Force with the effect from 22<sup>nd</sup> November 2012. Under the Police Reform and Social Responsibility Act 2011 the OCC CFO has a personal fiduciary duty by virtue of their appointment as the person responsible for the financial administration of the OCC. This includes requirements and formal powers to safeguard lawfulness and propriety of expenditure (Section 114 of the Local Government Act 1988 as amended by paragraph 188 of Schedule 16 to the Police Reform and Social Responsibility Act 2011).

The OCC complies with the CIPFA statement on the Role of the Chief Financial Officer in the Public Sector, the key principles and requirements which are summarised below.

The Chief Financial Officer in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Force's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Force's financial strategy; and
- must lead the promotion and delivery by the whole Force of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

### 4) Review of Effectiveness

The OPCC and OCC have responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the OPCC and OCC who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The OPCC and OCC continued to invest in an Internal Audit programme in 2017/18 which provided assurance under the new arrangements for two corporation soles. The following specific local audits were undertaken:

- Audit Committee (JARAP) effectiveness
- Workforce planning
- Business Continuity
- Commissioning
- Health and Safety
- Risk Management
- Estates Management
- Core Financial Systems
- Payroll
- Payroll project
- Seized and found property
- Payroll provider
- Counter fraud

During 2017-18, the following collaborative audits were carried out

- EMCHRS Learning and Development
- EMSOU forensic services
- EMCHRS Occupational Health
- East Midlands Criminal Justice Service
- Proceeds of Crime Act



In addition to a review of key controls working well and highlighting findings and recommendations, the Internal Audit reports also include an overview on sector comparisons, risk management and value for money observations.

The Mazars Internal Audit annual report covered the period 1 April 2017 to 31 March 2018 and will be reported to and considered by the JARAP in June 2018.

The internal audit opinion for 2017/18 was as follows:

*“From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31 March 2018, we can provide the following opinions”:*



**ASSURANCE -  
CHIEF CONSTABLE**

**Our overall opinion is that adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisation’s objectives. We have, however, identified weaknesses in respect of Health & Safety and Seized & Found Property.**

The basis of Mazar’s opinion was as follows:

*Internal Audit applies a risk-based approach and our audits assess the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we can provide assurance that management have in place a robust control environment and, whilst further remedial actions are needed in some areas, we are assured that management have in place effective processes for the implementation of identified areas of weakness.*

### **Corporate Governance**

*Whilst no specific audit of Governance was carried out during 2017-18, we have carried out a number of audits where governance arrangements were a key aspect. In addition, during 2017-18 we undertook a review of the effectiveness of the [Joint Audit, Risk & Assurance Panel \(JARAP\)](#). The audit used the five good practice principles set out in the National Audit Offices (NAO’s) good practice guide ‘[The Audit Committee Self-Assessment Checklist, 2012](#)’, covering the role of the audit committee; membership, independence, objectivity and understanding; skills; scope of work; and communications. We engaged with the Chair and other members of the JARAP during the review, with the aim being to identify areas where arrangements could be strengthened. As part of the review we utilised CIPFA’s self-assessment tool which provides a high-level review that incorporates the key principles set out in CIPFA’s [Position Statement: Audit Committees in Local Authorities and Police](#). JARAP members were required to independently complete the self-assessment and then a session was held with members to analyse further their responses.*

*Through our delivery of the internal audit plan, our review of the JARAP’s effectiveness and attendance at JARAP meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police has been effective for the year ended 31<sup>st</sup> March 2018.*

### **Risk Management**

*As part of the 2017-8 Internal Audit plan we undertook an audit of the controls and processes in place in respect of risk management. The specific areas that formed part of this review included: policies and procedures; risk registers; risk mitigation; programme assurance; reporting arrangements and follow up of previous recommendations. We provided a satisfactory assurance opinion and concluded that there is a basically sound system of internal control, although we highlighted some areas where*

improvements to the control environment could be made. Overall risk management within the Force and OPCC is deemed effective and controls processes tested were being consistently applied.

Additionally, during the course of delivering the 2017-18 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

**Internal Control**

As illustrated in the tables below, we have noted that Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police have a generally sound control environment, although we have noted areas where improvements are required. During the 2017-18 year, eleven (85%) internal audits were rated either 'significant' or 'satisfactory', whilst two (15%) internal audits were given 'limited assurance'. In addition, of the four collaborative audits covering the East Midlands policing region, all were rated at least 'satisfactory assurance'.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2017-18, split between those specific to Leicestershire and those undertaken as part of East Midland's regional collaborative audits.

Assurance Gradings	2017-18	
Significant	7	54%
Satisfactory	4	31%
Limited	2	15%
Nil	0	0%
<b>Sub-Total</b>	<b>13</b>	
No opinion	3	
<b>Total</b>	<b>16</b>	

Collaboration Audits

Assurance Gradings	2017-18	
Significant	2	50%
Satisfactory	2	50%
Limited	0	0%
Nil	0	0%
<b>Total</b>	<b>4</b>	

External audit (Ernst & Young LLP) issued their Annual Audit Letter for 2016/17 in October 2017. This letter built on the report to those charged with governance considered by the JARAP on 14 September 2017. It reported that:

- *“we have issued an unqualified audit opinion for the PCC, CC, Group and Pension Fund – the financial statements give a true and fair view of the financial position of each entity as at March 2017 and of its expenditure and income for the year then ended;*
  - *other information published with the financial statements was consistent with the Annual Accounts;*
  - *we concluded that you have put in place proper arrangements to secure value for money in your use of resources*
  - *the Governance statement was consistent with our understanding of the PCC and CC;*
  - *we had no matters to report in the public interest;*
- 
- *written recommendations to the PCC and CC which should be copied to the Secretary of State – we had no matters to report;*
  - *other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014 – we had no matters to report;*
  - *reporting to the National Audit Office (NAO) on our review of the PCC and CC’s Whole of Government Accounts Return (WGA) – we had no matters to report;*

*As a result of the above we have also:*

- *issued a report to those charged with governance of the PCC and CC communicating significant findings resulting from our audit - our Audit Results Report was issued on 14 September 2017;*
- *issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office’s 2015 Code of Audit Practice - our certificate was issued on 14 September 2017.”*

The JARAP met four times in public during the year. The JARAP undertook a detailed work plan which included considering the work of internal and external audit, tracking of Internal Audit recommendations, risks and risk management and specific themes. In addition, the JARAP approved an annual workplan, for 2018, reviewed their terms of reference, produced an annual report of their work and will be producing an annual report for 2017-18.

JARAP members undertake portfolio and detailed reviews into key areas and also regularly attend pertinent meetings including regular attendance at the Strategic Organisational Risk Board (SORB), the Force Change Board and the Strategic Health and Safety Committee.

Mr Luke Pulford became chairman of the JARAP from November 2017 following the previous chairman stepping down at the end of his first term in the role. Two new members were also recruited as JARAP members and commenced in their role with effect from 01 November 2017. In April 2018 an induction day was held for new and existing members and included presentations on a range of topics as well as highlighting practical arrangements for members.

As part of the JARAP development, members agreed for an Internal Audit of JARAP Effectiveness to take place and this was undertaken in May 2017. The audit reviewed the JARAP in line with the guidance for core functions of Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013). The audit was presented to the panel in September 2017 and found that the arrangements for the committee were generally sound.

### **5) Significant Governance Issues**

There were no formal reports issued by the S151 or Monitoring Officer during the year, outcomes of Monitoring Officer Investigations, objections from local electors or ombudsman referrals.

The following significant governance issues have been identified and are being addressed through appropriate action plans.

#### *Police and Crime Plan and Resources*

The Police Precept and Budget was agreed by the Police and Crime Panel on 31 January 2018. The report highlighted that whilst the budget was balanced for 2018-19 and 2019-20, through the use of

reserves, thereafter a financial deficit started to emerge so that by 2022/23 there was estimated to be a deficit of £9.0m on a £193.5m budget which represents a deficit of 4.7% on the total budget.

Work will continue to seek options to close this deficit over the lifetime of the financial plan.

### *Seized and Found Property*

Whilst many improvements have been made in the area of Seized and Found Property the 2017/18 Internal Audit review only provided 'Limited Assurance'. The priority one recommendation related to ensuring that all property is identified, recorded and securely held.

The management response detailed all the improvements that had been made and the continued investment planned to strengthen arrangements in this area. Progress against all of the recommendations are routinely reported to the JARAP meeting and the internal audit plan for 2018-19 includes provision to consider this area again in order to assess what progress has been made.

### *Health and Safety*

'Limited Assurance' was given by Internal Audit on this audit. There was one priority one recommendation, eight priority two recommendations and three priority three recommendations.

The priority one recommendation centred on Health and Safety training. It recommended that the Risk Management Unit should support the Force and the OPCC with regards to a number of training requirements.

This recommendation was agreed by management and is in the process of being implemented. Progress against the recommendations is routinely reported to the JARAP meeting and the internal audit plan for 2018-19 includes provision to consider this area again to assess what progress has been made.

### *HMIC Inspections and Force Performance*

The 2017 police effectiveness, efficiency and legitimacy (PEEL) inspections delivered the following results:

- The extent to which the force is **effective** at keeping people safe and reducing crime is **good**.
- The extent to which the force is **efficient** at keeping people safe and reducing crime **requires improvement**
- The extent to which the force is **legitimate** at keeping people safe and reducing crime is **good**

The Force has a system to actively monitor the areas for improvement / recommendations made by HMIC and updates are regularly provided to the Executive Group.

Force management statements (FMSs) will be a new source of evidence for the PEEL inspection programme. A number of police forces have been involved in the development of FMS's, which will simplify, strengthen and streamline the information that forces are asked to provide. They will enable HMICFRSFRS to make decisions about which areas of a force's work present the greatest risk, and to design PEEL inspection fieldwork and analysis accordingly. This will mean more focused inspection fieldwork, and, in well-managed forces, less of it.

The force will be submitting its first Force Management Statement early in June 2018.

### *Collaborative arrangements*

In 2017/18 there were a number of tri-force arrangements in place, particularly in relation to Finance, HR and ICT. A decision was taken in the year to move away from this delivery model and these arrangements officially ended on 31 March 2018.

### *High priority strategic risks*

At the end of March 2018 the Strategic Risk Register highlighted three strategic risks that were judged to be high priority. They were:

- The failure to transition to the national Emergency Services Network (ESN)
- The management of the archive provision
- A failure to accurately record crime

All three of these risks are being managed through the Strategic Organisation Risk Board (SORB) and the JARAP.

### *Conclusion*

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Simon Cole**  
**Chief Constable**  
**July 2018**

**Paul Dawkins**  
**Chief Finance Officer**  
**July 2018**