

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

PAPER MARKED

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Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF THE CHIEF CONSTABLE
Subject	ANNUAL GOVERNANCE STATEMENTS
Date	WEDNESDAY 29 JULY 2020 – 10:00AM
Author :	MR PAUL DAWKINS

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.
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

Draft PCC Annual Governance Statement 19-20
Draft CC Annual Governance Statement 19-20

Background Papers

None

Person to Contact

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Introduction

In the financial year 2019-20, 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 third 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 (CGF) 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 CGF has been reviewed and updated during 2019-20 following extensive consultation. The revised version will be ratified in July 2020.

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;
- Ensuring that there is an effective Internal Audit function.

During 2019-20, 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, for 2019-20, Mazars attended the Strategic Organisation Risk Board (SORB) as the force and the OPCC strengthened and embedded further the risk management processes in operation.

Mazars also attended Regional CFO and Finance Director meetings to update on the progress of 2019-20 Regional Collaboration audits and the Regional Collaboration Internal Audit Plan and the proposed workplan and timescales for 2020-21.

The effectiveness of audit committees should be carried out periodically. Mazars undertook an effectiveness review audit during 2017-18 with the next one planned to take place during 2021/22. In the 2017-18, the review, Mazars 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.”

A further self-assessment effectiveness review was undertaken by the OPCC and JARAP members during 2019/20 using CIPFA guidance. The findings were reported to the JARAP at its meeting on 23 October 2019. Overall, the review concluded that the JARAP is operated in an effective manner. Moreover, External audit (Ernst & Young LLP) commented “the JARAP has improved its effectiveness.....over the past couple of years.”

The 2020-21 Internal Audit Plan will be considered and approved at the JARAP meeting to be held on 29 July 2020. 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 Strategic Organisation Risk Board (SORB), 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 sets out the priorities for the Chief Constable to deliver against. 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), the Crime and Operations Effectiveness meeting as well as 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 2020 which detailed the approach to engagement with partners and to commissioning appropriate outcomes through third party providers;

- A Commissioning Framework developed for 2018-21 to support the delivery and priorities of the 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 with the former being 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 and therefore resources are directed towards risk and emerging issues; and where the plan is shaped by both the OPCC and the OCC;
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- External reviews and inspections carried out by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (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 an Anti-Fraud, Bribery and Corruption Policy in addition to a 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 DPCC 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 the Commissioning Framework. It informs where resources are most needed and targets investment into priority areas.

The PCC has a Minimum Revenue Policy, a Reserves Strategy and a Treasury Management Strategy and these are all 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 these policies 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) and the Crime and Operations Effectiveness meetings 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.

In this last financial year the Office of the PCC has employed a new Performance Manager who is provided a greater level and depth of scrutiny to the performance information provided by the Force.

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. Over the last year the Strategic Organisation Risk Board has been re-invigorated and takes a greater role in effectively managing risks being faced by the force and the OPCC and reports up to JARAP on a regular basis with their findings.

There are joint policies in place for Anti-Fraud, 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) was subject to the continued implementation of the new staffing structure that was agreed in 2017-18. There were a number of vacancies within the structure during 2019-20. A further structural review will be undertaken during 2020/21.

The OPCC and OCC continued to invest in an Internal Audit programme in 2019-20 which continued to give assurance under the arrangements for the two corporation soles. These ensured specific local audits on:

- Pension Provider
- Workforce Planning & Absence Management
- Recruitment
- Complaints Management
- Custody Arrangements
- Partnerships
- Core Financials
- Payroll
- Payroll Provider
- Learning & Management Development
- Performance Management
- Health & Safety

During 2019-20, the following collaborative audits or specific assignments were carried out:

- Performance Management
- Health & Safety

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 2019 to 31 March 2020 and will be reported to and considered by the JARAP in July 2020. 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 2019-20 were as follows:

"Based on the Internal Audit work undertaken for Leicestershire to date, in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31st March 2020, 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 a specific audit of Corporate Governance was not carried during 2019/20, as part of the 2018/19 Internal Audit plan we undertook an audit of the controls and processes in place in respect of corporate governance. The specific areas that formed part of this review included: governance framework, policies and procedures, roles and responsibilities and decision making. We concluded that there is a basically sound system of internal control, although there are weaknesses which put some of the Organisation's objectives at risk.

Through the delivery of the internal audit plan and attendance at JARAP and Strategic Operational Risk Board (SORB) 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 31st March 2020."

Risk Management

"Whilst a specific audit of risk management was not carried during 2019/20, as part of the 2017/18 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 and processes tested were being consistently applied. This area is due to be audited as part of the 2020/21 internal audit plan.”

Additionally, during the course of delivering the 2019/20 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 2019/20 year, all 15* internal audits were rated either ‘significant’ or ‘satisfactory’ with regards our assurance opinion. In addition, the three collaborative audits covering the East Midlands are still to be finalised.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2019/20, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits. The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2018/19, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits.”

Leicestershire Only

Assurance Gradings	2019/20	
Significant	6	40%
Satisfactory	11	60%
Limited	0	0%
Nil	0	0%
Total	16*	

* One report still to be issued.

Collaboration Audits

Assurance Gradings	2019/20	
Significant	0	0%

Satisfactory	2**	100%
Limited	0	0%
Nil	0	0%
Total	2**	

* One report still to be issued. **Draft gradings still to be confirmed.

Issues relevant to Annual Governance Statement

“The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force’s overall assurance framework and assists in preparing an informed statement on internal control. Internal Audit, through its annual programme of activity, has a duty to bring to your attention any areas of weakness we believe should be considered when producing the Annual Governance Statement.”

Restriction placed on the work of Internal Audit

As set out in the Audit Charter, we can confirm that Internal Audit had unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considered necessary to fulfil its responsibilities.”

External audit (Ernst & Young LLP) issued their ‘Annual Audit Letter for the year ended 31 March 2019’ in October 2019 and this was considered by the JARAP at their meeting held on 23 October 2019. The letter summarised the results of their 2018-19 audit and built on the ‘Audit Results Report’ considered by the JARAP at their meeting on the 24 July 2019. It reported that:

- *‘Unqualified - the financial statements give a true and fair view of the financial position of the PCC, CC, Group and Pension Fund as at 31 March 2019 and of its expenditure for the year then ended;*
- *other information published with the financial statements was consistent with the Annual Accounts;*
- *we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you;*
- *from our work we determined that the PCC and CC had adequate arrangements to respond to the risks of securing its medium to longer term financial resilience;*
- *the PCC and CC complied with the 2015 Accounts and Audit regulations in their notice of audit;*
- *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 did not identify any issues;*

- *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 discussed verbally on 24 July 2019 and revised for the outcome of the audit on the 16th September 2019;*
- *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 16 September 2019.'*

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 2020, reviewed their terms of reference and produced an annual report of their work.

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 and reports on specific areas of risk or concern.

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 2019-20 our internal auditors, Mazars, carried out 17 audits (one still outstanding) and as detailed on the table earlier none of them were given limited assurance. This was also the case during 2018-19 which indicates a sound internal control environment. As a result it is concluded that there are no significant issues or actions that need to be highlighted as part of this Annual Governance Statement.

Police and Crime Plan and Resources

It was also highlighted in the previous year that the medium term financial outlook showed an anticipated deficit emerging over the life of the forecast. However, the Police Precept and Budget was agreed by the Police and Crime Panel on 5 February 2020 which demonstrated that by increasing the precept by the maximum allowed, and through the prudent use of reserves, the medium term financial outlook now showed a balanced position over the life of the forecast which was until 31 March 2024.

However, this position will be reviewed and updated on a regular basis and is likely to change over time given uncertainty about the impact of the Covid 19 pandemic, Brexit and the impending Comprehensive Spending Review.

HMICFRS Inspections and Force Performance

In May 2019 HMICFRS issued their latest 'Police effectiveness, efficiency and legitimacy (PEEL) inspection for the financial year 2018-19. The inspection looks at the effectiveness, efficiency and legitimacy of the force and provides a judgement using the following assessment:

- Outstanding
- Good
- Requires improvement
- Inadequate

The inspection delivered the following results for Leicestershire Police:

- How **effectively** does the force reduce crime and keep people safe? Inspection result – **Good**
- How **efficiently** does the force operate and how sustainable are its services? Inspection result – **Good**
- How **legitimately** does the force treat the public and its workforce? Inspection result – **Good**

This result is an improvement on the previous PEEL inspection which concluded that the force was '**good**' in effectiveness and legitimacy but '**required improvement**' in efficiency.

The full inspection report can be found at the following link:

<https://www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/peel-assessment-2018-19-leicestershire.pdf>

There have no further HMICFRS inspections in this area since.

High priority strategic risks

At the end of March 2019 the Strategic Risk Register highlighted 11 strategic risks that were judged to be high priority. They were:

- Churn of staff and establishment pressure
- Inability to meet regional OHU demand
- Management of geographical information
- CSI capacity and lack of accreditation
- Ineffective tracking of force assets
- Capacity in IT to support digital transformation
- Implementation of JES Scheme
- Evolving digital sophistication
- Maintaining workforce wellbeing
- Back-up generators with unsuitable diesel
- Complying with Home Office counting rules

All 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 HMICFRS. It is intended to provide assurance that the overall arrangements in place are sound whilst highlighting some areas that do require further management action. These will be monitored closely over the next financial year.

Lord Willy Bach
Police and Crime Commissioner

xx July 2020

Paul Hindson
Chief Executive, OPCC

xx July 2020

Paul Dawkins
Chief Finance Officer, OPCC

xx July 2020

1) Scope of Responsibility

The Chief Constable (CC) of Leicestershire is responsible for the delivery of policing services 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.

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 2019/20 has been reviewed and updated following extensive consultation. The revised version will be ratified in July 2020

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.

During 2019/20, 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, for 2019/20, Mazars attended the Strategic Organisation Risk Board (SORB) as the force and the OPCC strengthened and embedded further the risk management processes in operation.

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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 Strategic Organisation Risk Board (SORB), 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 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;
- Appropriately qualified 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 22nd 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 CC's Chief Financial Officer also undertakes the statutory functions on behalf of the PCC.

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 2019/20 which provided assurance under the new arrangements for two corporation soles. The following specific local audits were undertaken:

- Pension Provider
- Workforce Planning & Absence Management

- Recruitment
- Complaints Management
- Custody Arrangements
- Partnerships
- Core Financials
- Payroll
- Payroll Provider
- Learning & Management Development
- Performance Management
- Health & Safety

During 2019/20, the following collaborative audits were carried out:

- Performance Management
- Health & Safety

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 2019 to 31 March 2020 and will be reported to and considered by the JARAP in July 2020. 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 2019/20 were as follows:

"From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31st March 2020, 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 a specific audit of Corporate Governance was not carried during 2019/20, as part of the 2018/19 Internal Audit plan we undertook an audit of the controls and processes in place in respect of corporate governance. The specific areas that formed part of this review included: governance framework, policies and procedures, roles and responsibilities and decision making. We concluded that there is a basically sound system of internal control, although there are weaknesses which put some of the Organisation’s objectives at risk.

Through the delivery of the internal audit plan and attendance at JARAP and Strategic Operational Risk Board (SORB) 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 31st March 2020.”

Risk Management

“Whilst a specific audit of risk management was not carried during 2019/20, as part of the 2017/18 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 and processes tested were being consistently applied. This area is due to be audited as part of the 2020/21 internal audit plan.”

Additionally, during the course of delivering the 2019/20 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 2019/20 year, all 15 internal audits were rated either ‘significant’ or ‘satisfactory’ with regards our assurance opinion. In addition, the three collaborative audits covering the East Midlands are still to be finalised.*

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2019/20, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits. The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2018/19, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits.”

Leicestershire Only

Assurance Gradings	2019/20	
Significant	6	40%
Satisfactory	11	60%
Limited	0	0%

Nil	0	0%
Total	16*	

* One report still to be issued

Collaboration Audits

Assurance Gradings	2018/19	
Significant	0	0%
Satisfactory	2**	100%
Limited	0	0%
Nil	0	0%
Total	2*	

* One report still to be issued. **Draft gradings still to be confirmed.

Issues relevant to Annual Governance Statement

“The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force’s overall assurance framework and assists in preparing an informed statement on internal control. Internal Audit, through its annual programme of activity, has a duty to bring to your attention any areas of weakness we believe should be considered when producing the Annual Governance Statement.”

Restriction placed on the work of Internal Audit

As set out in the Audit Charter, we can confirm that Internal Audit had unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considered necessary to fulfil its responsibilities.”

External audit (Ernst & Young LLP) issued their 'Annual Audit Letter for the year ended 31 March 2019' in October 2019 and this was considered by the JARAP at their meeting held on 23 October 2019. The letter summarised the results of their 2018/19 audit and built on the 'Audit Results Report' considered by the JARAP at their meeting on the 24 July 2019. It reported that:

- *'Unqualified - the financial statements give a true and fair view of the financial position of the PCC, CC, Group and Pension Fund as at 31 March 2019 and of its expenditure for the year then ended;*
- *other information published with the financial statements was consistent with the Annual Accounts;*
- *we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you;*
- *from our work we determined that the PCC and CC had adequate arrangements to respond to the risks of securing its medium to longer term financial resilience;*
- *the PCC and CC complied with the 2015 Accounts and Audit regulations in their notice of audit;*
- *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 did not identify any issues;*
- *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 discussed verbally on 24 July 2019 and revised for the outcome of the audit on the 16th September 2019;*
- *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 16 September 2019'.*

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 2020, reviewed their terms of reference and produced an annual report of their work.

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 and reports on specific areas of risk or concern.

5) Significant Governance Issues

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

In 2019/20 the internal auditors, Mazars, carried out 17 audits (one still outstanding) and as detailed on the table earlier none of these were given limited assurance. This was also the case during 2018/19 which indicates a sound internal control environment. As a result it is concluded that there are no significant issues or actions that need to be highlighted as part of this Annual Governance Statement.

Police and Crime Plan and Resources

It was also highlighted in the previous year that the medium term financial outlook showed an anticipated deficit emerging over the life of the forecast. However, the Police Precept and Budget was agreed by the Police and Crime Panel on 5 February 2020 which demonstrated that by increasing the precept by the maximum allowed, and through the prudent use of reserves, the medium term financial outlook now showed a balanced position over the life of the forecast which was until 31 March 2024.

However, this position will be reviewed and updated on a regular basis and is likely to change over time given uncertainty about the impact of the Covid 19 pandemic, Brexit and the impending Comprehensive Spending Review.

HMIC Inspections and Force Performance

In May 2019 HMICFRS issued their latest 'Police effectiveness, efficiency and legitimacy (PEEL)' inspection results for the Force:

- How **effectively** does the force reduce crime and keep people safe? Inspection result – **Good**
- How **efficiently** does the force operate and how sustainable are its services? Inspection result – **Good**
- How **legitimately** does the force treat the public and its workforce? Inspection result – **Good**

This result is an improvement on the previous PEEL inspection which concluded that the force was '**good**' in effectiveness and legitimacy but '**required improvement**' in efficiency.

The full inspection report can be found at the following link:

<https://www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/peel-assessment-2018-19-leicestershire.pdf>

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.

[There have no further HMICFRS inspections in this area since.](#)

High priority strategic risks

At the end of March 2019 the Strategic Risk Register highlighted 11 strategic risks that were judged to be high priority. They were:

- Churn of staff and establishment pressure
- Inability to meet regional OHU demand
- Management of geographical information
- CSI capacity and lack of accreditation
- Ineffective tracking of force assets
- Capacity in IT to support digital transformation
- Implementation of JES Scheme
- Evolving digital sophistication
- Maintaining workforce wellbeing
- Back-up generators with unsuitable diesel
- Complying with Home Office counting rules

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 CC 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 HMICFRS. It is intended to provide assurance that the overall arrangements in place are sound whilst highlighting some areas that do require further management action. These will be monitored closely over the next financial year.

Simon Cole
Chief Constable
XX July 2020

Paul Dawkins
Chief Finance Officer
XX July 2020